CLARKE INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2013

Halifax, Canada
Date: March 6, 2014

CLARKE INC.

Annual Information Form

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS AND FUTURE ORIENTED FINANCIAL INFORMATION

Included in this Annual Information Form, and the documents incorporated herein by reference, are forward-looking statements, including future oriented financial information, with respect to Clarke Inc. (“Clarke” or 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”, or “believes”, or equivalents or variations, including negative 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 price of securities held by the Company, changes in these securities holdings, changes to the Company’s hedging practices, currency fluctuations, requirements for additional capital, changes to government regulations and the timing and possible outcome of pending litigation. Forward-looking statements rely on certain underlying assumptions, which 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.

With respect to the Company’s Investment segment, 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 and foreign currency fluctuations and other factors described in “Risks and Uncertainties – Risks Relating to the Investment Segment”. With respect to the Company’s Transportation segment (formerly the Freight Transportation segment), such risks and uncertainties include, among others, competition, seasonality and weather conditions, safety, claims and insurance, government regulation of the transportation industry, reliance on major customers, labour relations and other factors described in “Risks and Uncertainties – Risks Relating to the Transportation Segment”. Other general risks and uncertainties include, among others, the sale of Company investments and subsidiaries, dividends are not guaranteed, share liquidity, reliance on key executives, environmental considerations, use of information technology and information systems, commodity market risk, risks associated with investment in derivative instruments and other factors described in “Risks and Uncertainties – Other General Risks”.

Although the Company has attempted to identify important factors that could cause actual actions, events or results, or cause actions, events or results not to be 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.

All references to "$" or "dollars" are references to Canadian Dollars, unless otherwise specified. In the following discussion, references to "the Company" and to "Clarke" are to Clarke Inc. and its subsidiary companies, and to the companies pre-existing Clarke's incorporation whose business Clarke Inc. has acquired, unless the context requires otherwise.

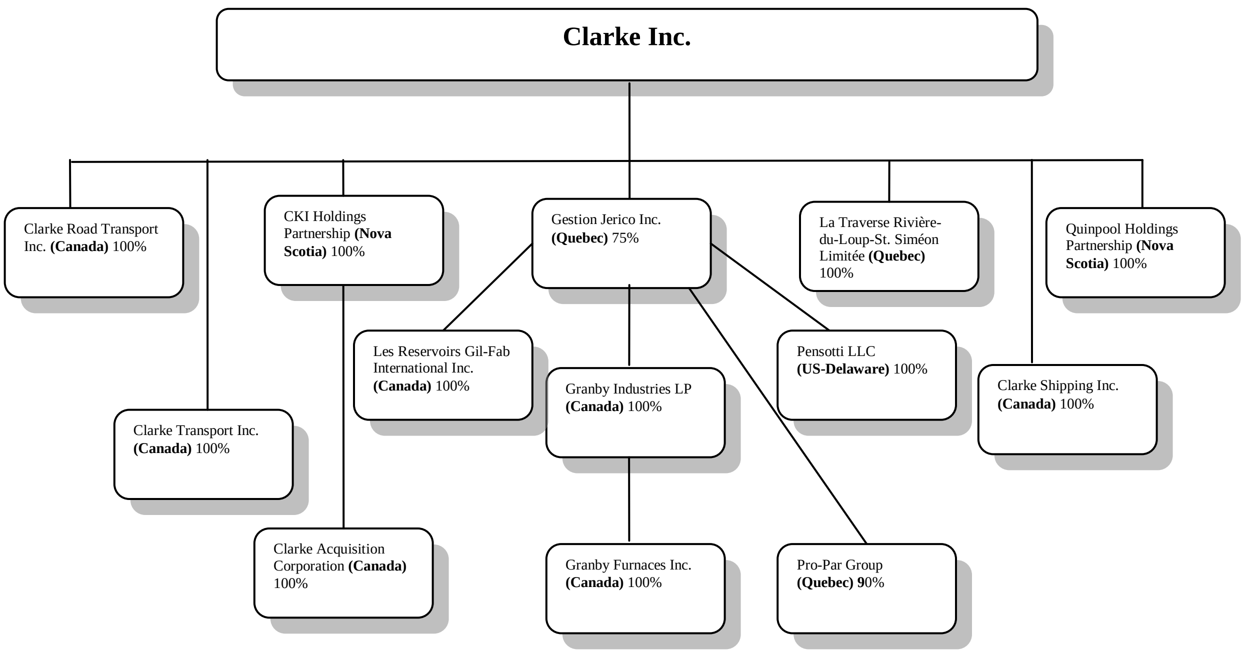
Information in this document is as at the date of the Company's most recent financial year end, December 31, 2013, unless otherwise stated.

CORPORATE STRUCTURE

Clarke was incorporated as 3442896 Canada Inc. pursuant to the *Canada Business Corporations Act* on December 9, 1997 and changed its name to "Clarke Inc." on January 26, 1998. The Company's registered and head office is located at 6009 Quinpool Road, 9th Floor, Halifax, Nova Scotia, B3K 5J7.

Intercorporate Relationships

The following chart represents the Company's organizational structure, as at December 31, 2013:



**The Company and its subsidiaries operate or have additional interests in other subsidiaries that do not meet the thresholds for disclosure set out in Form 51-102F2 of the Canadian Securities Administrators.*

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Clarke invests in private and publicly-traded businesses that it believes are undervalued or underperforming and participates actively, where necessary, to enhance the performance of such businesses with the goal of maximizing its return on investment, either through cash flow distributions or by exiting the investment when the investment has matured. Clarke focuses its investment in industries that have hard assets, including manufacturing, industrial oil and gas, mining and real estate businesses.

Recent Corporate Developments

2011

On May 11, 2011, Clarke redeemed $18,275,000 principal amount of its 6% convertible unsecured subordinated debentures maturing December 31, 2012 (the "2012 Debentures") in accordance with the terms of the indenture between Clarke and the Computershare Trust Company of Canada dated December 22, 2005 governing the debentures (the "Indenture").

On June 14, 2011, Clarke announced that its joint venture, Countdown Media L.P. ("Countdown"), sold its assets and operations to a strategic buyer. Countdown was established as part of the restructuring of Madacy Entertainment LP ("Madacy"), in which Clarke acquired a 50% interest as part of a privatization that occurred in March 2009. The sale represented the divestiture by Clarke of its remaining interest in the Madacy business and resulted in Clarke's exit from the Company's former Entertainment segment. Clarke received approximately $5.0 million on the closing of the sale, net of the repayment of certain indebtedness, and $0.9 million of a possible $1.75 million, subsequent to the sale, by meeting certain earn out thresholds in 2011 and 2012.

On June 6, 2011, Clarke purchased, through Gestion Jerico, the net assets and business of PNA Inc., a home heating distribution company based in Maine, USA. Total net consideration for the transaction was $1.1 million, consisting of $0.7 million in cash and $0.4 million in contingent consideration. Clarke exited this investment after the year ended December 31, 2013, with the sale of its commercial tanks and home heating business ("Gestion Jerico").

On October 1, 2011, Clarke purchased, through Gestion Jerico, the shares of Les Reservoirs Gil-Fab International Inc. (“Gil-Fab”). Total net consideration for the transaction was $4.2 million, which consisted of $3.2 million in cash and two $0.5 million 5% notes payable October 1, 2012 and October 1, 2013, respectively. Gil-Fab is in the business of manufacturing and producing commercial steel tanks. Clarke exited this investment with the sale of Gestion Jerico after the year ended December 31, 2013.

On October 4, 2011, the Company completed a substantial issuer bid to purchase 3,000,000 of its own common shares for cancellation. The Company paid $5.00 for each common share purchased pursuant to the substantial issuer bid.

On December 1, 2011, the Company announced that the Transportation segment had acquired all of the operating assets of Select Transport Incorporated ("Select") for a purchase price of $1.1 million. Based in Windsor, Nova Scotia, Select specialized in the over-the-road transport of produce and other refrigerated freight. Clarke exited this investment with the sale of its Freight Transport Business (as defined below) after the year ended December 31, 2013.

On December 7, 2011, the Company announced the appointment of Andrew Snelgrove as Chief Financial Officer, effective December 31, 2011. Mr. Snelgrove replaced Ian Wilkie, who left Clarke at that time.

2012

On February 2, 2012, the Company announced that it had invested $9.0 million in Highkelly Drilling Ltd. ("Highkelly") representing approximately 38% of the outstanding shares of Highkelly. Highkelly was a newly formed contract drilling company based in Calgary, Alberta that had entered into a strategic partnership with a Calgary-based oilfield equipment manufacturer with facilities in China. Clarke exited this investment in 2013.

On February 16, 2012, the Company announced that Rob Normandeau, President, Chief Executive Officer and a director of the Company, had resigned and effective March 1, 2012, George Armoyan assumed the position of President and Chief Executive Officer of Clarke.

On May 3, 2012, the Company redeemed the remaining $18,232,500 principal amount of 2012 Debentures.

On November 26, 2012, Clarke purchased, through Gestion Jerico, the shares of a storage tanks manufacturer. Total net consideration for the transaction was $0.9 million which consisted of $0.7 million in cash and $0.2 million in contingent considerations. Clarke exited this investment with the sale of Gestion Jerico after the year ended December 31, 2013.

On December 3, 2012, the Company appointed Kim Langille as Vice President, Taxation.

2013

On January 25, 2013, the Company obtained approval from holders of the 6% convertible unsecured subordinated debentures due December 31, 2013 to extend the maturity date of such debentures to December 31, 2018 (the "2018 Debentures"). All other terms of the 2018 Debentures remain the same.

On August 12, 2013, the Company purchased, through Gestion Jerico, 90% of Pro-Par Group ("Pro-Par"), a Sherbrooke, Quebec based company with operations in Quebec and Ontario with over 80 employees. Pro-Par is an established and recognized leader in the manufacturing of storage tanks, dispensers and transport units for the Canadian propane industry. Clarke exited this investment with the sale of Gestion Jerico after the year ended December 31, 2013.

On September 18, 2013, Clarke announced that Dustin Haw would assume the position of Vice President, Investments of Clarke and Michael Rapps would step down from the same position. Mr. Rapps remains involved in Clarke in an advisory role, including as a director of the Company.

On October 31, 2013, Clarke announced that it had entered into an agreement for the sale of its truckload, less-than-truckload and freight logistics businesses (the "Freight Transport Business") to TransForce Inc. (“TransForce”) based on an enterprise value of $88.0 million plus a net working capital adjustment associated with the Freight Transport Business. Certain other subsidiaries of Clarke engaged in information technology and human resources functions were also included in the sale. On January 6, 2014, the Company announced the close of this sale and that Clarke received total net sales proceeds of approximately $100.5 million. Clarke estimates that it will recognize a gain on the sale of $63 to $68 million, which will be reflected in Clarke's financial statements for the first quarter ended March 31, 2014.

On November 6, 2013, Clarke sold its 25% interest in Bonnett’s Energy Corp. for total proceeds of $25.9 million and recognized a net gain on the sale of marketable securities in the amount of $5.2 million.

On December 6, 2013, the Company announced that it had sold its interest in Highkelly to CanElson Drilling Inc. Clarke received net cash proceeds of $12.5 million on the transaction and recognized a net gain on the sale of $3.4 million that is included in the year ended December 31, 2013 financial statements.

2014 – Year to date

On February 15, 2014, Gestion Jerico was sold to TerraVest Capital Inc. ("TerraVest"). The transaction valued Gestion Jerico at an enterprise value of $54.0 million. Clarke received $24.9 million for its 75% interest in Gestion Jerico in the form of a 6.5% promissory note with a 3-year term.

On March 3, 2014, Clarke redeemed $12,000,000 principal amount of 2018 Debentures.

BUSINESS OPERATIONS

Description of Reporting Segments

The Company operates in four reportable business segments. The Transportation segment includes the Company’s ownership of ferry and international shipping operations, which move passengers and freight, respectively, in return for service fees. The trucking and intermodal operations from the Transportation segment (formerly the Freight Transportation segment) were discontinued with the sale of Clarke Transport Inc. and Clarke Road Transport Inc. subsequent to the year ended December 31, 2013. The Investment segment is comprised of the Company’s marketable securities portfolio, consisting of publicly traded equity securities and fixed income securities as well as investments in two private equity funds. The Commercial

Tanks & Home Heating segment includes the Company’s 75% interest in a leading North American manufacturer of high quality tanks for residential and commercial storage of heating oil, furnaces and other heating and ventilation-based products. All businesses in the Commercial Tanks & Home Heating segment were sold subsequent to the year ended December 31, 2013. The Other segment consists of real estate used in the Company’s operations (or was previously used in the Company’s operations), minority investments in private companies, as well as the treasury and executive functions.

A comparative analysis of revenue and other income from continuing operations by reporting segment is set out in the table below. Intercompany transactions are eliminated separately.

Revenue and Other Income Analysis *(in thousands of dollars)*	**Year ended December 31, 2013 $**	**%**	**Year ended December 31, 2012 $**	**%**
Investment segment	42,358	36.8	(2,120)	(3.8)
Transportation segment	7,793	6.8	7,720	13.8
Commercial Tanks & Home Heating segment	58,525	50.8	50,467	90.6
Other segment	9,178	8.0	2,942	5.3
Eliminations	(2,707)	(2.4)	(3,307)	(5.9)
Total revenue and other income	115,147	100.0	55,702	100.0

Investment Segment

Clarke employs a team of professionals who are dedicated to the selection and review of investment opportunities. These individuals identify businesses with strong underlying fundamentals or strong asset value that are undervalued in the public market or present an opportunity for Clarke to improve shareholder value through strategic, operational and other improvements. Clarke often seeks an active role in the businesses in which it invests, particularly where such involvement could yield greater shareholder value. The Clarke investment team monitors existing and prospective investments and makes regular adjustments to the Company’s investment portfolio with the objective of allocating capital to those investments that are expected to generate the best returns.

Transportation Segment

The Transportation segment consists of ferry and international shipping operations that move passengers and freight, respectively, in return for service fees. These transportation services are offered through the following wholly-owned subsidiaries:

La Traverse Rivière-du-Loup – St. Siméon Limitée ("TRDL") is a passenger/car ferry service operating on the St. Lawrence River, under contract with the Government of Québec since 1973. Historically, the contract with the Government of Québec has been subject to renewal every five years. The current contract between TRDL and the Government of Québec was signed in April 2010, effective January 1, 2010. This contract expires on December 31, 2017, with an option to extend for a further five years. TRDL has no direct competitors in its location on the St. Lawrence River. However, there are other ferry and bridge crossings of the St. Lawrence River within several hundred kilometers of the TRDL location.

- **Clarke Shipping Inc.** is a container shipping operation, which owns the container ship *MV Shamrock.* Management of the ship has been outsourced to an arm’s-length vessel manager under contract terms based on charter revenue. Currently, the ship is used as a time charter vessel transporting goods throughout the Caribbean. The container ship operation has many international competitors.

The Company’s trucking and intermodal operations were sold subsequent to the year ended December 31, 2013 and were classified as discontinued operations upon announcing the sale of this business. These subsidiaries provided freight transportation services to over 5,000 customers, utilizing a network of railroad partnerships and trucking owner-operators. The freight product mix was diverse and included building products, food, beverages, metals, packaged consumer products, pharmaceuticals, computer hardware, electronics and a wide range of retail goods. These operations offered freight transportation services through the following wholly-owned subsidiaries:

- **Clarke Transport Inc**. (“CTI”) is a national coast-to-coast less-than-truckload and truckload intermodal rail carrier serving the outbound freight requirements of the provinces of Ontario and Quebec to points in Atlantic and Western Canada. Canadian National Railway Company (“CN”), which handles most of CTI’s intermodal business in Canada, has been a business partner with CTI for over 30 years. CTI competes with four other major rail-based freight forwarders, as well as a large number of trucking companies.

- **Clarke Road Transport Inc.** (“CRTI”) provides comprehensive truckload services within Atlantic Canada and between Atlantic Canada and all major urban destinations in Central Canada and the United States. CRTI offers van dry and refrigerated services, as well as flatbed services, including over-dimensional capacity on a full-load or partial load basis. There are many companies competing in this market, of which four are considered major competitors.

- **Clarke North America Inc.** is a non-asset third party logistics supplier. This service arm offers logistics solutions throughout North America.

The Transportation segment used both owned and leased equipment in its operations during the year ended December 31, 2013. The Company’s container ship and passenger ferry are both owned by the Company. Certain of the trucks, chassis and containers used in the Freight Transport Business were also owned, however the Company did make use of certain leased equipment. For further discussion of the operating lease obligations of the Company, reference should be made to note 17 to the consolidated financial statements of the Company and the accompanying management’s discussion & analysis ("MD&A") for the year ended December 31, 2013, incorporated by reference in this Annual Information Form.

Commercial Tanks & Home Heating Segment

The Commercial Tanks & Home Heating segment consists of Clarke’s 75% interest in the operating results of Gestion Jerico, and its subsidiaries Granby Industries LP (“Granby”), Pro-Par, Gil-Fab, Granby Furnaces Inc. ("Granby Furnaces") and Pensotti LLC ("Pensotti"). Gestion Jerico is a leading North American manufacturer of high quality tanks for residential and commercial storage of heating and other petroleum-based products, furnaces and other heating and ventilation-based products. This business was sold subsequent to the year ended December 31, 2013.

Other Segment

The Other segment consists of the real estate used in the Company’s former rail terminal and trucking operations and minority investments in private companies, as well as the treasury, human resources and executive functions.

The Other segment previously included Clarke IT Solutions Inc. (“CITSI”), a wholly-owned subsidiary of CRTI that operates as an information technology infrastructure and support services company. This business was sold subsequent to the year ended December 31, 2013 and has been classified as a discontinued operation.

Properties

Clarke and its subsidiaries operate in 26 facilities, of which eight are owned (with two land leases) and 18 are leased. The Company also owns three properties that are currently held for investment purposes.

The following table lists the Company's owned properties as at December 31, 2013.

Location	Description	Relevant Operating Entity
Kitchener, Ontario	Land, office, terminal premises	Idle*
Moncton, New Brunswick	Land, office, terminal premises	Idle*
Montreal, Quebec	Office, terminal premises	CTI*
Granby, Quebec	Manufacturing facility	Granby
Parrsboro, Nova Scotia	Manufacturing facility	Granby Furnaces
Parrsboro, Nova Scotia	Warehouse	Granby Furnaces
Mascouche, Quebec	Manufacturing facility	Gil-Fab
Ham-Nord, Quebec	Manufacturing facility	Granby
Lennoxville, Quebec	Manufacturing facility	Pro-Par
Aylmer, Ontario	Manufacturing facility	Pro-Par
Forestville, Quebec	Land	Idle*

**The Company maintained ownership of these properties subsequent to the sale of the Freight Transport Business and Gestion Jerico.*

Certain of these properties were pledged as security pursuant to certain bank borrowing agreements at December 31, 2013. The Company considers these properties to be in good operating condition.

In addition, leased properties as at December 31, 2013 consisted of:

Location	Description	Relevant Operating Entity
Calgary, Alberta	Office, terminal premises	CTI
Edmonton, Alberta	Office, terminal premises	CTI
Concord, Ontario	Office, terminal premises	CTI, CITSI
Milton, Ontario	Office premises	CRTI
Vaughan, Ontario	Condominium	CTI
Corner Brook, Newfoundland	Office, terminal premises	CTI
St. John's, Newfoundland	Land, office, terminal premises	CTI, CRTI
Saskatoon, Saskatchewan	Office, terminal premises	CTI
Regina, Saskatchewan	Office, terminal premises	CTI
Montreal, Quebec	Land	CTI
Burnaby, British Columbia	Office, terminal premises	CTI
Winnipeg, Manitoba	Office, terminal premises	CTI
Winnipeg, Manitoba	Terminal premises	CTI
Rivière-du-Loup, Quebec	Land	TRDL
Rivière-du-Loup, Quebec	Office premises	TRDL
St-Siméon, Quebec	Office premises	TRDL
Halifax, Nova Scotia	Office premises	Clarke, CITSI
Halifax, Nova Scotia	Office premises	CTI, CRTI
Brewer, Maine	Office, warehouse	Pensotti
Granby, Quebec	Manufacturing facility	Granby

Employees

The Company employed and contracted 945 employees and independent owner-operators as at December 31, 2013. The employee group was comprised of 233 union employees and 536 non-union employees. The Company also used 176 independent owner-operators to provide services related to the Company's trucking and intermodal operations which were sold subsequent to the year ended December 31, 2013.

RISKS AND UNCERTAINTIES

An investment in Company securities involves a number of risks. In addition to the other information contained in this Annual Information Form, the documents incorporated by reference herein and the Company's other publicly filed disclosure documents, investors should give careful consideration to the following factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. Any of the matters highlighted in these risk factors could have a material adverse effect on Clarke's business, results of operations and financial condition.

Risks Relating to the Investment Segment

Investment Strategy

Clarke often seeks to invest in under-performing businesses with the objective of implementing operational and other changes that are intended to improve operating and financial performance. The failure by Clarke to effect positive change in one or more of the businesses in which it invests could result in the loss of some or all of its investment, which could have a material adverse effect on Clarke's business, results of operations and financial condition.

Legal and Regulatory Risks

Clarke's Investment segment operates in a highly regulated industry with a plethora of legal and regulatory requirements. Clarke engages in strategic investing where Clarke may seek to effect operational and other changes at a company in which it invests. Such efforts may include participating on a company's board of directors, working with the board of directors to enhance the management team or working with management to improve the prospects of the business. In engaging in these investments, Clarke, the Company's board of directors (the "Board"), senior management, certain employees (and those of its subsidiaries) and others are required to comply with a complex set of laws, regulations, policies, rules and standards that govern the conduct of Clarke's operations. Clarke has developed procedures for compliance with these legal and regulatory requirements but any breach or perceived breach thereof, and any actual or threatened legal or regulatory actions, investigations, fines or penalties could have a significant impact on Clarke's ability to operate, negatively affect Clarke's reputation or lead to the imposition of penalties or costs that could adversely impact Clarke's business, profits and asset base.

General Market Risk

General market risk is the risk that equity markets will go down in value, including the possibility that equity markets will go down sharply and unpredictably. Several factors can influence market trends, such as economic developments, changes in interest rates, political changes, tax changes and catastrophic events. Clarke's investments are subject to these general market risks. In addition, Clarke has investments in small and mid-sized companies. The share prices of smaller companies can be more volatile than those of larger, more established companies. Smaller companies may have limited resources or funds, unproven management, untested products and less liquidity, which can affect share price.

Potential Lack of Diversification

At any given point in time, Clarke may have a significant portion of its assets invested in a single or small number of companies or projects. In the event that such investments or projects are unsuccessful, Clarke could incur significant losses which could, in turn, have a material adverse effect on Clarke's business, results of operations and financial condition.

Interest Rate and Foreign Currency

From time to time, Clarke may invest in interest bearing and/or foreign currency denominated securities. These investments expose Clarke to interest rate and/or currency risks in that the value of the interest rate or Canadian dollar compared to the interest rate and/or foreign currency of the underlying security may change during the period in which the investment is held. The principal lever for managing interest rate and currency risk is investment in derivative instruments, such as futures, forward contracts, options and/or swaps. Clarke expects to limit extreme volatility from such interest rate and currency fluctuations using derivative instruments, but does not attempt to eliminate all volatility.

Risks Relating to the Transportation Segment

Competition

Certain of the Company’s transportation subsidiaries face competition from a variety of national and international competitors. Many of these competitors have strong financial, marketing and other resources. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that competition will not have a material adverse effect on the Company’s business, results of operations and financial condition.

Seasonality and Weather Conditions

The results of the Company’s transportation subsidiaries are subject to seasonal fluctuations. In a typical year, relatively higher revenues are generated during the summer and fall, and relatively lower revenues are generated during the winter. In addition, adverse weather conditions such as heavy snow or ice storms can have a negative impact on operating results. Seasonal fluctuations and adverse weather conditions could result in lost revenues, which could have a material adverse effect on the Company’s business, results of operations and financial condition.

Safety

A major safety incident on a ferry or ship owned by the Company's transportation subsidiaries could result in the disruption of service or could require the Company to incur potentially substantial repair or replacement costs. The Company could also incur potentially significant claims relating to injured parties and other damages. As a result, the Company’s business, results of operations and financial condition could be materially adversely affected.

Claims and Insurance

Certain of the Company’s operations are subject to risks normally inherent in the transportation industry, including potential insurance claims, which could result from, among other circumstances, property damage to the Company's vessels. The availability of, and ability to collect on, insurance coverage for such liabilities are subject to factors beyond the control of the Company. In addition, the Company may become subject to liability hazards and claims in circumstances where it cannot or may elect not to insure (because of high premium costs or other reasons), or for occurrences that exceed maximum coverage under its policies. The Company has no control over changing conditions and pricing in the insurance marketplace, and the cost or availability of various types of insurance may change in the future. Increases in insurance costs or the Company’s inability to obtain insurance coverage in the future for certain types of losses could have a material adverse effect on the Company’s business, results from operations and financial condition.

Government Regulation of the Transportation Industry

Certain transportation subsidiaries must maintain licenses or permits with regulatory authorities in order to carry on their business. Regulation of the operations of transportation companies has become, and is expected to continue to become, more stringent. Changes in regulations applicable to the Company’s transportation subsidiaries could have a material adverse effect on the Company’s business, results from operations and financial condition.

The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and regulations. Although the Company is committed to compliance and safety, there is no assurance that it will be in full compliance at all times with such guidelines, policies and regulations. Consequently, at some future time, the Company could be required to incur significant costs to maintain or improve its compliance record.

Reliance on Major Customers

Certain of the Company's operations and business segments are dependent on sales to major customers. If the Company were to lose sales to any of these customers, the loss of such sales could have a materially adverse effect on the Company's business, results of operations and financial condition.

Labour Relations

Certain employees of TRDL are unionized. The Company has a collective bargaining agreement in place with the union that represents the unionized employees. The term of the collective agreement expires on March, 31, 2017. Although the Company believes its relations with the union to be good, the Company's inability to negotiate acceptable terms for the renewal of the collective bargaining agreement could have a material adverse effect on its business, results from operations and financial condition. In addition, other employees may unionize in the future. The unionization of additional employees could have a material adverse effect on the Company's business, results from operations and financial condition.

Other General Risks

The Sale of Company Investments and Subsidiaries

From time to time, the Company may sell certain investments or subsidiaries and these dispositions may result in significant financial gains or losses. Due to the one-time nature of these transactions, the Company's financial results at any point of time may not be indicative of future results. Furthermore, sale agreements may provide for certain post-closing adjustments and indemnities, which may require Clarke to make payments in future periods. Clarke cannot accurately predict all future payments that may be required as a result of these transactions.

Dividends are not Guaranteed and may Fluctuate with the Company's Performance

In August 2012, the Company reinstated its dividend. In 2013, the Company increased its dividend. Dividends are not guaranteed and are paid if, as and when declared by the Board. Even if declared, the amount of a dividend is not guaranteed and may fluctuate from time to time. The Company depends on cash flow generated and distributed by its subsidiaries and investee companies to pay dividends. There can be no assurance regarding the amount of cash flow generated or distributed by these companies or whether the amount of cash flow distributed by these companies will be sufficient to fund the Company's dividend. If the Board determines that it would be in the best interest of the Company, it may reduce, suspend or not declare a dividend to shareholders, which could cause the market price of the common shares to fall.

Share Liquidity Risk

The common shares are relatively illiquid as a significant portion of the common shares are held by several parties. Such illiquidity may limit an investor's ability to buy or sell the common shares at any point in time. If a holder of common shares needed to liquidate such common shares, the proceeds on the sale might be significantly less than the market price of the common shares at that time.

Reliance on Key Executives

Clarke is dependent on certain key executives for the successful operation of its business. Although Clarke continues to develop a strong management group and investment team, much of Clarke's success is dependent on certain key executives. The departure of one or more of these key executives could have a material adverse effect on Clarke's business, results of operations and financial condition.

Environmental Considerations

The Company and its operations and properties are subject to extensive federal, provincial, municipal and local environmental laws and requirements relating to, among other things, air emissions, the management of contaminants including hazardous materials (including the generation, handling, storage, transportation and disposal of such contaminants), discharges and the remediation of environmental impacts (such as the contamination of soil and water, including ground water). The risk of environmental liability is inherent in certain of the Company's operations, including the provision of transportation services, certain industrial manufacturing activities and the ownership, management or control of real estate. Canadian laws generally impose potential liability on the present or former owners or occupants of properties on which contamination has occurred. There can be no assurance that the Company will not be required, at some future date, to incur significant costs to comply with environmental laws, or that its operations, business, assets or cash flow will not be materially adversely affected by current or future environmental laws.

Information Technology

The Company has made significant investments in information technology and relies on its information systems to support its business model. In the event that irreparable damage was caused to the Company's information systems and databases or the information contained in its information systems was lost, the Company's operational ability would be impaired. As a result, the Company's business, results of operations and financial condition could be materially adversely affected.

Commodity Market Risk

Certain of the Company's investee companies are dependent on commodities which are subject to price adjustment. For further information regarding these risks please refer to each of Clarke's investee companies' annual information form for a detailed list of all risks and uncertainties.

Derivative Risk

A derivative is an instrument whose value is derived from the performance of other investments, securities or economic factors such as the movement of interest rates, exchange rates or market indices. Typically derivatives take the form of a contract to buy or sell a specific commodity, currency, stock or market index, such as futures, forward contracts, an option or a swap. Derivatives can be used for hedging purposes – such as to hedge exposure to interest rates or exchange rates, or for non-hedging purposes – where there may be opportunities for investing directly in the derivative with a view to generating investment gains. Clarke may invest in derivatives for hedging purposes, to manage its exposure to changes in interest rates and currency rates. There are various risks in connection with derivatives, which may include limiting potential gains, settlement risk, higher volatility than the underlying instrument, difficulty in unwinding or closing the contract and limited liquidity.

DIVIDENDS

The declaration and payment of dividends is at the discretion of the Board and subject to compliance with certain requirements of the Company's credit facility. Although the Company remained in compliance with the respective requirements of its credit facility, the Board did not declare a dividend during the year ended December 31, 2011. The Board reinstated a quarterly declaration of dividends during the year ended December 31, 2012.

The following table details the Company's payment of dividends for the years ended December 31, 2011, 2012 and 2013:

	Record Date	Payment Date	Dividend per share
2011:			$0.00
2012:			
	August 31, 2012	September 17, 2012	$0.06
	November 30, 2012	December 17, 2012	$0.06
			$0.12
2013:			
	March 28, 2013	April 15, 2013	$0.06
	May 31, 2013	June 14, 2013	$0.08
	August 30, 2013	September 13, 2013	$0.10
	November 29, 2013	December 13, 2013	$0.10
			$0.34

Subsequent to the year ended December 31, 2013, the Company announced a quarterly dividend of $0.10 per common share payable on January 31, 2014 to shareholders of record at the end of business on January 22, 2014.

DESCRIPTION OF SHARE CAPITAL

The Company has an unlimited number of common shares authorized, of which 17,641,910 were issued and outstanding at December 31, 2013. Clarke also has an unlimited number of first and second preferred shares authorized, of which none were issued and outstanding as at December 31, 2013

On October 4, 2011, the Company announced that it had completed a substantial issuer bid to purchase a total of 3,000,000 of its own common shares for cancellation. The Company paid $5.00 for each common share purchased pursuant to the substantial issuer bid (subject to adjustments to avoid the purchase of fractional common shares).

The Company periodically files normal course issuer bids to purchase the greater of 5.0% of the issued and outstanding common shares or 10.0% of the public float of its issued common shares. The reason for these issuer bids is that the Board and senior management are of the opinion that, from time to time, the purchase of common shares at the prevailing market price may be a worthwhile use of funds and in the best interest of the Company and the shareholders.

Repurchases under the Company's normal course issuer bids for its common shares, for the years ended December 31, 2011, 2012 and 2013, are as follows:

Bid Date	Expiry	Maximum #	% of Issued Common Shares	Repurchased #
August 19, 2010	August 18, 2011	1,118,156	5.36%	824,400
April 2, 2012	April 1, 2013	851,740	5.00%	370,402
May 22, 2013	May 21, 2014	834,115	5.00%	162,000

The Company has a stock option plan for directors, officers and certain employees. Pursuant to this plan, at December 31, 2013, the Company had outstanding options to directors, officers and employees to acquire an aggregate of 74,000 (December 31, 2012 – 170,000) common shares. Based on the terms of the plan, all options are deemed to be fully vested at December 31, 2013. During the year ended December 31, 2012, the Company closed this stock option plan. All outstanding stock options remain available, however no further stock options will be granted under this plan. Reference is made to the employee stock option plan disclosure in note 16 to the consolidated financial statements of the Company for the years ended December 31, 2013 and December 31, 2012, and incorporated by reference herein.

DESCRIPTION OF CONVERTIBLE DEBENTURES

Pursuant to the Indenture, the Company is authorized to issue an unlimited aggregate principal amount of unsecured subordinated debentures (collectively the "Debentures"). Under the terms of the Indenture, on December 22, 2005, the Company issued $70.0 million in aggregate principal amount of the 2012 Debentures at a price of $1,000 per 2012 Debenture. Pursuant to the first supplement to the Indenture dated November 28, 2006, the Company issued another $115.0 million in aggregate principal amount of the 2018 Debentures, originally due December 31, 2013, and subsequently extended to December 31, 2018 pursuant to the second supplement to the Indenture dated February 8, 2013, at a price of $1,000 per 2018 Debenture.

The Debentures are direct obligations of the Company and are not secured by any mortgage, pledge, hypothec or other charge. They are subordinated to other liabilities of the Company, including indebtedness incurred under the senior credit facility that the Company has arranged with HSBC Bank Canada.

Interest on the Debentures is payable semi-annually in arrears on June 30 and December 31 each year. Each Debenture is convertible into common shares of the Company at the option of the holder at any time prior to the close of business on the business day immediately preceding the maturity date or, if called for redemption, on the business day immediately preceding the date fixed for redemption. The conversion price of the 2018 Debentures is $7.50 per common share, subject to adjustment in accordance with the terms of the Indenture and supplements thereto.

The 2018 Debentures are redeemable, in whole or in part, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at the Company's sole option on not more than 60 days' and not fewer than 30 days' prior notice.

Subject to regulatory approval, the Company may, at its option, repay the principal amount of the Debentures due on redemption or at maturity through the issuance of freely-tradable common shares.

On January 25, 2013, the Company obtained the approval of holders of 2018 Debentures to extend the maturity date of the 2018 Debentures originally due December 31, 2013 to December 31, 2018.

On March 3, 2014 Clarke redeemed $12,000,000 principal amount of 2018 Debentures.

The Company periodically files normal course issuer bids to purchase up to 10.0% of the public float of the principal amount of the Debentures. The reason for these issuer bids is that the Board and senior management are of the opinion that, from time to time, the purchase of the Company's Debentures at the prevailing market price may be a worthwhile use of funds, and in the best interest of the Company and the security holders.

Repurchases under the Company's normal course issuer bid for its 2018 Debentures, for the years ended December 31, 2011, 2012 and 2013, are as follows:

Bid Date	Expiry	Maximum $	% of Principal Outstanding	Repurchased $
April 14, 2010	April 13, 2011	7,073,000	9.14%	7,073,000
April 14, 2011	April 13, 2012	6,903,000	9.82%	6,903,000
April 14, 2012	April 13, 2013	6,317,000	9.96%	1,039,200
May 22, 2013	May 21, 2014	6,054,000	9.72%	—

**Conversion price per common share of the 2018 Debentures reflect the impact of the 2-for-1 stock split effected by way of a stock dividend on June 29, 2007.*

MARKET FOR SECURITIES

The Company's common shares and 2018 Debentures are listed and posted for trading on the Toronto Stock Exchange ("TSX"). The monthly price ranges and total volumes traded for the Company's common shares for the most recent fiscal year ended December 31, 2013, are as follows:

Month	Common Share Price High $	Low $	Close $	Volume #
January 2013	4.84	4.55	4.70	23,386
February 2013	4.77	4.45	4.56	60,048
March 2013	4.76	4.45	4.70	79,359
April 2013	4.83	4.31	4.35	34,762
May 2013	5.25	4.25	5.00	123,483
June 2013	5.15	4.60	4.99	64,919
July 2013	5.20	4.85	5.06	45,510
August 2013	5.80	4.85	5.46	121,880
September 2013	6.30	5.29	6.14	147,685
October 2013	7.85	6.05	7.82	240,301
November 2013	8.06	7.33	7.85	358,546
December 2013	8.20	7.43	7.99	462,457

The monthly price ranges and total volumes for the Company’s common shares during the three months ended March 2014 are as follows:

Month	Common Share Price High $	Low $	Close $	Volume #
January 2014	8.40	7.64	8.15	426,301
February 2014	8.10	7.56	7.75	329,518
March 2014 (1-6)	7.91	7.61	7.85	39,606

The monthly price ranges and total volumes for the 2018 Debentures for the most recent fiscal period ended December 31, 2013, are as follows:

Month	2018 Debenture Price High $	Low $	Close $	Volume #
January 2013	100.00	95.75	99.35	1,099,000
February 2013	100.60	99.24	100.00	564,000
March 2013	100.25	96.20	98.27	413,000
April 2013	99.48	97.05	98.00	463,000
May 2013	99.50	97.41	99.49	723,000
June 2013	99.40	97.20	97.20	306,000
July 2013	98.90	98.00	98.90	108,000
August 2013	98.85	97.11	97.66	438,000
September 2013	99.99	97.45	99.99	608,000
October 2013	104.99	99.02	104.00	2,805,000
November 2013	106.00	100.03	106.00	4,033,000
December 2013	107.00	99.74	104.50	8,628,000

The monthly price ranges and total volumes for the 2018 Debentures during the three months ended March 2014 are as follows:

Month	2018 Debenture Price High $	Low $	Close $	Volume #
January 2014	111.50	104.37	107.50	1,359,000
February 2014	105.50	100.95	104.00	2,194,000
March 2014 (1-6)	108.89	103.05	104.01	400,000

DIRECTORS AND EXECUTIVE OFFICERS

Information on the directors and certain officers of the Company, including their municipalities of residence, principal occupations and term as a director of the Company as at December 31, 2013 is as follows:

Name and Municipality of Residence	Position with the Company	Director Since	Director Until	Principal Positions in Past Five Years
REX C. ANTHONY [1] St. John's, NL, Canada	Director	2003	Present	President, Anthony Capital Corp. Inc.
BLAIR COOK [1] Halifax, NS, Canada	Director	2012	Present	Corporate Director Officer of the Company (2008)
PAT POWELL [1] Calgary, AB, Canada	Director	2010	Present	Corporate Director
CHARLES PELLERIN Victoriaville, PQ, Canada	Director	2010	Present	President, Pellerin Potvin Gagnon S.E.N.C.R.L.
MICHAEL RAPPS[2] Toronto, ON, Canada	Director	2012	Present	Managing Director, Geosam Capital Inc. Officer of the Company (2012)
GEORGE ARMOYAN Halifax, NS, Canada	President & Chief Executive Officer	—	—	Officer of the Company (2012) President, Geosam Capital Inc.
ANDREW SNELGROVE Beechville, NS, Canada	Chief Financial Officer	—	—	Officer of the Company (2011) Corporate Controller of the Company (2009)
DUSTIN HAW[2] Toronto, ON, Canada	Vice President, Investments	—	—	Officer of the Company (2013)
KIM LANGILLE Fall River, NS, Canada	Vice President, Taxation	—	—	Officer of the Company (2012) Senior Manager Taxation, Deloitte LLP (2008)
DEAN CULL Bedford, NS, Canada	Chief Operating Officer, Freight Transportation Services	—	—	President, Clarke Transport Inc. and Clarke Road Transport Inc.

(1) Member of the Audit Committee.
(2) Michael Rapps was appointed as a Director and Vice President, Investments of the Company effective May 15, 2012. Mr. Rapps resigned as Vice President, Investments and was replaced by Dustin Haw effective September 18, 2013.

Directors of the Company are elected annually at the annual general meeting of shareholders.

As at December 31, 2013, the directors and executive officers of the Company, as a group, held or controlled 8,403,420 common shares, representing approximately 47% of the Company's then issued and outstanding common shares. As of the date hereof, the directors and executive officers of the Company, as a group, hold or control 8,377,437 shares, representing 45% of the Company's current issued and outstanding common shares.

No director or executive officer is, as at the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including a personal holding company), that:

1. was subject to an order (as defined in Form 51-102F2 of National Instrument 51-102 – Continuous Disclosure Obligations) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

2. was subject to an order (as defined in Form 51-102F2 of National Instrument 51-102 – Continuous Disclosure Obligations) that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director, executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company thereof,

1. is, as at the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director or executive officer of any company, including Clarke, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except as follows:

    (a) George Armoyan, President and Chief Executive Officer of the Company, served as a member of the board of directors for HIP Interactive Corp. ("HIP") during the period of May 27, 2005 to June 28, 2005. On July 11, 2005, the Ontario Superior Court of Justice appointed an interim receiver for HIP under the federal Bankruptcy and Insolvency Act;

    (b) George Armoyan, President and Chief Executive Officer of the Company previously served as a member of the board of directors of Shermag Inc. ("Shermag"), which on May 5, 2008 announced that it had obtained protection under the Companies' Creditors Arrangement Act (Canada) ("CCAA") in the Québec Superior Court. Shermag emerged from CCAA protection in October 2009;

2. has, within 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder; or

3. has been subject to:

    (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, except as noted below;

        (i) On October 9, 2009, the Nova Scotia Securities Commission (the "Commission") approved a settlement agreement (the "Settlement") between Clarke and Geosam Investments Limited ("Geosam") and staff of the Commission. The Settlement related to the Commission's investigation of a 2005 trade by Clarke and Geosam in the securities of Advanced Fiber Technologies Income Fund ("AFT") that was initially announced by Clarke in February 2008. In the Settlement, Clarke and Geosam acknowledged that they acted contrary to the public interest in failing to exercise sufficient due diligence relating to information concerning AFT. The Settlement acknowledged that Clarke between 2005 and 2008 approved new internal policies and procedures and that Clarke and Geosam co-operated with the Commission in its investigation. Under the Settlement Clarke and Geosam paid an administrative penalty of $400,000 (of which Clarke paid $300,000) and $15,000 each toward costs of the investigation. A special committee of the Board oversaw the Settlement on behalf of Clarke; or

    (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

LEGAL PROCEEDINGS AND REGULATORY ACTION

The Company is not, and was not during fiscal 2013, a party or subject to any legal proceedings or group of similar proceedings, nor are any such proceedings known to the Company to be contemplated, where the amount involved, exclusive of interest and costs, exceeded 10 percent of the current assets of the Company.

INTEREST OF MANAGEMENT & OTHERS IN MATERIAL TRANSACTIONS

The Company pays rental amounts for office space leased from APL Properties Limited which is owned by relatives, which include immediate family members, of George Armoyan, Clarke's President and Chief Executive Officer. Rents paid were approximately $217,000 in 2013, $206,000 in 2012 and $201,000 in 2011.

The Company and a subsidiary provided administrative and information technology services to Geosam and Armco Capital Inc. ("Armco"), which are companies owned or previously owned by relatives of George Armoyan, Clarke's President and Chief Executive Officer. The fees charged for providing these services were approximately $349,000 in 2013, $392,000 in 2012 and $464,000 in 2011.

Gestion Jerico, a subsidiary of the Company, has promissory notes due to a company controlled by Charles Pellerin, a director of the Company since 2010 and Chairman of Gestion Jerico. At December 31, 2013, no amount was owed on these notes (2012 - $262,000 and 2011 - $1,155,000). Gestion Jerico was sold by the Company subsequent to the year ended December 31, 2013.

On February 2, 2012, the Company invested $9.0 million in Highkelly representing approximately 38% of the outstanding shares of Highkelly. Pat Powell, a member of the Board, was the former Chairman and Chief Executive Officer of Highkelly. As previously mentioned, on December 6, 2013 the Company announced that it had sold its interest in Highkelly for net cash proceeds of $12.5 million.

On February 27, 2013, the Clarke Group Pension Plan & Pension Plan of the Employees of Clarke Inc., which is administered by Clarke, issued a mortgage to an entity owned by Rex Anthony, the Chairman of the Company in the amount of $750,000 for a term of nine months with the Company having an option to renew for a further three month period. The option was elected and the mortgage renewed.

On February 10, 2014, the Company entered into a term loan agreement with a company in which the Company's President & CEO, George Armoyan, indirectly holds a 29.4% interest. The agreement consists of a $17.0 million term loan that bears interest at 6.50%. The term loan may be drawn up to three times on or prior to December 31, 2014, and does not require any principal payments until the maturity on March 31, 2016. The borrower may prepay all or part of the term loan at any time following the six-month anniversary of the first loan draw.

During 2013, the Company entered into a number of related party transactions in the normal course of operations and measured at fair value. The parties and value of the transaction are fully disclosed in note 23 of the Company's consolidated financial statements for the year ended December 31, 2013 incorporated by reference herein.

TRANSFER AGENTS AND REGISTRARS

Computershare Trust Company of Canada
1969 Upper Water Street
Suite 2008, Purdy's Wharf, Tower II
Halifax, NS B3J 3R7

MATERIAL CONTRACTS

Certain of the Company's freight subsidiaries, which were sold subsequent to the year ended December 31, 2013, are party to confidential transportation agreements with CN (the "CN Agreements"). The CN Agreements specify the terms upon which the railway will provide third party freight transportation services to those subsidiaries and contains pricing terms. The CN Agreements expire on December 31, 2016.

In connection with the issuance of the 2012 Debentures on December 22, 2005, the Company entered into the Indenture. The 2012 Debentures were redeemed in full on May 3, 2012. The Indenture, first supplement to the Indenture dated November 28, 2006 and the second supplement to the Indenture dated February 8, 2013 govern the 2018 Debentures issued on November 28, 2006.

INTERESTS OF EXPERTS

The independent auditors of the Company are:

Deloitte LLP
1969 Upper Water Street, Suite 1500
Halifax, NS B3J 3R7

The consulting actuaries of the Company are:

Eckler Ltd.
800, Rene-Levesque Boulevard West
Suite 2200
Montreal, QC H3B 1X9

None of the experts have an interest in any class of securities of the Company that exceeds one percent of the outstanding securities of such class. Deloitte LLP is independent of the Company based on the *Rules of Professional Conduct* of the Institute of Chartered Accountants of Canada.

ADDITIONAL INFORMATION

Additional financial information is provided in the Company's consolidated financial statements and accompanying MD&A, which have been filed with applicable securities regulatory authorities in Canada. Other additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's management information circular for its annual meeting of shareholders to be held on May 15, 2014 (the "Management Information Circular"). This document, and a complete record of the Company's publicly filed documents, can be accessed by visiting the website www.sedar.com.

The Company shall provide to any person, upon written request to the Corporate Secretary of Clarke:

1. when the securities of Clarke are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus,

   (a) one copy of this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form,

   (b) one copy of the consolidated financial statements of Clarke for its recently completed financial fiscal year together with the accompanying report of the auditor and one copy of any interim financial statements of Clarke subsequent to the financial statements for its recently completed financial year, and

   (c) one copy of the Management Information Circular.

2. at any other time, one copy of any other documents referred to in clauses a) to c) above, provided that Clarke may require the payment of a reasonable charge if the request is made by a person who is not a security holder of Clarke.

Requests for such copies may be sent to the Corporate Secretary of the Company, 3400 One First Canadian Place, P.O. Box 130, Toronto, Ontario, M5X 1A4.

FORM 52-110F1 – AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee charter is attached as an appendix to this form.

Composition of the Audit Committee

The Audit Committee of the Company consists of Blair Cook (Chair), Rex C. Anthony and Pat Powell. The Board has determined that Mr. Cook, Mr. Anthony and Mr. Powell are independent. None of the independent Audit Committee members receive directly or indirectly any compensation from the Company other than for service as a member of the Board and its Audit Committee. The Board has determined that all members of the Audit Committee are financially literate as defined under NI 52-110. In considering the criteria for financial literacy, the Board looks at the ability of a director to read and understand a statement of financial position, a statement of earnings and a cash flow statement of a wide range of industries, as the Company operates as a diversified investment company.

Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

- Mr. Cook is the founder of Finance Learning Academy and is Chairman of and was appointed to the Audit Committee following his appointment to the Board. Mr. Cook also serves as a corporate director for Royal Host Inc. and TerraVest. Mr. Cook serves as a Faculty Member at the Atlantic School of Chartered Accountancy and Saint Mary's University. Mr. Cook was previously the Chief Financial Officer of Clarke and the Chief Financial Officer of Armco. Mr. Cook received his chartered accountant's designation in 1995 and his Masters of Business Administration from St. Mary's University in 2004.

- Mr. Anthony is President of Anthony Capital Corp. Inc. and has served as a member of the Audit Committee for the past six years. Mr. Anthony also served as Chairman of the board of directors of Fishery Products International Inc., as well as a member of its audit committee. Mr. Anthony has previously served as a member of the audit committees for Stratos Global Corp., Newtel Inc. and Armco, and served as Chairman of the independent committee formed in connection with the merger of Newtel Inc. and Aliant Inc.

- Mr. Powell was the former Chairman and Chief Executive Officer of Highkelly and was appointed to the Audit Committee following his appointment to the Board. Prior to his involvement with Highkelly, Mr. Powell was Co-Chief Executive Officer of Mullen Group Income Fund and Chairman of the board of directors of Producers Oilfield Services Inc. from May 9, 2005 to June 1, 2006. Mr. Powell joined Producers Oilfield Services Inc. following its acquisition of H.L. Powell Ltd., a private oilfield trucking company. Mr. Powell was President of Producers Oilfield Services Inc. from August 10, 2005 to June 1, 2006, and prior thereto was Senior Vice President. Mr. Powell began his career with H.L. Powell Ltd. in 1979, and was President from 1985 to 2005.

Pre-Approval Policies and Procedures

The Audit Committee has approved a pre-approval policies and procedures policy which it uses to evaluate auditor independence and appropriate audit and non-audit services. The policies are included in the Audit Committee charter attached as an appendix to this Annual Information Form.

Audit Fees

Deloitte LLP was appointed as the Company's independent auditors during the year ended December 31, 2013. Fees billed by Deloitte LLP for the years ended December 31, 2013 and 2012 are detailed below:

	2013	2012
	$	$
Audit fees	**208,000**	182,000
Audit-related fees	**76,257**	40,560
Total	**284,257**	222,560

The nature of each category of fees is described below.

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the annual financial statements of the Company and its subsidiaries, or services provided in connection with statutory and regulatory filings or engagements.

Audit-related fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements, and are not reported under the audit fees caption above. Certain services consist of assurance and related services for specific investment transactions and new developments both in Company policies and accounting standards. Other services consist of review of interim financial statements for the three, six and nine months ended March 31, June 30 and September 30, respectively, as well as fees for audit assurance over transactions completed in the year.

APPENDIX
AUDIT COMMITTEE CHARTER

1. COMMITTEE ROLE

1.1 Overseeing Role

The committee's role is to act on behalf of the Board of Directors and oversee all material aspects of the Company's financial reporting, control, and audit functions, except those specifically related to the responsibilities of another standing committee of the Board. The audit committee shall monitor the qualitative aspect of financial reporting to shareholders and on Company processes for the management of financial risk and for compliance with significant applicable legal and regulatory requirements in respect of the financial affairs of the Company.

1.2 Coordination and Relationships

The role also includes coordination with other Board committees and the maintenance of strong, positive working relationships with management, auditors, counsel, and other committee advisers.

2. COMMITTEE MEMBERSHIP, PROCEDURES AND ORGANIZATION

2.1 Committee Members

The committee shall consist of at least three independent directors. Only independent directors shall serve on the committee except as otherwise permitted by securities law rules relating to composition of audit committees. A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company. For this purpose, a material relationship means a relationship which could, in the view of the Company's Board of Directors, reasonably interfere with the exercise of a member's independent judgment, subject to certain relationships being deemed to be material by securities law rules relating to composition of audit committees.

Every audit committee member must be financially literate except as otherwise permitted by securities law rules relating to composition of audit committees. For the purposes of this mandate, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The committee shall have access to its own counsel and other advisers at the committee's sole discretion.

2.2 Annual Appointments, Chairmanship, Vacancies

Committee appointments shall be approved annually by the Board, and the Board shall designate the chairperson of the committee. The Board may at any time remove or replace any member of the committee and may fill any vacancy in the committee. Any member of the committee ceasing to be a director shall cease to be a member of the committee.

2.3 Secretary

The Secretary of the Company shall be the Secretary of the committee, unless otherwise determined by the committee.

2.4 Quorum and Method of Meeting

The quorum for meetings shall be the majority of the members of the committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.

2.5 Conduct of Meetings

Meetings of the committee shall be conducted as follows:

- the committee shall meet, on a regular basis, at such times and at such locations as the chair of the committee shall determine;
- notice of every meeting shall be given to the external auditors, who shall be entitled to attend and be heard thereat;
- the external auditors or any member of the committee may call a meeting of the committee;
- the external auditors and members of management shall, when required by the committee, attend any meeting of the committee.

3. COMMITTEE OPERATING PRINCIPLES

3.1 Overriding Principles of Operation

The committee shall fulfill its responsibilities within the context of the following overriding principles:

(a) *Communications* - The chairperson and others on the committee shall, to the extent appropriate, have contact throughout the year with senior management, other committee chairpersons, and other key committee advisers, external auditors, internal auditors (if any), all as applicable to strengthen the committee's knowledge of current and prospective issues relevant to the committee.

(b) *Annual Plan* - The committee shall develop an annual plan responsive to the primary committee responsibilities detailed herein. The annual plan shall be reviewed and approved by the Board.

(c) *Meeting Agenda* - Committee meeting agendas shall be the responsibility of the committee chairperson, with input from committee members and the Chief Financial Officer. It is expected that the chairperson would also ask for management, the auditors and other key committee advisers, and perhaps others, to participate in this process.

(d) *Committee Expectations and Information Needs* - The committee shall communicate committee expectations and the nature, timing, and extent of committee information needs to management in general, those responsible for internal audit, and external parties, including external auditors. Written materials required shall be received from management, auditors, and others at least one week in advance of meeting dates. Meeting conduct will assume Board members have reviewed written materials in sufficient depth to participate in committee/Board dialogue.

(e) *External Resources* - The committee is authorized to access internal and external resources, as the committee requires, to carry out its responsibilities and to determine the compensation to be paid to such external resources, including independent counsel.

(f) *Committee Meeting Attendees* - The committee shall request members of management, external auditors and legal counsel, as applicable, to participate in committee meetings, as necessary, to carry out the committee responsibilities. Periodically and at least annually, the committee shall meet in private session with only the committee members. It shall be understood that external auditors, the Chief Financial Officer, or legal counsel may, at any time, request a meeting with the audit committee or committee chairperson with or without management or any other management attendance. In any case, the committee shall meet in executive session separately with external auditors, at least annually.

(g) *Reporting to the Board of Directors* - The committee, through the committee chairperson, shall report periodically, as deemed necessary, but at least semi-annually, to the Board. In addition, summarized minutes from committee meetings shall, in a timely manner, be available to each Board member.

(h) *Committee Self-Assessment* - The committee shall review, discuss, and assess its own performance as well as the committee role and responsibilities and the committee's compliance with codes of conduct; and seek input from senior management, the Board, and others on the foregoing. Changes in roles and/or responsibilities, if any, shall be recommended to the Board for approval.

4. COMMITTEE'S RELATIONSHIP WITH EXTERNAL AUDITORS

4.1 External Auditors' Report to Board and Audit Committee

The external auditors, in their capacity as independent public accountants, shall be responsible to the Board and the audit committee as representatives of the shareholders.

4.2 Reporting Matters

As the external auditors review financial reports, they shall report thereon to the committee and the Board; and, in particular, shall do so on all material relevant issues of importance to the committee; and, in particular, without limitation, those issues that are reasonably considered to be of importance to the committee, based on its mandate as described herein, and those issues that may be responsive to requests of the committee. The Board or committee shall review such reports in their overseeing capacity.

4.3 Annual Review of Auditors

The committee shall annually review the performance (effectiveness, objectivity, and independence) of the external auditors. The committee shall require a formal written statement from the external auditors as to their independence. Additionally, the committee shall discuss with the external auditors relationships or services that may affect auditors' objectivity or independence. If the committee is not satisfied with the auditors' assurances of independence, it shall take or recommend to the full Board appropriate action in connection therewith.

4.4 Significant Issues

If the external auditors identify significant issues relative to the overall Board responsibility that have been communicated to management but, in their judgment, have not been adequately addressed, they should communicate these issues to the committee chairperson.

4.5 Annual Review

The committee shall annually review financial management with the auditors, and shall review with the auditors and management, together and separately, any new appointment of a Chief Financial Officer or any key financial executives.

4.6 Internal Controls over Financial Reporting ("ICFR")

The committee shall require that management, through the officer or manager responsible for ICFR, annually review with the committee the performance and effectiveness of the ICFR framework and certification process.

4.7 Duties of Committee Relating to External Auditors

The duties of the committee, as they relate to the external auditors, shall include:

(a) the review of management's recommendations for the appointment of the external auditors and to recommend to the Board a firm of external auditors to be engaged;

(b) if there is a proposed change of external auditors, the review of all issues related to such proposed change, including the information to be included in the notice of change of auditors called for in continuous disclosure rules under applicable securities laws, including National Instrument 51-102 of the Canadian Securities Administrators, and the planned steps for an orderly transition;

(c) the review of all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102 of the Canadian Securities Administrators, on a routine basis, whether or not there is to be a change of external auditors;

(d) the review of the engagement letter of the external auditors;

(e) the review of the performance, including the fee, scope and timing of the audit and other related services, of the external auditors and the recommendation to the Board the compensation of the external auditor;

(f) the review of the audit plans of the external auditors, as well as inquiry into the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control or fraud or other illegal acts;

(g) the review and pre-approval of the nature of and fees for any non-audit services performed for the Company by the external auditors and considering whether the nature and extent of such services could detract from the auditors' independence in carrying out the audit function;

(h) the oversight and review, separately with the auditors and with management, upon the completion of the audit, or prior thereto where appropriate, of:

    (i) the contents of the auditors' report;

    (ii) the scope and quality of the audit work performed;

    (iii) the adequacy of the Company's financial and auditing personnel;

    (iv) the co-operation received from the Company's personnel during the audit and any problems encountered by the external auditors and any restrictions on the auditors' work;

    (v) the internal resources used;

    (vi) the evaluation of internal controls with the external auditors, together with management's response to recommendations of the external auditors, including in respect of subsequent follow-ups or any identified weaknesses in the Company's system of internal control for detecting accounting and reporting financial errors, fraud and defalcations, unethical acts or omissions, legal violations, and non-compliance with the Company's code of conduct;

    (vii) the terms of reference of the internal auditor (if any);

    (viii) any proposed changes in accounting policies, any presentation of the impact of significant risks and uncertainties, and any estimates, accruals, provisions and judgments of management that may in such cases be material to financial reporting; as well as other sensitive matters such as measurement and disclosure of related party transactions;

(ix) the appropriateness of management's annual and quarterly discussion and analysis of operations for the annual and quarterly report and its consistency with financial statements;

(x) any report or opinion proposed to be rendered in connection with the year-end consolidated financial statements;

(xi) any significant transactions which were not a normal part of the Company's business;

(xii) the nature and substance of material accruals, reserves and other estimates; and

(xiii) the financial statements included in the annual report with management and external auditors to determine that the external auditors are satisfied with the disclosure and content of the financial statements to be presented to shareholders.

(i) the provision to the external auditors of quarterly financials and releases and management's discussion and analysis, for its records,

(j) the monitoring of financial statement issues and risks, their impact or potential effect on reported financial information, the processes used by management to address such matters, related views of the external auditors thereon, and the basis for audit conclusions and important conclusions on interim and/or year-end audit work, all in advance of the public release of financial information,

(k) the approval of the Company's annual audited financial statements, in conjunction with the report of the external auditors thereon and those of its subsidiaries, and

(l) the oversight and providing of assistance in resolving disagreements between management and the external auditors regarding financial reporting.

5. SPECIFIC DUTIES OF THE AUDIT COMMITTEE

5.1 Accounting, Disclosure, Practices and Governance

The duties of the committee as they relate to overseeing accounting and disclosure policies and practices and other significant and related corporate governance matters are as follows:

(a) the review of changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a material impact on the Company's financial reporting as reported to the audit committee by management or external auditors;

(b) the review of the appropriateness of the accounting policies used in the preparation of the Company's financial statements and consideration of recommendations for any material changes to such policies;

(c) the review of the status of material contingent liabilities as reported to the committee by management;

(d) the review of the status of income tax returns and potentially material tax matters as reported to the committee by management;

(e) the review of any material errors or omissions in the current or prior year's financial statements;

(f) the review of policies and practices of officers' expenses and benefits, including the use of Company assets and of inquiries on results of examinations done through internal control or the external auditors;

(g) overseeing the establishment of adequate procedures for the review of public disclosure that includes financial information extracted from the Company's financial statements, and the periodic assessment of the adequacy of such procedures;

(h) the review with the Board, before their release to the public, of all public disclosure documents containing audited or unaudited financial information, including any prospectus, the annual report to shareholders, annual and quarterly financial statements and, management's discussion & analysis, press releases, and such other items that require the approval of the Board; and

(i) the review of any other disclosure required in respect of the audit committee and its activities, including any disclosure required in the Company's annual information form and management information circular.

5.2 Other Specific Duties

Other specific duties of the committee shall be:

(a) the production of a calendar of activities to be undertaken by the committee for each year and submitting of the calendar in an appropriate format to the Board within a reasonable period of time following each annual meeting of shareholders;

(b) the review of and report to the Board on any difficulties and problems that may arise with regulatory agencies which are likely to have a material financial impact;

(c) the establishment of procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and

(d) the review and approval of the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

6. MATTERS THAT ARE NOT THE RESPONSIBILITY OF THE AUDIT COMMITTEE

The following matters are, among others, matters which are not the responsibility of the committee:

(a) conducting audits or determining that financial statements are complete and accurate and are in accordance with generally accepted accounting principles;

(b) being responsible for overseeing compliance by others under codes of conduct of the Company; and

(c) being responsible for overseeing risk management other than financial risk management.