CLARKE

Halifax, Canada

Quarterly Report
March 31, 2024 and 2023

Management's Discussion & Analysis

Clarke Inc.

March 31, 2024 and 2023

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, 2024 compared to the three months ended March 31, 2023. The following information is derived from the Company's unaudited interim condensed consolidated financial statements which are prepared in accordance with IAS 34, *Interim Financial Reporting* under International Financial Reporting Standards Accounting Standards ("IFRS" or "IFRS Accounting Standards"). This interim MD&A should be read in conjunction with the information disclosed in the interim condensed consolidated financial statements and notes thereto for the three months ended March 31, 2024, available on SEDAR+ at www.sedarplus.ca. This MD&A provides an overall discussion and analysis of the Company's performance and operations. The MD&A is prepared as at May 10, 2024 (unless otherwise stated). All dollar amounts are shown in millions of Canadian dollars except for per common share amounts or unless otherwise indicated.

OVERVIEW & STRATEGY

Clarke was incorporated on December 9, 1997 pursuant to the Canada Business Corporations Act and its head office is located at 145 Hobsons Lake Drive, Halifax, Nova Scotia.

The Company is an investment and real estate company with holdings in a diversified group of businesses and across real estate sectors. The Company operates primarily in Canada. The Company continually evaluates the acquisition, retention, and disposition of its holdings and changes in its asset mix should be expected. Our objective is to maximize shareholder value. While not the perfect metric, we believe that Clarke's book value per share[1], 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 real estate, companies, securities or other assets. Clarke has a diverse and significant portfolio of direct real estate holdings across the hospitality, commercial, industrial, and residential sectors. We do not believe in limiting ourselves to specific types of investments. Clarke generally invests in industries that have hard assets, in particular, hospitality and real estate businesses.

FIRST QUARTER REVIEW AND OUTLOOK[1]

During the first quarter of 2024, the Company's book value per common share increased by $0.03 or 0.2%. The increase is primary due to net income in the quarter of $2.4 million, or $0.17 per common share, offset by after-tax remeasurement losses on the Company's pension surplus of $1.9 million, or $0.14 per common share. Net income included hotel net operating income of $4.5 million, or $0.32 per common share and an income tax recovery of $2.8 million, or $0.20 per common share offset by depreciation and amortization of $2.6 million, or $0.19 per common share and interest and accretion of $1.3 million, or $0.10 per common share.

The Company's book value per common share at the end of the quarter was $16.56, while the common share price was $19.22.

Real Estate and Corporate

Construction continues on the first phase of our *Talisman* development on Carling Avenue in Ottawa, ON (the "Talisman"). The Talisman's first phase, which is two towers and 404 rental units, is nearing completion, leasing activities are underway and we expect to welcome our first residents in June 2024. The Company's former Travelodge® Ottawa West hotel was closed in November 2023 and was demolished in the quarter to make way for the Talisman's second phase. The site of this second phase is currently under excavation.

We continue to proactively evaluate potential renovations and conversions of our hospitality assets in an effort to maximize value. At the end of 2023, upon the completion of its renovation, we converted one hotel to a residential investment property. This was a major milestone for the Company that we will use as an example if similar opportunities present themselves. This quarter was our first in which the operations of this asset were presented as an investment property within the Company's investment segment. In addition to this completed project, we are continuing the partial conversion of one hotel into a mixed-use asset, which includes the renovation and conversion of certain hotel rooms into residential units. The ultimate magnitude

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[1] This MD&A refers to "book value per share" and "net operating income". These are non-IFRS measures and ratios. Refer to the "Cautionary Statement Regarding Use of Non-IFRS Accounting Measures and Ratios" section of this MD&A for more information.

of this renovation will be dictated on the local market's response and lease-up results. We will continue to explore more long-term stay offerings and potential residential conversions if these are deemed accretive to the Company.

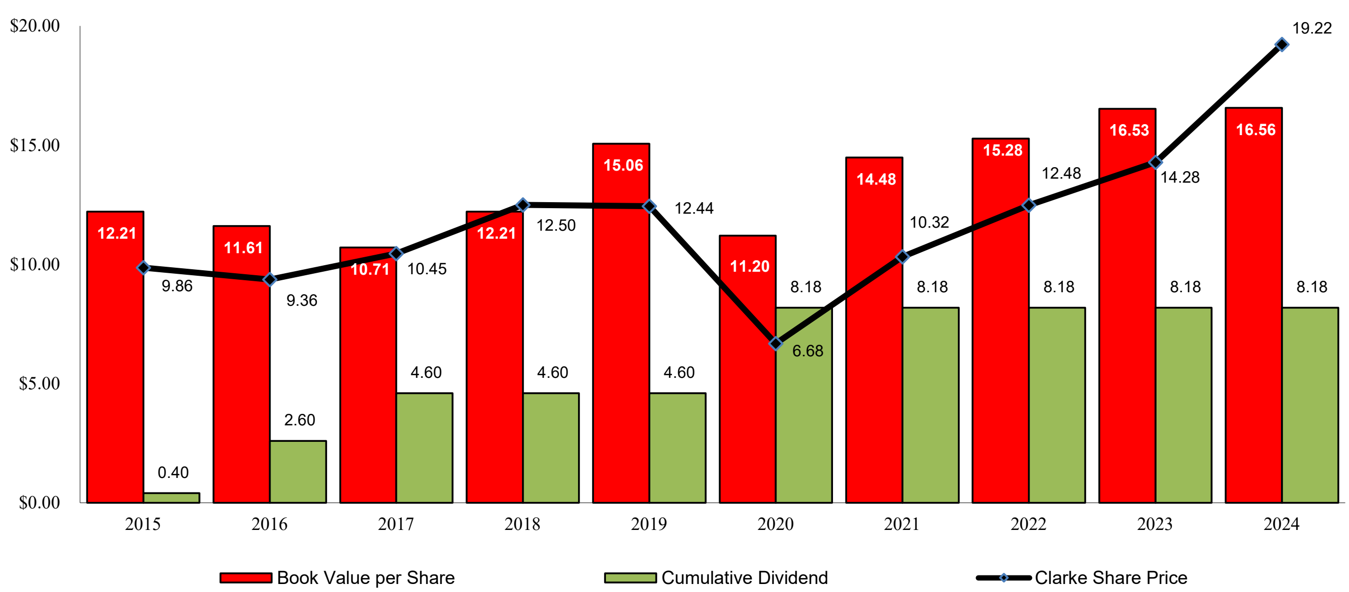
In March 2024, the Company sold the shares of a wholly owned subsidiary, Holloway Lodging US Inc. ("HLUS"), to an entity owned by the Company's Chairman and his immediate family member for $4.0 million (US$3.0 million). The Company recorded a gain on disposal of $0.5 million in the three months ended March 31, 2024. The transaction was non-cash whereby the consideration received before post-closing adjustments was the partial settlement of an unsecured line of credit due to the acquiring entity. The Company may be required to record changes to this gain in future periods due to the ultimate settlement of certain post-closing adjustments.

Hotel Operations

The Company had two fewer hotels in operations in the quarter compared to the same period in 2023, which is the primary reason for the decline in hotel revenue. In the three months ended March 31, 2024, hotel revenue was $14.3 million compared to $15.0 million in the same period in 2023. On a same-hotel basis however, hotel revenue increased by $0.6 million compared to the prior period.

BOOK VALUE PER SHARE

The Company's book value per share at March 31, 2024 was $16.56, an increase of $0.03 per common share since December 31, 2023. The following graph illustrates Clarke's book value per share, share price and cumulative dividends paid over the past ten years.



**All years as of December 31 except for current quarter as at March 31, 2024.*

RESULTS OF OPERATIONS

Highlights of the interim condensed consolidated financial statements for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 are as follows:

	Three months ended March 31, 2024	Three months ended March 31, 2023
	$	$
Hotel and rental revenue	14.6	15.0
Provision of services revenue	0.3	0.3
Investment and other income	1.0	0.2
Net income (loss)	2.4	(1.7)
Other comprehensive income (loss)	(1.9)	2.8
Comprehensive income	0.5	1.0
Basic and diluted earnings (loss) per share (“EPS”)	0.17	(0.12)
Total assets	398.4	422.9
Total liabilities	167.2	207.1
Long-term financial liabilities	123.5	124.6
Book value per share	16.56	15.35

The Company’s net income for the three months ended March 31, 2024 was $2.4 million, compared to a $1.7 million loss for the same period in 2023. Net income was primarily attributable to the Company’s hospitality operating businesses and a recovery of income taxes of $2.8 million.

Hotel and rental revenue declined due to the closure of our Travelodge Ottawa West hotel. This was partially offset by increased same-hotel revenue.

The decrease in comprehensive income year over year despite improved net income is a result of the Company’s pension plans. Other comprehensive loss for the three months ended March 31, 2024 was $1.9 million, driven by remeasurement losses on the Company’s pension plans, compared to other comprehensive income of $2.8 million in the same period in 2023, driven by remeasurement gains on the Company’s pension plans.

Basic and diluted earnings per share was $0.17 in the first quarter of 2024 compared to a basic and diluted loss per share of $0.12 in 2023.

SEGMENT REPORTING

The table below summarizes the Company’s assets by segment. The Other category is not a segment and is disclosed for reconciliation purposes. It consists of the Company’s treasury and executive functions, pension plans and unsecured credit facility.

	March 31, 2024		December 31, 2023	
Segment	**$**	**%**	$	%
Investment	154.1	38.7	148.8	37.7
Hospitality	211.9	53.2	211.5	53.5
Other	32.4	8.1	34.8	8.8
Total	398.4	100.0	395.1	100.0

Investment segment

The investment segment is comprised of the Company’s ferry business, loan receivable and investment properties. The Talisman continues to progress and is the largest driver of the segment’s $14.3 million of capital expenditures during the quarter. Phase 1 of the Talisman is expected to receive its partial occupancy permit in June for our first tranche of tenants, with additional occupancy taking place throughout the summer. Phase 1 is expected to be substantially completed in August. Excavation of the adjacent phase 2 property is underway. The Company’s ferry operation does not have material operations during the first quarter of the year and completes its annual maintenance and repairs during this off-season period. The ferry commenced service for the season at the end of the quarter, on March 28, 2024.

Hospitality segment

The Company owns and operates hotels across Canada. Results for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 are as follows:

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Hotel revenue	**14.3**	15.0
Less:		
Hotel operating expenses, property taxes and insurance	**10.1**	10.7
Depreciation and amortization	**2.6**	2.3
Interest and accretion	**0.7**	0.9
Income before income taxes	**1.0**	1.1

Hotel revenue was $14.3 million and income before income taxes was $1.0 million for the three months ended March 31, 2024, compared to $15.0 million and $1.1 million, respectively in 2023. The decline in the segment's revenue and expenses is primarily due to having two fewer hotels in the hospitality segment.

OUTSTANDING SHARE DATA

At May 10, 2024, the Company had:

- An unlimited number of common shares authorized and 13,958,157 common shares outstanding; and
- An unlimited number of First and Second Preferred Shares authorized and none outstanding.

LIQUIDITY AND CAPITAL RESOURCES

The Company has $137.9 million of debt and has access to two secured, revolving credit facilities with two Canadian chartered banks. The Company's maximum combined borrowing base under these two revolving credit facilities is $85.0 million. As of March 31, 2024, the maximum availability on these facilities was $76.7 million, of which $12.9 million was drawn and $63.8 million was undrawn and available. The Company monitors and forecasts its cash balances and cash flows generated from operations to meet its required obligations. The Company believes it has access to sufficient capital through cash on hand, operating cash flows and through its borrowing facilities to meet its obligations as they come due.

Cash flow from operating activities

Cash used in operating activities was $1.6 million for the three months ended March 31, 2024, compared to $2.5 million in the same period in 2023. The cash was primarily used to fund net working capital requirements. In the prior year, net cash used was due to additions to real estate inventory under development of $5.9 million related to the Company's former joint venture located at 1111 Atwater Avenue in Montreal, QC.

Cash flow from investing activities

Cash used in investing activities was $15.2 million for the three months ended March 31, 2024, compared to $8.5 million during the same period in 2023. The primary use of cash in both periods was the result of the continued capital expenditures on the Talisman and capital improvements at the Company's hotels.

Cash flow from financing activities

Cash provided by financing activities was $16.3 million for the three months ended March 31, 2024, compared to $10.7 million during the same period in 2023. The cash provided was primarily proceeds of construction financing draws for the Talisman construction of $7.7 million and proceeds of short-term indebtedness of $9.1 million, offset by the repayment of long-term debt of $0.5 million. Construction financing draws for the Talisman outpaced capital additions in the quarter due to timing differences between construction outlays and the corresponding loan draws. This timing difference should alleviate somewhat as the year proceeds. In 2023, net cash provided by financing activities was primarily from proceeds of long-term debt of $4.0 million and proceeds of short-term indebtedness of $18.7 million, offset by the repayment of long-term debt of $11.8 million which included the early repayment of a $11.0 million term loan.

SUMMARY OF QUARTERLY RESULTS

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

Three months ended	Mar. 2024 $	Dec. 2023 $	Sept. 2023 $	Jun. 2023 $	Mar. 2023 $	Dec. 2022 $	Sept. 2022 $	Jun. 2022 $
Revenue and other income	15.9	25.1	19.2	17.8	15.4	19.6	22.2	15.1
Net income (loss)	2.4	7.5	(1.9)	(0.5)	(1.7)	1.3	3.9	(0.5)
Other comprehensive income (loss) (“OCI”)	(1.9)	8.7	2.7	(0.3)	2.8	19.1	0.6	(20.0)
Comprehensive income (loss)	0.5	16.1	0.8	(0.8)	1.0	20.4	4.5	(20.5)
Basic EPS	0.17	0.54	(0.13)	(0.03)	(0.12)	0.10	0.27	(0.04)
Diluted EPS	0.17	0.54	(0.13)	(0.03)	(0.12)	0.10	0.25	(0.04)

As demonstrated above, our results can fluctuate significantly from quarter to quarter. The Company’s hotel and ferry businesses are seasonal in nature and their results tend to fluctuate throughout the year. Revenue is generally highest in the third quarter due to increased leisure travel during the summer months. While certain expenses fluctuate according to revenue and operating levels, other expenses such as property taxes, insurance and interest are generally fixed and are incurred evenly throughout the year. In addition, the accounting for the accrued pension benefit asset can cause significant volatility to OCI and comprehensive income due to changes in assumptions and the impact of the accounting requirements of the asset ceiling under IFRS. Further volatility in net income, OCI and comprehensive income can be caused by the timing of various fair value adjustments to the Company’s property and equipment and investment properties.

FINANCIAL INSTRUMENTS

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

- To generate investment returns, the Company may 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. Clarke may hedge its foreign currency exposure on U.S. dollar denominated investments. The Company does not currently have any futures or foreign exchange contracts in place.

The Company has a significant number of financial instruments. Notes 1, 3, 4, 10, 11, 12, 13, and 23 to the audited consolidated financial statements for the year ended December 31, 2023 and the Company’s 2023 Annual Information Form, provide further information on classifications in the financial statements, and risks, pertaining to the use of financial instruments by the Company.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with Canadian Securities Administrators National Instrument 52-109 - Certification of Disclosure in Issuers’ Annual and Interim Filings, 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 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. The President & Chief Executive Officer and the Chief Financial Officer have supervised the Company’s management in the evaluation of the design and effectiveness of the Company’s internal controls over financial reporting as of the end of the period covered by the quarterly filings and believe the design and effectiveness to be adequate to provide such reasonable assurance using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013).

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, 2024, that have materially affected, or are reasonably likely to materially affect, the effectiveness of the internal controls over financial reporting.

RELATED PARTY TRANSACTIONS

The Company may, from time to time, participate in related party transactions. During the first quarter of 2024, the Company sold its wholly owned subsidiary, HLUS, to an entity owned by the Company's Chairman and his immediate family member as described in the "Real Estate and Corporate" section of this MD&A.

All other related party transactions during the current period were in the normal course of operations and occurred at fair value. For details on the Company's related party transactions, please refer to our audited consolidated financial statements for the year ended December 31, 2023.

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. These limited reviews identified no material remediation issues or 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 AND RATIOS

This MD&A makes reference to "book value per share" and "net operating income" (or "hotel net operating income"). Book value per share and net operating income are not financial measures or ratios calculated and presented in accordance with IFRS and should not be considered in isolation or as a substitute to any financial measures or ratios of performance calculated and presented in accordance with IFRS. These non-IFRS financial measures and ratios are presented in this MD&A because management of Clarke believes that such measures and ratios enhance the user's understanding of our historical and current financial performance.

Book value per share is measured by dividing shareholders' equity of the Company at the date of the statement of financial position by the number of common shares outstanding at that date. Net operating income is defined as revenue less expenses. Net operating income measures operating results before interest, depreciation, amortization and income taxes.

The following table reconciles hotel net operating income to income before income taxes of the Company's hospitality segment as disclosed in the interim condensed consolidated financial statements for the three months ended March 31, 2024.

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Income before income taxes	**1.0**	1.1
Add:		
Non-operating corporate expenses	**0.2**	0.2
Depreciation and amortization	**2.6**	2.3
Interest and accretion	**0.7**	0.9
Hotel net operating income	**4.5**	4.4

Clarke's method of determining these amounts may differ from other companies' methods and, accordingly, these amounts may not be comparable to measures used by other companies.

Due to rounding, numbers presented throughout this document may not sum precisely to the totals provided.

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", "budgets", "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, changes in these securities holdings, the future price of oil, 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 the Company's investments, the expectation that the Company's redeployment of capital from its asset dispositions, renovations and repurposes will be accretive to the Company's shareholders, the anticipated timing of completion and lease-up of the first phase of the Talisman residential redevelopment, reliance on key executives and other factors. With respect to the Company's investment in hotel and ferry operations, such risks and uncertainties include, among others, weather conditions, safety, claims and insurance, uninsured losses, changes in levels of business and commercial travel and tourism, increases in the supply of accommodations in local markets, the recurring need for renovation and improvement of hotel properties, 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, 2024 and 2023

May 10, 2024

Management's Report

The accompanying unaudited interim condensed consolidated financial statements (the "Financial Statements") of Clarke Inc. (the "Company") are the responsibility of management and have been approved by the Board of Directors. The Financial Statements have been prepared with accounting standards in accordance with International Financial Reporting Standards ("IFRS" or "IFRS Accounting Standards") as issued by the International Accounting Standards Board. The Financial Statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the Financial Statements. The Audit Committee of the Board of Directors reviewed and approved the Company's Financial Statements and recommended their approval by the Board of Directors.

The Financial Statements have not been reviewed by the external auditors of the Company.

/s/ George Armoyan
President and Chief Executive Officer
Montreal, QC

/s/ Tom Casey
Chief Financial Officer
Halifax, NS

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (in thousands of Canadian dollars)

	March 31, 2024	December 31, 2023
	$	$
ASSETS		
Current		
Cash	**476**	929
Receivables	**4,973**	3,957
Other assets	**8,721**	10,567
Income taxes receivable	**253**	183
Total current assets	**14,423**	15,636
Accrued pension benefit asset *(note 2)*	**31,377**	33,752
Property and equipment	**206,211**	206,926
Investment properties *(note 3)*	**146,104**	138,486
Deferred income tax assets	**127**	130
Other assets	**185**	200
Total assets	**398,427**	395,130
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term indebtedness	**12,905**	3,763
Accounts payable and other liabilities	**20,557**	26,273
Current portion of long-term debt *(note 4)*	**1,874**	1,845
Total current liabilities	**35,336**	31,881
Long-term debt *(note 4)*	**123,115**	120,176
Lease obligations	**347**	392
Deferred income tax liabilities	**8,418**	11,992
Total liabilities	**167,216**	164,441
Shareholders' equity		
Share capital *(note 5)*	**82,568**	82,574
Contributed surplus	**7,302**	7,302
Retained earnings	**46,645**	44,221
Accumulated other comprehensive income	**94,696**	96,592
Total shareholders' equity	**231,211**	230,689
Total liabilities and shareholders' equity	**398,427**	395,130

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 INCOME (LOSS)

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

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Revenue and other income		
Hotel and rental income	**14,631**	14,998
Provision of services	**262**	276
Investment and other income *(note 6)*	**999**	162
	15,892	15,436
Expenses		
Operating expenses	**9,311**	10,566
Cost of services provided	**1,217**	821
General and administrative expenses	**916**	1,025
Property taxes and insurance	**1,009**	941
Depreciation and amortization	**2,593**	2,276
Interest and accretion	**1,328**	1,936
Reclassification of unrealized gain on disposal of net investment in foreign operations *(note 3)*	**(89)**	—
	16,285	17,565
Loss before income taxes	**(393)**	(2,129)
Recovery of income taxes *(note 7)*	**(2,824)**	(391)
Net income (loss)	**2,431**	(1,738)
Basic and diluted earnings (loss) per share *(note 5)*	**0.17**	(0.12)

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, 2024 $	Three months ended March 31, 2023 $
Net income (loss)	**2,431**	(1,738)
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Remeasurement gains (losses) and effect of changes to asset ceiling on defined benefit pension assets, net of income tax *(note 2)*	**(1,901)**	2,750
Items that have been reclassified subsequently to profit or loss		
Realized losses on translation of net investment in foreign operations, net of income tax	**(84)**	—
Reclassification of unrealized gain on disposal of net investment in foreign operations	**89**	—
Other comprehensive income (loss)	**(1,896)**	2,750
Comprehensive income	**535**	1,012

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, 2024	Three months ended March 31, 2023
	$	$
OPERATING ACTIVITIES		
Net income (loss)	**2,431**	(1,738)
Adjustments for items not involving cash *(note 8)*	**(1,031)**	1,472
	1,400	(266)
Additions to real estate inventory under development	**—**	(5,867)
Net change in non-cash working capital balances *(note 8)*	**(2,999)**	3,681
Net cash used in operating activities	**(1,599)**	(2,452)
INVESTING ACTIVITIES		
Additions to property and equipment	**(3,385)**	(1,622)
Additions to investment properties *(note 3)*	**(14,310)**	(7,924)
Collection of loan receivable	**2,500**	—
Distribution of pension plan surplus, net of income tax	**—**	1,049
Net cash used in investing activities	**(15,195)**	(8,497)
FINANCING ACTIVITIES		
Repurchase of shares for cancellation *(note 5)*	**(13)**	(146)
Proceeds of short-term indebtedness	**9,142**	18,709
Proceeds of long-term debt, net of financing fees *(note 4)*	**7,724**	3,981
Repayment of long-term debt *(note 4)*	**(467)**	(11,804)
Principal payments of lease obligation	**(45)**	(40)
Net cash provided by financing activities	**16,341**	10,700
Net change in cash during the period	**(453)**	(249)
Cash, beginning of period	**929**	1,090
Cash, end of period	**476**	841

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, 2024 $	Three months ended March 31, 2023 $
Share capital		
Balance at beginning of period	**82,574**	83,190
Common shares repurchased for cancellation *(note 5)*	**(6)**	(72)
Balance at end of period	**82,568**	83,118
Contributed surplus		
Balance at beginning and end of period	**7,302**	7,302
Retained earnings		
Balance at beginning of period	**44,221**	41,579
Net income (loss)	**2,431**	(1,738)
Purchase price in excess of the book value of common shares repurchased for cancellation *(note 5)*	**(7)**	(74)
Balance at end of period	**46,645**	39,767
Accumulated other comprehensive income		
Balance at beginning of period	**96,592**	82,899
Other comprehensive income (loss)	**(1,896)**	2,750
Balance at end of period	**94,696**	85,649
Total shareholders' equity	**231,211**	215,836

See accompanying notes to the interim condensed consolidated financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Clarke Inc. was incorporated on December 9, 1997 pursuant to the Canada Business Corporations Act. The head office of the Company is located at 145 Hobsons Lake Drive, Halifax, Nova Scotia. The Company is an investment holding and real estate company with holdings in a diversified group of businesses and across real estate sectors. The Company operates primarily in Canada. The Company continually evaluates the acquisition, retention, and disposition of its holdings and changes in its asset mix should be expected. These interim condensed consolidated financial statements were approved by the Board of Directors on May 10, 2024.

Basis of presentation and statement of compliance

The Financial Statements are for the three months ended March 31, 2024 and were prepared in accordance with IAS 34, *Interim Financial Reporting,* and should be read together with the annual consolidated financial statements for the year ended December 31, 2023. The same accounting policies and methods of computation were followed in the preparation of the Financial Statements as were followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2023.

Principles of consolidation

The Financial Statements include the accounts of the Company and its subsidiaries. All intercompany transactions have been eliminated on consolidation. The Company's significant subsidiary is Holloway Lodging Corporation. All subsidiaries have the same reporting year end as the Company, and all follow the same accounting policies.

2. EMPLOYEE FUTURE BENEFITS

Reconciliations of the funded status of the benefit plans to the amounts recorded on the interim consolidated statements of financial position are as follows:

	March 31, 2024 **$**	December 31, 2023 $
Fair value of plan assets	**112,458**	109,092
Accrued benefit obligation	**(35,880)**	(37,032)
Funded status of plans - surplus	**76,578**	72,060
Cumulative impact of asset ceiling, excluding interest	**(42,398)**	(35,945)
Interest on asset ceiling	**(2,803)**	(2,363)
Accrued pension benefit asset	**31,377**	33,752

The defined benefit pension recovery recognized in the interim consolidated statements of income (loss) for the three months ended March 31, 2024 was $232 (2023 – $163).

The most significant assumption impacting both the valuation of the accrued benefit obligation and the calculation of the asset ceiling is the discount rate, which was 4.85% as at March 31, 2024 (December 31, 2023 – 4.60%).

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

2. EMPLOYEE FUTURE BENEFITS (CONT.)

Elements of the defined benefit recovery (expense) are as follows:

	Three months ended March 31, 2024 **$**	Three months ended March 31, 2023 $
Remeasurement gains (losses) and return on plan assets in excess of discount rate	**3,847**	(666)
Impact of asset ceiling changes	**(6,453)**	4,441
Deferred income tax recovery (expense)	**705**	(1,025)
Defined benefit recovery (expense)	**(1,901)**	2,750

3. INVESTMENT PROPERTIES

Three months ended March 31, 2024	**Buildings** **$**	**Vacant land** **$**	**Under construction** **$**	**Total** **$**
Beginning balance	13,828	45	124,613	**138,486**
Additions	1,453	—	9,472	**10,925**
Foreign exchange impact	66	—	—	**66**
Disposal	(3,373)	—	—	**(3,373)**
Ending balance	**11,974**	**45**	**134,085**	**146,104**

In March 2024, the Company sold the shares of a wholly owned subsidiary, Holloway Lodging US Inc. ("HLUS"), to an entity owned by the Company's Chairman and his immediate family member for $3,978 (US$2,954). The Company recorded a gain on disposal of $479 in the three months ended March 31, 2024. The transaction was non-cash whereby the consideration before post-closing adjustments was the partial settlement of an unsecured credit facility due to the acquiring entity. The Company may be required to record changes to the gain in future periods due to the ultimate settlement of certain post-closing adjustments.

4. LONG-TERM DEBT

The following table summarizes the changes in long-term debt for the three months ended March 31, 2024:

	Three months ended March 31, 2024
	$
Total long-term debt – beginning balance	**122,021**
Proceeds from long-term debt, net of financing fees	**7,724**
Repayment of long-term debt	**(467)**
Partial settlement of credit facility in lieu of cash on sale of subsidiary *(note 3)*	**(4,302)**
Accretion	**13**
Total long-term debt – ending balance	**124,989**
Less: current portion of long-term debt	**(1,874)**
Long-term portion	**123,115**

The Company remains a guarantor on the construction loan of a former joint venture for an aggregate amount of $27,700. The Company expects the guarantee to be released in 2024 and has an indemnity agreement with its former partners for this guarantee until it is released.

5. SHARE CAPITAL AND EARNINGS PER SHARE

	Three months ended March 31, 2024		Three months ended March 31, 2023	
	# of shares	**$**	# of shares	$
Common shares				
Outstanding common shares, beginning of period	**13,959,157**	**82,574**	14,069,144	83,190
Common shares repurchased for cancellation	**(1,000)**	**(6)**	(12,100)	(72)
Outstanding common shares, end of period	**13,958,157**	**82,568**	14,057,044	83,118

Earnings per share

	Three months ended March 31, 2024			Three months ended March 31, 2023		
	Earnings	**Weighted average shares (in thousands)**	**Per share amount**	Net loss	Weighted average shares (in thousands)	Per share amount
	$	**#**	**$**	$	#	$
Basic and diluted earnings (loss) per share	**2,431**	**13,959**	**0.17**	(1,738)	14,063	(0.12)

The Company does not have any potentially dilutive instruments. The Company's former convertible debentures, which were redeemed in 2023, were anti-dilutive for the three months ended March 31, 2023.

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

6. INVESTMENT AND OTHER INCOME

Investment and other income is comprised of the following:

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Gain on disposal of subsidiary *(note 3)*	**479**	—
Interest income	**275**	1
Pension recovery *(note 2)*	**232**	163
Gain (loss) on disposal of property and equipment	**13**	(2)
	999	162

7. INCOME TAXES

The recovery of income taxes consists of:

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Current	—	135
Deferred	**(2,824)**	(526)
Recovery of income taxes	**(2,824)**	(391)

As at March 31, 2024, the Company had non-capital losses carried forward for tax purposes of $10,512 (December 31, 2023 – $8,022) in Canada and US$nil (December 31, 2023 – US$18,455) in the United States.

Certain deferred income tax assets have not been recognized:

	March 31, 2024 $	December 31, 2023 $
Property and equipment	—	613
Non-capital loss carry forwards	**204**	5,231
Total	**204**	5,844

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

8. SUPPLEMENTAL CASH FLOW INFORMATION

Adjustments for items not involving cash	**Three months ended March 31, 2024 $**	Three months ended March 31, 2023 $
Depreciation and amortization	**2,593**	2,276
Deferred income tax recovery *(note 7)*	**(2,824)**	(526)
Non-cash long-term incentive recovery	**—**	(213)
Accretion	**13**	96
Reclassification of unrealized gain on disposal of net investment in foreign operations *(note 3)*	**(89)**	—
Pension recovery *(note 2)*	**(232)**	(163)
Loss (gain) on disposal of property and equipment	**(13)**	2
Gain on disposal of subsidiary *(note 3)*	**(479)**	—
	(1,031)	1,472

Net change in non-cash working capital balances	**Three months ended March 31, 2024 $**	Three months ended March 31, 2023 $
Receivables	**(1,016)**	3,221
Other assets	**(607)**	(721)
Accounts payable and other liabilities	**(1,306)**	1,046
Income taxes receivable	**(70)**	135
	(2,999)	3,681

9. RISK MANAGEMENT

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company believes it has access to sufficient capital through cash on hand, operating cash flows and existing or other borrowing facilities to meet these obligations. The Company monitors and forecasts its cash balances and cash flows generated from operations to meet its required obligations. As at March 31, 2024, the Company had cash on hand of $476 and available undrawn revolving facilities of $63,817.

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

10. SEGMENTED INFORMATION

The Company operates in two reportable business segments. The Investment segment represents the Company's ferry business, loan receivable and investment properties. The Hospitality segment consists of the Company's ownership, management, and operation of hotels. The Other category is not a segment and is disclosed for reconciliation purposes. The Other category consists of the Company's treasury and executive functions, pension plans and unsecured credit facility. Revenue in the Other category is primarily investment management fees.

Transactions between the segments are recorded at fair value, which is the amount of consideration established and agreed to by management. Reconciling items represent eliminations for services provided between the segments.

The Company operates predominantly in Canada. The Company no longer has any material assets or operations located outside of Canada.

Three months ended March 31, 2024	**Investment $**	**Hospitality $**	**Other $**	**Eliminations $**	**Total $**
Revenue and other income:					
Hotel and rental revenue and provision of services	**409**	**14,261**	**228**	**(5)**	**14,893**
Investment and other income	**742**	**13**	**244**	**—**	**999**
	1,151	**14,274**	**472**	**(5)**	**15,892**
Operating expenses before the undernoted	**1,693**	**10,072**	**693**	**(5)**	**12,453**
Depreciation and amortization	**9**	**2,563**	**21**	**—**	**2,593**
Reclassification of unrealized gain on disposal of net investment in foreign operations	**(89)**	**—**	**—**	**—**	**(89)**
Interest and accretion	**47**	**670**	**611**	**—**	**1,328**
Income (loss) before income taxes	**(509)**	**969**	**(853)**	**—**	**(393)**
Assets	**154,146**	**211,880**	**32,401**	**—**	**398,427**
Liabilities	**65,963**	**56,557**	**44,696**	**—**	**167,216**
Capital expenditures	**14,310**	**3,385**	**—**	**—**	**17,695**

Three months ended March 31, 2023	Investment $	Hospitality $	Other $	Eliminations $	Total $
Revenue and other income:					
Hotel and rental revenue and provision of services	15	14,998	267	(6)	15,274
Investment and other income (loss)	—	(2)	164	—	162
	15	14,996	431	(6)	15,436
Operating expenses before the undernoted	1,721	10,747	891	(6)	13,353
Depreciation and amortization	10	2,258	8	—	2,276
Interest and accretion	—	880	1,056	—	1,936
Income (loss) before income taxes	(1,716)	1,111	(1,524)	—	(2,129)
Assets	164,969	225,320	32,644	—	422,933
Liabilities	68,876	59,876	78,345	—	207,097
Capital expenditures	13,834	1,579	—	—	15,413
Assets located outside of Canada	18,738	—	—	—	18,738

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