CLARKE

Halifax, Canada

Quarterly Report
September 30, 2021 and 2020

Management's Discussion & Analysis

Clarke Inc.

September 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 nine months ended September 30, 2021 compared with the three and nine months ended September 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 nine months ended September 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 November 8, 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, 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 segments. We do not believe in limiting ourselves to specific types of investments.

THIRD QUARTER REVIEW AND OUTLOOK

During the third quarter of 2021, the Company's book value per common share increased by $0.46, or 3.4%. The increase can primarily be ascribed to (i) an increase in the after-tax value of our pension plan surplus of $1.5 million, or $0.10 per common share, (ii) realized and unrealized gains on our marketable securities of $3.0 million, or $0.20 per common share, and (iii) net income from our operating businesses of $1.5 million, or $0.10 per common share. Our book value per common share at the end of the third quarter was $13.96 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 results of the Company's ferry business are still slightly below pre-pandemic levels but have improved significantly in comparison to 2020.

Regardless of the subdued revenues, the Company's efforts to significantly reduce costs and the positive impact of various government subsidies have allowed us to maintain operations and we have generated positive cash flow from these businesses in the nine months ended September 30, 2021.

Holloway Lodging Corporation ("Holloway")

The recovery of hotel revenues and operating results continued in the third quarter, which is traditionally the strongest quarter of the year. We are very pleased to see that hotel revenue increased by 84% compared to the second quarter of 2021. While some of this recovery is due to the seasonal trend we expect in the third quarter, there remains continued improvement from the impact of the COVID-19 pandemic as many jurisdictions saw travel restrictions ease during the quarter, which spurred demand for domestic and regional travel. This is demonstrated by the 65% increase in hotel revenues we experienced in the quarter compared to the same quarter in 2020 on a same-hotel basis.

In several of our markets there was increased demand from a variety of industrial demand in the energy, transportation, forestry and utility sectors, which is encouraging. Recent changes to international travel restrictions, particularly the opening of the U.S. border, is also expected to improve demand at our properties.

Revenues at our four properties located in Yellowknife, NT and Whitehorse, YT, remain subdued as these regions have enforced relatively strict travel restrictions, which resulted in tourist traffic being significantly curtailed. We have used this opportunity to begin renovation at our Sternwheeler Hotel & Conference Centre in Whitehorse, YT. This $6.2 million renovation is intended to re-position this hotel to be the premiere hotel in the market when international and domestic travel returns to pre-pandemic levels. The renovation, which commenced in the third quarter, is expected to be completed in the second quarter of 2022. The hotel has and will remain open during the renovation.

Real Estate and Corporate

During the third quarter, holders of the Company's convertible debentures approved amendments which extended the maturity of the debentures from February 28, 2023 to January 1, 2028, and amended the interest rate from 6.25% to 5.50% effective April 30, 2023. A $1.4 million non-cash gain was recorded in the statement of earnings (loss) for three and nine months ended September 30, 2021, related to these amendments. As of September 30, 2021, the Company had $139.5 million of debt on a consolidated basis and availability under our corporate and subsidiary lines of credit of $33.6 million.

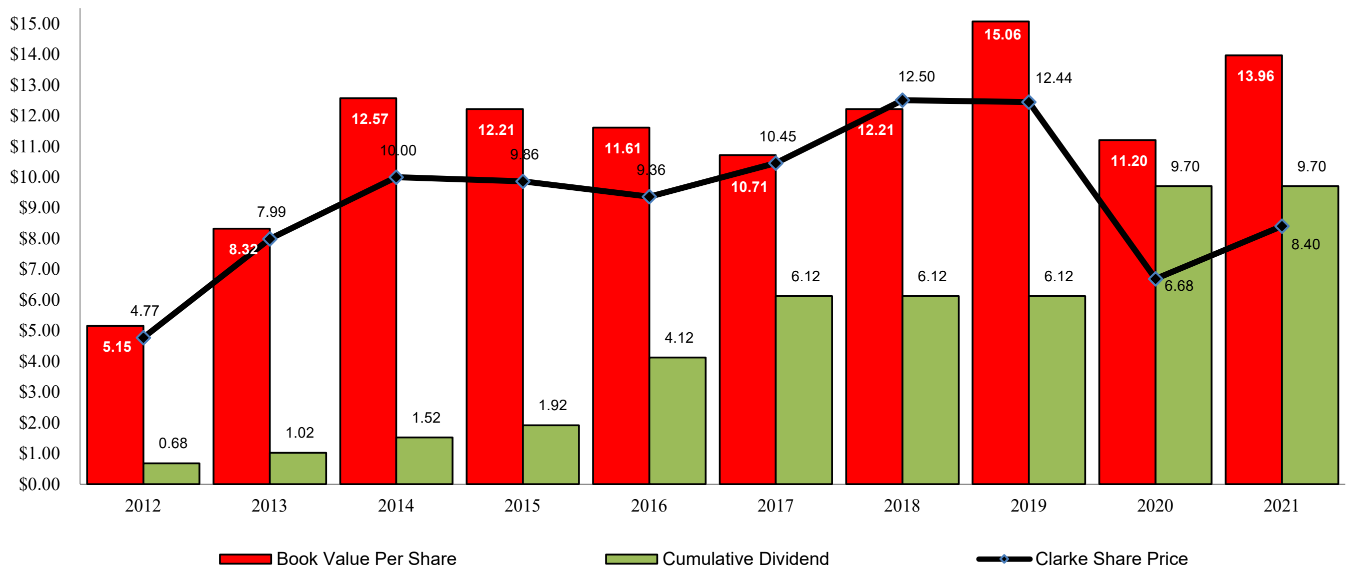
After breaking ground in the second quarter, work on the redevelopment of the excess land adjacent to our Ottawa, ON, Travelodge® hotel continued in the third quarter. While the first phase of construction is underway, pre-construction activities continue for the second phase of this development. The two phases will consist of a multi-building residential apartment complex including ground-floor retail space.

During the second quarter of 2021, 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. Construction and marketing activities continued on the 1111 Atwater Development in the third quarter.

We continue to own three vacant office buildings in Houston, TX totalling approximately 435,000sf. A write-down of $2.1 million related to these properties was recognized in the third quarter, the result of independent appraisals completed in the quarter. 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.

BOOK VALUE PER SHARE

The Company's book value per share at September 30, 2021 was $13.96, an increase of $2.76 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 September 30, 2021.*

RESULTS OF OPERATIONS

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

(in millions, except per share amounts)	**Three months ended September 30, 2021**	Three months ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
	$	$	**$**	$
Hotel and management services	**11.0**	7.0	**22.7**	24.5
Provision of services	**4.3**	3.0	**5.9**	3.8
Investment and other income (loss)*	**2.7**	13.1	**16.9**	(28.3)
Net income (loss)	**3.5**	12.5	**10.6**	(33.7)
Comprehensive income (loss)	**5.4**	10.4	**38.1**	(40.0)
Basic earnings (loss) per share ("EPS")	**0.24**	0.79	**0.72**	(2.10)
Diluted EPS	**0.16**	0.67	**0.61**	(2.10)
Total assets	**382.4**	295.4	**382.4**	295.4
Long-term financial liabilities	**116.2**	97.9	**116.2**	97.9
Book value per share	**13.96**	9.11	**13.96**	9.11

**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 insurance proceeds.*

Net income for the three and nine months ended September 30, 2021 was $3.5 million and $10.6 million, respectively, compared to net income of $12.5 million and a loss of $33.7 million for the same periods in 2020. During the three and nine months ended September 30, 2021, the Company had unrealized gains on its investments of $2.4 million and $6.4 million, respectively, compared to unrealized gains of $10.8 million and unrealized losses of $41.2 million for the same periods in 2020. The Company had realized gains on its investments of $0.6 million and $10.8 million for the three and nine months ended September 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 September 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.

	September 30, 2021		December 31, 2020	
Segment	**$**	**%**	$	%
Investment	**127.2**	**33.3**	68.9	22.2
Hospitality	**198.2**	**51.8**	207.8	66.8
Other	**57.0**	**14.9**	34.3	11.0
Total	**382.4**	**100.0**	311.0	100.0

Investment segment

The Company's investment segment is comprised of the ferry business, marketable securities, investment properties and real estate under development. During the three and nine months ended September 30, 2021, the investment segment had unrealized gains on its investments of $2.4 million and $6.4 million, respectively, compared to unrealized gains of $10.8 million and unrealized losses of $41.2 million for the same periods in 2020. At September 30, 2021, the Company's marketable securities portfolio consists of equity and debt investments in publicly traded companies.

Changes to the Company's marketable securities portfolio are as follows:

	Nine months ended September 30, 2021 $
Beginning of period	**46.8**
Proceeds on sale	**(35.7)**
Purchases	**2.4**
Net realized and unrealized gains on securities	**17.2**
End of period	**30.8**

Our investment properties and real estate under development continue to progress and are the driver of the investment segment's capital expenditures. A $2.1 million fair value adjustment was recorded in the quarter on the Company's investment properties.

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 nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020 are as follows:

	Three months ended September 30, 2021 $	Three months ended September 30, 2020 $	**Nine months ended September 30, 2021 $**	Nine months ended September 30, 2020 $
Hotel operations	**11.0**	7.0	**22.7**	24.5
Investment and other income (loss)	**0.1**	0.1	**0.4**	(18.4)
Total revenue and other income (loss)	**11.1**	7.1	**23.1**	6.1
Less:				
Hotel operating expenses, general and administrative expenses, property taxes and insurance	**6.4**	4.9	**15.2**	20.0
Depreciation and amortization	**2.6**	2.6	**7.4**	8.1
Interest expense	**0.7**	0.8	**2.1**	2.3
Income (loss) before income taxes	**1.4**	(1.2)	**(1.6)**	(24.3)

Hotel operations in the third quarter increased significantly compared to the same quarter in 2020 and the first and two quarters of 2021. 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 November 8, 2021, the Company had:

- An unlimited number of common shares authorized and 14,426,869 common shares outstanding;
- An unlimited number of First and Second Preferred Shares authorized and none outstanding; and
- 83,333 options to acquire common shares outstanding, 50,000 of which are vested.

LIQUIDITY AND CAPITAL RESOURCES

The Company's net short term debt position (a non-IFRS measure representing short-term indebtedness net of cash) was $4.8 million at September 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 capital expenditures related primarily to the Company's real estate developments have been largely funded by the $35.7 million of proceeds on disposition of marketable securities.

Cash flow from operating activities

Cash provided by operating activities was $4.2 million for the nine months ended September 30, 2021, compared to $3.5 million used during the same period in 2020. The cash provided was driven primarily by the results of the Company's operating businesses and positive changes in working capital balances.

At September 30, 2021, working capital excluding securities was negative $36.5 million, compared to negative $9.1 million at December 31, 2020. The change is driven primarily by a $21.3 million mortgage coming due within twelve months presented as current. The Company expects to extend the maturity date of this mortgage before its maturity. 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 by investing activities was $2.0 million for the nine months ended September 30, 2021, compared to $5.4 million provided during the same period in 2020. The cash used was primarily the result of the Company's investment in the 1111 Atwater Development of $21.1 million and capital expenditures of $16.8 million, offset by proceeds from the disposition of marketable securities of $35.7 million. 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 $5.5 million, offset by capital expenditures of $1.9 million.

Cash flow from financing activities

Cash used in financing activities was $3.4 million for the nine months ended September 30, 2021, compared to $3.9 million during the same period in 2020. The cash used was primarily the result of the repayment of long-term debt of $5.0 million, repurchase of common shares of $5.3 million and net repayments of short-term indebtedness of $1.9 million, offset by proceeds of long-term debt of $8.9 million. Net cash used in financing activities during the same period in 2020 was primarily the result of the repurchase of common shares of $7.7 million, and the repayment of long-term debt of $1.0 million, offset by the net proceeds of short-term indebtedness of $4.9 million.

Available capital under credit facilities

The Company has access to two secured, revolving credit facilities. As of September 30, 2021, the Company's maximum combined borrowing base on these facilities was $40.0 million, $6.4 million was drawn and $33.6 million remained available. 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	Sept. 2021 $	Jun. 2021 $	Mar. 2021 $	Dec. 2020 $	Sep. 2020 $	Jun. 2020 $	Mar. 2020 $	Dec. 2019 $
Revenue and other income (loss)	18.0	13.3	14.3	26.9	23.1	17.5	(40.6)	22.8
Net income (loss)	3.5	3.1	4.1	14.5	12.5	6.9	(53.1)	5.7
Other comprehensive income (loss)	1.9	14.9	10.7	15.1	(2.1)	(2.5)	(1.7)	5.2
Comprehensive income (loss)	5.4	18.0	14.8	29.6	10.4	4.4	(54.8)	10.9
Basic EPS (in dollars)	0.24	0.21	0.27	0.94	0.79	0.43	(3.26)	0.36
Diluted EPS (in dollars)	0.16	0.20	0.25	0.79	0.67	0.38	(3.26)	0.34

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 hotel 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 Company's marketable securities and other assets and liabilities subject to foreign currency exposure at September 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 September 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 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, 2020 and note 13 of the interim condensed consolidated financial statements for the three and nine months ended September 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.

September 30, 2021 and 2020

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (in thousands of Canadian dollars)

	September 30, 2021	December 31, 2020
	$	$
ASSETS		
Current		
Cash	**1,576**	2,730
Marketable securities *(note 11)*	**30,769**	46,760
Receivables	**7,910**	3,707
Income taxes receivable	**—**	349
Other assets *(note 4)*	**3,136**	1,636
Asset held-for-sale *(note 14)*	**—**	2,415
Total current assets	**43,391**	57,597
Accrued pension benefit asset *(note 5)*	**56,473**	33,823
Property and equipment *(note 6)*	**173,470**	180,417
Real estate inventory under development *(notes 1 and 3)*	**49,108**	—
Investment properties *(note 7)*	**43,143**	19,276
Deferred income tax assets *(note 12)*	**15,347**	18,286
Other assets *(note 4)*	**1,480**	1,627
Total assets	**382,412**	311,026
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term indebtedness	**6,376**	8,243
Accounts payable and accrued liabilities	**15,134**	5,432
Income taxes payable	**2,810**	—
Current portion of long-term debt *(note 8)*	**24,839**	6,240
Total current liabilities	**49,159**	19,915
Convertible debentures *(note 9)*	**49,207**	50,754
Long-term debt *(note 8)*	**59,079**	58,056
Construction accounts payable and accrued liabilities *(note 3)*	**7,137**	—
Lease obligations	**767**	870
Deferred income tax liabilities *(note 12)*	**15,652**	12,827
Total liabilities	**181,001**	142,422
Shareholders' equity		
Share capital *(note 10)*	**85,327**	89,097
Contributed surplus	**7,302**	7,512
Retained earnings	**34,361**	25,093
Accumulated other comprehensive income	**74,421**	46,902
Total shareholders' equity	**201,411**	168,604
Total liabilities and shareholders' equity	**382,412**	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 (LOSS)

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

	Three months ended September 30, 2021 $	Three months ended September 30, 2020 $	**Nine months ended September 30, 2021 $**	Nine months ended September 30, 2020 $
Revenue and other income				
Hotel and management services *(note 17)*	**11,004**	6,982	**22,714**	24,554
Provision of services	**4,290**	2,996	**5,892**	3,757
Investment and other income (loss) *(note 11)*	**2,664**	13,086	**16,919**	(28,295)
	17,958	23,064	**45,525**	16
Expenses				
Operating expenses *(note 17)*	**6,312**	4,181	**14,904**	17,976
Cost of services provided	**1,083**	727	**2,624**	2,070
General and administrative expenses	**469**	580	**1,711**	1,705
Property taxes and insurance	**465**	1,008	**1,198**	3,188
Share-based payment expense (recovery)	**(186)**	33	**(14)**	60
Depreciation and amortization	**2,569**	2,715	**7,573**	8,438
Interest expense and accretion on debt	**1,515**	1,687	**4,592**	5,251
	12,227	10,931	**32,588**	38,688
Income (loss) before income taxes	**5,731**	12,133	**12,937**	(38,672)
Provision for (recovery of) income taxes *(note 12)*	**2,268**	(348)	**2,359**	(4,958)
Net income (loss)	**3,463**	12,481	**10,578**	(33,714)
Basic earnings (loss) per share: *(note 10)*	**0.24**	0.79	**0.72**	(2.10)
Diluted earnings (loss) per share: *(note 10)*	**0.16**	0.67	**0.61**	(2.10)

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 September 30, 2021 $	Three months ended September 30, 2020 $	**Nine months ended September 30, 2021 $**	Nine months ended September 30, 2020 $
Net income (loss)	**3,463**	12,481	**10,578**	(33,714)
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 *(note 5)*	**1,485**	(1,800)	**17,476**	(6,648)
Revaluation gain of property and equipment, net of income tax expense of $246 (*note 6*)	**—**	—	**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 expense of $83 and recovery of $1 for the three and nine months ended September 30, 2021 (2020 – recovery of $76 and expense of $141)	**420**	(290)	**(6)**	322
Other comprehensive income (loss)	**1,905**	(2,090)	**27,519**	(6,326)
Comprehensive income (loss)	**5,368**	10,391	**38,097**	(40,040)

See accompanying notes to the interim condensed consolidated financial statements

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)

	Nine months ended September 30, 2021 $	Nine months ended September 30, 2020 $
OPERATING ACTIVITIES		
Net income (loss)	**10,578**	(33,714)
Adjustments for items not involving cash *(note 15)*	**(9,759)**	32,758
	819	(956)
Net change in non-cash working capital balances *(note 15)*	**3,334**	(2,556)
Net cash provided by (used in) operating activities	**4,153**	(3,512)
INVESTING ACTIVITIES		
Proceeds on disposition of marketable securities *(note 11)*	**35,655**	1,832
Contribution to joint operation, net of cash acquired *(note 3)*	**(21,083)**	—
Proceeds on disposition of asset held-for-sale and property and equipment	**210**	7
Additions to property and equipment	**(4,182)**	(1,470)
Additions to real estate inventory under development	**(8,050)**	—
Additions to investment properties	**(4,612)**	(393)
Additions to intangible and other assets	**(89)**	—
Purchase of marketable securities	**(2,445)**	—
Collections of loans receivable	**1,725**	5,465
Distribution of pension plan surplus, net of tax *(note 5)*	**914**	—
Net cash provided by (used in) investing activities	**(1,957)**	5,441
FINANCING ACTIVITIES		
Repurchase of shares for cancellation *(note 10)*	**(5,290)**	(7,714)
Proceeds of long-term debt	**8,864**	—
Net proceeds (repayments) of short-term indebtedness	**(1,867)**	4,924
Repayment of long-term debt	**(4,954)**	(991)
Principal payments of lease obligation	**(103)**	(96)
Repurchase of convertible debentures	**—**	(65)
Net cash used in financing activities	**(3,350)**	(3,942)
Net change in cash during the period	**(1,154)**	(2,013)
Cash, beginning of period	**2,730**	2,530
Cash, end of period	**1,576**	517

See accompanying notes to the interim condensed consolidated financial statements

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Unaudited (in thousands of Canadian dollars)

	Nine months ended September 30, 2021 $	Nine months ended September 30, 2020 $
Share capital		
Common shares:		
Balance at beginning of period	**89,097**	98,051
Common shares repurchased for cancellation *(note 10)*	**(3,770)**	(5,421)
Balance at end of period	**85,327**	92,630
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 10)*	**(210)**	239
Balance at end of period	**7,302**	7,541
Retained earnings		
Balance at beginning of period	**25,093**	104,511
Net income (loss)	**10,578**	(33,714)
Dividends	**—**	(58,120)
Purchase price in excess of the book value of common shares repurchased for cancellation *(note 10)*	**(1,310)**	(2,532)
Residual balance of previously expensed equity-settled stock options	**—**	444
Balance at end of period	**34,361**	10,589
Accumulated other comprehensive income		
Balance at beginning of period	**46,902**	38,149
Other comprehensive income (loss)	**27,519**	(6,326)
Balance at end of period	**74,421**	31,823
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	**201,411**	142,583

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. The Company also has a diverse and significant portfolio of direct real estate holdings across the hospitality, commercial, industrial, and residential segments. These interim condensed consolidated financial statements were approved by the Board of Directors on November 8, 2021.

Basis of presentation and statement of compliance

These interim condensed consolidated financial statements for the three and nine months ended September 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 to prepare for their intended use. 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 that 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 for the nine months ended September 30, 2021. 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

	September 30, 2021	December 31, 2020
	$	$
Other current assets		
Inventories	**93**	92
Prepaid expenses	**1,588**	819
Current portion of loans receivable	**1,455**	725
	3,136	1,636
Other non-current assets		
Loans receivable	**1,001**	1,250
Intangible and other assets	**479**	377
	1,480	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:

	September 30, 2021	December 31, 2020
	$	$
Fair value of plan assets	**104,417**	88,245
Accrued benefit obligation	**(47,944)**	(54,422)
Funded status of plans – accrued pension benefit asset	**56,473**	33,823

The defined benefit pension expense recognized in the interim consolidated statements of earnings (loss) for the three and nine months ended September 30, 2021 was $19 and $53, respectively (2020 – recovery of $125 and $308).

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
	$	$	**$**	$
Net remeasurement gains (losses)	**2,036**	(2,360)	**23,947**	(9,073)
Deferred income tax recovery (expense)	**(551)**	560	**(6,471)**	2,425
Remeasurement gains (losses)	**1,485**	(1,800)	**17,476**	(6,648)

The most significant assumption impacting the valuation of the accrued benefit obligation is the discount rate, which was 3.20% as at September 30, 2021 (December 31, 2020 – 2.50%).

During the nine months ended September 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

Nine months ended September 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	—	818	—	8,707	9,639
Acquired in business combination *(note 3)*	—	146	—	—	—	—	146
Disposals	—	—	—	(12)	(258)	—	(270)
Revaluations *(note 2)*	18,654	(8,359)	—	—	—	—	10,295
Transfers *(notes 2 and 7)*	(10,217)	—	—	—	—	(8,997)	(19,214)
Depreciation	—	(4,949)	(59)	(2,446)	(89)	—	(7,543)
Ending balance	**39,621**	**121,985**	**—**	**7,675**	**527**	**3,662**	**173,470**

Valuation	39,621	126,934	—	—	—	—	166,555
Cost	—	—	4,657	16,822	739	3,662	25,880
Accumulated depreciation	—	(4,949)	(4,657)	(9,147)	(212)	—	(18,965)
Net book value	**39,621**	**121,985**	**—**	**7,675**	**527**	**3,662**	**173,470**

7. INVESTMENT PROPERTIES

Nine months ended September 30, 2021	Buildings $	Vacant land $	Investment property under construction $	Total $
Beginning balance	19,109	167	—	19,276
Additions	82	—	6,534	6,616
Capitalized interest	—	—	79	79
Transfers *(notes 2 and 6)*	—	—	19,214	19,214
Fair value adjustments	(2,056)	—	—	(2,056)
Foreign exchange impact	14	—	—	14
Ending balance	**17,149**	**167**	**25,827**	**43,143**

As at September 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.

During the three months ended September 30, 2021, the Company recorded fair value adjustments on its investment properties. The decrease in value of $2,056 was recorded in the interim consolidated statements of earnings (loss) and was the result of independent fair value appraisals performed in the quarter.

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

8. LONG-TERM DEBT

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

	Nine months ended September 30, 2021
	$
Total long-term debt – beginning balance	**64,296**
Proceeds from long-term debt	**8,864**
Repayment of long-term debt	**(4,954)**
Assumed with joint operation *(note 3)*	**15,470**
Capitalized interest on construction financing	**229**
Accretion of deferred financing fees	**138**
Amortization of fair value increment from acquisitions	**(125)**
Total long-term debt – ending balance	**83,918**
Less: current portion	**(24,839)**
Long-term portion	**59,079**

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 to be repaid with the proceeds of the secured real estate in preference to the Company and its partners upon completion, and bears interest at the 30-day Canadian Dollar Offered Rate ("CDOR") plus 2.60%, subject to a minimum interest rate of 4.25%. The proceeds from long-term debt in the table above relates to this loan. The Company's share of the gross loan principal outstanding as of September 30, 2021 is $24,840.

During the third quarter, a $21,337 mortgage was reclassified entirely to current on the statement of financial position, as it matures within 12 months. The Company anticipates extending the maturity of this debt in 2022.

9. CONVERTIBLE DEBENTURES

During the three months ended September 30, 2021, holders of the Company's publicly traded convertible debentures (the "Debentures") approved amendments to the terms of the Debentures, which: (i) extend the maturity date of the Debentures from February 28, 2023 to January 1, 2028; and (ii) amend the interest rate on the Debentures from 6.25% to 5.50% beginning on April 30, 2023. The amendments took effect on September 30, 2021. As a result of the amendments, a gain on modification of $1,445 was recognized in the consolidated statement of earnings (loss) in the three and nine months ended September 30, 2021. Legal and other professional fees of $102 directly attributable to the amendments were recorded and will be amortized over the revised term using the effective interest method.

10. SHARE CAPITAL AND EARNINGS PER SHARE

	Nine months ended September 30, 2021	
	# of shares	$
Common shares		
Outstanding common shares, beginning of period	**15,057,892**	**89,097**
Common shares repurchased for cancellation	**(627,623)**	**(3,770)**
Outstanding common shares, end of period	**14,430,269**	**85,327**

Earnings per share

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

	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Earnings	**Weighted average shares (in thousands)**	**Per share amount**	Earnings	Weighted average shares (in thousands)	Per share amount
	$	**#**	**$**	$	#	$
Basic earnings	**3,463**	**14,498**	**0.24**	12,481	15,765	0.79
Interest, net of income taxes, on assumed conversion of convertible debentures	**575**	**3,694**		574	3,697	
Gain, net of tax, on modification of convertible debentures	**(1,056)**	**—**		—	—	
Diluted earnings	**2,982**	**18,192**	**0.16**	13,055	19,462	0.67

	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Earnings	**Weighted average shares (in thousands)**	**Per share amount**	Earnings	Weighted average shares (in thousands)	Per share amount
	$	**#**	**$**	$	#	$
Basic earnings (loss)	**10,578**	**14,759**	**0.72**	(33,714)	16,074	(2.10)
Interest, net of income taxes, on assumed conversion of convertible debentures	**1,707**	**3,694**		—	—	
Gain, net of tax, on modification of convertible debentures	**(1,056)**	**—**		—	—	
Diluted earnings (loss)	**11,229**	**18,453**	**0.61**	(33,714)	16,074	(2.10)

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 nine-month periods ended September 30, 2021 and September 30, 2020. The convertible debentures were dilutive for the three-month periods ended September 30, 2021 and September 30, 2020, and for the nine month period ended September 30, 2021 and anti-dilutive for the nine month period ended September 30, 2020.

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

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

Substantial issuer bid ("SIB")

In the nine months ended September 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 nine months ended September 30, 2021, the Company purchased for cancellation 607,099 (2020 – 916,060) common shares under the previous and renewed NCIBs at a cost of $5,080 (2020 – $7,714). The purchase price in excess of the historical book value of the shares in the amount of $1,310 (2020 – $2,532) has been charged to retained earnings, $178 (2020 – ($239)) has been charged (added) to contributed surplus and $3,592 (2020 – $5,421) has been charged to share capital.

11. INVESTMENT AND OTHER INCOME (LOSS)

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
	$	$	**$**	$
Unrealized gains (losses) on investments	**2,441**	10,839	**6,385**	(41,239)
Revaluation of hotel properties	**—**	—	**—**	(18,800)
Realized gains on investments	**578**	—	**10,807**	29,008
Interest income	**196**	91	**553**	358
Pension recovery (expense) *(note 5)*	**(19)**	125	**(53)**	308
Insurance proceeds, net of clean-up and other costs	**—**	—	**—**	14
Gain (loss) on disposal of assets	**(12)**	1	**(194)**	(10)
Gain on modification of convertible debentures *(note 9)*	**1,445**	—	**1,445**	—
Fair value adjustment on investment properties *(note 7)*	**(2,056)**	2,043	**(2,056)**	2,043
Foreign exchange gains (losses)	**91**	(19)	**32**	17
Gains on repurchase of convertible debentures	**—**	6	**—**	6
	2,664	13,086	**16,919**	(28,295)

During the three and nine months ended September 30, 2021, the Company sold marketable securities for net proceeds of $1,118 (2020 – nil) and $35,655 (2020 – $1,832), respectively.

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

12. INCOME TAXES

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	**Nine months ended September 30, 2020**	Nine months ended September 30, 2020
	$	$	**$**	$
Current	**2,371**	433	**3,324**	120
Deferred	**(103)**	(781)	**(965)**	(5,078)
Provision for (recovery of) income taxes	**2,268**	(348)	**2,359**	(4,958)

As at September 30, 2021, the Company had non-capital losses carried forward for tax purposes of $30,894 (December 31, 2020 – $32,970) in Canada and US$10,723 (December 31, 2020 – US$7,786) in the United States and capital losses carried forward for tax purposes of $3,334 (December 31, 2020 – $4,787). Certain deferred income tax assets have not been recognized:

	September 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	**3,543**	2,286
Total	**7,842**	6,558

13. RELATED PARTY DISCLOSURES

During the nine months ended September 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.

14. 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%. $1,000 of this VTB was repaid by the borrower during the three months ended September 30, 2021.

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

15. SUPPLEMENTAL CASH FLOW INFORMATION

Adjustments for items not involving cash	**Nine months ended September 30, 2021 $**	Nine months ended September 30, 2020 $
Realized/unrealized losses (gains) on investments *(note 11)*	**(17,192)**	12,231
Revaluation of hotel properties	**—**	18,800
Depreciation and amortization	**7,573**	8,438
Deferred income tax recovery *(note 12)*	**(965)**	(5,078)
Share-based payment expense (recovery)	**(14)**	60
Amortization of fair value increments from acquisitions	**(125)**	(132)
Accretion of deferred financing fees	**138**	155
Unrealized foreign exchange (gains) losses	**(32)**	(17)
Pension expense (recovery) *(note 5)*	**53**	(308)
Gain on modification of convertible debentures *(note 9)*	**(1,445)**	—
Fair value adjustment on investment properties *(note 7)*	**2,056**	(2,043)
Loss on disposal of assets	**194**	10
Capitalized deferred mortgage interest	**—**	648
Gains on repurchase of convertible debentures	**—**	(6)
	(9,759)	32,758

Net changes in non-cash working capital balances	**Nine months ended September 30, 2021 $**	Nine months ended September 30, 2020 $
Receivables	**(2,638)**	555
Income taxes receivable	**349**	—
Other assets	**(436)**	(732)
Accounts payable and accrued liabilities	**2,919**	(1,190)
Income taxes payable	**3,140**	(59)
Settlement of share-based liability	**—**	(1,130)
	3,334	(2,556)

16. 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.

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

16. SEGMENTED INFORMATION (CONT'D)

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, 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 and nine months ended September 30, 2021 and 2020.

Three months ended September 30, 2021	Investment $	Hospitality $	Other $	Eliminations $	Total $
Revenue and other income:					
Hotel revenue and provision of services	4,060	11,004	235	(5)	15,294
Investment and other income	1,142	94	1,428	—	2,664
	5,202	11,098	1,663	(5)	17,958
Operating expenses before the undernoted	1,576	6,393	365	(5)	8,329
Share-based payment recovery	—	—	(186)	—	(186)
Depreciation and amortization	13	2,553	3	—	2,569
Interest expense	4	715	796	—	1,515
Income before income taxes	3,609	1,437	685	—	5,731

Nine months ended September 30, 2021	Investment $	Hospitality $	Other $	Eliminations $	Total $
Revenue and other income:					
Hotel revenue and provision of services	5,279	22,714	622	(9)	28,606
Investment and other income	15,315	375	1,229	—	16,919
	20,594	23,089	1,851	(9)	45,525
Operating expenses before the undernoted	3,939	15,153	1,354	(9)	20,437
Share-based payment recovery	—	—	(14)	—	(14)
Depreciation and amortization	94	7,443	36	—	7,573
Interest expense	50	2,140	2,402	—	4,592
Income (loss) before income taxes	16,511	(1,647)	(1,927)	—	12,937
Assets	127,236	198,212	56,964	—	382,412
Liabilities	41,473	68,398	71,130	—	181,001
Capital expenditures	12,662	4,182	—	—	16,844
Assets located outside of Canada	18,390	—	—	—	18,390

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

16. SEGMENTED INFORMATION (CONT'D)

Three months ended September 30, 2020	Investment $	Hospitality $	Other $	Eliminations $	Total $
Revenue and other income:					
Hotel revenue and provision of services	2,849	6,982	155	(8)	9,978
Investment and other income	12,881	75	130	—	13,086
	15,730	7,057	285	(8)	23,064
Operating expenses before the undernoted	1,339	4,876	289	(8)	6,496
Selling costs on property and equipment sales	—	—	33	—	33
Depreciation and amortization	89	2,605	21	—	2,715
Interest expense	20	772	895	—	1,687
Income (loss) before income taxes	14,282	(1,196)	(953)	—	12,133

Nine months ended September 30, 2020	Investment $	Hospitality $	Other $	Eliminations $	Total $
Revenue and other income:					
Hotel revenue and provision of services	3,297	24,554	492	(32)	28,311
Investment and other income (loss)	(10,188)	(18,423)	316	—	(28,295)
	(6,891)	6,131	808	(32)	16
Operating expenses before the undernoted	3,911	20,013	1,047	(32)	24,939
Selling costs on property and equipment sales	—	—	60	—	60
Depreciation and amortization	268	8,106	64	—	8,438
Interest expense	64	2,359	2,828	—	5,251
Loss before income taxes	(11,134)	(24,347)	(3,191)	—	(38,672)
Assets	61,091	213,803	20,505	(9)	295,390
Liabilities	3,489	75,413	73,914	(9)	152,807
Capital expenditures	393	1,033	—	—	1,426
Assets located outside of Canada	20,122	—	—	—	20,122

17. IMPACT OF COVID-19

The global pandemic related to COVID-19 has continued to adversely impact the Company's operations during the three and nine months ended September 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 its loans and mortgages payable have been requested. As at September 30, 2021, the Company had cash of $1,576 and available unused credit facilities totalling $33,601.

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

The Company continues to apply for various sources of federal, provincial, and territorial government grants. The Company has recognized $1,877 and $6,998, respectively, during the three and nine months ended September 30, 2021 for these various programs.

18. SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the Company sold marketable securities for gross proceeds of $33,069. The carrying amount of those securities as at September 30, 2021 was $28,416.

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