CLARKE

Halifax, Canada

Quarterly Report
March 31, 2022 and 2021

Management's Discussion & Analysis

Clarke Inc.

March 31, 2022 and 2021

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, 2022 compared with the three months ended March 31, 2021. 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 Reportin*g. This interim MD&A should be read in conjunction with the information disclosed within the interim condensed consolidated financial statements and notes thereto for the three months ended March 31, 2022, 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 May 10, 2022 (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 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, and they may be public entities or private entities. 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. The Company also 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.

FIRST QUARTER REVIEW AND OUTLOOK

During the first quarter of 2022, the Company's book value per common share increased by $0.43, or 3.0%. The increase can primarily be ascribed to after-tax remeasurement gains of our pension plans of $7.4 million, or $0.52 per common share, offset by a net loss of $1.4 million, or $0.10 per share. Our book value per common share at the end of the quarter was $14.91 while our common share price was $11.09.

Hotel Operations

While our hotel operations remain below pre-COVID-19 pandemic levels, revenues and operating results for our hotels are recovering and have shown significant improvement during the second half of 2021 and into the first quarter of 2022. We are optimistic that this trend will continue.

Hotel revenue increased by approximately 3% compared to the fourth quarter of 2021 and increased by approximately 68% compared to the same quarter in 2021. Hotel revenues in the quarter were our second highest since the pandemic commenced trailing only the third quarter of 2021. The improvement in revenues is attributable to the continued easing of travel restrictions, increased demand in our oil and gas markets and the general recovery of consumer confidence in tourism and travel despite the ongoing COVID-19 pandemic.

Operations at certain hotels located in Yellowknife, NT, Whitehorse, YT and London, ON remain significantly subdued compared to pre-pandemic results due to reduced tourism and economic activity in these markets. On a positive note, certain hotels in our Alberta and British Columbia markets are performing at or above pre-pandemic levels. On a same-hotel basis, hotel revenues overall were 68% of hotel revenues for the first quarter of 2019.

Renovations continue at our Sternwheeler Hotel & Conference Centre in Whitehorse, YT and we are very excited to bring this refreshed asset to market. This $6.2 million renovation will re-position this hotel to be the premiere hotel in the market when international and domestic travel returns. The renovation, which commenced in 2021, will be completed in June 2022. The hotel has and will remain open during the renovation.

Real Estate and Corporate

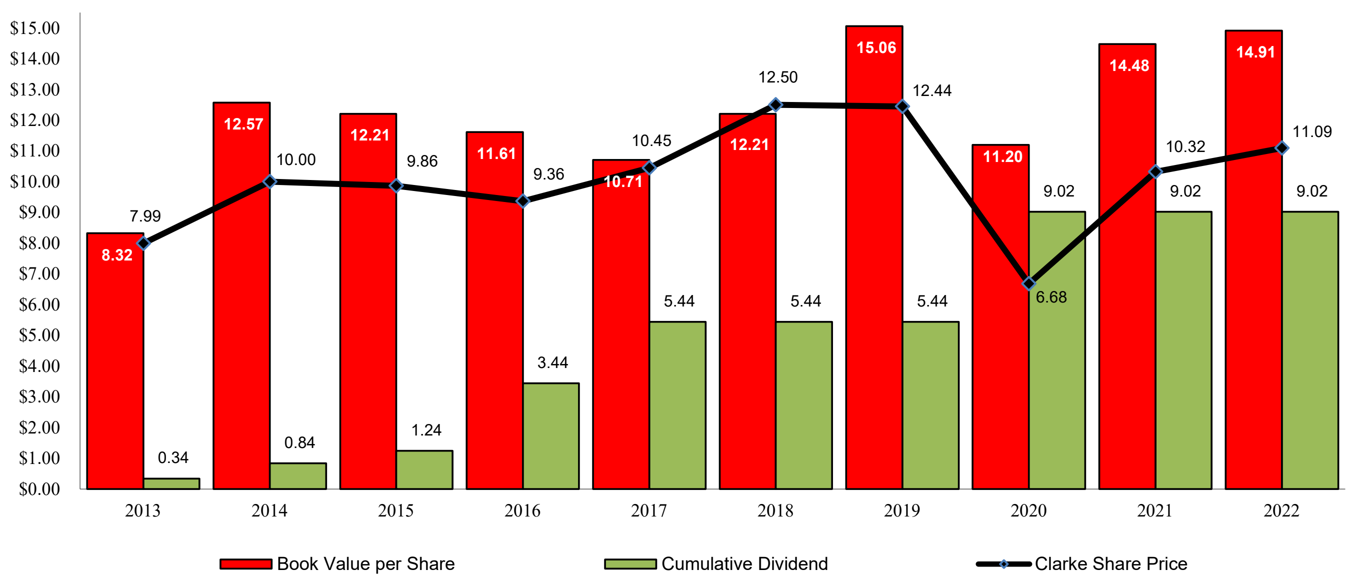
Leasing, marketing and construction activities continue at our 1111 Atwater Avenue development (the "1111 Atwater Development"), in which we are a one-third partner, located at the former site of the Montreal Children's Hospital. The 1111 Atwater Development involves a 38-storey building including seniors' housing (branded as *Selena*), rental condo units (branded *Eleva*) and luxury condominiums, with extensive amenities for residents. We look forward to the opening of both *Selena* and *Eleva*, which are on track to be operational in the third quarter of 2022.

Construction continues on phase 1 of the redevelopment of our excess land on Carling Avenue in Ottawa, ON (the "Carling Avenue Development"). While the first phase of construction is underway, pre-construction activities are also ongoing for its second phase. The two phases will consist of a multi-building residential apartment complex including ground-floor retail space.

The Company has $137.5 million of debt and we have unused availability under our two credit lines of $55.0 million.

BOOK VALUE PER SHARE

The Company's book value per share at March 31, 2022 was $14.91, an increase of $0.43 per common share since December 31, 2021. 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, 2022.*

RESULTS OF OPERATIONS

Highlights of the interim condensed consolidated financial statements for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 are as follows:

(in millions, except per share amounts)	**Three months ended March 31, 2022 $**	Three months ended March 31, 2021 $
Hotel and management services revenue	**9.6**	5.7
Provision of services revenue	**0.2**	0.1
Investment and other income (loss)*	**0.4**	8.4
Net income (loss)	**(1.4)**	4.1
Comprehensive income	**5.7**	14.8
Basic earnings (loss) per share ("EPS")	**(0.10)**	0.27
Diluted EPS	**(0.10)**	0.25
Total assets	**397.2**	322.1
Total liabilities	**184.0**	139.4
Long-term financial liabilities	**109.9**	108.6
Book value per share	**14.91**	12.21

** Investment and other income (loss) includes unrealized and realized gains and losses on assets and liabilities, fair value changes of property and equipment and investment property presented in the statement of earnings, interest income, pension expense/recovery and foreign exchange gains/losses.*

Net loss for the three months ended March 31, 2022 was $1.4 million, compared to net income of $4.1 for the same period in 2021. In the prior year, net income was primarily fueled by net gains on the Company's investments. The Company had no investment dispositions and only insignificant unrealized gains in the three months ended March 31, 2022, compared to $8.3 million of net investment gains in the same period in 2021. The Company's operating businesses were significantly more profitable in the quarter compared to the same period in 2021. Comprehensive income for the three months ended March 31, 2022 was $5.7 million, due partially to net pension remeasurement gains of $7.4 million, compared to comprehensive income of $14.8 million in the same period in 2021, fueled by net pension remeasurement gains of $10.9 million and the aforementioned net investment gains.

SEGMENT REPORTING

The table below summarizes the Company's holdings as at March 31, 2022 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, our pension plans and our convertible debentures.

	March 31, 2022		December 31, 2021	
Segment	**$**	**%**	$	%
Investment	**117.6**	**29.6**	107.8	28.0
Hospitality	**202.2**	**50.9**	201.7	52.4
Other	**77.4**	**19.5**	75.1	19.5
Total	**397.2**	**100.0**	384.6	100.0

Investment segment

The Investment segment is comprised of the Company's ferry business, its marketable securities, its investment properties and its real estate inventory under development. The Carling Avenue Development and the 1111 Atwater Development continue to progress and are the driver of the investment segment's $8.3 million of capital expenditures during the quarter.

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. The ferry commenced service for the season on April 14, 2022.

Hospitality segment

The Company owns and operates hotels across Canada. Results for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 are as follows:

	Three months ended March 31, 2022 **$**	Three months ended March 31, 2021 $
Hotel revenue and provision of services	**9.6**	5.7
Investment and other income (loss)	**0.1**	0.1
Total revenue and other income (loss)	**9.7**	5.8
Less:		
Hotel operating expenses, general and administrative expenses, property taxes and insurance	**6.5**	4.3
Depreciation and amortization	**2.3**	2.5
Interest expense	**0.7**	0.7
Income (loss) before income taxes	**0.2**	(1.7)

Hotel operations in the first quarter increased significantly compared to the same quarter in 2021. Hotel revenue was $9.6 million and income before taxes was $0.2 million for the three months ended March 31, 2022 compared to $5.7 million and a loss of $1.7 million, respectively, for the same period in 2021.

OUTSTANDING SHARE DATA

At May 10, 2022, the Company had:

- An unlimited number of common shares authorized and 14,294,669 common shares outstanding; and
- An unlimited number of First and Second Preferred Shares authorized and none outstanding.

LIQUIDITY AND CAPITAL RESOURCES

The Company had $12.4 million of cash and cash equivalents on hand as at March 31, 2022, compared to $18.4 million as at December 31, 2021. The use of cash was primarily related to capital investment in our various real estate developments.

Subsequent to March 31, the Company refinanced a mortgage payable of $14.6 million with a fixed interest rate of 4.55% due to mature in November 2022. The renewed mortgage has a fixed interest rate of 3.91%, has an amortization period of fifteen years, a five-year term and matures in April 2027. The mortgage is secured by two hotels.

Cash flow from operating activities

Cash provided by operating activities was $0.3 million for the three months ended March 31, 2022, compared to $0.6 million used during the same period in 2021. The cash provided was primarily attributable to positive cashflows from our hospitality operations and positive changes in working capital balances, offset by capital expenditures on the Company's real estate inventory under development.

At March 31, 2022, working capital excluding securities was negative $31.1 million, compared to negative $23.9 million at December 31, 2021. The change is driven primarily by a reduction in cash attributable to spending on the Company's various capital projects. 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 used in investing activities was $6.5 million for the three months ended March 31, 2022, compared to $34.5 million provided during the same period in 2021. The cash used was entirely attributable to the capital expenditures on the Company's property and equipment and its Carling Avenue Development. Cash provided by investing activities during the same period in 2021 was from the sale of marketable securities.

Cash flow from financing activities

Cash provided by financing activities was $0.2 million for the three months ended March 31, 2022, compared to $9.6 million used during the same period in 2021. The cash provided was primarily the result of proceeds of long-term debt related to the 1111 Atwater Development of $2.5 million, offset by the repayment of long-term debt of $1.0 million and the repurchase of common shares of $1.2 million. Net cash used in financing activities during the same period in 2021 was primarily related to the repayment of short-term indebtedness of $8.2 million, the repurchase of common shares of $0.8 million and the repayment of long-term debt of $0.6 million.

Available capital under credit facilities

The Company has access to two secured, revolving credit facilities. The Company's maximum combined borrowing base and availability on these facilities was $55.0 million as of March 31, 2022. Declines in the fair value and operating results of the secured 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	**Mar. 2022**	**Dec. 2021**	**Sept. 2021**	**Jun. 2021**	**Mar. 2021**	**Dec. 2020**	**Sep. 2020**	**Jun. 2020**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue and other income	10.2	20.5	18.0	13.3	14.3	26.9	23.1	17.5
Net income (loss)	(1.4)	5.8	3.5	3.1	4.1	14.5	12.5	6.9
Other comprehensive income (loss)	7.2	1.6	1.9	14.9	10.7	15.1	(2.1)	(2.5)
Comprehensive income	5.7	7.4	5.4	18.0	14.8	29.6	10.4	4.4
Basic EPS	(0.10)	0.40	0.24	0.21	0.27	0.94	0.79	0.43
Diluted EPS	(0.10)	0.36	0.16	0.20	0.25	0.79	0.67	0.38

As demonstrated 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 presented in "revenue and other income" 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. The Company's hotel and ferry businesses are seasonal in nature and their results tend to 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 revenue and operating levels, other expenses such as property taxes, insurance and interest are generally 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 may hedge its foreign currency exposure on U.S. dollar denominated investments.

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, 2021 and the Company's 2021 AIF, 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 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 annual 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, 2022 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. The related party transactions entered during the current period 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, 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.

March 31, 2022 and 2021

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (in thousands of Canadian dollars)

	March 31, 2022 **$**	December 31, 2021 $
ASSETS		
Current		
Cash and cash equivalents	**12,429**	18,423
Marketable securities	**2,764**	2,773
Receivables	**8,934**	9,533
Other assets *(note 2)*	**4,223**	2,135
Total current assets	**28,350**	32,864
Accrued pension benefit asset *(note 3)*	**64,531**	54,306
Investment properties *(note 4)*	**53,738**	48,849
Property and equipment *(note 5)*	**178,818**	178,797
Real estate inventory under development	**57,077**	53,704
Deferred income tax assets *(note 9)*	**13,398**	13,452
Other assets *(note 2)*	**1,301**	2,657
Total assets	**397,213**	384,629
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**16,492**	12,906
Income taxes payable	**3,001**	3,408
Current portion of long-term debt *(note 6)*	**37,232**	37,751
Total current liabilities	**56,725**	54,065
Convertible debentures	**49,330**	49,268
Long-term debt *(note 6)*	**50,927**	48,765
Construction accounts payable and other liabilities	**8,928**	8,390
Lease obligations	**679**	730
Deferred income tax liabilities *(note 9)*	**17,456**	14,792
Total liabilities	**184,045**	176,010
Shareholders' equity		
Share capital *(note 7)*	**84,550**	85,218
Contributed surplus	**7,302**	7,302
Retained earnings	**38,140**	40,100
Accumulated other comprehensive income	**83,176**	75,999
Total shareholders' equity	**213,168**	208,619
Total liabilities and shareholders' equity	**397,213**	384,629

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 (LOSS)

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

	Three months ended March 31, 2022 $	Three months ended March 31, 2021 $
Revenue and other income		
Hotel and management services	**9,601**	5,716
Provision of services	**240**	143
Investment and other income *(note 8)*	**385**	8,396
	10,226	14,255
Expenses		
Operating expenses	**6,540**	4,204
Cost of services provided	**596**	681
General and administrative expenses	**613**	663
Property taxes and insurance	**440**	416
Share-based payment expense (recovery)	**(90)**	44
Depreciation	**2,369**	2,548
Interest and accretion	**1,526**	1,539
	11,994	10,095
Income (loss) before income taxes	**(1,768)**	4,160
Provision for (recovery of) income taxes *(note 9)*	**(321)**	104
Net income (loss)	**(1,447)**	4,056
Basic earnings (loss) per share:		
(in dollars) (note 7)	**(0.10)**	0.27
Diluted earnings (loss) per share:		
(in dollars) (note 7)	**(0.10)**	0.25

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, 2022 $	Three months ended March 31, 2021 $
Net income (loss)	**(1,447)**	4,056
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement gains and effect of changes to asset ceiling on defined benefit pension plans, net of income tax *(note 3)*	**7,372**	10,910
Items that may be reclassified subsequently to profit or loss		
Translation of net investment in foreign operations, net of income tax	**(195)**	(203)
Other comprehensive income	**7,177**	10,707
Comprehensive income	**5,730**	14,763

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, 2022 $	Three months ended March 31, 2021 $
OPERATING ACTIVITIES		
Net income (loss)	**(1,447)**	4,056
Adjustments for items not involving cash *(note 11)*	**1,884**	(6,247)
	437	(2,191)
Additions of real estate inventory under development	**(3,368)**	—
Net change in non-cash working capital balances *(note 11)*	**3,278**	1,599
Net cash provided by (used in) operating activities	**347**	(592)
INVESTING ACTIVITIES		
Proceeds on disposition of marketable securities *(note 8)*	—	34,537
Proceeds on disposition of asset held-for-sale	—	210
Additions of property and equipment	**(3,407)**	(245)
Additions of investment properties	**(3,138)**	—
Net cash provided by (used in) investing activities	**(6,545)**	34,502
FINANCING ACTIVITIES		
Repurchase of shares for cancellation *(note 7)*	**(1,181)**	(754)
Proceeds of long-term debt	**2,453**	—
Repayments of short-term indebtedness	—	(8,243)
Repayment of long-term debt	**(1,031)**	(596)
Principal payments of lease obligation	**(37)**	(33)
Net cash provided by (used in) financing activities	**204**	(9,626)
Net change in cash during the period	**(5,994)**	24,284
Cash, beginning of period	**18,423**	2,730
Cash, end of period	**12,429**	27,014

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, 2022 $	Three months ended March 31, 2021 $
Share capital		
Common shares:		
Balance at beginning of period	**85,218**	89,097
Common shares repurchased for cancellation *(note 7)*	**(668)**	(573)
Balance at end of period	**84,550**	88,524
Contributed surplus		
Balance at beginning of period	**7,302**	7,512
Purchase in excess of the book value of common shares repurchased for cancellation *(note 7)*	**—**	(181)
Balance at end of period	**7,302**	7,331
Retained earnings		
Balance at beginning of period	**40,100**	25,093
Net income (loss)	**(1,447)**	4,056
Purchase price in excess of the book value of common shares repurchased for cancellation *(note 7)*	**(513)**	—
Balance at end of period	**38,140**	29,149
Accumulated other comprehensive income		
Balance at beginning of period	**75,999**	46,902
Other comprehensive income	**7,177**	10,707
Balance at end of period	**83,176**	57,609
Total shareholders' equity	**213,168**	182,613

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. (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. The Company also has a diverse and significant portfolio of direct real estate holdings across the hospitality, commercial, industrial and residential sectors. These interim condensed consolidated financial statements were approved by the Board of Directors on May 10, 2022.

Basis of presentation and statement of compliance

These interim condensed consolidated financial statements for the three months ended March 31, 2022, 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, 2021. 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, 2021.

Principles of consolidation

Subsidiaries
The interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. 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
The Company became involved in a joint operation during the year ended December 31, 2021. 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. OTHER ASSETS

	March 31, 2022 **$**	December 31, 2021 $
Other current assets		
Inventories	**84**	78
Prepaid expenses and deposits	**2,684**	1,807
Current portion of loans receivable	**1,455**	250
	4,223	2,135
Other non-current assets		
Loans receivable	**987**	2,202
Intangible and other assets	**314**	455
	1,301	2,657

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

3. 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, 2022 **$**	December 31, 2021 $
Fair value of plan assets	**110,987**	104,362
Accrued benefit obligation	**(43,393)**	(50,056)
Funded status of plans - surplus	**67,594**	54,306
Cumulative impact of asset ceiling	**(3,063)**	—
Accrued pension benefit asset, net of asset ceiling	**64,531**	54,306

The defined benefit pension recovery recognized in the interim consolidated statements of earnings (loss) for the three months ended March 31, 2022 was $181 (2021 – expense of $12).

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

	Three months ended March 31, 2022 **$**	Three months ended March 31, 2021 $
Net remeasurement gains	**13,107**	14,949
Increase in asset ceiling	**(3,063)**	—
Deferred income tax expense	**(2,672)**	(4,039)
Net remeasurement gains	**7,372**	10,910

The most significant assumption impacting the valuation of the accrued benefit obligation is the discount rate, which was 3.95% as at March 31, 2022 (December 31, 2021 – 2.90%).

4. INVESTMENT PROPERTIES

Three months ended March 31, 2022	**Buildings** **$**	**Vacant land** **$**	**Investment property under construction** **$**	**Total** **$**
Beginning balance	17,010	167	31,672	48,849
Additions	14	—	5,080	5,094
Capitalized interest	—	—	40	40
Foreign exchange impact	(245)	—	—	(245)
Ending balance	**16,779**	**167**	**36,792**	**53,738**

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

5. PROPERTY AND EQUIPMENT

Three months ended March 31, 2022	Land $	Buildings and components $	Ferry and vessel dry dock costs $	Furniture, fixtures and equipment $	Right-of-use assets $	Renovations in progress $	Total $
Beginning balance	40,572	126,123	—	7,000	507	4,595	178,797
Additions	—	164	698	537	—	983	2,382
Depreciation	—	(1,613)	(20)	(709)	(19)	—	(2,361)
Ending balance	**40,572**	**124,674**	**678**	**6,828**	**488**	**5,578**	**178,818**

Valuation	40,572	128,137	—	—	—	—	168,709
Cost	—	—	5,355	17,472	738	5,578	29,143
Accumulated depreciation	—	(3,463)	(4,677)	(10,644)	(250)	—	(19,034)
Net book value	**40,572**	**124,674**	**678**	**6,828**	**488**	**5,578**	**178,818**

Additions are presented net of a $1,100 government grant receivable specific to the assets, which was collected subsequent to March 31, 2022.

6. LONG-TERM DEBT

The following table summarizes the changes in long-term debt for the three months ended March 31, 2022:

	Three months ended March 31, 2022 $
Total long-term debt – beginning balance	**86,516**
Proceeds from long-term debt	**2,453**
Repayment of long-term debt	**(1,031)**
Capitalized interest on construction financing	**205**
Accretion of deferred financing fees	**58**
Amortization of fair value increment from acquisitions	**(42)**
Total long-term debt – ending balance	**88,159**
Less: current portion	**(37,232)**
Long-term portion	**50,927**

Subsequent to March 31, 2022, the Company refinanced a mortgage payable of $14,649 with a fixed interest rate of 4.55% due to mature in November 2022. The renewed mortgage has a fixed interest rate of 3.91%, has an amortization period of fifteen years, a five-year term and a matures in April 2027. The mortgage is secured by two hotels.

7. SHARE CAPITAL AND EARNINGS PER SHARE

	March 31, 2022		March 31, 2021	
	# of shares	**$**	# of shares	$
Common shares				
Outstanding common shares, beginning of period	**14,411,969**	**85,218**	15,057,892	89,097
Common shares repurchased for cancellation	**113,000**	**(668)**	(96,824)	(573)
Outstanding common shares, end of period	**14,298,969**	**84,550**	14,961,068	88,524

Earnings per share

	Three months ended March 31, 2022			Three months ended March 31, 2021		
	Loss	**Weighted average shares (in thousands)**	**Per share amount**	Earnings	Weighted average shares (in thousands)	Per share amount
	$	**#**	**$**	$	#	$
Basic earnings (loss)	**(1,447)**	**14,343**	**(0.10)**	4,056	15,045	0.27
Interest, net of income taxes, on assumed conversion of convertible debentures	—	—		563	3,694	
Diluted earnings (loss)	**(1,447)**	**14,343**	**(0.10)**	4,619	18,739	0.25

All potentially dilutive securities outstanding as of March 31, 2022, relate to the Company's convertible debentures. The convertible debentures were anti-dilutive for the three months ended March 31, 2022, and dilutive for the three months ended March 31, 2021.

During the three months ended March 31, 2022, 33,333 vested stock options were exercised and settled for cash proceeds of $72, paid subsequent to March 31, 2022, and 16,667 stock options were forfeited. There are no outstanding vested or unvested stock options of the Company as of March 31, 2022.

Normal course issuer bid ("NCIB")

During the three months ended March 31, 2022, the Company purchased for cancellation 113,000 (2021 – 76,300) common shares under an NCIB at a cost of $1,181 (2021 – $600). The purchase price in excess of the book value of the shares in the amount of $513 (2021 – nil) has been charged to retained earnings, nil (2021 – $149) has been charged to contributed surplus and $668 (2021 – $451) has been charged to share capital.

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

8. INVESTMENT AND OTHER INCOME (LOSS)

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

	Three months ended March 31, 2022 $	Three months ended March 31, 2021 $
Unrealized gains (losses) on marketable securities	**32**	(1,952)
Realized gains on marketable securities	**—**	10,229
Interest income	**224**	141
Pension recovery (expense) *(note 3)*	**181**	(12)
Foreign exchange losses	**(52)**	(10)
	385	8,396

9. INCOME TAXES

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

	Three months ended March 31, 2022 $	Three months ended March 31, 2021 $
Current	**(407)**	691
Deferred	**86**	(587)
Provision for (recovery of) income taxes	**(321)**	104

As at March 31, 2022, the Company had non-capital losses carried forward for tax purposes of $20,618 (December 31, 2021 – $20,626) in Canada and US$12,415 (December 31, 2021 – US$11,943) in the United States. Certain deferred income tax assets in the amounts shown in the following table have not been recognized:

	March 31, 2022 $	December 31, 2021 $
Property and equipment	**2,185**	2,212
Non-capital and capital loss carry forwards	**3,225**	3,113
Total	**5,410**	5,325

10. IMPACT OF COVID-19

The global pandemic related to COVID-19 has continued to adversely impact the Company's operations during the three months ended March 31, 2022, 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 at March 31, 2022, the Company had cash of $12,429 and available unused credit facilities totalling $55,000. The Company continues to apply for various sources of federal, provincial, and territorial government grants, and recognized $1,728 in the consolidated statements of earnings (loss) during the three months ended March 31, 2022 for these various programs.

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

11. SUPPLEMENTAL CASH FLOW INFORMATION

Adjustments for items not involving cash	**Three months ended March 31, 2022 $**	Three months ended March, 2021 $
Depreciation	**2,369**	2,548
Realized/unrealized gains on marketable securities	**(32)**	(8,277)
Current income tax recovery *(note 9)*	**(407)**	—
Deferred income tax expense (recovery) *(note 9)*	**86**	(587)
Share-based payment expense (recovery)	**(90)**	44
Amortization of fair value increments from acquisitions	**(42)**	(41)
Accretion on long-term debt and convertible debentures	**120**	46
Unrealized foreign exchange losses	**61**	8
Pension expense (recovery) *(note 3)*	**(181)**	12
	1,884	(6,247)

Net changes in non-cash working capital balances	**Three months ended March 31, 2022 $**	Three months ended March 31, 2021 $
Receivables	**1,699**	244
Income taxes receivable	**—**	349
Other assets	**(750)**	(198)
Accounts payable and accrued liabilities	**2,329**	884
Income taxes payable	**—**	320
	3,278	1,599

12. SEGMENTED INFORMATION

The Company operates in two reportable business segments. The Investment segment represents the Company's marketable securities portfolio, its 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 the Company's treasury and executive functions, its pension plans and its convertible debentures. Revenue in the Other category pertains primarily to investment management fees.

The Company operates predominantly in Canada, except for three investment properties in the United States. Hotel revenue and provision of services was all generated by continuing operations in Canada for the three months ended March 31, 2022 and 2021.

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

12. SEGMENTED INFORMATION (CONT'D)

Three months ended March 31, 2022	**Investment $**	**Hospitality $**	**Other $**	**Eliminations $**	**Total $**
Revenue and other income:					
Hotel revenue and provision of services	**8**	**9,601**	**238**	**(6)**	**9,841**
Investment and other income	**101**	**103**	**181**	**—**	**385**
	109	**9,704**	**419**	**(6)**	**10,226**
Operating expenses before the undernoted	**1,126**	**6,538**	**531**	**(6)**	**8,189**
Share-based payment recovery	**—**	**—**	**(90)**	**—**	**(90)**
Depreciation and amortization	**33**	**2,334**	**2**	**—**	**2,369**
Interest and accretion	**—**	**668**	**858**	**—**	**1,526**
Income (loss) before income taxes	**(1,050)**	**164**	**(882)**	**—**	**(1,768)**
Assets	**117,613**	**202,154**	**77,446**	**—**	**397,213**
Liabilities	**50,574**	**61,253**	**72,218**	**—**	**184,045**
Capital expenditures	**8,304**	**1,609**	**—**	**—**	**9,913**
Assets located outside of Canada	**16,930**	**—**	**—**	**—**	**16,930**

Three months ended March 31, 2021	Investment $	Hospitality $	Other $	Eliminations $	Total $
Revenue and other income:					
Hotel revenue and provision of services	—	5,715	144	—	5,859
Investment and other income	8,277	131	(14)	—	8,396
	8,277	5,846	132	—	14,255
Operating expenses before the undernoted	1,234	4,320	410	—	5,964
Share-based payment recovery	—	—	44	—	44
Depreciation and amortization	23	2,465	60	—	2,548
Interest and accretion	14	716	809	—	1,539
Income (loss) before income taxes	7,066	(1,655)	(1,191)	—	4,160
Assets	43,045	204,170	74,841	—	322,056
Liabilities	5,385	65,843	68,215	—	139,443
Capital expenditures	—	245	—	—	245
Assets located outside of Canada	18,873	—	—	—	18,873

13. JOINT OPERATION

The Company holds the right to exit its co-ownership agreement for consideration of the Company's investment plus a 6.0% annual return. This right, which was to expire on April 20, 2022, was amended and extended during the three months ended March 31, 2022. The amended maturity date of this right is December 31, 2022.

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