

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2019

June 26, 2019

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, 2019 ("consolidated financial statements").

The following MD&A is the responsibility of Management and is as at June 26, 2019. 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 various Clairvest Equity Partnerships (together, the "CEP Funds") in carefully selected companies that have the potential to generate superior returns. These Partnerships include the following:

- 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")
- Clairvest Equity Partners V-A Limited Partnership ("CEP V-A")
- Clairvest Equity Partners VI Limited Partnership ("CEP VI")
- Clairvest Equity Partners VI-A Limited Partnership ("CEP VI-A")
- Clairvest Equity Partners VI-B Limited Partnership ("CEP VI-B")

The Company concluded that its ownership interests in the CEP Funds, which meet the definition of structured entities under International Financial Reporting Standards ("IFRS"), 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. 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.
- Clairvest Funds GP 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:

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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")  
CEP V Co-Investment Limited Partnership ("CEP V Co-Invest")  
MIP V Limited Partnership ("MIP V")  
CEP VI Co-Investment Limited Partnership ("CEP VI Co-Invest")  
MIP VI Limited Partnership ("MIP VI")  
Clairvest Special Limited Partner VI Limited Partnership ("CEP SLP VI")

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, CEP V Co-invest and MIP V, and CEP VI Co-Invest, MIP VI and CEP SLP VI are described in the Transaction with Related Parties and Off-Statement of Financial Position Arrangements section of the MD&A.

As at March 31, 2019, Clairvest, through these acquisition entities, had 16 core investments in 8 different industries and 4 countries. One was a joint investment with CEP III, five were joint investments with CEP IV and CEP IV-A (together, the "CEP IV Fund"), and eight were joint investments with CEP V, CEP V India and CEP V-A (together, the "CEP V Fund"). Clairvest also held an investment in the Grey Eagle Casino and a residual interest in Wellington Financial.

The table below summarizes Clairvest's direct and indirect investee companies ("investee companies") as at March 31, 2019:

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## SUMMARY OF CLAIRVEST'S INVESTEE COMPANIES AS AT MARCH 31, 2019

Investee Company	Industry Segment	Geographic Segment	Ownership Percentage <sup>(1)</sup>	Cost of Investment (millions)	Net Cash Investment (millions) <sup>(2)</sup>	Fair Value of Investment (millions) <sup>(2,3)</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%	\$ 27.8	\$ 13.8	\$ 61.8	An investment vehicle which holds an equity interest in various gaming entertainment complexes in Chile. <b>CEP III ownership: 37.7%</b>
<b>INVESTMENTS MADE BY CEP IV CO-INVEST ALONGSIDE CEP IV/CEP IV-A</b>							
Centaur Gaming <sup>(2)</sup>	Gaming	United States	N/A	\$ —	\$ —	\$ 7.8	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. Clairvest, CEP IV and CEP IV-A realized their investment in Centaur Gaming during fiscal 2019.
County Waste of Virginia, LLC ("County Waste") <sup>(3)</sup>	Waste Management	United States	13.0%	\$ 14.8	\$ 14.8	\$ 31.2	A private regional solid waste collection company servicing customers in the states of Virginia and Pennsylvania. <b>CEP IV and CEP IV-A ownerships: 30.7% and 4.9% respectively</b>
Davenport Land Investments <sup>(4)</sup>	Other	United States	18.7% (Davenport North) & 13.4% (Davenport South)	\$ 2.2	\$ 1.9	\$ 3.2	Comprised two entities ("Davenport North" and "Davenport South") holding real estate surrounding a casino in Davenport, Iowa. <b>CEP IV and CEP IV-A ownerships: 44.1% and 7.0% of Davenport North and 31.6% and 5.0% of Davenport South respectively</b>
Northco / Top Aces <sup>(5)</sup>	Specialty Aviation & Defence Services	Canada	38.7% / 23.9%	\$ 59.1	\$ 11.6	\$ 55.9	Northco is a specialty aviation services company operating across Canada. Top Aces is a supplier of advanced adversary services across three continents. <b>CEP IV and CEP IV-A ownerships: 49.9% and 7.9% of Northco respectively 29.1% and 4.6% of Top Aces respectively</b>
Impero Waste Systems, LLC ("Impero Waste") <sup>(6)</sup>	Waste Management	United States	6.0%	\$ 3.0	\$ (2.0)	\$ 0.5	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: 14.4% and 2.3% respectively</b>
Momentum Solutions <sup>(7)</sup>	Specialty Aviation & Defence Services	Canada	4.4%	\$ —	\$ —	\$ 0.8	Momentum Solutions is a Toronto based, interconnected global network of leading strategic support companies. <b>CEP IV and CEP IV-A ownerships: 10.3% and 1.6% respectively</b>
New Meadowlands Racetrack LLC (the "Meadowlands") <sup>(8)</sup>	Gaming	United States	Equity investment rights	\$ 6.4	\$ 4.2	\$ 10.7	Operates North America's premier standardbred horse racing track located in East Rutherford, New Jersey. <b>CEP IV and CEP IV-A ownerships: equity investment rights</b>

(1) Clairvest held 30,446,299 units of Chilean Gaming Holdings, a partnership which held a 50% interest in each of Casino Marina del Sol and Casino Chillan and a 73.8% interest in each of Casino Osorno and Casino sol Calama.

(2) Clairvest realized its investment Centaur Gaming during fiscal 2019 and received cash proceeds totaling US\$166.8 million. As at March 31, 2019, Clairvest is entitled to deferred consideration on the sale of up to US\$8.4 million through to July 2021.

(3) Clairvest held 7,374.67 Class B units, a US\$1.7 million promissory note with a stated interest rate of 12% per annum and a US\$2.7 million convertible promissory note with a stated interest rate of 15% 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 \$22.0 million in convertible debentures of Northco with a stated interest rate of 10% per annum and a fee of 2% per annum, and 3,867 common shares of Northco. Clairvest also held 667,9553 common shares of Top Aces.

(6) Clairvest held 4,817.86 Class A units of Impero Waste. The investment was realized subsequent to year-end.

(7) Clairvest held 4,477 common shares of Momentum Solutions.

(8) Clairvest held US\$5.4 million in secured convertible debentures of the Meadowlands with a stated interest rate of 15% per annum and US\$0.7 million in 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.

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Investee Company	Industry Segment	Geographic Segment	Ownership Percentage <sup>(19)</sup>	Cost of Investment (millions)	Net Cash Investment (millions) <sup>(20)</sup>	Fair Value of Investment (millions) <sup>(21)</sup>	Description of Business
<b>INVESTMENTS MADE BY CEP V CO-INVEST ALONGSIDE CEP V/CEP V India/CEP V-A</b>							
Accel Entertainment Inc. ("Accel Entertainment") <sup>(9)</sup>	Gaming	United States	7.6%	\$ 16.0	\$ 16.0	\$ 36.1	A licensed video gaming terminal operator in Illinois. <b>CEP V and CEP V-A ownerships:</b> 14.9% and 2.8% respectively
Also Energy, Inc. ("Also Energy") <sup>(11)</sup>	Renewable Energy	United States	10.0%	\$ 11.6	\$ 11.6	\$ 12.5	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> 19.7% and 3.7% respectively
Digital Media Solutions, LLC ("Digital Media Solutions") <sup>(12)</sup>	Marketing Services	United States	13.8%	\$ 1.0	\$ (5.8)	\$ 10.1	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> 27.1% and 5.1% respectively
GTA Gaming <sup>(13)</sup>	Gaming	Canada	0.6% (Ontario Gaming GTA) & 13.5% (Ontario Gaming West GTA)	\$ 9.0	\$ 7.5	\$ 9.0	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
Head Digital Works Pvt. Ltd. ("Head Digital Works") <sup>(10)</sup>	Gaming	India	32.7%	\$ 46.8	\$ 42.5	\$ 43.6	An internet-based technology and gaming company with ownership interest in Ace2Three, a leading platform for online rummy, FanFight, a growing platform for Daily Fantasy Sport, and Cricket.com, a leading site for cricket analytics, and WittyGames, delivering a mobile social gaming experience. <b>CEP V India and CEP V-A ownerships:</b> 34.3% and 8.4% respectively
Meriplex Communications, Ltd. ("Meriplex Communications") <sup>(14)</sup>	Information Technology	United States	18.1%	\$ 6.7	\$ 6.7	\$ 7.0	A company based in Houston, Texas that designs, installs and manages complex networking solutions for businesses. <b>CEP V and CEP V-A ownerships:</b> 35.5% and 6.7% respectively
Right Time Heating and Air Conditioning Canada Inc. ("Right Time HVAC") <sup>(15)</sup>	Residential Services	Canada	15.0%	\$ 6.4	\$ 6.4	\$ 6.4	A Canadian independent heating, ventilation and air-conditioning contractor operator out of seven locations in Ontario and Manitoba and focused strictly on the residential replacement market. <b>CEP V and CEP V-A ownerships:</b> 29.4% and 5.6% respectively
Winters Bros. Waste Systems of Long Island Holdings, LLC ("Winters Bros. of LI") <sup>(16)</sup>	Waste Management	United States	14.0%	\$ 10.6	\$ 10.6	\$ 11.6	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

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

(10) Clairvest held 202,230 common shares of Head Digital Works and \$13.7 million in compulsory convertible debentures with a stated interest rate of 16% per annum.

(11) Clairvest held 1,013,062 Series A preferred stock, 20,080 Series A common shares of Also Energy and a promissory note with a stated interest rate of 10% per annum from 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 5,250 common shares of Meriplex Communications.

(15) Clairvest held 6,375,000 Class A preferred shares of Right Time HVAC.

(16) 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.

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Investee Company	Industry Segment	Geographic Segment	Ownership Percentage <sup>(19)</sup>	Cost of Investment (millions)	Net Cash Investment (millions) <sup>(20)</sup>	Fair Value of Investment (millions) <sup>(21)</sup>	Description of Business
<b>STANDALONE INVESTMENTS</b>							
Grey Eagle Casino <sup>(17)</sup>	Gaming	Canada	Equity participation	\$ 11.0	\$ (3.8)	\$ 8.4	A casino on Tsuu T'ina First Nation reserve lands, located southwest of the city of Calgary, Alberta.
Wellington Financial <sup>(18)</sup>	Financial Services	Canada	N/A	\$ 0.2	\$ (24.8)	\$ 2.9	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>				\$ 0.5	\$ 0.5	\$ 20.0	
<b>TOTAL</b>				\$ 233.1	\$ 111.7	\$ 339.5	

(17) 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.

(18) Clairvest held a limited partner interest in each of 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.

(19) Ownership percentage calculated on a fully diluted basis as at March 31, 2019.

(20) 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.

(21) 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 2019**

An overview of the significant events during fiscal 2019 and those which occurred subsequent to year-end follows:

**Overall and Corporate**

- Clairvest's book value increased by \$111.4 million, or \$7.43 per share, to \$778.7 million or \$51.44 per share. The increase was primarily due to net income and comprehensive income ("net income") of \$7.87 per share, net of \$0.4401 per share in dividends paid. Inclusive of dividends paid, Clairvest's book value increased by 17.9% during fiscal 2019. For the fiscal year ended March 31, 2019, Clairvest recorded \$204.2 million in total revenue and \$119.2 million in net income, compared to \$208.2 million and \$123.8 million, respectively, in the prior fiscal year.
- During fiscal 2019, 26,500 common shares were purchased and cancelled under the previous normal course issuer bid at an average price of \$45.31 per share, reducing the number of common shares outstanding to 15,136,495. In March 2019, Clairvest filed a new normal course issuer bid enabling it to make market purchases of up to 760,747 of its common shares in the 12-month period commencing March 7, 2019. No purchases had been made under this bid to March 31, 2019 and June 26, 2019.
- During fiscal 2019, Clairvest paid an annual ordinary dividend of \$0.10 per share and a special dividend of \$0.3401 per share. The dividends were paid on July 25, 2018 to common shareholders of record as of July 6, 2018. The dividends were eligible dividends for Canadian income tax purposes.

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

- As at March 31, 2019 and June 26, 2019, 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 ("on a net basis"). CEP III continues to hold one investment as at June 26, 2019. Based on the fair value as at March 31, 2019, CEP III is expected to generate approximately 2.5 times invested capital or an IRR of over 18% for its third-party investors on a net basis.
- Subsequent to year end, Clairvest and CEP III announced they have entered into a memorandum of understanding to merge Chilean Gaming Holdings with Sun Dreams S.A., creating one of the largest gaming operators in South America. The merger is subject to several key conditions, including completion of due diligence and entering into definitive documentation. Chilean Gaming Holdings is the remaining investment in CEP III.

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

- As at March 31, 2019, the CEP IV Fund had realized or partially realized 7 of its 11 investments, and had returned over 2.4 times invested capital to its third-party investors. Based on the fair value as at March 31, 2019, the CEP IV Fund is expected to generate approximately 3 times invested capital or an IRR of approximately 24% for its third-party investors on a net basis.
- During fiscal 2019, Clairvest / CEP IV Co-Invest and the CEP IV Fund generated total cash proceeds of approximately \$900 million, primarily due to the successful exits from MAG Aerospace, Centaur Gaming and Rivers Casino, as described below, and interest payments and distributions received from other investments.
- In June 2018, Clairvest and the CEP IV Fund completed the sale of MAG Aerospace, a U.S. based specialty aviation and intelligence, surveillance and reconnaissance service provider, for total sale proceeds of US\$112 million. The sale, in U.S. dollar terms, generated 8.3 times invested capital, or a 57% IRR over the 5-year holding period. In Canadian dollar terms, CEP IV Co-Invest received total sale proceeds of \$38.2 million against the cost of its equity investment of \$4.0 million, or 9.5 times invested capital. Further details are on page 13 of the MD&A.
- In July 2018, Clairvest and the CEP IV Fund completed the sale of Centaur Gaming, the owner and operator of the Hoosier Park Racing & Casino and the Indiana Grand Casino and Indiana Downs Racetrack, both located in the state of Indiana. The total sale proceeds received by CEP IV Co-Invest and the CEP IV Fund were US\$417 million. CEP IV Co-Invest received sale proceeds of US\$167 million and is entitled to deferred consideration of up to US\$8.4 million payable through to July 2021, against its cost of investment of US\$26.5 million, which comprised a US\$10.5 million (C\$14.7 million) net investment in November 2010 and a US\$16.0 million (C\$20.0 million) follow-on investment in November 2016. In Canadian dollar terms, CEP IV Co-Invest received cash proceeds of \$219.3 million, generating over 6

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times invested capital on the aggregate investment, or a 30% IRR over the life of the investment. Further details are on page 13 of the MD&A.

- In March 2019, Clairvest and the CEP IV Fund completed the sale of Rivers Casino, a gaming entertainment complex located in Des Plaines, Illinois. The total sale proceeds received by CEP IV Co-Invest and the CEP IV Fund were US\$138 million. CEP IV Co-Invest received sale proceeds of US\$36 million (C\$47 million) on the sale, against its cost of investment of \$9.1 million. Including the \$45.4 million in distributions received by CEP IV Co-Invest through the 9-year investment horizon, the investment generated a 46% IRR, or 8.4 times invested capital. Further details are on page 15 of the MD&A.

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

- During fiscal 2019, the CEP V Fund completed three new investments and partially realized on an existing investment as described below. As at June 26, 2019, the CEP V Fund had made 8 investments, representing approximately 51% of its committed capital.
- In May 2019, Ontario Gaming West GTA Limited Partnership ("OWGTALP") completed the acquisition of four gaming facilities in the West Greater Toronto Area (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, the operator of these gaming facilities owning 55%. CEP V Co-Invest invested \$8.8 million in OWGTALP for a 13.5% ownership. Further details are described on page 16 of the MD&A.
- In October 2018, CEP V Co-Invest and the CEP V Fund invested US\$17.6 million (C\$22.3 million) in Meriplex Communications Ltd. ("Meriplex"). CEP V Co-Invest invested US\$5.3 million (C\$6.7 million) in Meriplex in the form of 5,250 common shares for a 18.1% ownership interest in Meriplex. Further details are described on page 17 of the MD&A.
- In November 2018, CEP V Co-Invest and the CEP V Fund invested \$21.3 million in Right Time Heating and Air Conditioning Canada Inc. ("Right Time HVAC"). CEP V Co-Invest invested \$6.4 million in Right Time HVAC in the form of 6,375,000 Class A Preferred Shares which are convertible into a 15.0% ownership interest in Right Time HVAC. Further details are described on page 17 of the MD&A.
- During fiscal 2019, CEP V Co-Invest and the CEP V Fund received US\$31.3 million (C\$41.3 million) in distributions from Digital Media Solutions following a dividend recapitalization, CEP V Co-Invest's portion of which was US\$9.4 million (C\$12.4 million). Further details are described on page 16 of the MD&A.

## OUTLOOK

As at March 31, 2019, Clairvest and its controlled acquisition entities had \$886.5 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.

In April 2019, Clairvest announced the successful fundraising of the CEP VI Fund at the hard cap of US\$850 million. Clairvest, through CEP VI Co-Invest, has committed US\$230 million alongside US\$620 million of third-party capital to form the CEP VI Fund. The CEP VI Fund will be the successor fund to the CEP V Fund. As at June 26, 2019, the CEP VI Fund had not made any investments.

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. As at June 26, 2019, Clairvest's current management team has made 47 platform investments and has realized or partially realized on 35 investments which have in aggregate generated 3.6 times invested capital.

The table below summarizes the status of the CEP Funds as at June 26, 2019:

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**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	C\$225	C\$75	C\$300	79.8%	8	1
Clairvest Equity Partners IV ("CEP IV")	2010	C\$342	C\$125	C\$467	89.8%	11	5
Clairvest Equity Partners V ("CEP V")	2015	C\$420	C\$180	C\$600	51.0%	8	8
Clairvest Equity Partners VI ("CEP VI")	To be determined	US\$620	US\$230	US\$850	0.0%	—	—

**FINANCIAL CONDITION AND BOOK VALUE**

The following table summarizes the Company's financial position and book value as at March 31, 2019 and 2018:

**Financial Position**

As at, (\$000's, except number of shares and per share amounts)	March 31, 2019	March 31, 2018
Cash, cash equivalents, temporary investments and restricted cash ("treasury funds")	\$ 452,325	\$ 147,924
Carried interest	56,484	127,900
Corporate investments, at fair value	366,279	515,172
Total assets	911,253	834,889
Management participation	42,599	91,267
Total liabilities	132,561	167,568
Book value	778,692	667,321
Book value per share	51.44	44.01
Dividends per share paid during the fiscal year ended	0.4401	0.3621
Number of common shares outstanding	15,136,495	15,162,995

As at March 31, 2019, Clairvest had total assets of \$911.3 million, an increase of \$76.4 million during fiscal 2019. The increase was primarily due to net gain on investment realizations and a net increase in the fair value of Clairvest's investee companies.

As at March 31, 2019, the Company's treasury funds of \$452.3 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 \$39.1 million in cash, investment savings accounts and guarantee investment certificates with consistent ratings to the Company's treasury funds. Clairvest also had access to \$8.8 million in cash held in various other acquisition entities which are 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 2023 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, 2019 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, 2019.



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As at March 31, 2019, Clairvest had corporate investments with a fair value of \$366.3 million, a decrease of \$148.9 million during fiscal 2019, \$339.5 million of which represented the fair value of Clairvest's investee companies and the remaining \$26.7 million of which represented other net assets (liabilities) held by Clairvest's acquisition entities. The decrease in the fair value of corporate investments is primarily due to investment realizations and the subsequent distributions made by Clairvest's acquisition entities.

Excluding net assets (liabilities) held by Clairvest's acquisition entities, the aggregate carrying value of Clairvest's investee companies decreased by \$169.0 million during fiscal 2019, which primarily comprised the following:

- The sale of Centaur Gaming which had a carrying value of \$192.4 million as at March 31, 2018 compared to a carrying value of \$7.8 million at March 31, 2019, which represented the present value of the deferred consideration to be received through to July 2021;
- The sale of Rivers Casino which had a carrying value of \$23.8 million as at March 31, 2018;
- The sale of MAG Aerospace which had a carrying value of \$21.2 million as at March 31, 2018;
- Net proceeds of \$10.1 million from Northco/Top Aces;
- Partial repayment of the Head Digital Works compulsory convertible debentures ("CCD") of \$9.1million;
- A dividend recapitalization of Digital Media Solutions resulting in a return of capital of \$7.3 million;
- Foreign exchange revaluations of investee companies totalling \$6.2 million; partially offset by
- Net increase in unrealized gain on investee companies of \$52.1 million;
- Accrued interest on debt investments and dividends totalling \$10.0 million;
- An investment of \$8.4 million in GTA Gaming;
- An investment of \$6.7 million in Meriplex Communications;
- An investment of \$6.4 million in Right Time HVAC;
- Follow-on investments totalling \$5.6 million in Also Energy; and
- A follow-on investment of \$3.5 million in County Waste.

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, enter into hedging positions against these foreign denominated currencies. For the year ended March 31, 2019, 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 40% of its investment in Chilean Gaming Holdings denominated in Chilean Pesos ("CLP") and its equity investment in Head Digital Works denominated in Indian Rupees ("INR"), both of which are unhedged. Forward exchange forward contracts are described in the Derivative Financial Instruments section of the MD&A.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The table below details the cost and fair value of Clairvest's investee companies as at March 31, 2019 and 2018:

	March 31, 2019			March 31, 2018		
	Fair value	Cost	Difference	Fair value	Cost	Difference
<b>CEP III CO-INVEST INVESTMENTS</b>						
Chilean Gaming Holdings <sup>(1)</sup>	\$ 61,785	\$ 27,748	\$ 34,037	\$ 60,113	\$ 28,754	\$ 31,359
<b>CEP IV CO-INVEST INVESTMENTS</b>						
Centaur Gaming	7,843	—	7,843	192,394	34,657	157,737
County Waste	31,199	14,831	16,368	19,776	11,314	8,462
Davenport Land Investments	3,254	2,196	1,058	3,018	2,196	822
Impero Waste	544	3,019	(2,475)	4,100	3,019	1,081
MAG Aerospace / Momentum Solutions	819	—	819	21,164	5,068	16,096
The Meadowlands	10,681	6,444	4,237	10,237	6,444	3,793
Northco / Top Aces	55,868	59,100	(3,232)	44,926	55,522	(10,596)
Rivers Casino	—	—	—	23,787	9,058	14,729
<b>CEP V CO-INVEST INVESTMENTS</b>						
Accel Entertainment	36,067	15,978	20,089	27,258	15,978	11,280
Also Energy	12,463	11,621	842	6,189	6,038	151
Digital Media Solutions	10,055	995	9,060	9,126	8,254	872
GTA Gaming	8,972	8,972	—	602	602	—
Head Digital Works	43,620	46,804	(3,184)	40,228	55,968	(15,740)
Meriplex Communications	7,016	6,732	284	—	—	—
Right Time HVAC	6,375	6,375	—	—	—	—
Winters Bros. of LI	11,647	10,636	1,011	9,764	10,636	(872)
Grey Eagle Casino <sup>(2)</sup>	8,351	11,017	(2,666)	11,331	11,017	314
Wellington Financial	2,955	154	2,801	3,626	—	3,626
	319,514	232,622	86,892	487,639	264,525	223,114
Other investments <sup>(3)</sup>	20,034	455	19,579	20,866	788	20,078
	\$ 339,548	\$ 233,077	\$ 106,471	\$ 508,505	\$ 265,313	\$ 243,192

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 currency-denominated investments. Significant activities of each investee company during fiscal 2019 were as follows:

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

As at March 31, 2019 and 2018, CEP III Co-Invest held 30,446,299 limited partnership units of Chilean Gaming Holdings, which has ownership interests in Casino Marina Del Sol, Casino Osorno, Casino Sol Calama, and Casino Chillán which is currently under construction. The limited partnership units held represent a 36.8% ownership interest in Chilean Gaming Holdings on a fully diluted basis.

During fiscal 2019, CEP III Co-Invest earned dividends totalling \$1.4 million through its interest in Chilean Gaming Holdings, bringing dividends earned to March 31, 2019 to \$15.4 million. Also during fiscal 2019, CEP III Co-Invest received a return of capital of \$1.0 million from Chilean Gaming Holdings which has been recorded as a reduction to the cost of the investment.

Also during fiscal 2019, management determined that the fair value of Chilean Gaming Holdings should be adjusted upward by \$7.2 million. The fair value of \$61.8 million as at March 31, 2019 compares to a fair value of

\$60.1 million at March 31, 2018 and a cost of \$27.7 million. The fair value is adjusted for foreign exchange fluctuations.

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

As at March 31, 2018, CEP IV Co-Invest 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 2019, CEP IV Co-Invest realized on its investment in Centaur Gaming and received cash proceeds totalling US\$166.8 million (C\$219.4 million), compared to the \$192.4 million carrying value as at March 31, 2018. CEP IV Co-Invest is also entitled to deferred consideration of up to US\$8.4 million through to July 2021, which is being fair valued at \$7.8 million as at March 31, 2019 and is adjusted for foreign exchange fluctuations. During fiscal 2019, the realization of Centaur Gaming, together with the fair value of the deferred consideration and net of foreign exchange gains (losses) inclusive of foreign exchange hedging activities, resulted in a \$30.0 million net investment gain for the Company.

**County Waste**

As at March 31, 2018, CEP IV Co-Invest held 7,374.67 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 13.0% ownership interest on a fully diluted basis. CEP IV Co-Invest also held a US\$1.7 million 12% promissory note from County Waste.

During fiscal 2019, CEP IV Co-Invest invested an additional US\$2.7 million (C\$3.5 million) in the form of a convertible promissory note with a stated interest rate of 15% per annum. Under the terms of the agreement, the convertible promissory note will be converted into equity units of County Waste if not repaid by December 31, 2020.

During fiscal 2019, CEP IV Co-Invest earned interest totalling \$0.4 million from the two promissory notes.

As at March 31, 2019, CEP IV Co-Invest held US\$1.7 million in 12% promissory notes and US\$2.7 million in 15% convertible promissory note 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. During fiscal 2019, the management determined that the fair value of County Waste should be adjusted upward by \$6.8 million. The fair value of \$31.2 million and a cost of \$14.8 million as at March 31, 2019 compare to a fair value of \$19.8 million and a cost of \$11.3 million as at March 31, 2018. The fair value is adjusted for foreign exchange fluctuations.

**Davenport Land Investments**

As at March 31, 2019 and 2018, CEP IV Co-Invest had a net investment of \$1.6 million in Davenport Land Investments. CEP IV Co-Invest had also advanced US\$0.6 million to a partner in the form of a promissory note to help fund its 50% ownership in Davenport North. The promissory note bears interest at a rate of 12% per annum.

The fair value of \$3.3 million as at March 31, 2019 compares to a fair value of \$3.0 million as at March 31, 2018 and a cost of \$2.2 million. The fair value is adjusted for foreign exchange fluctuations.

**Impero Waste**

As at March 31, 2018, CEP IV Co-Invest held 4,817.86 Class A units of Impero Waste, representing a 6.0% ownership interest on a fully diluted basis.

During fiscal 2019, the management determined that the fair value of Impero Waste should be adjusted downward by \$3.0 million. As at March 31, 2019, the fair value of \$0.5 million compares a fair value of \$4.1 million as at March 31, 2018 and a cost of \$3.0 million. The fair value is adjusted for foreign exchange fluctuations.

Subsequent to year end, CEP IV Co-Invest realized its interest in Impero Waste for US\$2.3 million.

**MAG Aerospace / Momentum Solutions**

MAG Aerospace is a U.S.-based specialty aviation and intelligence, surveillance and reconnaissance service provider. As at March 31, 2018, CEP IV Co-Invest held 33,736 Class A stock of MAG Aerospace, representing a 10.3% ownership interest on

a fully diluted basis. In addition, CEP IV Co-Invest had invested \$0.1 million in a subsidiary of MAG Aerospace ("MAG Sub") and advanced \$1.1 million to MAG Sub in the form of promissory notes bearing interest at 10% per annum with a maturity date of January 31, 2021.

During fiscal 2019, CEP IV Co-Invest realized on its investment in MAG Aerospace and received cash proceeds totalling US\$29.5 million (C\$37.9 million) compared an equity investment of C\$4.0 million. In conjunction with the sale of MAG Aerospace, the equity investment in MAG Sub was redeemed for \$0.1 million and the \$1.1 million promissory notes from MAG Sub were repaid in full. Upon completion of the transaction, CEP IV Co-Invest retained a 4.4% ownership interest in Momentum Solutions, which was another wholly-owned subsidiary of MAG Aerospace prior to the investment realization. During fiscal 2019, the realization of MAG Aerospace, together with the fair value of Momentum Solutions and net of foreign exchange gains (losses) inclusive of foreign exchange hedging activities, resulted in a \$19.4 million net investment gain for the Company.

### **The Meadowlands**

As at March 31, 2019 and 2018, CEP IV Co-Invest had invested US\$5.4 million (C\$5.6 million) in the Meadowlands in the form of secured convertible debentures ("Meadowlands Debentures"), which accrue interest at a rate of 15% per annum, all of which is payable in-kind. CEP IV Co-Invest also holds warrants which entitle it to invest in equity securities of the Meadowlands subject to certain conditions. 5% of the 15% interest on the Meadowlands Debentures would be forfeited in the event Clairvest exercises the warrants.

As at March 31, 2018, the gross accrued value of the Meadowlands Debentures was US\$8.7 million (C\$11.2 million), and the carrying value of the Meadowlands Debentures was US\$7.3 million (C\$9.4 million). During fiscal 2019, US\$1.3 million (C\$1.7 million) (2018 – US\$1.1 million (C\$1.4 million)) in interest was accrued on the Meadowlands Debentures. During fiscal 2019, CEP IV Co-Invest received interest payments totalling US\$0.8 million (C\$1.0 million) from the Meadowlands. As at March 31, 2019, the gross accrued value of the Meadowlands Debentures was US\$9.2 million (C\$12.3 million) and the carrying value of the Meadowlands Debentures was US\$7.3 million (C\$9.8 million) (2018 – US\$7.3 million; C\$9.4 million), which reflected US\$1.9 million (C\$2.5 million) (2018 – US\$1.4 million; C\$1.8 million) in accrued interest being provided for on the Meadowlands Debentures.

CEP IV Co-Invest had also invested US\$0.7 million (C\$0.9 million) in the Meadowlands in the form of preferred debt, which is junior to the Meadowlands Debentures. The preferred debt has a stated interest rate of 3% per annum and interest is payable in-kind. During fiscal 2019, CEP IV Co-Invest earned \$26 thousand (2018 – \$26 thousand) in interest on the preferred debt, which was fully provided for and presented on a net basis.

The fair value of \$10.7 million as at March 31, 2019 compares to a fair value of \$10.2 million as at March 31, 2018 and a cost of \$6.4 million. The fair value is adjusted for foreign exchange fluctuations.

### **Northco / Top Aces**

Northco, formerly Discovery Air Inc. ("Discovery Air"), is a specialty aviation services company operating across Canada and in selected locations internationally. Top Aces was a wholly owned subsidiary of Discovery Air until December 2017 and is a supplier of advanced adversary services across three continents.

As at March 31, 2018, CEP IV Co-Invest had invested \$22.0 million in secured convertible debentures of Discovery Air ("Discovery Air Debentures") which had a maturity date of May 5, 2018. The Discovery Air Debentures accrued interest at a rate of 10% per annum and interest was paid in-kind and compounded on an annual basis. As at March 31, 2018, the gross accrued value of the Discovery Air Debentures was \$23.3 million and were carried at \$1.3 million. In addition, Clairvest and CEP IV Co-Invest also had invested \$8.4 million for 24,332,907 common shares of Discovery Air, which represented a 29.9% ownership interest on a fully diluted basis and were carried at nil. As at March 31, 2018, Discovery Air had filed for creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"). Under the CCAA process, CEP IV Co-Invest had provided a debtor-in-possession ("DIP") facility to Discovery Air of up to \$12.6 million, \$4.9 million of which was drawn as at March 31, 2018.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As at March 31, 2018, CEP IV Co-Invest held 611.3633 common shares of Top Aces, which represented 26.3% ownership interest on a fully diluted basis, at a cost of \$20.2 million and were carried at \$38.8 million. As at March 31, 2018, Discovery Air had a 9.7% ownership interest in Top Aces.

During fiscal 2019, the DIP facility was increased to \$15.0 million and was fully drawn by Discovery Air. Subsequently, the Court approved the sale of Discovery Air's remaining interest in Top Aces to CEP IV Co-Invest and the co-investors of Discovery Air (Collectively, the "Discovery Air Investor Group") for a purchase price of \$20.8 million (the "Court Approved Sale of Top Aces"), \$17.0 million of which, representing 207.4331 of the 253.8360 shares held by Discovery Air prior to the Court Approved Sale of Top Aces, was purchased by CEP IV Co-Invest which were paid for by applying \$15.3 million against the accrued value of the DIP facility as at the closing of this transaction and \$1.7 million against interest owing on the Discovery Air Debentures.

Also during fiscal 2019 and subsequent to the Court Approved Sale of Top Aces, the Discovery Air Investor Group, through 10671541 Canada Inc. ("Northco"), purchased all remaining assets of Discovery Air under a Court supervised sale process (the "Court Approved Sale of Discovery Air Assets"). The consideration of the purchase included the assumption of the Discovery Air Debentures, which had an accrued value of \$71.0 million as at the date of this transaction. In exchange of the Discovery Air Debentures, the Discovery Air Investor Group received \$70.0 million in convertible debentures of Northco ("Northco Debentures") and \$1.0 million in common shares of Northco. As Discovery Air and Northco are owned proportionately by the Discovery Air Investor Group, the transaction was recorded with no gain or loss. The Northco Debentures have a stated interest of 10% per annum and an annual fee of 2% payable quarterly and an initial maturity date of January 31, 2019, which was later extended to May 31, 2020. At the conclusion of this transaction, CEP IV Co-Invest held \$22.0 million in Northco Debentures and 3,149 common shares of Northco with a carrying value of nil. Subsequently, CEP IV Co-Invest purchased an additional \$4.3 million of the Northco Debentures and 718 common shares of Northco at a nominal value. During fiscal 2019, CEP IV Co-Invest earned interest and fees of \$1.5 million on the Northco Debentures and received payments totalling \$4.6 million during fiscal 2019. As at March 31, 2019, CEP IV Co-Invest held \$22.9 million in Northco Debentures with a gross accrued value of \$23.2 million and 3,867 common shares of Northco which represented 38.7% ownership interest on a fully diluted basis. The Northco Debentures were carried at \$1.1 million and the Northco common shares were carried at nil as at March 31, 2019. Subsequent to year-end, CEP IV Co-Invest received repayments totalling \$1.5 million on the Northco Debentures.

Upon the completion of the Court Approved Sale of Discovery Air Assets, Clairvest and CEP IV Co-Invest realized their investments in the common shares of Discovery Air, which had been previously written down to nil, and which had an original cost of \$8.4 million.

Subsequent to the Court Approved Sale of Top Aces, CEP IV Co-Invest purchased 47.2889 common shares of Top Aces for \$3.9 million in support of Top Ace's equity raise and sold 192.5852 common shares of Top Aces for \$15.8 million to third-party institutional investors.

As at March 31, 2019, CEP IV Co-Invest held 667.9553 common shares of Top Aces, representing a 23.9% ownership interest on a fully diluted basis.

### Rivers Casino

Rivers Casino is a gaming entertainment complex located in Des Plaines, Illinois. As at March 31, 2018, CEP IV Co-Invest held 9,021,917 units of Rivers Casino, which represented a 5.0% ownership interest on a fully diluted basis.

During fiscal 2019, CEP IV Co-Invest earned quarterly distributions totalling \$0.9 million (2018 – \$1.3 million) and quarterly fees totalling \$0.6 million (2018 – \$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, \$0.4 million (2018 – \$0.8 million) in U.S. income tax obligations were incurred during fiscal 2019.

Also during fiscal 2019, CEP IV Co-Invest realized on its investment in Rivers Casino and received cash proceeds totalling US\$36.2 million (C\$46.7 million) compared to an original investment of \$9.1 million and a carrying value of \$23.8 million as at March 31, 2018. During fiscal 2019, the realization of Rivers Casino net of foreign exchange gains (losses)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2019

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inclusive of foreign exchange hedging activities, resulted in a \$23.1 million net investment gain for the Company. Subsequent to year-end, CEP IV Co-Invest received an additional US\$0.2 million in cash proceeds resulting from customary working capital adjustments as stipulated in the purchase agreement.

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

#### Accel Entertainment

As at March 31, 2019 and 2018, CEP V Co-Invest held 283,478 Class D preferred shares of Accel Entertainment, representing a 7.6% ownership interest on a fully diluted basis (2018 – 7.5%). The Class D preferred shares are entitled to certain preference over all other equity of Accel Entertainment.

During fiscal 2019, management determined that the fair value of Accel Entertainment should be adjusted upward by \$7.7 million. The fair value of \$36.0 million as at March 31, 2019 compares to a fair value of \$27.3 million as at March 31, 2018 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.

Subsequent to year-end, Accel Entertainment announced it has entered into a business combination transaction, the outcome of which is currently unknown.

#### Also Energy

As at March 31, 2018, CEP V Co-Invest had invested US\$4.8 million (C\$6.0 million) for 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 at CEP IV 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.

During fiscal 2019, CEP V Co-Invest advanced US\$4.1 million (C\$5.2 million) to Also Energy in the form of a promissory note which accrues interest at 10% per annum and had an initial maturity date of March 20, 2019 and was later extended to April 20, 2020. During fiscal 2019, CEP V Co-Invest earned interest totalling \$0.3 million on the promissory note.

Also during fiscal 2019, Also Energy made various acquisitions, and CEP V Co-Invest invested US\$0.2 million (C\$0.3 million) in the form of 20,080 Series A common shares of Also Energy in support of these acquisitions. As at March 31, 2019, the common shares together with 1,013,062 Series A preferred stock represent 10.0% ownership on a fully diluted basis. The fair value is adjusted for foreign exchange fluctuations.

#### Digital Media Solutions

As at March 31, 2019 and 2018, CEP V Co-Invest held 6,150,000 Class B units of Digital Media Solutions, representing a 13.8% 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 2019, Digital Media Solutions completed a dividend recapitalization and made a distribution to its owners. CEP V Co-Invest received US\$9.4 million (C\$12.4 million), US\$5.4 million (C\$7.1 million) of which was recorded as a return of capital and US\$4.0 million (C\$5.3 million) as a distribution.

Also during fiscal 2019, CEP V Co-Invest earned quarterly distributions totalling \$1.2 million (2018 – \$0.6 million) from Digital Media Solutions, bringing total cash proceeds received to March 31, 2019 to \$15.0 million (2018 – \$1.4 million).

During fiscal 2019, management determined that the fair value of Digital Media solutions should be adjusted upward by \$13.2 million due to growth in operating performance. The fair value is adjusted for foreign exchange fluctuations.

#### GTA Gaming

As at March 31, 2018, CEP V Co-Invest held 1,254,000 units of Ontario Gaming GTA Limited Partnership ("OGTALP") at a cost of \$0.2 million representing a 0.6% ownership interest and 405,151.2 units of OWGTALP at a cost of \$0.4 million

representing a 13.5% ownership interest.

During fiscal 2019 and in conjunction with the final closing of the purchase of West GTA gaming assets by OWGTALP, an additional \$8.4 million was funded by CEP V Co-Invest for an additional 8,370,000 units of OWGTALP. During fiscal 2018, Clairvest had pledged \$15.8 million in cash to a Canadian bank in support of this investment, the amount of which was released during fiscal 2019 upon the final closing.

During fiscal 2019, CEP V Co-Invest received distributions totalling \$0.3 million from OGTALP and \$1.1 million from OWGTALP.

**Head Digital Works (formerly Ace2Three)**

As at March 31, 2018, CEP V Co-Invest had invested \$56.0 million in Head Digital Works. The investment comprised INR₹1.1 billion (C\$22.9 million) in the form of compulsory convertible debentures ("CCD") which are denominated in INR and bear interest at a rate of 16.0% per annum, and INR₹1.6 billion (C\$33.1 million) in 202,230 common shares representing a 32.7% (2018 – 33.6%) ownership interest on a fully diluted basis.

During fiscal 2019, CEP V Co-Invest accrued interest totalling INR₹159.9 million (C\$3.0 million) (2018 – INR₹164.4 million (C\$3.2 million)) on the CCD. Also during fiscal 2019, CEP V Co-Invest received payments on the CCD totalling INR₹721.6 million (C\$13.6 million) (2018 – INR₹17.0 million (C\$0.3 million)), INR₹283.0 million (C\$5.2 million) (2018 – INR₹17.0 million (C\$0.3 million)) of which was allocated to interest and the remaining INR₹438.6 million (C\$8.4 million) (2018 – nil) was allocated to principal. As at March 31, 2019, the CCD had an accrued value of INR₹681.3 million (C\$13.2 million). The carrying value of the CCD was adjusted for foreign exchange.

During fiscal 2019, management determined that the fair value of the equity investment in Head Digital Works should be adjusted upward by C\$15.8 million due to growth in operating performance. The fair value is adjusted for foreign exchange fluctuations.

**Meriplex Communications**

During fiscal 2019, CEP V Co-Invest invested US\$5.3 million (C\$6.7 million) in Meriplex Communications, a company based in Houston, Texas that designs, installs and manages complex networking solutions for businesses. The investment was made in the form of 5,250 common shares for a 18.1% ownership interest in Meriplex Communications on a fully diluted basis. The fair value is adjusted for foreign exchange fluctuations.

**Right Time HVAC**

During fiscal 2019, CEP V Co-Invest invested \$6.4 million in Right Time HVAC, a Canadian independent heating, ventilation and air-conditioning contractor operating out of seven locations in Ontario and Manitoba and focused on the residential replacement market. The investment was made in the form of 6,375,000 Class A preferred shares which are convertible into a 15.0% ownership interest in Right Time HVAC on a fully diluted basis.

**Winters Bros. of LI**

As at March 31, 2019 and 2018, CEP V Co-Invest held 1,487,773 Class C units of Winters Bros. of LI and 256,037 units of WBLI II, representing a 14.0% ownership on a fully diluted basis in the respective entities.

During fiscal 2019, management determined that the fair value of Winters Bros. of LI should be adjusted upward by \$1.4 million. The fair value of \$11.6 million as at March 31, 2019 compares to a fair value of \$9.8 million at March 31, 2018 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, 2019 and 2018, Clairvest held units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest to between 2.8% and 9.6% of the earnings of the casino until December 18, 2022. Additionally, CEP is entitled to

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between 8.5% and 28.7% of the earnings of the Grey Eagle Casino until December 18, 2022. 2486303 Ontario and Clairvest collectively hold a 100% interest in CEP.

During fiscal 2019, Clairvest earned \$0.5 million (2018 – \$0.5 million) and CEP earned \$1.6 million (2018 – \$1.6 million) in equity distributions from Grey Eagle Casino.

The fair value of \$8.4 million as at March 31, 2019 compares to a fair value of \$11.3 million as at March 31, 2018 and a cost of \$11.0 million.

### Wellington Financial

During fiscal 2018, Clairvest received a full return of capital on its investment of \$17.3 million in Wellington and 194,876 CIBC common shares as a result of CIBC acquiring the loan portfolio of Wellington Fund V and certain assets of the general partner of Wellington Fund V. The CIBC common shares are restricted for sale subject to certain conditions until January 7, 2021. The Company has elected to receive additional CIBC common shares on the quarterly dividend paid on these shares. During fiscal 2019, the Company received \$1.1 million (2018 – \$0.3 million) in dividends in the form of 7,139 (2018 – 2,336) CIBC common shares. As at March 31, 2019, the 204,351 CIBC common shares were valued at a discount to the closing price of \$105.60 (2018 – \$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 and is eligible for additional payments on the sale of the general partner assets subject to certain conditions. During fiscal 2019, Clairvest received distributions totalling \$0.1 million (2018 – \$24.5 million) from Wellington Financial. As at March 31, 2019, Clairvest had received distributions totalling \$55.8 million (2018 – \$55.7 million) from Wellington Financial.

The fair value of \$3.0 million as at March 31, 2019 reflects management's estimated realizable value of Clairvest's entitlement of the warrants.

### LIABILITIES

As at March 31, 2019, Clairvest had \$132.6 million in total liabilities, which included \$13.0 million in accrued management and director compensation, \$40.3 million in share-based compensation, \$42.6 million in management participation and \$26.1 million in current and deferred tax liability. \$49.4 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 change 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, 2019 was \$119.2 million compared with net income of \$123.8 million for the year ended March 31, 2018. The following table summarizes the composition of net income for the years ended March 31:



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As at, and for the year ended, March 31, 2019

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**Financial Results**

Year ended March 31, (\$000's, except per share amounts)	2019	2018
<b>Net investment gain (loss)</b>		
- Investee companies inclusive of foreign exchange hedging activities	\$ 119,114	\$ 102,489
- Acquisition entities including distributions, interest, dividends and fees received from investee companies and net of taxes paid or payable by these acquisition entities	(242,266)	5,251
	<b>(123,152)</b>	107,740
<b>Distributions, interest income, dividends and fees</b>		
- CEP Funds	9,974	11,071
- Investee companies	3,460	26,810
- Treasury funds	8,029	1,928
- Acquisition entities and other	258,205	14,171
	<b>279,668</b>	53,980
<b>Net carried interest income – realized and unrealized changes</b>	<b>47,691</b>	46,469
<b>Total expenses</b>	<b>66,329</b>	71,495
<b>Income before income taxes</b>	<b>137,878</b>	136,694
<b>Income taxes</b>	<b>18,636</b>	12,916
<b>Net income and comprehensive income</b>	<b>119,242</b>	123,778
<b>Net income and comprehensive income per share - basic and fully diluted</b>	<b>7.87</b>	8.15

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 change 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 gain 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 gain or loss which had previously been recorded.

During fiscal 2019, CEP IV Co-Invest realized on its investment in MAG Aerospace, Centaur Gaming, and Rivers Casino and received interest payments and other partial sale proceeds from other investee companies. In aggregate, CEP IV Co-Invest received total cash proceeds of \$317.5 million during fiscal 2019. CEP IV Co-Invest repaid loans from Clairvest totalling \$19.5 million and made distributions totalling \$298.6 million, \$271.5 million of which were paid to Clairvest, \$4.1 million were paid to an acquisition entity of Clairvest and \$23.0 million were paid as carried interest entitlements.

The following tables summarize the net investment gain or loss of investee companies for the years ended March 31, 2019 and 2018. The net investment gain or loss is inclusive of the impact on the foreign exchange hedging activities related to these investments:

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As at, and for the year ended, March 31, 2019

June 26, 2019

**Net investment gain (loss) on investee companies**

Year ended March 31, 2019 (\$000's)	Net realized gains (losses)	Net unrealized gains (losses)	Foreign Exchange gains (losses) inclusive of foreign exchange hedging activities	Total
Accel Entertainment	\$ —	\$ 7,739	\$ (200)	\$ 7,539
Also Energy	—	—	(64)	(64)
Centaur Gaming <sup>(1)</sup>	28,659	1,819	(466)	30,012
Chilean Gaming Holdings	—	7,197	(2,428)	4,769
County Waste	—	6,809	(159)	6,650
Davenport Land Investments	—	—	(40)	(40)
Digital Media Solutions	—	7,914	71	7,985
Grey Eagle Casino	—	(2,980)	—	(2,980)
Head Digital Works	3	15,827	(2,652)	13,178
Impero Waste	434	(2,994)	(572)	(3,132)
MAG Aerospace / Momentum Solutions <sup>(1)</sup>	18,408	820	154	19,382
The Meadowlands	—	—	(14)	(14)
Meriplex Communications	—	—	(19)	(19)
Northco / Top Aces	2,689	10,905	—	13,594
Rivers Casino <sup>(1)</sup>	21,197	—	1,949	23,146
Wellington Financial	—	(824)	—	(824)
Winters Bros. of LI	—	1,467	59	1,526
Other investments	—	(1,594)	—	(1,594)
<b>Net investment gain (loss) on investee companies</b>	<b>\$ 71,390</b>	<b>\$ 52,105</b>	<b>\$ (4,381)</b>	<b>\$ 119,114</b>

(1) Realized during fiscal 2019.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As at, and for the year ended, March 31, 2019

June 26, 2019

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
Also Energy	—	—	(4)	(4)
Centaur Gaming	—	82,691	207	82,898
Cieslok Media	69	—	—	69
Chilean Gaming Holdings	—	7,928	1,560	9,488
County Waste	—	(1,730)	(98)	(1,828)
CRS Contractors Rental Supply Limited Partnership ("CRS") <sup>(1)</sup>	2,950	—	—	2,950
Digital Media Solutions	—	1,196	(40)	1,156
Grey Eagle Casino	—	(2,305)	—	(2,305)
Head Digital Works (formerly "Ace2Three")	—	(15,826)	(2,807)	(18,633)
Impero Waste <sup>(2)</sup>	3,311	21	(115)	3,217
Lyophilization Services of New England, Inc.	146	—	88	234
MAG Aerospace / Momentum Solutions	—	9,831	143	9,974
The Meadowlands	—	—	(34)	(34)
Northco / Top Aces (formerly "Discovery Air / Top Aces")	(1,165)	5,214	—	4,049
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 gain on investee companies</b>	<b>\$ 5,311</b>	<b>\$ 98,311</b>	<b>\$ (1,133)</b>	<b>\$ 102,489</b>

(1) Realized during fiscal 2018.

(2) Partially realized during fiscal 2018.

The Company and its acquisition entities also receive distributions, interest, dividends or fees from various investee companies. The following table summarizes the 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, 2019

June 26, 2019

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

Year ended March 31, (\$000's)	2019			2018		
	Earned directly by Clairvest	Earned through acquisition entities	Total	Earned directly by Clairvest	Earned through acquisition entities	Total
<b>Distributions and interest income</b>						
Also Energy	—	288	288	—	—	—
Centaur Gaming	—	63	63	—	192	192
County Waste	—	369	369	—	43	43
CRS Contractors Rental Supply	—	—	—	—	245	245
Davenport Land Investments	—	126	126	—	99	99
Digital Media Solutions	—	6,209	6,209	—	589	589
Grey Eagle Casino	522	1,566	2,088	522	1,568	2,090
GTA Gaming	—	1,433	1,433	—	—	—
Head Digital Works	—	2,987	2,987	—	3,225	3,225
MAG Aerospace / Momentum Solutions	391	23	414	152	115	267
The Meadowlands	—	1,127	1,127	—	959	959
Northco / Top Aces	—	3,811	3,811	130	14,316	14,446
Rivers Casino	—	872	872	—	1,322	1,322
Wellington Financial	113	—	113	24,575	—	24,575
	1,026	18,874	19,900	25,379	22,673	48,052
<b>Dividend income</b>						
Chilean Gaming Holdings	—	1,421	1,421	—	849	849
Other investments	1,094	—	1,094	259	—	259
	1,094	1,421	2,515	259	849	1,108
<b>Advisory and other fees</b>						
	1,340	603	1,943	1,172	611	1,783
<b>Distributions, interest, dividends and fees from investee companies</b>						
	\$ 3,460	\$ 20,898	\$ 24,358	\$ 26,810	\$ 24,133	\$ 50,943

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:

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2019

June 26, 2019

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

Year ended March 31, (\$000's)	2019			2018		
	Earned directly by Clairvest	Earned through acquisition entities	Total	Earned directly by Clairvest	Earned through acquisition entities	Total
Priority distributions	\$ 8,164	\$ —	\$ 8,164	\$ 9,267	\$ —	\$ 9,267
Management fees	1,259	—	1,259	1,304	—	1,304
Interest on loans advanced	551	33	584	500	81	581
<b>Distributions, fees and interest from the CEP Funds</b>	<b>\$ 9,974</b>	<b>\$ 33</b>	<b>\$ 10,007</b>	<b>\$ 11,071</b>	<b>\$ 81</b>	<b>\$ 11,152</b>

Also included in distributions and interest income for the year ended March 31, 2019 and 2018 was income on treasury funds of \$8.0 million and \$1.9 million respectively. Acquisition entities of Clairvest earned interest from its treasury funds totalling \$0.9 million and \$0.5 million respectively during fiscal 2019 and 2018.

The Company also receives carried interest from the CEP Funds, as described in the Transaction with Related Parties section of the MD&A. The following table summarizes the recognition of realized and unrealized carried interest for the Company for the years ended March 31:

### Net carried interest income

Year ended March 31, (\$000's)	2019	2018
Realized carried interest from CEP	\$ 350	\$ 300
Realized carried interest from the CEP Funds	111,824	16,590
Realized carried interest from other co-investors	6,933	—
Net change in unrealized carried interest from CEP and the CEP Funds	(71,416)	29,579
<b>Net carried interest income<sup>(1)</sup></b>	<b>\$ 47,691</b>	<b>\$ 46,469</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 \$66.3 million, compared with \$71.5 million for the year ended March 31, 2018. 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)	2019	2018
Employee compensation and benefits	\$ 12,200	\$ 13,108
Share-based compensation expenses	11,332	17,105
Administration and other expenses	8,515	5,533
Finance and foreign exchange expenses	809	901
Management participation	33,473	34,848
<b>Total expenses, excluding income taxes</b>	<b>\$ 66,329</b>	<b>\$ 71,495</b>

Included in share-based compensation expenses for the year ended March 31, 2019 was \$3.4 million for the Non-Voting Option Plan, \$6.8 million for book value appreciation rights ("BVARs"), and \$1.5 million for Deferred Share Units ("DSUs"), Appreciation Deferred Share Units ("ADSUs"), and Employee Deferred Share Units ("EDSUs"), compared to \$4.5 million for the Non-Voting Option Plan, \$7.8 million for BVARs and \$5.3 million for DSUs, ADSUs and EDSUs for the year ended

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2019

June 26, 2019

March 31, 2018. 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

	Gross revenue	Net income (loss)	Net income (loss) per common share*	Net income (loss) per common share fully diluted*
(\$000's except per share information)	\$	\$	\$	\$
March 31, 2019	53,684	27,182	1.80	1.80
December 31, 2018	34,532	24,032	1.59	1.59
September 30, 2018	26,753	13,373	0.88	0.88
June 30, 2018	89,238	54,655	3.61	3.61
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)

\* 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 revalued 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 2019 was \$27.2 million compared with a net income of \$18.6 million for the fourth quarter of fiscal 2018.

Revenue for the fourth quarter of fiscal 2019 comprised \$14.5 million in net investment loss, \$50.5 million in distributions, interest, dividends and fees, and \$17.7 million in net carried interest income. This compares with \$7.1 million in net investment loss, \$26.8 million in distributions, interest, dividends and fees and \$7.2 million in net carried interest income for the fourth quarter of fiscal 2018.

The net investment loss of \$14.5 million for the fourth quarter of fiscal 2019 resulted from \$28.2 million in net unrealized gain from Clairvest's investee companies inclusive of foreign exchange hedging activities and \$42.7 million in net unrealized loss from Clairvest's acquisition entities. This compared with \$6.8 million in net unrealized loss from Clairvest's investee companies and \$0.3 million in net unrealized loss from Clairvest's acquisition entities for the fourth quarter of fiscal 2018. Distributions from acquisition entities are typically declared during the fourth quarter of each fiscal year resulting in net unrealized loss from these acquisition entities. During the fourth quarter of fiscal 2019, Clairvest received distributions totalling \$43.7 million from CEP IV Co-Invest primarily as a result of the realization of Rivers Casino. Accordingly, Clairvest's fair value in CEP IV Co-Invest decreased as a result of these distributions.

Distributions, interest, dividends and fees for the quarter included income on treasury funds of \$2.7 million, general partner distributions and interest earned from the CEP Funds of \$46.5 million, distributions and interest earned from investee companies of \$0.1 million and \$0.2 million from acquisition entities. This compared with income on treasury funds of \$0.9 million, general partner distributions and interest earned from the CEP Funds of \$1.9 million, distributions and interest earned from investee companies of \$22.8 million and \$0.2 million from acquisition entities for the same quarter last year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2019

June 26, 2019

Net carried interest income of \$17.7 million for the fourth quarter of fiscal 2019 comprised \$25.3 million in realized carried interest from CEP Funds, \$6.9 million in realized carried interest from other co-investors and a reduction of \$14.5 million in unrealized carried interest receivable from the CEP Funds. Net carried interest of \$7.2 million for the fourth quarter of fiscal 2018 comprised \$0.1 million in realized carried interest from CEP and an increase of \$7.1 million in carried interest 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.

Expenses for the fourth quarter of fiscal 2019 included \$7.2 million in management and director compensation expenses, \$11.7 million in management participation, \$4.0 million in administrative and other expenses, \$0.2 million in finance and foreign exchange expenses and \$3.4 million in income tax expenses. This compares with \$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 recoveries, and \$3.0 million in income tax expense recovery for the fourth quarter of fiscal 2018. Management participation is further described in the Transaction with Related Parties section of the MD&A.

## EQUITY AND SHARE INFORMATION

As at March 31, 2019, Clairvest had 15,136,495 common shares issued and outstanding.

During fiscal 2019, Clairvest purchased and cancelled 26,500 common shares under the Company's normal course issuer bids. No common shares were purchased and cancelled between April 1, 2019 and June 26, 2019. As at June 26, 2019, Clairvest had 15,136,495 common shares issued and outstanding.

No Series 1 or Series 2 Shares had been issued as at March 31, 2019 and June 26, 2019.

Options granted under the stock option plan (the "Non-Voting Option Plan") are exercisable for Series 2 Shares, which are non-voting and have a two times preference over the common 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, 2019, 412,091 options were outstanding and 111,269 had vested.

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, 2019 and June 26, 2019. As at March 31, 2019 and June 26, 2019, 78,449 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 2019, fiscal 2018 and fiscal 2017. During fiscal 2019, and 2018 and 2017, Clairvest also paid a special dividend of \$0.3401 and, \$0.2621 and \$0.2191 per share respectively.

Subsequent to year-end, Clairvest declared an annual ordinary dividend of \$0.10 per share, and a special dividend of \$0.4144 per share. The dividends will be payable to common shareholders of record as of July 5, 2019. The dividend will be paid on July 25, 2019. 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 transaction 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.

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 gain.

**Recognition of carried interest and corresponding expenses**

The Company records carried interest on its consolidated statements of financial position which are based on the fair values of the financial instruments held by the CEP Funds. In accordance with IFRS 15, the calculated carried interest can only be recognised to the extent to which it is highly probable that there will not be a significant reversal when the relevant uncertainty is resolved. This judgement is made on a fund-by-fund basis, based on its specific circumstances, including consideration of: remaining duration of the fund, position in relation to the cash hurdle, the number of assets remaining in the fund and the potential for clawback. The actual amounts of carried interest received and paid will depend on the cash realisations of the CEP Funds' portfolio investments and valuations may change significantly in the next financial year. 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 carried interest and the resulting accrued liabilities for future payouts relating to these carried interest contract asset 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 probable that the deferred income tax asset will be realized. A change to an accounting estimate with respect to deferred income taxes would impact deferred income tax liability and income tax expense.

**TRANSACTIONS WITH RELATED PARTIES**

Clairvest, through 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 its acquisition entities as described in *note 9* to the consolidated financial statements.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2019

June 26, 2019

As at March 31, 2019, Clairvest had accounts receivable from its investee companies totalling \$1.2 million, from CEP III totalling \$0.4 million, from CEP IV totalling \$0.1 million, from CEP IV-A totalling \$39 thousand, from CEP V totalling \$6.3 million, from CEP V India totalling \$0.8 million and from CEP V-A totalling \$4.6 million. Additionally, acquisition entities of Clairvest which were not consolidated in accordance with IFRS held receivables from Clairvest's investee companies totalling \$0.4 million, from CEP IV totalling \$31 thousand, from CEP V totalling \$25 thousand and from CEP V-A totalling \$5 thousand.

In addition, the Company advances loans to its acquisition entities, the CEP Funds and short-term loan to investee companies. During fiscal 2019, the Company received net repayments of \$3.9 million from these loans, such that \$9.7 million in loans remained outstanding as at March 31, 2019. Further details are described in *note 9(l)* to the consolidated financial statements.

As at March 31, 2019, Clairvest had share purchase loans receivable from certain officers of Clairvest (the "Officers") totalling \$3.3 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 \$6.4 million. None of these loans were made to key management. Interest of \$0.1 million 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 the 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. Total aggregate cash compensation paid under these plans to the CEO, the Vice Chairman, and the President during fiscal 2019 were \$4.1 million. As at March 31, 2019, the total amounts payable to the CEO, the Vice Chairman, and the President under the aforementioned plans was \$15.4 million. During fiscal 2019, no cash compensation was paid to directors under the BVAR, DSU or ADSU plans. As at March 31, 2019, the total amounts payable to the directors of Clairvest under the DSU, ADSU and Non-Voting Option plans was \$17.2 million.

During fiscal 2019, Clairvest earned \$1.0 million in distributions and interest income, \$1.1 million in dividend income and \$1.3 million in advisory and other fees from its investee companies. Additionally, acquisition entities of Clairvest which were not consolidated in accordance with IFRS earned \$18.9 million in distributions and interest income, \$1.4 million in dividend income and \$0.6 million in advisory and other fees from its investee companies.

Clairvest and a related party of Clairvest, through a limited partnership, owns an aircraft that is available for use by both parties. Clairvest and the related party each hold a 50% limited partnership interest. As Clairvest, through a wholly-owned subsidiary, is the general partner of the limited partnership, Clairvest has recognized 100% of the net book value of the aircraft and a liability for the 50% ownership held by the related party. The cost of the aircraft had been included in fixed assets and the liability in accounts payable and accrued liabilities.

### 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, 2019. 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, 2019. 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2019

June 26, 2019

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, \$85.7 million of which remains unfunded as at March 31, 2019. 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 a total of \$55.5 million in various Wellington Funds, all of which was unfunded at March 31, 2019. As a result of the sale of Wellington Financial to CIBC during fiscal 2018, these Wellington Funds are in the process of being wound up and may no longer invest in new investments.

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, 2019, the Realized Amount under the Bonus Program was \$7.0 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 \$2.8 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 \$1.8 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, 2019, 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 \$39.5 million as at March 31, 2019 from an unrelated financial institution, while another acquisition entity of CEP III Co-Invest held term deposits totalling \$39.5 million as at March 31, 2019 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, 2019.

As at March 31, 2019, the Company had future minimum annual lease payments under non-cancellable operating leases for the use of office space of \$0.6 million due within one year, \$2.5 million due after one year, but not more than five years and \$2.0 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, 2019, 7 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 \$16.8 million or a decrease of \$16.8 million to the carrying value of corporate investments and net investment gain, on a pre-tax basis, for the year ended March 31, 2019. 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 12 months. The fair value of corporate bonds, debentures or loans is primarily determined using the 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, 2019.

The Company's corporate investment portfolio was diversified across 16 investee companies in 8 industries and 4 countries as at March 31, 2019. 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 of \$4.4 million or a decrease of \$4.3 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2019.

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 material 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 foreign exchange hedging positions against these foreign-denominated currencies. As at March 31, 2019, the Company had net foreign exchange exposure to the CLP totalling \$20.9 million and the INR totalling \$31.0 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 may be 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, 2019, 12 of the 16 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, 2019, Clairvest's exposure to the gaming industry represented 23.0% 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, these investments may 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, 2019, 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. With respect to the other fixed income securities under temporary investments, the Company reviews the credit quality of the counterparties through underwriting information provided by agents or brokers which are specialized in brokering these investments and in each case the Company's investment in these counterparties represents the most senior security in the counterparty's capital structure. 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 \$122.0 million as at March 31, 2019. 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 as at March 31, 2019.

As at March 31, 2019, Clairvest had treasury funds of \$452.3 million and access to \$100.0 million in credit to support its obligations and current and anticipated corporate investments. Clairvest also had access to \$47.9 million in treasury funds held by its acquisition entities and \$286.2 million in uncalled committed third-party capital through the CEP Funds as at March 31, 2019 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, 2019, Clairvest's Board of Directors and employees owned approximately 90% of Clairvest's common shares and the CEO owned or controlled over 50% of the total common shares of the Company. Accordingly, the CEO 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. During fiscal 2019, the Company paid \$8 thousand on the settlement of realized foreign exchange forward contracts.

As at March 31, 2019, acquisition entities of Clairvest had entered into foreign exchange forward contracts to sell US\$83.7 million at an average rate of C\$1.3005 per U.S. dollar through to March 2020. The fair value of the U.S. dollar

contracts as at March 31, 2019 was a loss of \$2.6 million. In addition, acquisition entities of Clairvest had also entered into foreign exchange forward contracts to sell CLP\$15.5 billion at an average rate of C\$0.002075 per CLP through to August 2019 and to sell INR₹652.3 million at an average rate of C\$0.01803 per INR through to June 2019. The fair value of the CLP contract as at March 31, 2019 was a gain of \$1.6 million and the fair value of the INR contract as at March 31, 2019 was a loss of \$0.7 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, 2019 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 and the 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, 2019. Management has concluded that the design of internal controls over financial reporting were effective and operated as designed as at March 31, 2019 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.

**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.