CLARKE

Halifax, Canada

Quarterly Report
June 30, 2021 and 2020

Management's Discussion & Analysis

Clarke Inc.

June 30, 2021 and 2020

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 and six months ended June 30, 2021 compared with the three and six months ended June 30, 2020. 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*. This interim MD&A should be read in conjunction with the information disclosed within the interim condensed consolidated financial statements and notes thereto for the three and six months ended June 30, 2021, available on SEDAR at www.sedar.com. This MD&A provides an overall discussion, followed by analyses of the performance of the Company's major investments. The MD&A is prepared as at August 9, 2021 (unless otherwise stated). All dollar amounts are shown in millions of Canadian dollars except for book value per common share amounts or unless otherwise indicated.

OVERVIEW & STRATEGY

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

We attempt to maximize shareholder value by allocating capital to investments that we believe will generate high returns and reallocating capital over time as needed. In doing this, Clarke's goal is to identify investments that are either undervalued or are underperforming and may be in need of positive change. These investments may be companies, securities or other assets such as real estate, and they may be public entities or private entities. We do not believe in limiting ourselves to specific types of investments. Clarke seeks active involvement in the governance and/or management of the company in which it invests. In these cases, Clarke will have acquired the security with a view of changes that could be made to improve the underlying company's performance and maximize the company's value. When Clarke believes that an investee company has implemented appropriate changes and/or the value of the investee company has reached or exceeded its intrinsic value, Clarke may sell its investment. Clarke generally invests in industries that have hard assets, including manufacturing, industrial, energy and real estate businesses.

SECOND QUARTER REVIEW AND OUTLOOK

During the second quarter of 2021, the Company's book value per common share increased by $1.29, or 10.6%. The increase can primarily be ascribed to (i) an increase in the after-tax value of our pension plan surplus of $5.1 million, or $0.34 per common share, (ii) unrealized gains on our marketable securities of $5.9 million, or $0.39 per common share, (iii) an increase in the after-tax value of certain property and equipment upon revaluation of $10.0 million, or $0.67 per common share, offset by (iv) losses in our operating businesses and other corporate overhead in an amount of $3.1 million, or $0.20 per common share. Our book value per common share at the end of the second quarter was $13.50 while our common share price was $8.40.

COVID-19

The COVID-19 pandemic continues to have an adverse effect on the Company's operating business, particularly its hotels, driven by the decline in both leisure and business travel. The impact of COVID-19 on the ferry business has been significantly reduced from the same period in 2020 but operations remain below normal operating levels. The ferry operations are expected to remain somewhat subdued in 2021 compared to historic operating levels.

Regardless of the subdued revenues, the Company's efforts to significantly reduce costs and the positive impact of several government subsidies have allowed us to maintain operations and we expect to generate positive cash flow from these businesses in the year.

Holloway Lodging Corporation ("Holloway")

Hotel revenues and operating results in the second quarter of 2021 improved compared to both the prior quarter and the same period in 2020. In particular, there was a marked improvement in June as hotel revenues increased by approximately 40% from the revenue levels in April and May. This is reflective of the easing of travel restrictions across many parts of the country, as well as the continued increase in the proportion of the population receiving COVID-19 vaccines. With further easing of travel restrictions, the removal of certain quarantine requirements and the re-opening of the Canadian border, the pace of economic activity and travel demand is expected to intensify, particularly given the timing of these events in relation to the traditional summer travel season and potentially some expected “pent-up” demand.

For the three months ended June 30, 2021, our hotel revenues increased by approximately 58% compared to the same period in 2020. The three months ended June 30, 2020, was the first full quarter of the pandemic and was the period with the most drastic decline in the travel and hospitality sectors.

While we remain cautiously optimistic for the ultimate recovery of the travel industry and the performance of our hotels, we expect the subdued results to continue for several more quarters and the recovery to fluctuate across our markets with the impact of vaccines, local government responses, and local economic activity.

Real Estate and Corporate

During the second quarter, we obtained the building permit for the first phase of redevelopment on our excess land adjacent to our Ottawa, ON, Travelodge® hotel and construction has commenced at the site. While the first phase of construction is underway, pre-construction activities continue for the second phase of this development. The two phases will consist of a multi-building residential apartment complex including ground-floor retail space.

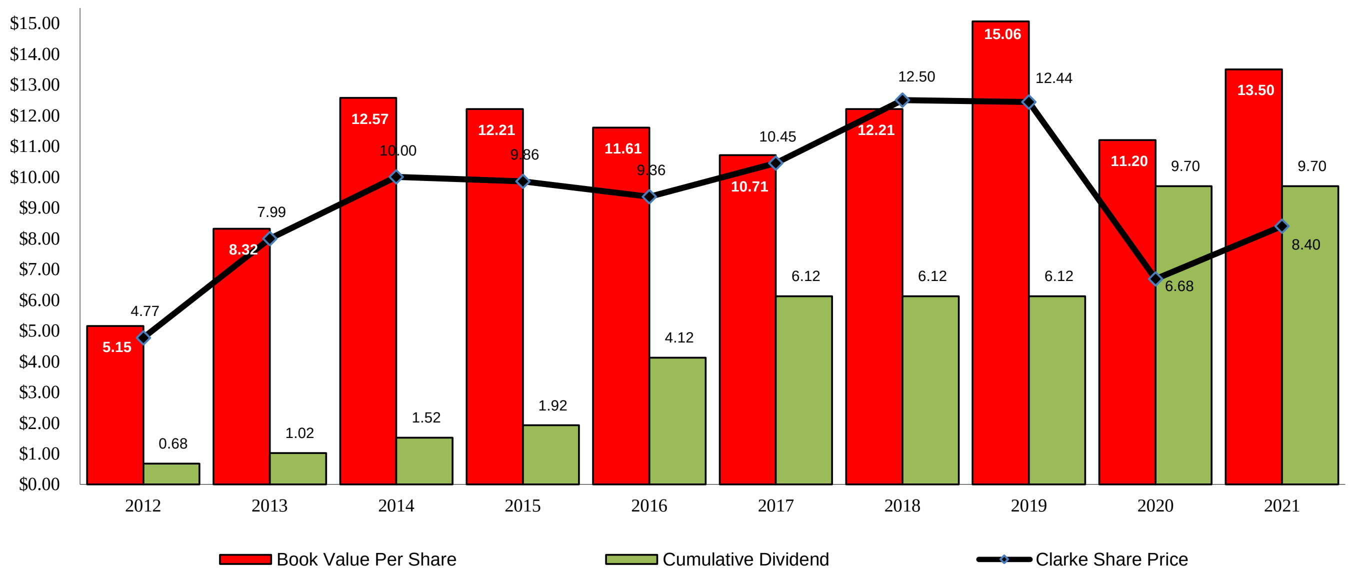
During the second quarter, the Company entered into a joint arrangement with two other partners to acquire a one-third interest in a real estate development project in downtown Montreal that is currently under construction. The building is located at 1111 Atwater Avenue (the “1111 Atwater development”), the former site of the Montreal Children’s Hospital, and the project involves a 38-storey building including seniors’ housing, rental units and luxury condominiums, with extensive amenities for residents. The terms of the deal included cash consideration of approximately $21.1 million and the assumption of the Company’s share of the construction financing.

We continue to own three vacant office buildings in Houston, TX totalling approximately 435,000sf. We acquired these properties far below the cost at which they can be replaced, and we are actively working to redevelop and/or lease these properties. We also own vacant parcels of land in Moncton, NB and Forestville, QC.

We currently have $52.4 million of debt at the Clarke corporate level and $137.9 million of debt on a consolidated basis. We have availability under our corporate and subsidiary credit lines of $31.2 million.

BOOK VALUE PER SHARE

The Company's book value per share at June 30, 2021 was $13.50, an increase of $2.30 per common share since December 31, 2020. The following graph shows 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 June 30, 2021.*

RESULTS OF OPERATIONS

Highlights of the interim condensed consolidated financial statements for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 are as follows:

(in millions, except per share amounts)	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
	$	$	**$**	$
Hotel and management services	**6.0**	3.8	**11.7**	17.6
Provision of services	**1.5**	0.6	**1.6**	0.8
Investment and other income (loss)*	**5.9**	13.1	**14.3**	(41.4)
Net income (loss)	**3.1**	6.9	**7.1**	(46.2)
Comprehensive income (loss)	**18.0**	4.4	**32.7**	(50.4)
Basic earnings (loss) per share ("EPS")	**0.21**	0.43	**0.48**	(2.85)
Diluted EPS	**0.20**	0.38	**0.44**	(2.85)
Total assets	**372.2**	286.3	**372.2**	286.3
Long-term financial liabilities	**136.0**	98.7	**136.0**	98.7
Book value per share	**13.50**	8.41	**13.50**	8.41

**Investment and other income (loss) include unrealized/realized gains/losses on investments, hotel revaluations presented in the statement of earnings, interest income, pension expense/recovery, insurance proceeds, gains/losses on disposal of assets, and foreign exchange gains/losses.*

Net income (loss) for the three and six months ended June 30, 2021 was $3.1 million and $7.1 million, respectively, compared to $6.9 million and ($46.2) million for the same periods in 2020. During the three and six months ended June 30, 2021, the Company had unrealized gains on its investments of $5.9 million and $3.9 million, respectively, compared to unrealized gains of $12.9 million and unrealized losses of $52.1 million for the same periods in 2020. The Company had realized gains on its investments of nil and $10.2 million for the three and six months ended June 30, 2021, respectively, compared to nil and $29.0 million for the same periods in 2020.

SEGMENT REPORTING

The table below shows a breakdown by segment of the Company's holdings as at June 30, 2021 based on total assets. The "Other" category is not a segment and is disclosed for reconciliation purposes. It consists of our treasury and executive functions and our pension plans.

	June 30, 2021		December 31, 2020	
Segment	**$**	**%**	$	%
Investment	**118.4**	**31.8**	68.9	22.2
Hospitality	**198.8**	**53.4**	207.8	66.8
Other	**54.9**	**14.8**	34.3	11.0
Total	**372.2**	**100.0**	311.0	100.0

Investment segment

The Company's investment segment is comprised of securities, investment properties, real estate under development, vacant land, a ferry business, and three vacant office buildings in Houston, TX. During the three and six months ended June 30, 2021, the Investment segment had unrealized gains on its investments of $5.9 million and $3.9 million, respectively, compared to unrealized gains of $12.9 million and unrealized losses of $52.1 million for the same periods in 2020. At June 30, 2021, the Company's securities portfolio consists of equity and debt investments in publicly traded companies.

A summary of the change in the Company's securities portfolio is as follows:

	Six months ended June 30, 2021 $
Securities – beginning of period	**46.8**
Proceeds on sale	**(34.5)**
Purchases	**2.4**
Net realized and unrealized gains on securities	**14.2**
Securities – end of period	**28.8**

The Company owns a passenger/car ferry operating on the St. Lawrence River under contract with the Government of Québec since 1973. The ferry does not operate during the first quarter of the year and completes its annual maintenance and repairs during this offseason period. We are pleased the opening of the season for the ferry commenced on April 1, 2021 and was not delayed as it was in 2020 as a result of the COVID-19 pandemic.

Hospitality segment

Holloway owns and operates hotels across Canada. Holloway's results for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 are as follows:

	Three months ended June 30, 2021 $	Three months ended June 30, 2020 $	**Six months ended June 30, 2021 $**	Six months ended June 30, 2020 $
Hotel operations	**6.0**	3.8	**11.7**	17.6
Investment and other income	**0.1**	0.1	**0.3**	(18.5)
Total revenue and other income (loss)	**6.1**	3.9	**12.0**	(0.9)
Less:				
Operating expenses	**4.0**	2.9	**7.8**	12.6
General and administrative expenses	**0.2**	0.1	**0.3**	0.3
Property taxes and insurance	**0.2**	1.1	**0.7**	2.2
Depreciation and amortization	**2.4**	2.6	**4.9**	5.5
Interest expense	**0.7**	0.8	**1.4**	1.6
Loss before income taxes	**(1.4)**	(3.6)	**(3.1)**	(23.1)

Hotel operations in the second quarter increased significantly compared to the same quarter in the prior year and the first quarter of the current year. While hotel revenues and operating results remain significantly below pre-pandemic levels, we continue to see improvement as travel restrictions ease across the country. We continue to apply for and receive various sources of government grants and we continue to look for operating expense savings across all areas of our business to help mitigate the decline in revenue.

OUTSTANDING SHARE DATA

At August 9, 2021, the Company had:

- An unlimited number of common shares authorized and 14,434,969 common shares outstanding;
- An unlimited number of First and Second Preferred Shares authorized and none outstanding; and
- 150,000 options to acquire common shares outstanding, 50,000 of which are vested.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 2021, the Company's net short term debt position (a non-IFRS measure representing short-term indebtedness net of cash) remained nearly unchanged at $5.4 million at June 30, 2021, compared to $5.5 million at December 31, 2020. The Company's $21.1 million investment in the 1111 Atwater development, repurchases of common shares, repayments of long-term debt and construction costs related to the Company's real estate developments have been largely funded by the $34.5 million of proceeds on disposition of marketable securities.

Cash flow from operating activities

Cash used in operating activities was $2.0 million for the six months ended June 30, 2021, compared to $3.5 million during the same period in 2020. The cash used was driven primarily by interest, general and administrative and other expenses in excess of hospitality and ferry operating cash flow.

At June 30, 2021, working capital excluding securities was negative $9.1 million, which is unchanged from December 31, 2020. The Company has the ability to fund working capital needs through its cash on hand and existing credit facilities.

Cash flow from investing activities

Cash provided by investing activities was $5.0 million for the six months ended June 30, 2021, compared to $4.9 million during the same period in 2020. The cash provided was primarily a result of proceeds from the sale of marketable securities of $34.5 million offset by the $21.1 million investment in the 1111 Atwater development and capital expenditures. Cash provided by investing activities during the same period in 2020 was a result of proceeds from the sale of marketable securities of $1.8 million and collections of loans receivable of $4.1 million, offset by capital expenditures.

Cash flow from financing activities

Cash used in financing activities was $5.1 million for the six months ended June 30, 2021, compared to $3.5 million during the same period in 2020. The cash used was related to the repayment of long-term debt of $3.9 million, repurchase of common shares of $3.2 million and net repayments of short-term indebtedness of $2.3 million. Net cash used in financing activities during the same period in 2020 was related to the repurchase of common shares of $6.7 million, and the repayment of long-term debt of $1.0 million, offset by the net proceeds of short-term borrowings of $4.2 million.

Available capital under credit facilities

The Company has access to credit facilities where certain of the Company's assets are pledged as collateral on two revolving credit facilities. At June 30, 2021, the Company's maximum borrowing base on these facilities was $37.2 million and $6.0 million was drawn on these facilities. Declines in the fair value and operating results of pledged assets may have an adverse effect on the amount of credit available under these facilities.

SUMMARY OF QUARTERLY RESULTS

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

Three months ended	Jun. 2021 $	Mar. 2021 $	Dec. 2020 $	Sep. 2020 $	Jun. 2020 $	Mar. 2020 $	Dec. 2019 $	Sep. 2019 $
Revenue and other income (loss)	13.3	14.3	26.9	23.1	17.5	(40.6)	22.8	21.3
Net income (loss)	3.1	4.1	14.5	12.5	6.9	(53.1)	5.7	(3.6)
Other comprehensive income (loss)	14.9	10.7	15.1	(2.1)	(2.5)	(1.7)	5.2	(0.4)
Comprehensive income (loss)	18.0	14.8	29.6	10.4	4.4	(54.8)	10.9	(4.0)
Basic EPS (in dollars)	0.21	0.27	0.94	0.79	0.43	(3.26)	0.36	(0.24)
Diluted EPS (in dollars)	0.20	0.25	0.79	0.67	0.38	(3.26)	0.34	(0.24)

As seen in the table above, our results can fluctuate significantly from quarter to quarter, in part as a result of certain accounting standards the Company follows, and as a result of fluctuations in the market prices of our securities portfolio. Under IFRS, realized and unrealized gains and losses on our publicly-traded securities are recorded in "revenue" on our consolidated statements of earnings. The Company does not believe that quarterly fluctuations in the stock prices of our investee companies necessarily reflect a change in the value of the underlying businesses in which we are invested. The values of the underlying businesses are often more stable than their stock prices reflect. Clarke views its investments on a longer-term basis as opposed to on a quarter-to-quarter basis. These fluctuations, however, often provide us with an opportunity to invest more capital in particular investments that we like or vice-versa. Holloway's business is seasonal in nature and the results fluctuate throughout the year. The revenues are generally highest in the third quarter due to increased leisure travel during the summer months. While certain expenses fluctuate according to occupancy levels, other expenses such as property taxes, insurance and interest are fixed and are incurred evenly throughout the year.

FINANCIAL INSTRUMENTS

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

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

- To manage foreign exchange, interest rate and general market risk, the Company may enter into futures and forward exchange contracts. These instruments may have interest, market, credit and foreign exchange risk associated with them. Clarke sometimes hedges its foreign currency exposure on U.S. dollar denominated investments. The marketable securities subject to foreign currency exposure at June 30, 2021 are not currently hedged.

As an investment company, Clarke has a significant number of financial instruments. Notes 1, 2, 3, 4, 5, 11, 12, 13, 14 and 24 to the consolidated financial statements for the year ended December 31, 2020 and the Company's 2020 AIF, provide further information on classifications in the financial statements, and risks, pertaining to the use of financial instruments by the Company, as well as further information on the risks and uncertainties of estimates, liquidity, and credit as a result of COVID-19.

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

There have been no changes in the Company's disclosure controls and procedures or internal controls over financial reporting during the three months ended June 30, 2021 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 was party to related party transactions during the six months ended June 30, 2021. All related party transactions were in the normal course of operations and occurred at fair value. For full details of the Company's related party transactions, please refer to note 15 of our consolidated financial statements for the year ended December 31, 2020 and note 12 of the interim condensed consolidated financial statements for the three and six months ended June 30, 2021.

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

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

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, the future price and value of securities held by the Company, changes in these securities holdings, the future price of oil and value of securities held by the Company, changes to the Company's hedging practices, currency fluctuations and requirements for additional capital. Forward-looking statements rely on certain underlying assumptions that, if not realized, can result in such forward-looking statements not being achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, the Company's investment strategy, legal and regulatory risks, general market risk, potential lack of diversification in the Company's investments, interest rates, foreign currency fluctuations, the sale of Company investments, the fact that dividends from investee companies are not guaranteed, reliance on key executives, commodity market risk, risks associated with investment in derivative instruments and other factors. With respect to the Company's 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.

June 30, 2021 and 2020

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (in thousands of Canadian dollars)

	June 30, 2021	December 31, 2020
	$	$
ASSETS		
Current		
Cash	**584**	2,730
Marketable securities *(note 10)*	**28,804**	46,760
Receivables	**6,196**	3,707
Income taxes receivable	**—**	349
Other assets *(note 4)*	**5,650**	1,636
Asset held-for-sale *(note 15)*	**—**	2,415
Total current assets	**41,234**	57,597
Accrued pension benefit asset *(note 5)*	**54,456**	33,823
Property and equipment *(note 6)*	**173,682**	180,417
Real estate inventory under development *(notes 1 and 3)*	**44,716**	—
Investment properties *(note 7)*	**39,816**	19,276
Deferred income tax assets *(note 11)*	**16,768**	18,286
Other assets *(note 4)*	**1,489**	1,627
Total assets	**372,161**	311,026
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term indebtedness	**5,986**	8,243
Accounts payable and accrued liabilities	**10,650**	5,432
Income taxes payable	**2,112**	—
Current portion of long-term debt *(note 8)*	**4,663**	6,240
Total current liabilities	**23,411**	19,915
Convertible debentures	**50,754**	50,754
Long-term debt *(note 8)*	**75,748**	58,056
Construction accounts payable and accrued liabilities *(note 3)*	**8,660**	—
Lease obligations	**803**	870
Deferred income tax liabilities *(note 11)*	**14,669**	12,827
Total liabilities	**174,045**	142,422
Shareholders' equity		
Share capital *(note 9)*	**86,752**	89,097
Contributed surplus	**7,302**	7,512
Retained earnings	**31,546**	25,093
Accumulated other comprehensive income	**72,516**	46,902
Total shareholders' equity	**198,116**	168,604
Total liabilities and shareholders' equity	**372,161**	311,206

See accompanying notes to the interim condensed consolidated financial statements

On behalf of the Board:

/s/ George Armoyan
Director

/s/ Blair Cook
Director

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	Three months ended June 30, 2021 $	Three months ended June 30, 2020 $	**Six months ended June 30, 2021 $**	Six months ended June 30, 2020 $
Revenue and other income				
Hotel and management services *(note 16)*	**5,995**	3,794	**11,710**	17,572
Provision of services	**1,458**	603	**1,602**	761
Investment and other income (loss) *(note 10)*	**5,859**	13,134	**14,255**	(41,381)
	13,312	17,531	**27,567**	(23,048)
Expenses				
Operating expenses *(note 16)*	**4,388**	3,476	**8,592**	13,795
Cost of services provided	**860**	556	**1,541**	1,343
General and administrative expenses	**579**	473	**1,242**	1,125
Property taxes and insurance	**317**	1,049	**733**	2,180
Share-based payment expense	**128**	12	**172**	27
Depreciation	**2,456**	2,763	**5,004**	5,723
Interest expense and accretion on debt	**1,538**	1,697	**3,077**	3,564
	10,266	10,026	**20,361**	27,757
Income (loss) before income taxes	**3,046**	7,505	**7,206**	(50,805)
Provision for (recovery of) income taxes *(note 11)*	**(12)**	578	**91**	(4,610)
Net income (loss)	**3,058**	6,927	**7,115**	(46,195)
Basic earnings (loss) per share: *(in dollars) (note 9)*	**0.21**	0.43	**0.48**	(2.85)
Diluted earnings (loss) per share: *(in dollars) (note 9)*	**0.20**	0.38	**0.44**	(2.85)

See accompanying notes to the interim condensed consolidated financial statements

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited (in thousands of Canadian dollars)

	Three months ended June 30, 2021 $	Three months ended June 30, 2020 $	**Six months ended June 30, 2021 $**	Six months ended June 30, 2020 $
Net income (loss)	**3,058**	6,927	**7,115**	(46,195)
Other comprehensive income (loss)				
Items that will not be reclassified to income or loss				
Remeasurement gains (losses) on defined benefit pension plans, net of income tax expense of $1,881 and $5,920 for the three and six months ended June 30, 2021 (2020 – recovery of $737 and $1,865) *(note 5)*	**5,081**	(1,916)	**15,991**	(4,848)
Revaluation gain of property and equipment, net of income tax expense of $246 (*note 6*)	**10,049**	—	**10,049**	—
Items that may be reclassified subsequently to income or loss				
Unrealized gains (losses) on translation of net investment in foreign operations, net of income tax recovery of $51 and $84 for the three and six months ended June 30, 2021 (2020 – recovery of $159 and expense of $217)	**(222)**	(615)	**(426)**	612
Other comprehensive income (loss)	**14,908**	(2,531)	**25,614**	(4,236)
Comprehensive income (loss)	**17,966**	4,396	**32,729**	(50,431)

See accompanying notes to the interim condensed consolidated financial statements

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)

	Six months ended June 30, 2021 $	Six months ended June 30, 2020 $
OPERATING ACTIVITIES		
Net income (loss)	**7,115**	(46,195)
Adjustments for items not involving cash *(note 13)*	**(11,424)**	43,589
	(4,309)	(2,606)
Net change in non-cash working capital balances *(note 13)*	**2,296**	(882)
Net cash used in operating activities	**(2,013)**	(3,488)
INVESTING ACTIVITIES		
Proceeds on disposition of marketable securities	**34,537**	1,832
Contribution to joint operation, net of cash acquired *(note 3)*	**(21,083)**	—
Proceeds on disposition of asset held-for-sale *(note 15)*	**210**	—
Additions to property and equipment	**(2,927)**	(706)
Additions to real estate inventory under development	**(3,517)**	—
Additions to investment properties	**(885)**	(388)
Additions to intangible and other assets	**(74)**	—
Purchase of marketable securities	**(2,445)**	—
Collections of loans receivable	**225**	4,142
Distribution of pension plan surplus, net of tax *(note 5)*	**914**	—
Net cash provided by investing activities	**4,955**	4,880
FINANCING ACTIVITIES		
Repurchase of shares for cancellation *(note 9)*	**(3,217)**	(6,678)
Net proceeds (repayments) of short-term indebtedness	**(2,257)**	4,240
Proceeds of long-term debt	**4,375**	—
Repayment of long-term debt	**(3,922)**	(971)
Principal payments of lease obligation	**(67)**	(63)
Net cash used in financing activities	**(5,088)**	(3,472)
Net change in cash during the period	**(2,146)**	(2,080)
Cash, beginning of period	**2,730**	2,530
Cash, end of period	**584**	450

See accompanying notes to the interim condensed consolidated financial statements

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Unaudited (in thousands of Canadian dollars)

	Six months ended June 30, 2021 $	Six months ended June 30, 2020 $
Share capital		
Common shares:		
Balance at beginning of period	**89,097**	98,051
Common shares repurchased for cancellation *(note 9)*	**(2,345)**	(4,310)
Balance at end of period	**86,752**	93,741
Contributed surplus		
Balance at beginning of period	**7,512**	7,302
Purchase price (in excess of) less than the book value of common shares repurchased for cancellation *(note 9)*	**(210)**	164
Balance at end of period	**7,302**	7,466
Retained earnings (deficit)		
Balance at beginning of period	**25,093**	104,511
Net income (loss)	**7,115**	(46,195)
Dividends	**—**	(58,120)
Purchase price in excess of the book value of common shares repurchased for cancellation *(note 9)*	**(662)**	(2,532)
Residual balance of previously expensed equity-settled stock options	**—**	444
Balance at end of period	**31,546**	(1,892)
Accumulated other comprehensive income		
Balance at beginning of period	**46,902**	38,149
Other comprehensive income (loss)	**25,614**	(4,236)
Balance at end of period	**72,516**	33,913
Share-based payments		
Balance at beginning of period	**—**	1,574
Cash settlement of share-based payments	**—**	(1,130)
Reclassification to retained earnings of residual balance of previously expensed equity-settled stock options	**—**	(444)
Balance at end of period	**—**	—
Total shareholders' equity	**198,116**	133,228

See accompanying notes to the interim condensed consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Clarke Inc. (the "Company") 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 company with investments in a diversified group of businesses, operating primarily in Canada. The Company continuously evaluates the acquisition, retention and disposition of its investments. Changes in the mix of investments should be expected. These interim condensed consolidated financial statements were approved by the Board of Directors on August 9, 2021.

Basis of presentation and statement of compliance

These interim condensed consolidated financial statements for the three and six months ended June 30, 2021, 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, 2020. The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2020, except for the following new policies applied:

Joint arrangements
A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the arrangement require the unanimous consent of the parties sharing control. There are two types of joint arrangements: joint ventures and joint operations.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Investments in joint ventures are accounted for using the equity method as described in IAS 28, *Investments in associates and joint ventures.* A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Company recognizes its share of any assets, liabilities, revenues and expenses of the joint operation based on its ownership interest.

The Company's 1111 Atwater Avenue development (the "Project" or "1111 Atwater", described in note 3) is a joint arrangement. Joint control of the arrangement was established by the contractual requirement for unanimous agreement on major decisions relating to the Project. As the Project is not structured through a separate legal vehicle, it is classified as a joint operation under the principles of IFRS 11, *Joint arrangements.*

Real estate inventory under development
The Company's real estate inventory under development consists of real estate which the Company has a planned strategy to divest of upon completion. Real estate inventory under development is accounted for according to IAS 2, *Inventories*, and is measured at the lower of cost, including capitalized borrowing costs, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale and estimated development costs to complete.

The carrying amount of real estate inventory under development is reviewed at each statement of financial position date. Any adjustments needed to reduce the carrying amount of the asset to its net realizable value are recognized in net income. These assets are considered long-term as they are not expected to be realized within the next 12 months.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment properties under construction
Investment properties under construction include properties that will undergo activities that will take a substantial period of time to prepare for their intended use as income properties. Investment properties under construction are accounted for according to IAS 40, *Investment property*.

Investment properties under construction are recognized at cost, and subsequently remeasured to fair value at each statement of financial position date. Cost includes costs that are directly attributable to the asset, including development costs, property taxes and borrowing costs. These costs are capitalized when the activities necessary to prepare an asset for development begin and continue until the date that construction is substantially complete.

Principles of consolidation

Subsidiaries
The interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. The significant subsidiaries of the Company are Holloway Lodging Corporation ("Holloway") and, prior to September 1, 2020, La Traverse Rivière-du-Loup – St-Siméon Limitée ("La Traverse"). La Traverse was amalgamated with the Company effective September 1, 2020. All intercompany transactions have been eliminated on consolidation. All subsidiaries have the same reporting year end as the Company, and all follow the same accounting policies.

Joint operation
As of April 21, 2021, the Company is involved in one joint operation. The Company's share of the assets, liabilities, revenues and expenses of this joint operation have been recognized in the relevant categories of these interim condensed consolidated financial statements.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The significant estimates and judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were substantially the same as those that applied to the consolidated financial statements for the year ended December 31, 2020, other than those described below:

Property and equipment revaluation and transfer to investment properties
During the three months ended June 30, 2021, the Company began material construction activities on excess land adjacent to its Travelodge® hotel in Ottawa, ON. The development is expected to consist of a multi-building residential rental complex (the "Ottawa Development"). The finalization of the Company's development strategy and obtaining an independent appraisal in the quarter triggered a revaluation of the property, resulting in a net revaluation increase of $10,295 that is included in the interim consolidated statement of comprehensive income (loss). The portion of the property attributable to the Ottawa Development was transferred to investment properties under construction immediately thereafter. The portion of property including the hotel and corresponding land remain as property and equipment.

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

3. JOINT OPERATION

On April 21, 2021, the Company entered into a co-ownership agreement ("COA") with two other co-investors to acquire a one-third interest in a real estate development project under construction. The Project is located at 1111 Atwater Avenue in downtown Montreal, QC, and involves a 38-storey building including seniors' housing, rental units and luxury condominiums. The terms of the deal included cash consideration of $21,121 and the assumption of the Company's share of the construction financing. The Company holds the right to exit the COA for consideration equal to the Company's investment plus a 6.0% return. This right expires on April 21, 2022.

This transaction constitutes a business combination in accordance with IFRS 3, *Business combinations*. Below is the purchase price allocation representing the Company's share of the identified assets and liabilities at April 21, 2021:

	$
Cash	**38**
Receivables	**1,565**
Other assets	**330**
Real estate inventory under development	**40,554**
Property and equipment	**146**
Accounts payable and accrued liabilities	**(3,567)**
Construction accounts payable and accrued liabilities	**(2,475)**
Long-term debt	**(15,470)**
Net assets acquired, at fair value	**21,121**

Subsequent to initial recognition, the Company recognizes its share of the assets, liabilities, revenues and expenses of the Project.

4. OTHER ASSETS

	June 30, 2021 **$**	December 31, 2020 $
Other current assets		
Inventories	**82**	92
Prepaid expenses	**2,613**	819
Current portion of loans receivable	**2,955**	725
	5,650	1,636
Other non-current assets		
Loans receivable	**982**	1,250
Intangible and other assets	**507**	377
	1,489	1,627

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

5. 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:

	June 30, 2021 **$**	December 31, 2020 $
Fair value of plan assets	**102,988**	88,245
Accrued benefit obligation	**(48,532)**	(54,422)
Funded status of plans – accrued pension benefit asset	**54,456**	33,823

The defined benefit pension expense recognized in the interim consolidated statements of earnings for the three and six months ended June 30, 2021 was $23 and $35, respectively (2020 – recovery of $124 and $183).

Elements of the defined benefit remeasurement recognized in other comprehensive income are as follows:

	Three months ended June 30, 2021 **$**	Three months ended June 30, 2020 $	**Six months ended June 30, 2021** **$**	Six months ended June 30, 2020 $
Net remeasurement gains (losses)	**6,962**	(2,653)	**21,911**	(6,713)
Deferred income tax recovery (expense)	**(1,881)**	737	**(5,920)**	1,865
Remeasurement gains (losses)	**5,081**	(1,916)	**15,991**	(4,848)

The most significant assumption impacting the valuation of the accrued benefit obligation is the discount rate, which was 3.10% as at June 30, 2021 (December 31, 2020 – 2.50%).

During the three months ended June 30, 2021, the Company received a distribution from one of its pension plans in the amount of $1,244 (2020 – nil) in accordance with the surplus withdrawal rules of the Quebec Supplemental Pension Plans Act.

The Company manages a portion of the benefit plans' investment portfolio and earns a management fee that includes a base fee, and an annual performance fee if returns on plan assets exceed certain thresholds. The Company has not accrued for these performance fees as achievement of the target thresholds is not virtually certain.

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

6. PROPERTY AND EQUIPMENT

Six months ended June 30, 2021	Land $	Buildings and components $	Ferry and vessel dry dock costs $	Furniture, fixtures and equipment $	Right-of-use assets $	Renovations in progress $	Total $
Beginning balance	31,184	135,033	59	9,315	874	3,952	180,417
Additions	—	114	—	426	—	6,747	7,287
Acquired in business combination *(note 3)*	—	146	—	—	—	—	146
Disposals	—	—	—	—	(258)	—	(258)
Revaluations *(note 2)*	18,654	(8,359)	—	—	—	—	10,295
Transfers *(notes 2 and 7)*	(10,217)	—	—	—	—	(8,997)	(19,214)
Depreciation	—	(3,258)	(59)	(1,605)	(69)	—	(4,991)
Ending balance	**39,621**	**123,676**	**—**	**8,136**	**547**	**1,702**	**173,682**

Valuation	39,621	126,934	—	—	—	—	166,555
Cost	—	—	4,657	16,435	739	1,702	23,533
Accumulated depreciation	—	(3,258)	(4,657)	(8,299)	(192)	—	(16,406)
Net book value	**39,621**	**123,676**	**—**	**8,136**	**547**	**1,702**	**173,682**

7. INVESTMENT PROPERTIES

	Buildings $	Vacant land $	Investment property under construction $	Total $
Carrying value – January 1, 2021	19,109	167	—	19,276
Additions	53	—	1,784	1,837
Transfers *(notes 2 and 6)*	—	—	19,214	19,214
Foreign exchange impact	(511)	—	—	(511)
Carrying value – June 30, 2021	**18,651**	**167**	**20,998**	**39,816**

As at June 30, 2021, the Company's investment properties are comprised of three office buildings in Houston, TX, the Ottawa Development and two plots of vacant land in Forestville, QC and Moncton, NB.

8. LONG-TERM DEBT

The following table summarizes significant changes in long-term debt for the six months ended June 30, 2021:

	June 30, 2021
	$
Total long-term debt – beginning balance	**64,296**
Proceeds from long-term debt	**4,375**
Repayment of long-term debt	**(3,922)**
Assumed with joint operation *(note 3)*	**15,470**
Capitalized interest on construction financing	**165**
Accretion of deferred financing fees	**108**
Amortization of fair value increment from acquisitions	**(81)**
Total long-term debt – ending balance	**80,411**
Less: current portion	**(4,663)**
Long-term portion	**75,748**

Concurrent with the business combination (note 3), the Company became a borrower of the loan secured by the 1111 Atwater property. The loan is disbursed as construction costs are incurred up to a maximum principal of $166,590. The loan is repaid with the proceeds of the secured real estate in preference to the Company and its partners upon completion, and bears interest at prime plus 0.65%, subject to a minimum interest rate of 4.25%.

The Company repaid a mortgage during the three months ended June 30, 2021 of $2,399, which was secured by one hotel.

9. SHARE CAPITAL AND EARNINGS PER SHARE

	June 30, 2021	
	# of shares	**$**
Common shares		
Outstanding common shares, beginning of period	**15,057,892**	**89,097**
Common shares repurchased for cancellation	**(386,723)**	**(2,345)**
Outstanding common shares, end of period	**14,671,169**	**86,752**

Earnings per share

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

	Three months ended June 30, 2021			Three months ended June 30, 2020		
	Earnings	**Weighted average shares (in thousands)**	**Per share amount**	Earnings	Weighted average shares (in thousands)	Per share amount
	$	**#**	**$**	$	#	$
Basic earnings per share	**3,058**	**14,741**	**0.21**	6,927	16,154	0.43
Interest, net of income taxes, on assumed conversion of convertible debentures	**569**	**3,694**		569	3,702	
Diluted earnings per share	**3,627**	**18,435**	**0.20**	7,496	19,856	0.38

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

	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Earnings $	**Weighted average shares (in thousands) #**	**Per share amount $**	Earnings $	Weighted average shares (in thousands) #	Per share amount $
Basic earnings (loss) per share	**7,115**	**14,892**	**0.48**	(46,195)	16,231	(2.85)
Interest, net of income taxes, on assumed conversion of convertible debentures	**1,132**	**3,694**		—	—	
Diluted earnings (loss) per share	**8,247**	**18,586**	**0.44**	(46,195)	16,231	(2.85)

All potentially dilutive securities issued relate to the Company's stock options and convertible debentures. The stock-options were anti-dilutive for the three and six month periods ended June 30, 2021 and June 30, 2020. The convertible debentures were dilutive for the three month periods ended June 30, 2021 and June 30, 2020, for the six month period ended June 30, 2021 and anti-dilutive for the six month period ended June 30, 2020.

Substantial issuer bid ("SIB")

In the six months ended June 30, 2021, the Company purchased for cancellation 20,524 common shares under an SIB at a cost of $210 ($7.50 per common share). The purchase price in excess of the historical book value of the shares in the amount of $32 has been charged to contributed surplus and $178 has been charged to share capital.

Normal course issuer bid ("NCIB")

On June 29, 2021, the Company renewed a 12-month NCIB to repurchase up to 733,608 common shares. During the six months ended June 30, 2021, the Company purchased for cancellation 366,199 (2020 – 728,266) common shares under the previous and renewed NCIBs at a cost of $3,007 (2020 – $6,678). The purchase price in excess of the historical book value of the shares in the amount of $662 (2020 – $2,532) has been charged to retained earnings, $178 (2020 – ($164)) has been charged (added) to contributed surplus and $2,167 (2020 – $4,310) has been charged to share capital.

10. INVESTMENT AND OTHER INCOME (LOSS)

Investment and other income (loss) is comprised of the following:

	Three months ended June 30, 2021 $	Three months ended June 30, 2020 $	**Six months ended June 30, 2021 $**	Six months ended June 30, 2020 $
Unrealized gains (losses) on investments	**5,896**	12,935	**3,944**	(52,078)
Realized gains on investments	**—**	—	**10,229**	29,008
Revaluation of hotel properties	**—**	—	**—**	(18,800)
Interest income	**216**	115	**357**	267
Pension recovery (expense) *(note 5)*	**(23)**	124	**(35)**	183
Insurance proceeds, net of clean-up and other costs	**—**	(5)	**—**	14
Loss on disposal of assets	**(182)**	—	**(182)**	(11)
Foreign exchange gains (losses)	**(48)**	(35)	**(58)**	36
	5,859	13,134	**14,255**	(41,381)

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

11. INCOME TAXES

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

	Three months ended June 30, 2021 $	Three months ended June 30, 2020 $	**Six months ended June 30, 2021 $**	Six months ended June 30, 2020 $
Current	**2,129**	(70)	**2,820**	(313)
Deferred	**(2,141)**	648	**(2,729)**	(4,297)
Provision for (recovery of) income taxes	**(12)**	578	**91**	(4,610)

As at June 30, 2021, the Company had non-capital losses carried forward for tax purposes of $32,154 (December 31, 2020 – $32,970) in Canada and US$10,155 (December 31, 2020 – US$7,786) in the United States and capital losses carried forward for tax purposes of $4,121 (December 31, 2020 – $4,787). Certain deferred income tax assets have not been recognized:

	June 30, 2021 $	December 31, 2020 $
Marketable securities	**1,845**	1,842
Property and equipment	**2,454**	2,430
Non-capital and capital loss carry forwards	**1,999**	2,286
Total	**6,298**	6,558

12. RELATED PARTY DISCLOSURES

During the six months ended June 30, 2021, the Company purchased marketable securities through the facilities of the Toronto Stock Exchange from the Clarke Inc. Master Trust, which holds the units of the pension plans administered by the Company. The purchase totalling US$1,956 was made for investment purposes.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Adjustments for items not involving cash	**Six months ended June 30, 2021 $**	Six months ended June 30, 2020 $
Realized/unrealized losses (gains) on investments *(note 10)*	**(14,173)**	23,070
Depreciation	**5,004**	5,723
Revaluation of hotel properties	**—**	18,800
Deferred income tax recovery *(note 11)*	**(2,729)**	(4,297)
Share-based payment expense	**172**	27
Amortization of fair value increments from acquisitions	**(81)**	(90)
Accretion of deferred financing fees	**108**	105
Unrealized foreign exchange losses (gains)	**58**	(44)
Pension expense (recovery) *(note 5)*	**35**	(183)
Loss on disposal of assets	**182**	11
Capitalized deferred mortgage interest	**—**	467
	(11,424)	43,589

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

13. SUPPLEMENTAL CASH FLOW INFORMATION (CONT'D)

Net changes in non-cash working capital balances	**Six months ended June 30, 2021 $**	Six months ended June 30, 2020 $
Receivables	**(924)**	1,605
Income taxes receivable	**349**	(344)
Other assets	**(1,450)**	(225)
Accounts payable and accrued liabilities	**1,879**	(640)
Income taxes payable	**2,442**	(148)
Settlement of share-based liability	**—**	(1,130)
	2,296	(882)

14. SEGMENTED INFORMATION

The Company operates in two reportable business segments. The Investment segment represents the Company's marketable securities portfolio, consisting of publicly traded securities at fair value through profit or loss, the Company's ferry business, its investment properties and its real estate inventory under development. The Hospitality segment consists of the Company's ownership and operation of hotels. The Other category is not a segment and is disclosed for reconciliation purposes. The Other category consists of treasury and executive functions, the results of the Company's pension plans and the interest payable on outstanding debentures. Revenue earned in the Other category pertains primarily to pension management fees.

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

The Company operates predominantly in Canada, with the exception of three investment properties in the United States. Hotel revenue and provision of services was all generated by continuing operations in Canada for the three and six months ended June 30, 2021 and 2020.

Three months ended June 30, 2021	**Investment $**	**Hospitality $**	**Other $**	**Eliminations $**	**Total $**
Revenue and other income:					
Hotel revenue and provision of services	**1,219**	**5,995**	**243**	**(4)**	**7,453**
Investment and other income	**5,896**	**150**	**(187)**	**—**	**5,859**
	7,115	**6,145**	**56**	**(4)**	**13,312**
Operating expenses before the undernoted	**1,129**	**4,440**	**579**	**(4)**	**6,144**
Share-based payment expense	**—**	**—**	**128**	**—**	**128**
Depreciation and amortization	**21**	**2,425**	**10**	**—**	**2,456**
Interest expense	**32**	**709**	**797**	**—**	**1,538**
Income (loss) before income taxes	**5,933**	**(1,429)**	**(1,458)**	**—**	**3,046**

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

14. SEGMENTED INFORMATION (CONT'D)

Six months ended June 30, 2021	**Investment $**	**Hospitality $**	**Other $**	**Eliminations $**	**Total $**
Revenue and other income:					
Hotel revenue and provision of services	**1,219**	**11,710**	**387**	**(4)**	**13,312**
Investment and other income (loss)	**14,173**	**281**	**(199)**	**—**	**14,255**
	15,392	**11,991**	**188**	**(4)**	**27,567**
Operating expenses before the undernoted	**2,363**	**8,760**	**989**	**(4)**	**12,108**
Share-based payment expense	**—**	**—**	**172**	**—**	**172**
Depreciation and amortization	**81**	**4,890**	**33**	**—**	**5,004**
Interest expense	**46**	**1,425**	**1,606**	**—**	**3,077**
Income (loss) before income taxes	**12,902**	**(3,084)**	**(2,612)**	**—**	**7,206**
Assets	**118,449**	**198,768**	**54,944**	**—**	**372,161**
Liabilities	**35,930**	**67,192**	**70,923**	**—**	**174,045**
Capital expenditures	**6,789**	**614**	**—**	**—**	**7,403**
Assets located outside of Canada	**20,019**	**—**	**—**	**—**	**20,019**

Three months ended June 30, 2020	Investment $	Hospitality $	Other $	Eliminations $	Total $
Revenue and other income:					
Hotel revenue and provision of services	448	3,794	165	(10)	4,397
Investment and other income	12,936	75	123	—	13,134
	13,384	3,869	288	(10)	17,531
Operating expenses before the undernoted	1,174	4,076	314	(10)	5,554
Selling costs on property and equipment sales	—	—	12	—	12
Depreciation and amortization	90	2,652	21	—	2,763
Interest expense	18	780	899	—	1,697
Income (loss) before income taxes	12,102	(3,639)	(958)	—	7,505

Six months ended June 30, 2020	Investment $	Hospitality $	Other $	Eliminations $	Total $
Revenue and other income:					
Hotel revenue and provision of services	448	17,572	337	(24)	18,333
Investment and other income (loss)	(23,069)	(18,498)	186	—	(41,381)
	(22,621)	(926)	523	(24)	(23,048)
Operating expenses before the undernoted	2,572	15,137	758	(24)	18,443
Selling costs on property and equipment sales	—	—	27	—	27
Depreciation and amortization	179	5,501	43	—	5,723
Interest expense	44	1,587	1,933	—	3,564
Loss before income taxes	(25,416)	(23,151)	(2,238)	—	(50,805)
Assets	48,630	214,499	23,176	(10)	286,295
Liabilities	3,287	75,729	74,061	(10)	153,067
Capital expenditures	388	673	—	—	1,061
Assets located outside of Canada	18,412	—	—	—	18,412

15. ASSET HELD-FOR-SALE

Prior to December 31, 2020, the Company entered into an agreement to sell a hotel which was leased, on a triple net basis, to a third party under a lease agreement. The sale closed on January 15, 2021 for gross proceeds of $2,430. After closing costs and a vendor take-back loan ("VTB") receivable of $2,205, the net cash proceeds were $210. The VTB has a one year term and bears interest at 10%.

16. IMPACT OF COVID-19

The global pandemic related to COVID-19 has continued to adversely impact the Company's operations during the three and six months ended June 30, 2021, particularly the hotel operations. The Company believes it has access to sufficient capital through cash on hand, operating cash flows and existing or other borrowing facilities to meet its obligations. As a result, no further deferrals of interest or principal on our loans and mortgages payable have been requested. As at June 30, 2021, the Company had cash of $584 and available unused credit facilities totalling $31,235.

The Company continues to have no material expected credit losses on our receivables and loans receivable.

The Company continues to apply for various sources of federal, provincial and territorial government grants. The Company has recognized $2,582 and $5,121, respectively, during the three and six months ended June 30, 2021 for these various programs.

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