CLARKE

Halifax, Canada

Quarterly Report
March 31, 2015 and 2014

Management's Discussion & Analysis

Clarke Inc.

March 31, 2015 and 2014

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion & Analysis ("MD&A") presents management's view of the financial position and performance of Clarke Inc. ("Clarke" or the "Company") for the three months ended March 31, 2015 compared with the three months ended March 31, 2014. The following disclosures and associated unaudited interim condensed consolidated financial statements are presented in accordance with IAS 34, *Interim Financial Reporting*. This interim MD&A should be read in conjunction with the information disclosed within the interim condensed consolidated financial statements and notes thereto for the three months ended March 31, 2015. The MD&A is prepared as at May 6, 2015 (unless otherwise stated). All dollar amounts are shown in millions of Canadian dollars unless otherwise indicated.

OVERVIEW & STRATEGY

Clarke is an investment company. Our objective is to maximize shareholder value. While not the perfect metric, we believe that Clarke's book value per share, together with the dividends paid to shareholders, is an appropriate measure of our success in maximizing shareholder value over time.

We attempt to maximize shareholder value by allocating capital to investments that we believe will generate high returns and reallocating capital over time as needed. In doing this, Clarke's goal is to identify investments that are either undervalued or are underperforming and may be in need of positive change. These investments may be companies, securities or other assets such as real estate, and they may be public entities or private entities. We do not believe in limiting ourselves to specific types of investments. From time to time, Clarke will invest passively in a security where it believes the security is undervalued and there is no need for change or where it believes the security is undervalued but that the management team in place at the underlying company is doing an appropriate job to reduce the undervaluation. More often, Clarke will seek active involvement in the governance and/or management of the company in which it invests. In these cases, Clarke will have acquired the security with a view of changes that could be made to improve the underlying company's performance and maximize the company's value. When Clarke believes that an investee company has implemented appropriate changes and/or the value of the investee company has reached or exceeded its intrinsic value, Clarke may sell its investment. Clarke generally invests in industries that have hard assets, including manufacturing, industrial, energy and real estate businesses.

We view our investments as businesses. The rules applicable to the drafting of this MD&A may require us to discuss these investments as if we operated them ourselves. While we are sometimes involved in the management of our investee companies, we rather speak of them as owners and not as operators. From time to time, we will exclude certain details for competitive reasons.

KEY EVENTS – Q1 2015

In the first quarter, the Company increased book value per share by $0.30 and returned $0.10 per share to shareholders in the form of dividends paid (a total return of 3.2% per share). The Company spent $6.3 million during the quarter to repurchase 665,330 common shares ("Common Shares") at a discount to book value. Our book value per share at the end of the quarter was $12.87 while our share price was $10.20.

The following were certain other key events during the first quarter:

- On February 3, 2015, the Company completed the sale of its container vessel, the *MV Shamrock*, for net proceeds of US$4.6 million (Cdn. $5.6 million).

- On February 4, 2015, the Company purchased an additional 1,000,000 shares of Holloway Lodging Corporation ("Holloway") for $5.25 per share.

- On March 31, 2015, Holloway repaid in full its $16.0 million loan to Clarke which they used to fund the acquisition of Royal Host Inc. ("Royal Host").

KEY EVENTS – SUBSEQUENT TO Q1 2015

Subsequent to March 31, 2015, the following key events occurred:

- On April 8, 2015, the Company repurchased 2,379,042 Common Shares at a purchase price of $10.00 per Common Share pursuant to a substantial issuer bid ("SIB").

- On April 17, 2015, TerraVest Capital Inc. ("Terravest") repaid in full to Clarke the $19.0 million outstanding under its $24.9 million promissory note issued to complete the acquisition of Gestion Jerico Inc. ("Jerico") in 2014.

- On May 6, 2015, the Company's Board of Directors declared the second quarter dividend of $0.10 per Common Share payable on July 10, 2015 to shareholders of record at the end of business on June 30, 2015.

OUTLOOK

As a result of our various investment sales in recent years, Clarke eliminated substantially all of its debt and built a significant cash balance. At March 31, 2015 Clarke had $82.5 million of cash on hand (net of all debt) representing 43% of our market capitalization or $4.38 per share as at that date. We continue to seek new investments that can deliver attractive returns in coming years.

We currently see select opportunities in the oil and gas industry where valuations have declined in response to the recent decline in oil and gas prices. Since the beginning of the year, we have deployed approximately $15.0 million to oil and gas investments and we would like this investment level to increase. Investment opportunities outside of the oil and gas industry have been limited in our view due to generally high valuations. We will remain disciplined in deploying our capital as that capital retains option value while it is in our hands.

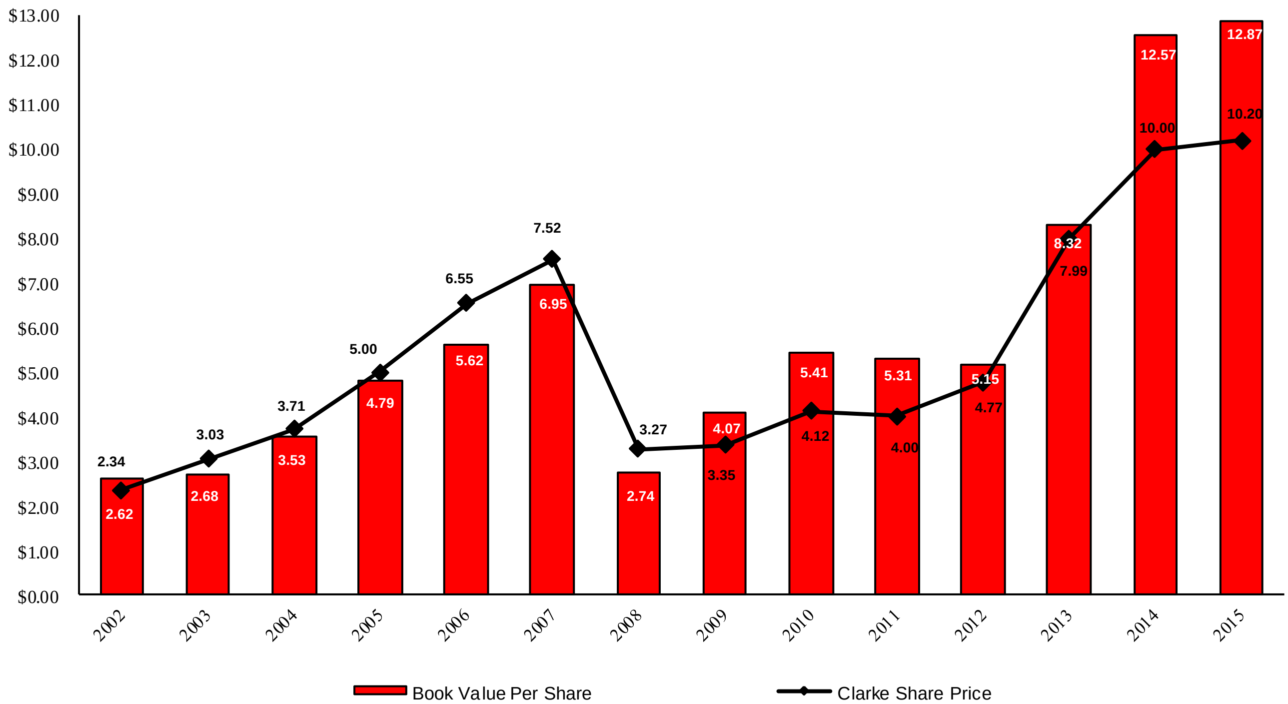
In addition to seeking new investments, we will continue working with our two major investee companies to maximize their business values. We believe there is significant opportunity for each of Terravest and Holloway to continue acquiring complementary businesses and hotels, respectively, at accretive prices. Each of these companies remains undervalued in our view.

Finally, we continue to view our Common Shares as undervalued. As long as this situation exists, we will continue to repurchase our Common Shares. To that end, since the beginning of 2015, we have repurchased 3,044,372 Common Shares. Since the end of the first quarter of 2014, we have repurchased 4,191,218 Common Shares representing approximately 22% of our outstanding Common Shares at the start of that period. All of these repurchases were completed at a meaningful discount to our book value per share.

BOOK VALUE PER SHARE

The Company's book value per share at March 31, 2015 was $12.87, an increase of $0.30 per share since December 31, 2014. This increase was mainly due to the increases in the market value of the Company's marketable securities ("securities") and the net gains on the sale of investments in the quarter. Although the Company's book value has increased significantly in recent years and in large part consists of cash and securities, the Company's shares continue to trade at a meaningful discount to their book value.

The following graph shows Clarke's book value per share and share price since 2002 (the year the present Executive Chairman joined the Company). Adjusting solely for the SIB that was completed subsequent to March 31, 2015, the Company estimates its pro forma book value per share is $13.28.



** Information for the years ended 2002 and 2003 is as at March of the following year. In 2004 the Company's year-end was changed to December. All other information is for the years ended December 31 and as at March 31, 2015.*

RESULTS OF OPERATIONS

Highlights of the interim condensed consolidated financial statements for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 are as follows:

(in millions, except per share amounts)	**March 31, 2015** **$**	March 31, 2014 $
Realized and unrealized gains on investments	**4.4**	9.0
Interest income	**1.1**	0.7
Dividend income	**0.8**	1.5
Revenue and other income*	**1.1**	4.9
Income from continuing operations	**3.6**	13.3
Net income attributable to equity holders of the Company	**3.6**	73.0
Comprehensive income attributable to equity holders of the Company	**4.8**	69.2
Basic earnings per share (“EPS”)		
Income from continuing operations	**0.19**	0.73
Net income	**0.19**	4.01
Diluted EPS		
Income from continuing operations	**0.19**	0.57
Net income	**0.19**	3.03
Total assets	**252.7**	264.9
Long-term financial liabilities	**2.3**	35.3
Cash dividends declared per share	**0.10**	0.20
Book value per share	**12.87**	11.72

**Revenue and other income includes pension recovery/expense, gains on sale of fixed assets, foreign exchange gains/losses, gains on convertible debenture redemptions and repurchases and service revenue.*

Net income attributable to equity holders of the Company for the three months ended March 31, 2015 was $3.6 million compared with net income of $73.0 million for the same period in 2014. The significant net income earned for the three months ended March 31, 2014 was due to the sale of the Company’s freight transport business and its interest in Jerico, which resulted in gains on sale of $71.1 million. Also during this period in 2014, substantially all active members of the Company’s pension plans stopped accruing service and salary increases for future periods which resulted in a curtailment gain of $3.3 million.

During the three months ended March 31, 2015, the Company had unrealized gains on its investments of $3.8 million compared to unrealized gains of $8.0 million for the same period in 2014. The Company had realized gains on its investments of $0.6 million for the three months ended March 31, 2015 compared with realized gains of $1.0 million for the same period in 2014. Further discussion on these gains is set out under “Investment Holdings” below.

INVESTMENT HOLDINGS

The Company owns securities, interests in two private equity funds, loans and a ferry business.

The Company’s securities portfolio generated $4.2 million of realized and unrealized gains in the first quarter. The Company received dividends of $0.8 million in the first quarter of 2015 compared to $1.5 million for the same period in 2014. This decrease is mainly due to the sale of our investment in Supremex Inc.

The Company earned interest income of $1.1 million in the first quarter of 2015 compared to $0.7 million for the same period in 2014 due to an increase in our outstanding loans as well as interest earned on cash balances.

Securities Portfolio

The Company's securities portfolio consisted of the following investments:

	March 31, 2015				December 31, 2014			
	Shares or face value	**Market Price $**	**Market value $'000**	**%**	Shares or face value	Market Price $	Market value $'000	%
Energy Securities Portfolio	**N/A**	**N/A**	**9,797**	**9.4**	N/A	N/A	2,647	2.9
Holloway shares	**7,874,815**	**6.13**	**48,273**	**46.4**	6,874,815	6.00	41,249	46.2
Holloway 6.25% Convertible Debentures	**11,604,000**	**0.965**	**11,198**	**10.8**	11,604,000	0.875	10,154	11.4
Holloway 7.50% Convertible Debentures	—	—	—	—	6,232,000	0.970	6,045	6.8
Keck Seng	**3,908,000**	**1.24**	**4,846**	**4.6**	—	—	—	—
Terravest	**5,000,000**	**6.00**	**30,000**	**28.8**	5,000,000	5.85	29,250	32.7
Carrying value of securities			**104,114**	**100.0**			89,345	100.0

The breakdown of the change in the Company's securities portfolio is as follows:

	Three months ended March 31, 2015 $
Securities – beginning of period	**89.3**
Purchases	**16.9**
Proceeds on sale	**(6.3)**
Realized and unrealized gains on securities	**4.2**
Securities – end of period	**104.1**

Energy Basket: Following the precipitous decline in oil prices in the fourth quarter of 2014, we started to acquire select securities of companies related to the oil and gas industry. It is our view that recent oil prices are not sustainable over the long-term and the recent reductions to capital investment in the industry, combined with the steep decline rates associated with North American oil production will result in price increases. Our present intention is to acquire both debt and equity securities of companies engaged in the oil and gas industry that we believe are attractively valued and offer the potential for significant capital appreciation in the future.

To date, our only publicly-disclosed "energy basket" investment is Northern Frontier Corp. The company provides civil construction and maintenance services in Eastern Alberta (with a focus on SAGD oil projects) and hydrotesting, fluid transfer and water management services throughout Western Canada. In early 2015 it appeared the company's shares were being sold simply because the company was associated with the oil and gas industry; we acquired as many shares as we could before the company implemented a poison pill to deter us from acquiring additional shares. The following are several attractive characteristics of the company: it operates niche businesses that are skewed towards maintenance activities (rather than expansion activities); it has the opportunity to take business from weak competitors; it generates significant free cash flow, even in the current depressed environment; and it is using its free cash flow and any working capital releases to repay debt. We believe our purchase price results in a greater than 50% free cash flow yield based on recent performance and in excess of a 100% free cash flow yield based on performance in a recovered oil and gas environment. Clarke currently owns 15% of Northern Frontier.

At the end of the first quarter, our "energy basket" also included shares of a natural gas and liquids focused producer that we believe can sustain low commodity prices for several years without difficulty, debentures of an energy services business with substantial hard assets and shares of a company focused on pipeline infrastructure (which was sold at a profit subsequent to quarter end because we were not able to acquire a sufficiently large investment). Early in the second quarter, we started acquiring shares of a US-listed company that is engaged in manufacturing and drilling related operations for the energy industry.

***Holloway*:** Holloway's acquisition of Royal Host in 2014 continues to bear fruit as Holloway sold two Royal Host hotels as well as the Travelodge® franchise business in the first quarter of 2015. All of these sales, particularly the sale of the franchise business, generated gains that increase Holloway's book value. Holloway continues to repay debt, lower its cost of capital, diversify its portfolio out of oil and gas markets and improve its properties. On both a cap rate and asset basis, Holloway is the cheapest publicly-traded hotel company in Canada yet it has a much stronger balance sheet and much better operating margins than its peers.

Keck Seng Investments Ltd. ("Keck Seng"): During the first quarter of 2014, the Company started to acquire shares of Keck Seng, a Singapore-based, Hong Kong-listed real estate company. The company's assets include hotels in major cities around the world (including Saigon, Osaka, Ottawa, Toronto, New York and San Francisco), a portfolio of investment properties in Macau and cash. The company has a long history of entering into accretive transactions and growing its book value per share.

In our view, investors are meaningfully undervaluing Keck Seng's assets. Investors seem to be paying for some of the hotels or some of the Macau investment properties, but certainly not both. While there are no defined catalysts that will crystallize the value of Keck Seng's shares, we believe there are several opportunities for the company's shares to be revalued higher by investors. First, we believe the company will begin to sell its Macau investment properties following the completion of new infrastructure projects that are intended to improve connectivity between Hong Kong and Macau. Such sales should result in significant gains as these investment properties have been held on the company's books for several decades at their historical cost which is substantially below their market value. Second, we believe the company will continue to direct its cash flows to US real estate investments (its last two acquisitions have been in the US) and that such investments will be made on a 100% basis rather than with partners (which often obscures their financial contribution to the company); doing so should provide investors with more transparency and greater comfort in the value of the company's assets. Given the substantial discount to book value at which Keck Seng's shares trade, we would be thrilled if the company used its cash on hand to repurchase shares as well.

***Terravest*:** Building on the acquisitions of Jerico and NWP Industries in 2014, Terravest recently announced the acquisition of Signature Truck Systems, a manufacturer of propane trucks based in Michigan. Signature was acquired at an attractive multiple of earnings and provides Jerico with access to the largest propane market in the US. We expect Terravest to realize cost and revenue synergies between Signature and Jerico as they manufacture similar products.

Subsequent to the end of the first quarter, Terravest completed a $25.0 million debenture offering and used a portion of the proceeds to repay the promissory note issued to Clarke upon the acquisition of Jerico. We believe Terravest's recent acquisitions and debt maturity extension have strengthened Terravest and these changes have not been adequately appreciated by investors generally.

Other Investments

Private Equity Investments: We currently have $2.9 million invested in two private equity funds, which management considers to be legacy investments. During the first quarter, one private equity fund returned $1.1 million. We do not intend to make further investments in these types of funds unless there are compelling reasons to do so. We also do not intend to report on the performance of these funds on a regular basis unless there is meaningful activity during a financial period.

MV Shamrock: During the quarter, the Company completed the sale of this vessel and received net proceeds of US$4.6 million (Cdn. $5.6 million) resulting in a net gain on sale of $0.6 million for the three months ended March 31, 2015. The Company acquired the *MV Shamrock* at a tax lien auction in 2004 in the belief that (i) the vessel's replacement cost was substantially higher than the Company's purchase price, and (ii) the day rates for the vessel were attractive and were likely to generate an attractive cash flow yield. Following the financial crisis, day rates for the vessel were halved and had never fully recovered. While the vessel's replacement cost remained higher than the price the Company paid for the vessel, day rates had remained weak and the vessel's cash flow contribution to the Company was minimal. We believed that selling the vessel and redeploying the funds generated from its sale to other investments was the best course of action.

La Traverse Rivière-du-Loup – St-Siméon Limitée: This business consists of the Company's passenger/car ferry service operating on the St. Lawrence River under contract with the Government of Québec since 1973. The ferry does not operate during the first quarter of the year and completes its annual maintenance and repairs during this offseason period. The operating season began subsequent to the first quarter. We do not intend to report on the performance of this business on a regular basis unless there is meaningful activity during a financial period.

OUTSTANDING SHARE DATA

At May 6, 2015, the Company had:

- An unlimited number of Common Shares authorized and 16,448,605 Common Shares outstanding;
- An unlimited number of First and Second Preferred Shares authorized and none outstanding; and
- 500,000 senior management options to acquire Common Shares outstanding, none of which are vested or exercisable and are subject to shareholder approval at the Company's upcoming Annual General and Special Meeting on May 7, 2015.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2015, the Company's net cash position (a non-IFRS measure representing cash and cash equivalents less short-term indebtedness) was $85.4 million compared to $79.1 million at December 31, 2014. This increase in cash is mainly a result of the repayment of outstanding loans to Clarke during the period. At May 6, 2015, the Company's net cash position was approximately $74.2 million.

Cash flow from operating activities

Cash provided by operating activities was $2.7 million for the three months ended March 31, 2015, compared to $0.2 million used in operations for the three months ended March 31, 2014. This increase is mainly due to the collection of receivables during the current period.

At March 31, 2015, working capital excluding securities was $83.3 million, compared to $79.0 million at December 31, 2014. The Company's working capital needs are minimal and the Company has the ability to fund any working capital needs through its cash on hand and its existing credit facilities.

Cash flow from investing activities

Net cash of $12.0 million was provided by investing activities during the three months ended March 31, 2015, compared to $0.8 million used in the three months ended March 31, 2014. This was primarily due to the repayment of an outstanding loan to Clarke in the amount of $16.0 million and the receipt of $5.6 million on the sale of the *MV Shamrock*. This was partially offset by net purchases of investments (purchases less sales) in the amount of $10.6 million for the three months ended March 31, 2015. This compared to minimal net cash investing activities during the same period in 2014.

Cash flow from financing activities

Net cash used in financing activities was $8.3 million for the three months ended March 31, 2015, compared to $50.8 million used in the three months ended March 31, 2014. Net cash used in financing activities during the period was mainly related to the repurchase of Common Shares for $6.3 million and the payment of dividends in the amount of $1.9 million. Cash used in financing activities for the three months ended March 31, 2014 primarily consisted of the repayment of short term indebtedness in the amount of $35.9 million, the redemption and repurchase of convertible debentures in the amount of $12.3 million and the payment of dividends in the amount of $1.8 million.

Available capital under credit facilities

The Company has access to credit facilities where certain of the Company's securities are pledged as collateral. At March 31, 2015, $22.1 million was available under these facilities (subject to the amount of eligible securities pledged as collateral) and nil was drawn on these facilities. Declines in the market value of pledged securities may have an adverse effect on the amount of credit available under these facilities.

Cash flow from discontinued operations

There were no cash activities of discontinued operations during the three months ended March 31, 2015. For the three months ended March 31, 2014 net cash provided by operating activities of discontinued operations was $0.2 million which related to cash flow generated from Jerico for the period prior to the sale transaction, net cash provided by investing activities of discontinued operations was $99.3 million which was mainly due to the cash proceeds received on the sale of the Company's freight transport business and net cash used in financing activities of discontinued operations was $2.7 million and was primarily due to the reduction of debt in Jerico for the period prior to the sale transaction.

SUMMARY OF QUARTERLY RESULTS

Key financial information for the current and preceding seven quarters is as follows:

Three months ended	**June 2013 $**	**Sept. 2013 $**	**Dec. 2013 $**	**Mar. 2014 $**	**June 2014 $**	**Sept. 2014 $**	**Dec. 2014 $**	**Mar. 2015 $**
Revenue	7.6	24.1	15.2	16.0	24.4	20.5	(5.2)	7.4
Income (loss) from continuing operations	3.6	17.4	15.4	13.3	19.9	16.4	(6.4)	3.6
Income (loss) from discontinued operations *	3.6	4.5	6.3	59.7	—	—	(0.3)	—
Net income (loss)	7.2	21.9	21.7	73.0	19.9	16.4	(6.6)	3.6
Other comprehensive income (loss)	—	1.6	2.4	(3.8)	(0.2)	1.1	(0.2)	1.2
Comprehensive income (loss)	7.2	23.5	24.1	69.2	19.7	17.5	(6.8)	4.8
Basic EPS from continuing operations (in dollars)	0.24	1.12	1.06	0.73	1.00	0.83	(0.32)	0.19
Diluted EPS from continuing operations (in dollars)	0.19	0.78	0.73	0.57	0.94	0.83	(0.32)	0.19
Basic EPS (in dollars)	0.43	1.30	1.25	4.01	1.00	0.83	(0.33)	0.19
Diluted EPS (in dollars)	0.31	0.89	0.87	3.03	0.94	0.83	(0.33)	0.19

* *Income from discontinued operations mainly consists of the results from the freight transport business and Jerico and the gain on sale of both subsidiaries in the first quarter of 2014.*

As seen in the table above, our results can fluctuate significantly from quarter to quarter, mainly as a result of certain accounting standards the Company follows. Under IFRS, realized and unrealized gains and losses on our publicly-traded securities are recorded in "revenue" on our consolidated statements of earnings. The Company does not believe that quarterly fluctuations in the stock prices of our investee companies necessarily reflect a change in the value of the underlying businesses in which we are invested. The value of the underlying businesses are often more stable than their stock prices reflect and often worth more than the public markets give them credit for (as evidenced by some of our recent sales). Clarke views its investments on a longer-term basis as opposed to on a quarter-to-quarter basis. These fluctuations, however, often provide us with an opportunity to invest more capital in particular investments that we like or vice-versa.

FINANCIAL INSTRUMENTS

In the normal course of operations, the Company uses the following financial and other instruments:

- To generate investment returns, the Company will invest in equity, debt and other securities. These instruments may have interest rate, market, credit and foreign exchange risk associated with them.

- To manage foreign exchange, interest rate and general market risk, the Company may enter into futures and forward exchange contracts. These instruments may have interest, market, credit and foreign exchange risk associated with them.

As an investment company, Clarke has a significant number of financial instruments. Notes 1, 5, 6, 8, 11, 14, 15, 16, 25 and 26 to the consolidated financial statements for the year ended December 31, 2014 and the Company's AIF dated March 3, 2015, provide further information on classifications in the financial statements, and risks, pertaining to the use of financial instruments by the Company.

SIGNIFICANT EQUITY INVESTMENTS

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company has determined that Holloway and Terravest are significant equity investees. Accordingly, we are required to disclose the following summary financial information. The summarized financial information provided is for the most recent year-to-date interim period and the comparative year-to-date period. For those reporting entities that have not yet released their interim consolidated financial statements for the current period, the prior period financial information is provided.

Holloway

Holloway's core business is hotel ownership. Holloway owns 35 hotels comprising 3,967 rooms. As of March 31, 2015, Clarke owned 40.7% of the outstanding shares of Holloway and $11.6 million principal amount of 6.25% convertible debentures.

Selected Financial Information (audited)	**Year ended December 31, 2014**	Year ended December 31, 2013
	$	$
Total assets	**382.4**	199.4
Total liabilities	**264.5**	114.0
Shareholders' equity	**117.9**	85.4
Total revenue	**97.5**	60.0
Net income	**27.3**	4.5

Terravest

Terravest is engaged in (i) the manufacturing of residential and commercial tanks and pressure vessels, (ii) the manufacturing of wellhead processing equipment for the oil and natural gas industry, and (iii) well servicing for the oil and natural gas industry in Southwestern Saskatchewan. As of March 31, 2015, Clarke owned 27.6% of the outstanding shares of Terravest.

Selected Financial Information	**December 31, 2014**	September 30, 2014
	$	$
Total assets	**165.3**	171.4
Total liabilities	**82.2**	91.3
Shareholders' equity	**83.1**	80.1
	Three months ended December 31, 2014	Three months ended December 31, 2013
	$	$
Total revenue	**53.0**	20.7
Net income	**5.3**	2.6

RELATED PARTY TRANSACTIONS

The Company was party to related party transactions during the three months ended March 31, 2015. All related party transactions were in the normal course of operations and occurred at fair value. For full details of the Company's related party transactions, please refer to Note 24 of our consolidated financial statements for the year ended December 31, 2014 and note 9 of the interim condensed consolidated financial statements for the three months ended March 31, 2015.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The implementation of Canadian Securities Administrators National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings represents a continuous improvement process, which has prompted the Company to formalize existing processes and control measures and to introduce new ones. The objective of this instrument is to improve the quality, reliability, and transparency of information that is filed or submitted under securities regulation.

In accordance with this instrument, the Company has filed certificates signed by the President & Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to the President & Chief Executive Officer and the Chief Financial Officer, particularly during the period in which annual filings are being prepared. Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no changes in the Company’s disclosure controls and procedures or internal controls over financial reporting during the three months ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, the effectiveness of the internal controls over financial reporting.

ENVIRONMENTAL MATTERS

The Company’s businesses are exposed to the following environmental risks in conducting regular operations: (i) contamination of owned or leased property; and (ii) contamination of the environment relating to spills or leaks originating from the Company’s ferry.

The Company’s businesses regularly review their operations and facilities to identify any potential environmental contamination or liability. Limited internal reviews, which may include third party environmental assessments, have been conducted at all the Company’s wholly-owned real estate within the past three years. These limited reviews identified no material remediation issues and potential risks and there have been no material events arising subsequently that would indicate additional obligations.

The Company believes it and its businesses comply in all material respects with all relevant environmental laws and regulations. The Company is not aware of any material uninsured pending or proceeding actions against it or any of its businesses relating to environmental issues.

CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS ACCOUNTING MEASURES

This MD&A makes reference to the Company’s book value per share as a measure of the performance of the Company as a whole. Book value per share is measured by dividing shareholders’ equity at the date of the statement of financial position by the number of Common Shares outstanding at that date. Clarke’s method of determining this amount may differ from other companies’ methods and, accordingly, this amount may not be comparable to measures used by other companies. This amount is not a performance measure as defined under IFRS and should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with IFRS.

FORWARD-LOOKING STATEMENTS

This MD&A may contain or refer to certain forward-looking statements relating, but not limited, to the Company’s expectations, intentions, plans and beliefs with respect to the Company. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “does not expect”, “is expected”, “budget”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, “believes”, or equivalents or variations of such words and phrases, or state that certain actions, events or results, “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements include, without limitation, those with respect to the future or expected performance of the Company’s investee companies, the future price and value of securities held by the Company, changes in these securities holdings, changes to the Company’s hedging practices, currency fluctuations and requirements for additional capital. Forward-looking statements rely on certain underlying assumptions that, if not realized, can result in such forward-looking statements not being achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, the Company’s investment strategy, legal and regulatory risks, general market risk, potential lack of diversification in the Company’s investments, interest rates, foreign currency fluctuations, the sale of Company investments, the fact that dividends from investee companies are not guaranteed, reliance on key executives, commodity market risk, risks associated with investment in derivative instruments and other factors. With respect to the Company’s ferry operation, such risks and uncertainties include, among others, weather conditions, safety, claims and insurance, labour relations, and other factors.

Although the Company has attempted to identify important factors that could cause actions, events or results not to be as estimated or intended, there can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Other than as required by applicable Canadian securities laws, the Company does not update or revise any such forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements.

Clarke Inc.

March 31, 2015 and 2014

Clarke Inc.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited (in thousands of Canadian dollars)

	March 31, 2015 **$**	December 31, 2014 $
ASSETS		
Current		
Cash and cash equivalents	**85,433**	79,061
Marketable securities	**104,114**	89,345
Receivables	**3,371**	6,704
Income taxes receivable	**301**	51
Prepaid expenses	**190**	290
Total current assets	**193,409**	175,451
Notes receivable *(note 11)*	**19,000**	35,000
Accrued pension benefit asset *(note 3)*	**31,596**	29,823
Fixed assets and investment properties *(note 4)*	**4,404**	9,941
Long-term investments	**2,915**	3,761
Deferred income tax assets	**1,352**	2,496
Total assets	**252,676**	256,472
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**3,468**	4,504
Dividends payable *(note 5)*	**1,883**	1,949
Income taxes payable	**—**	32
Current portion of other long-term debt	**644**	644
Total current liabilities	**5,995**	7,129
Other long-term debt	**2,291**	2,363
Deferred income tax liabilities	**2,121**	1,882
Total liabilities	**10,407**	11,374
Shareholders' equity		
Share capital *(notes 5 and 11)*	**61,032**	63,189
Retained earnings	**173,080**	175,574
Accumulated other comprehensive income	**7,578**	6,335
Share-based payments	**579**	—
Total shareholders' equity	**242,269**	245,098
Total liabilities and shareholders' equity	**252,676**	256,472

See accompanying notes to the interim condensed consolidated financial statements

On behalf of the Board:

/s/ George Armoyan
Director

/s/ Blair Cook
Director

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited (in thousands of Canadian dollars, except per share amounts)

	Three months ended March 31, 2015 $	Three months ended March 31, 2014 $
Revenue		
Unrealized gains on investments	**3,804**	8,050
Realized gains on investments	**610**	983
Interest income	**1,103**	692
Dividend income	**807**	1,467
Pension recovery *(note 3)*	**26**	3,419
Provision of services	**382**	736
Other income *(note 6)*	**704**	700
	7,436	16,047
Expenses		
General and administrative expenses	**1,124**	825
Cost of services provided	**891**	980
Share-based payment expense	**579**	27
Depreciation and amortization	**113**	280
Interest expense	**37**	813
	2,744	2,925
Income before equity in earnings of joint ventures and income taxes	**4,692**	13,122
Equity in earnings of joint ventures	**—**	480
Income before income taxes	**4,692**	13,602
Provision for income taxes *(note 7)*	**1,140**	267
Income from continuing operations	**3,552**	13,335
Income from discontinued operations, net of tax *(note 8)*	**—**	59,725
Net income	**3,552**	73,060
Attributable to:		
Equity holders of the Company	**3,552**	73,005
Non-controlling interest	**—**	55
	3,552	73,060
Basic earnings per share attributable to equity holders of the Company:		
Income from continuing operations	**0.19**	0.73
Income from discontinued operations	**—**	3.28
Net income	**0.19**	4.01
Diluted earnings per share attributable to equity holders of the Company: *(in dollars) (note 5)*		
Income from continuing operations	**0.19**	0.57
Income from discontinued operations	**—**	2.46
Net income	**0.19**	3.03

See accompanying notes to the interim condensed consolidated financial statements

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited (in thousands of Canadian dollars)

	Three months ended March 31, 2015 $	Three months ended March 31, 2014 $
Net income	**3,552**	73,060
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Remeasurement gains (losses) and effect of limit on asset ceiling on defined benefit pension plans *(note 3)*	**1,748**	(4,021)
Total items that will not be reclassified to profit or loss	**1,748**	(4,021)
Items that may be or have been reclassified subsequently to profit or loss		
Unrealized gains on translation of net investment in foreign operations	**521**	256
Reclassification adjustment for realized translation gains on disposal of net investment in foreign operations *(note 4)*	**(1,026)**	—
Total items that may be reclassified subsequently to profit or loss	**(505)**	256
Other comprehensive income (loss)	**1,243**	(3,765)
Comprehensive income	**4,795**	69,295
Attributable to:		
Equity holders of the Company	**4,795**	69,240
Non-controlling interest	**—**	55
	4,795	69,295

See accompanying notes to the interim condensed consolidated financial statements

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)

	Three months ended March 31, 2015	Three months ended March 31, 2014
	$	$
OPERATING ACTIVITIES		
Income from continuing operations	**3,552**	13,335
Adjustments for items not involving cash *(note 10)*	**(2,955)**	(12,841)
	597	494
Net change in non-cash working capital balances *(note 10)*	**2,115**	(644)
Net cash provided by (used in) operating activities	**2,712**	(150)
INVESTING ACTIVITIES		
Proceeds on disposition of marketable securities	**6,323**	4,002
Purchase of marketable securities	**(16,942)**	(4,737)
Net return of capital (purchases) of long-term investments	**1,145**	(42)
Proceeds on repayments of notes receivable	**16,000**	—
Proceeds on disposition of fixed assets	**5,598**	—
Purchase of fixed assets	**(123)**	—
Net cash provided by (used in) investing activities	**12,001**	(777)
FINANCING ACTIVITIES		
Net repayment of short-term indebtedness	—	(35,906)
Redemption and repurchase of convertible debt for cancellation	—	(12,280)
Repurchase of shares for cancellation *(note 5)*	**(6,320)**	(781)
Dividends paid	**(1,949)**	(1,787)
Repayment of long-term debt	**(72)**	(72)
Net cash used in financing activities	**(8,341)**	(50,826)
Net cash provided by (used in) continuing operations	**6,372**	(51,753)
Net cash provided by operating activities of discontinued operations	—	155
Net cash provided by investing activities of discontinued operations	—	99,278
Net cash used in financing activities of discontinued operations	—	(2,676)
Net change in cash during the period	**6,372**	45,004
Cash and cash equivalents, beginning of period	**79,061**	1,989
Cash and cash equivalents, end of period	**85,433**	46,993

See accompanying notes to the interim condensed consolidated financial statements

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Unaudited (in thousands of Canadian dollars)

	Three months ended March 31, 2015 $	Three months ended March 31, 2014 $
Share capital		
Common shares:		
Balance at beginning of period	**63,189**	42,701
Common shares issued upon conversion of convertible debt	**—**	8,882
Common shares repurchased for cancellation *(note 5)*	**(2,157)**	(253)
Balance at end of period	**61,032**	51,330
Retained earnings		
Balance at beginning of period	**175,574**	91,783
Net income attributable to equity holders of the Company	**3,552**	73,005
Dividends declared *(note 5)*	**(1,883)**	(3,656)
Purchase price in excess of the historical book value of common shares repurchased for cancellation *(note 5)*	**(4,163)**	(528)
Balance at end of period	**173,080**	160,604
Accumulated other comprehensive income, net of tax		
Balance at beginning of period	**6,335**	9,440
Other comprehensive income (loss)	**1,243**	(3,765)
Balance at end of period	**7,578**	5,675
Share-based payments		
Balance at beginning of period	**—**	580
Share-based payment expense	**579**	—
Sale of subsidiary with share-based payments	**—**	(580)
Balance at end of period	**579**	—
Equity portion of convertible debentures		
Balance at beginning of period	**—**	2,356
Reduction upon the redemption, repurchase or conversion of convertible debentures, net of tax	**—**	(1,035)
Balance at end of period	**—**	1,321
Total shareholders' equity attributable to equity holders of the Company	**242,269**	218,930
Non-controlling interest		
Balance at beginning of period	**—**	7,793
Reduction upon the sale of subsidiary with non-controlling interest	**—**	(7,793)
Balance at end of period	**—**	—
Total shareholders' equity	**242,269**	218,930

See accompanying notes to the interim condensed consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Clarke Inc. (the "Company" or "Clarke") was incorporated on December 9, 1997 pursuant to the Canada Business Corporations Act. The head office of the Company is located at 6009 Quinpool Road, Halifax, Nova Scotia. The Company is an investment holding company with investments in a diversified group of businesses, operating primarily in Canada. The Company continuously evaluates the acquisition, retention and disposition of its investments. Changes in the mix of investments should be expected. These interim condensed consolidated financial statements were approved by the Board of Directors on May 6, 2015.

Basis of presentation and statement of compliance

These interim condensed consolidated financial statements for the three months ended March 31, 2015, were prepared in accordance with IAS 34, *Interim Financial Reporting*. The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2014, except for changes in the Company's segments. During the three months ended March 31, 2015, the Company determined that, under its current organizational structure, it has only one reportable segment under IFRS 8 *Operating Segments*. The previously reported Other segment is managed collectively with and is an integral part of the Investment segment and the previously reported Transportation segment does not meet the quantitative threshold for segmentation. Accordingly, these interim condensed consolidated financial statements for the three months ended March 31, 2015 should be read together with the annual consolidated financial statements for the year ended December 31, 2014.

Certain comparative interim condensed consolidated financial statement balances have been reclassified to conform to the current period's interim condensed consolidated financial statement presentation.

Principles of consolidation

The interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. The significant subsidiaries of the Company are CKI Holdings Partnership, Quinpool Holdings Partnership and La Traverse Rivière-du-Loup – St-Siméon Limitée.

All significant intercompany transactions have been eliminated on consolidation. All subsidiaries have the same reporting period end as the Company, and all follow the same accounting policies.

2. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 9 *Financial Instruments: Classification and Measurement*

IFRS 9 will replace *IAS 39 Financial instruments: recognition and measurement*. The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The Company is currently evaluating the impact of the new standard.

Unaudited (in thousands of Canadian dollars, except per share amounts)

2. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 replaces the previous guidance on revenue recognition and provides a framework to determine when to recognize revenue and at what amount. The new standard is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of the new standard.

IAS 1 *Presentation of Financial Statements*

IAS 1 amendments outline disclosure initiatives relating to materiality, ordering of the notes, subtotals, accounting policies and disaggregation with an aim of clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of the amendments.

IAS 19 *Employee Benefits*

IAS 19 amendment provides additional guidance on the type of bonds used in estimating the discount rate for post-employment benefits. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company has evaluated the amendment and there will be no impact to the financial statements when adopted.

3. EMPLOYEE FUTURE BENEFITS

Reconciliation of the funded status of the defined benefit plans to the amounts recorded in the interim condensed consolidated financial statements is:

	Pension benefits	
	March 31, 2015	December 31, 2014
	$	$
Fair value of plan assets	**101,556**	98,652
Accrued benefit obligation	**(50,861)**	(47,477)
Funded status of plans – surplus	**50,695**	51,175
Cumulative impact of asset ceiling	**(19,099)**	(21,352)
Accrued pension benefit asset, net of impact of asset ceiling	**31,596**	29,823

The defined benefit recovery recognized in the interim condensed consolidated statements of earnings for the three months ended March 31, 2015 was $26 (2014 – $3,419). As of January 1, 2014, all active members of the Pension Plan for the Employees of Clarke Inc. and of the Clarke Group Pension Plan (the "Clarke Pension Plans") who were employees of the former freight transport business stopped accruing service and salary increases for future periods which resulted in a curtailment gain of $3,326 included in the interim consolidated statements of earnings for the three months ended March 31, 2014.

Significant assumptions

	March 31, 2015	December 31, 2014
	%	%
Accrued benefit obligation – discount rate	**3.55**	4.00
Benefit costs for the period – discount rate	**4.00**	4.80

Unaudited (in thousands of Canadian dollars, except per share amounts)

3. EMPLOYEE FUTURE BENEFITS (CONT'D)

Elements of the defined benefit recovery (expense) recognized in other comprehensive income are as follows:

	Pension benefits	
	Three months ended March 31, 2015	Three months ended March 31, 2014
	$	$
Remeasurement losses	**(719)**	(1,902)
Change in amount of asset ceiling	**2,467**	(2,119)
Defined benefit recovery (expense) recognized	**1,748**	(4,021)

4. FIXED ASSETS AND INVESTMENT PROPERTIES

During the three months ended March 31, 2015, the Company completed the sale of its container vessel, the *MV Shamrock*. The net proceeds received were US$4,605 and the net gain on sale was $644. Included in the gain is a reclassification adjustment of $1,026 from accumulated other comprehensive income for realized foreign exchange translation gains on disposal of net investment in a foreign operation.

5. SHARE CAPITAL AND EARNINGS PER SHARE

	March 31, 2015		December 31, 2014	
	# of shares	**$**	# of shares	$
Common shares				
Outstanding common shares, beginning of period	**19,492,977**	**63,189**	17,641,910	42,701
Common shares issued upon conversion of convertible debentures during the period	**—**	**—**	3,094,913	24,434
Common shares repurchased for cancellation	**(665,330)**	**(2,157)**	(1,243,846)	(3,946)
Outstanding common shares, end of period	**18,827,647**	**61,032**	19,492,977	63,189

Substantial issuer bid ("SIB")

In the three months ended March 31, 2015, the Company purchased for cancellation 665,330 common shares under a SIB at a cost of $6,320 ($9.50 per common share). The purchase price in excess of the historical book value of the shares in the amount of $4,163 has been charged to retained earnings and $2,157 has been charged to share capital.

Dividends

Dividends declared from January 1, 2015 to March 31, 2015 were as follows:

Declaration date	**Record date**	**Payment date**	**Per share $**	**Dividend $**
February 23, 2015	March 31, 2015	April 10, 2015	**0.10**	**1,883**
Total			**0.10**	**1,883**

5. SHARE CAPITAL AND EARNINGS PER SHARE (CONT'D)

Dividends declared from January 1, 2014 to March 31, 2014 were as follows:

Declaration date	Record date	Payment date	Per share $	Dividend $
January 14, 2014	January 22, 2014	January 31, 2014	0.10	1,787
March 6, 2014	March 31, 2014	April 15, 2014	0.10	1,869
Total			0.20	3,656

Earnings per share

The following table reconciles the basic and diluted per share computations from continuing operations:

	Three months ended March 31, 2015			Three months ended March 31, 2014		
	Earnings $	**Weighted average shares (in thousands) #**	**Per share amount $**	Earnings $	Weighted average shares (in thousands) #	Per share amount $
Basic earnings per share	**3,552**	**19,012**	**0.19**	13,335	18,166	0.73
Interest, net of income taxes, on assumed conversion of convertible debentures	—	—		505	6,035	
Common shares issued on assumed exercising of stock options	—	—		—	33	
Diluted earnings per share	**3,552**	**19,012**	**0.19**	13,840	24,234	0.57

** All potentially dilutive securities issued relate to stock options for the three months ended March 31, 2015 and convertible debentures and stock options for the three months ended March 31, 2014. The stock options were anti-dilutive for the three months ended March 31, 2015 and the convertible debentures and stock options were dilutive for the three months ended March 31, 2014.*

6. OTHER INCOME

Other income is comprised of the following:

	Three months ended March 31, 2015 $	Three months ended March 31, 2014 $
Gain on disposition of fixed assets	**644**	—
Foreign exchange gains (losses)	**60**	(74)
Gains on redemption and repurchase of convertible debentures	**—**	774
	704	700

The gain on disposition of fixed assets is from the sale of the *MV Shamrock* (note 4).

Unaudited (in thousands of Canadian dollars, except per share amounts)

7. INCOME TAXES

The provision for (recovery of) income taxes consists of:

	Three months ended March 31, 2015 $	Three months ended March 31, 2014 $
Current	**(243)**	(300)
Deferred *(note 10)*	**1,383**	567
Provision for income taxes	**1,140**	267

8. DISCONTINUED OPERATIONS

The table below presents the gain on sale of the freight transport business ($66,433) and Gestion Jerico Inc. ("Jerico") ($4,717) and the operating results of Jerico prior to the sale on February 15, 2014. The amounts are included as discontinued operations in the interim consolidated statements of earnings for the three months ended March 31, 2014.

	Three months ended March 31, 2014 $
Gain on sale of subsidiaries	71,150
Sales of products	5,805
Other loss	(62)
	76,893
Cost of goods sold	4,001
General and administrative expenses	1,034
Depreciation and amortization	372
Interest expense	92
Income before income taxes	71,394
Provision for income taxes	11,669
Income from discontinued operations	59,725

9. RELATED PARTY DISCLOSURES

The Company had the following related party transaction in the normal course of operations and measured at fair value, which is the amount of consideration established and agreed to by the related parties:

- During the three months ended March 31, 2015, the Clarke Pension Plans, which are administered by the Company, entered into various foreign exchange forward contracts, due to be settled in 2015 and 2016 for the purpose of hedging certain foreign currency exposure. The Clarke Pension Plans are using Clarke's existing lending facilities to facilitate the contracts.

Unaudited (in thousands of Canadian dollars, except per share amounts)

10. SUPPLEMENTAL CASH FLOW INFORMATION

Adjustments for items not involving cash	**Three months ended March 31, 2015 $**	Three months ended March 31, 2014 $
Realized/unrealized gains on investments	**(4,414)**	(9,033)
Pension recovery *(note 3)*	**(26)**	(3,419)
Gain on disposition of fixed assets *(note 6)*	**(644)**	—
Deferred income tax expense *(note 7)*	**1,383**	567
Share-based payment expense (recovery) net of share-based payments of nil (2014 – $42)	**579**	(15)
Depreciation and amortization	**113**	280
Equity in earnings of joint ventures	**—**	(480)
Gains on redemption and repurchase of convertible debentures	**—**	(774)
Other items	**54**	33
	(2,955)	(12,841)

Net changes in non-cash working capital balances	**Three months ended March 31, 2015 $**	Three months ended March 31, 2014 $
Receivables	**3,333**	70
Income taxes receivable	**(250)**	(343)
Prepaid expenses	**100**	(381)
Accounts payable and accrued liabilities	**(1,036)**	20
Income taxes payable	**(32)**	(10)
	2,115	(644)

11. SUBSEQUENT EVENTS

On March 2, 2015, the Company commenced a SIB to purchase up to 2,000,000 of its outstanding common shares at a purchase price of $10.00 per share. Subsequent to March 31, 2015, the Company took up and canceled 2,379,042 common shares under the SIB for a total purchase price of $23,790.

Subsequent to March 31, 2015, TerraVest Capital Inc., a marketable security investment of the Company, repaid its note receivable in full in the amount of $19,000 plus accrued interest.

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