CLARKE

Halifax, Canada

Quarterly Report
September 30, 2023 and 2022

Management's Discussion & Analysis

Clarke Inc.

September 30, 2023 and 2022

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, 2023 compared with the three and nine months ended September 30, 2022. 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 under International Financial Reporting Standards ("IFRS"). This interim MD&A should be read in conjunction with the information disclosed in the interim condensed consolidated financial statements and notes thereto for the three and nine months ended September 30, 2023, available on SEDAR at www.sedar.com. This MD&A provides an overall discussion and analysis of the Company's performance. The MD&A is prepared as at November 10, 2023 (unless otherwise stated). All dollar amounts are shown in millions of Canadian dollars except for per common share amounts or unless otherwise indicated.

OVERVIEW & STRATEGY

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

The Company is an investment and real estate company with holdings in a diversified group of businesses and across real estate sectors. The Company operates primarily in Canada. The Company continually evaluates the acquisition, retention, and disposition of its holdings and changes in its asset mix should be expected. Our objective is to maximize shareholder value. While not the perfect metric, we believe that Clarke's book value per share[1], together with the dividends paid to shareholders, is an appropriate measure of our success in maximizing shareholder value over time.

We attempt to maximize shareholder value by allocating capital to investments that we believe will generate high returns and reallocating capital over time as needed. In doing this, Clarke's goal is to identify investments that are either undervalued or are underperforming and may be in need of positive change. These investments may be real estate, companies, securities or other assets. Clarke has a diverse and significant portfolio of direct real estate holdings across the hospitality, commercial, industrial, and residential sectors. We do not believe in limiting ourselves to specific types of investments. Clarke generally invests in industries that have hard assets, in particular, hospitality and real estate businesses.

THIRD QUARTER REVIEW AND OUTLOOK[1]

During the third quarter of 2023, the Company's book value per common share increased by $0.06, or 0.4%. The change can be attributed primarily to (i) hotel net operating income of $8.2 million or $0.58 per share and (ii) revaluation gains, net of tax on property and equipment of $7.6 million or $0.54 per share offset by (iii) fair value adjustments on investment properties of $7.0 million or $0.50 per share, (iv) after-tax remeasurement losses and the effect of changes to the asset ceiling on the Company's pension plans of $2.9 million or $0.21 per share, (v) depreciation of $2.8 million or $0.20 per share and (vi) interest and accretion of $1.9 million or $0.13 per share.

The Company's book value per common share at the end of the quarter was $15.37 while our common share price was $13.90.

Hotel Operations

Our hotel operations in the third quarter had a mix of challenges and successes. Our staff members at our two hotels in Yellowknife, NT, were displaced and the hotels were closed for just under four weeks as part of the mandatory forest fire evacuations in the region. Fortunately, our team members all returned safely, and the hotels re-opened on September 11, 2023. This was not our first forest fire closure in 2023, as we had previously closed one hotel in Drayton Valley, AB for two weeks in May due to similar mandatory evacuations. Despite this set back in the Northwest Territories, we had very strong year-over-year revenue increases in aggregate and individually across nearly all of our hotels. Hotel revenue in the three and nine months ended September 30, 2023 was $19.3 million and $50.0 million, respectively compared to $17.2 million and $39.4 million in 2022.

Real Estate and Corporate

Construction continued on the first phase 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

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

retail space. Phase one of the Carling Avenue Development consists of two residential towers with 404 rental units. Phase two is expected to consist of three residential towers with 612 rental units. Phase two will be constructed where the Company's Travelodge® Ottawa West is currently located. During the three months ended September 30, 2023, the Company finalized plans to close this hotel, which is expected to occur in late November 2023 to allow for its demolition prior to the commencement of phase two. We expect to both complete the construction of phase one and break ground on phase two in 2024.

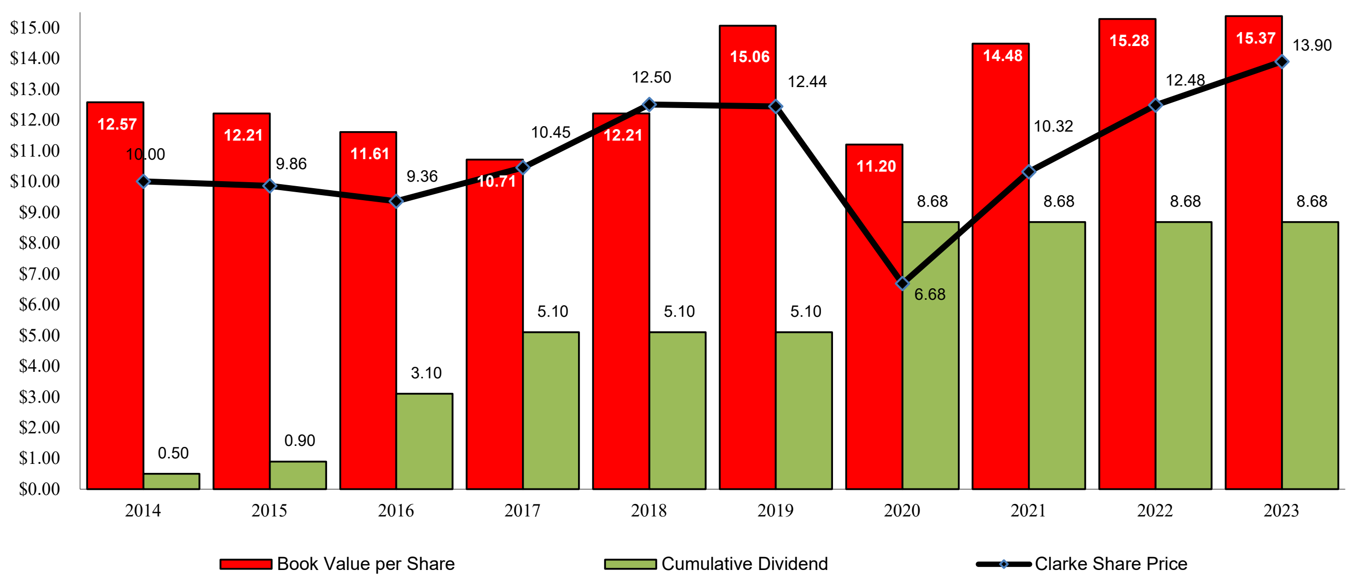
During the three months ended September 30, 2023, the Company entered into purchase and sale agreements for two of its office buildings located in Houston, TX, for net proceeds of $7.5 million. The respective sales closed on October 20, 2023. Refer to the "Segment Reporting" section of this MD&A for more information on these transactions and the resulting fair value adjustments recorded by the Company.

On July 28, 2023, the Company redeemed its $34.9 million, 5.50% Series B Convertible Unsecured Subordinated Debentures, which were to mature on January 1, 2028 (the "Debentures") for a cash outlay of $35.4 million which included $0.5 million of accrued interest. The redemption of the Debentures was financed using funds drawn on a credit facility obtained from a related party. Refer to the "Liquidity and Capital Resources" section of this MD&A for more information on this credit facility. The Company recorded a non-cash loss of $0.8 million on the redemption, representing the difference between the carrying value and principal amount of the Debentures.

The Company has $188.1 million of debt as of September 30, 2023 and has access to two secured, revolving credit facilities and one unsecured revolving credit facility with a related party.

BOOK VALUE PER SHARE

The Company's book value per share at September 30, 2023 was $15.37, an increase of $0.09 since December 31, 2022. 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 year as at September 30, 2023.*

RESULTS OF OPERATIONS

Highlights of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2023 compared to the three and nine months ended September 30, 2022 are as follows:

(in millions, except per share amounts)	**Three months ended September 30, 2023** **$**	Three months ended September 30, 2022 $	**Nine months ended September 30, 2023** **$**	Nine months ended September 30, 2022 $
Hotel and rental revenue	**19.6**	17.2	**50.5**	39.4
Provision of services revenue	**4.3**	4.5	**6.8**	6.7
Investment and other income (loss)*	**(4.8)**	0.5	**(4.9)**	1.4
Net income (loss)	**(1.9)**	3.9	**(4.1)**	1.9
Comprehensive income (loss)	**0.8**	4.5	**1.0**	(10.3)
Basic earnings (loss) per share (“EPS”)	**(0.13)**	0.27	**(0.29)**	0.13
Diluted EPS	**(0.13)**	0.25	**(0.29)**	0.13
Total assets	**452.5**	389.6	**452.5**	389.6
Total liabilities	**237.7**	194.7	**237.7**	194.7
Long-term financial liabilities	**117.1**	87.6	**117.1**	87.6
Book value per share	**15.37**	13.83	**15.37**	13.83

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

The Company’s net loss was $1.9 million and $4.1 million for the three and nine months ended September 30, 2023, respectively, compared to net income of $3.9 million and $1.9 million for the same periods in 2022. The subdued earnings year-over-year are primarily because the Company recorded $4.2 million of fair value adjustment losses within earnings in the third quarter. This $4.2 million was the aggregate of $7.0 million of fair value losses on its investment properties, offset by $2.8 million of fair value gains on certain hotel properties. The Company also recorded an additional $7.2 million of fair value gains on certain hotel properties within other comprehensive income.

Hotel operations produced strong third quarter results and achieved net operating income of $8.2 million for the quarter and $18.2 million year to date, compared to $7.2 million and $15.2 million respectively in 2022. The improved year-over-year results are mainly due to continued recovery from the COVID-19 pandemic, which was still having a significant negative impact in early 2022, the acquisition of the Stanford Inn & Suites in Grande Prairie, AB in June 2022, and the results of the newly renovated Sternwheeler Hotel and Conference Center in Whitehorse, YT, which was still undergoing renovations in the first two quarters of 2022. Our four hotels in Grande Prairie, AB had a particularly strong quarter due to strong economic activity in the region and from unanticipated business from forest fire evacuees.

Comprehensive income was $0.8 million and $4.5 million for the three months ended September 30, 2023 and 2022, respectively. Comprehensive income was $1.0 million for the nine months ended September 30, 2023, compared to a comprehensive loss of $10.3 million for the nine months ended September 30, 2022. Comprehensive income for the three months ended September 30, 2023 was primarily driven by after-tax revaluation gains of $5.5 million recorded on certain hotel properties, offset by after-tax remeasurement losses on the Company’s defined benefit pension plans of $3.0 million. Comprehensive income for the nine months ended September 30, 2023 was primarily driven by the aforementioned revaluation gains on certain hotel properties. The comprehensive loss for the nine months ended September 30, 2022 was primarily attributable to after-tax pension remeasurement losses and the effect of changes to the asset ceiling totalling $13.0 million.

SEGMENT REPORTING

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

Segment	**September 30, 2023** **$**	**%**	December 31, 2022 $	%
Investment	**188.5**	**41.7**	157.6	37.8
Hospitality	**235.5**	**52.0**	227.4	54.7
Other	**28.5**	**6.3**	31.1	7.5
Total	**452.5**	**100.0**	416.1	100.0

Investment segment

The Investment segment is comprised of the Company's ferry business, investment properties and real estate inventory under development.

During the three months ended September 30, 2023, the Company entered into purchase and sale agreements for two of its investment properties located in Houston, TX. These investment properties were remeasured at their fair value less costs to sell, resulting in a fair value decrease of $4.2 million. The Company also evaluated whether these purchase prices were indicative of the fair value of the Company's remaining Houston, TX investment property. Using management's professional judgement and expertise, the Company estimated the value of this remaining investment property and recorded a fair value decrease of $2.8 million during the quarter. The aggregate fair value decrease of the Company's investment properties of $7.0 million is presented in investment and other income (loss) within the statement of earnings (loss) for the three and nine months ended September 30, 2023.

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 off-season period. The ferry commenced service for the season on April 6, 2023 with results comparable to 2022 for the three and nine months ended September 30, 2023.

The Company continues to finalize the exit of its one-third ownership in the 1111 Atwater Avenue development in Montreal, QC ("1111 Atwater"), which is expected to occur in the fourth quarter of 2023. During the three months ended September 30, 2023, the Company received deposits from its partners on this disposition of $4.0 million.

Hospitality segment

The Company owns and operates hotels across Canada. Results for the three and nine months ended September 30, 2023 compared to the three and nine months ended September 30, 2022 are as follows:

	Three months ended September 30, 2023 **$**	Three months ended September 30, 2022 $	**Nine months ended September 30, 2023** **$**	Nine months ended September 30, 2022 $
Hotel revenue	**19.3**	17.2	**50.0**	39.4
Investment and other income	**2.8**	0.1	**2.8**	0.2
Total revenue and other income	**22.1**	17.3	**52.8**	39.7
Less:				
Hotel operating expenses, property taxes and insurance	**11.3**	10.3	**32.4**	24.8
Depreciation and amortization	**2.7**	2.3	**7.5**	7.0
Interest and accretion	**1.3**	0.8	**4.1**	2.1
Income before income taxes	**6.8**	3.9	**8.8**	5.8

Hotel revenue for the three and nine months ended September 30, 2023 was $19.3 million and $50.0 million, respectively, compared to $17.2 million and $39.4 million in 2022. Income before taxes was $6.8 million and $8.8 million for the three and nine months ended September 30, 2023, respectively, compared to $3.9 million and $5.8 million in 2022. Investment and other income for the year and quarter to date increased due to fair value adjustments of $2.8 million recorded within earnings for certain hotel properties. The Company recorded an additional $7.2 million of fair value adjustments on certain hotel properties within other comprehensive income.

In the three and nine months ended September 30, 2022, the Company recognized non-recurring government grants in this segment totaling $0.3 million and $2.9 million, respectively, as a direct reduction of hotel operating expenses, property taxes and insurance. These grants were not available in 2023 and are a key driver – in addition to increased business levels – of the increased hospitality expenses in 2023.

OUTSTANDING SHARE DATA

At November 10, 2023, the Company had:

- An unlimited number of common shares authorized and 13,972,557 common shares outstanding; and
- An unlimited number of First and Second Preferred Shares authorized and none outstanding.

LIQUIDITY AND CAPITAL RESOURCES

On July 28, 2023, the Company redeemed its outstanding Debentures resulting in a cash outlay of $35.4 million, including accrued interest of $0.5 million. The redemption was financed using a $35.0 million credit facility with an entity owned by the Company's Chairman and his immediate family member. This facility has a maximum borrowing capacity of $35.0 million, bears interest at 6.00% and is interest-only payments until January 1, 2028. After January 1, 2028, the facility will continue as a revolving line of credit due on demand.

On October 13, 2023, the Company amended one of its revolving lines of credit to increase the maximum borrowing capacity from $40.0 million to $55.0 million. The Company pledged an additional hotel property and its ferry operations, both previously unencumbered as part of this amendment. In addition to this incremental security, the facility is also secured by a registered charge on five hotel properties and one office building.

On October 30, 2023, the Company renewed an existing credit facility that matured on October 1, 2023. The $55.0 million credit facility is comprised of a $25.0 million term loan and a $30.0 million revolving line of credit. The revolving line of credit bears interest at prime plus 1.00% and the term loan bears interest at a four-year fixed rate of 6.95% with a 25-year year amortization period. The credit facility has a five-year term and continues to be secured by a registered charge on five hotel properties.

The Company monitors and forecasts its cash balances and cashflows to meet its required obligations. The aggregate maximum availability of the Company's three revolving credit facilities is $120.0 million as of the date of this MD&A. As of September 30, 2023, the aggregate maximum availability was $90.0 million, with $65.1 million drawn and $24.9 million available. The Company believes it has access to sufficient capital through cash on hand, operating cash flows and existing borrowing facilities to meet its obligations as they come due.

Cash flow from operating activities

Cash provided from operating activities was $2.9 million for the nine months ended September 30, 2023, compared to $3.6 million in 2022. The cash provided was primarily attributable to cashflows from hospitality operations offset by additions to real estate inventory under development for 1111 Atwater. In 2022, the cash flow was primarily attributable to our hospitality business and positive changes in working capital balances offset by additions to real estate under development.

Cash flow from investing activities

Cash used in investing activities was $27.8 million for the nine months ended September 30, 2023, compared to $31.7 million in 2022. The cash used was primarily attributable to progress on the Carling Avenue Development and capital expenditures for the hotel portfolio. These cash outflows were partially offset by $3.9 million of deposits received for the upcoming 1111 Atwater disposition. In 2022, the use of cash was primarily due to the acquisition of the Stanford Inn & Suites in Grande Prairie, AB and capital expenditures for both the Carling Avenue Development and the hotel portfolio.

Cash flow from financing activities

Cash provided from financing activities was $24.8 million for the nine months ended September 30, 2023, compared to $11.2 million in 2022. This was primarily the result of net proceeds of long-term debt of $70.1 million and proceeds of short-term indebtedness of $4.0 million, offset by the repayment of long-term debt of $13.1 million, the redemption of the Debentures of $34.9 million, and the repurchase of common shares of $1.2 million. Cash provided in 2022 was primarily related to net proceeds of long-term debt of $9.6 million and proceeds of short-term indebtedness of $8.2 million, offset by the repayment of long-term debt of $2.9 million and the repurchase of common shares of $3.5 million.

SUMMARY OF QUARTERLY RESULTS

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

Three months ended	Sept. 2023 $	Jun. 2023 $	Mar. 2023 $	Dec. 2022 $	Sept. 2022 $	Jun. 2022 $	Mar. 2022 $	Dec. 2021 $
Revenue and other income	19.2	17.8	15.4	19.6	22.2	15.1	10.2	20.5
Net income (loss)	(1.9)	(0.5)	(1.7)	1.3	3.9	(0.5)	(1.4)	5.8
Other comprehensive income (loss) ("OCI")	2.7	(0.3)	2.8	19.1	0.6	(20.0)	7.2	1.6
Comprehensive income (loss)	0.8	(0.8)	1.0	20.4	4.5	(20.5)	5.7	7.4
Basic EPS	(0.13)	(0.03)	(0.12)	0.10	0.27	(0.04)	(0.10)	0.40
Diluted EPS	(0.13)	(0.03)	(0.12)	0.10	0.25	(0.04)	(0.10)	0.36

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

FINANCIAL INSTRUMENTS

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

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

- To manage foreign exchange, interest rate and general market risk, the Company may enter into futures and forward exchange contracts. These instruments may have interest, market, credit and foreign exchange risk associated with them. Clarke may hedge its foreign currency exposure on U.S. dollar denominated investments. The Company does not currently have any futures or foreign exchange contracts in place.

The Company has a significant number of financial instruments. Notes 1, 2, 3, 4, 5, 11, 12, 13, 14 and 24 to the audited consolidated financial statements for the year ended December 31, 2022 and the Company's 2022 Annual information Form, provide further information on classifications in the financial statements, and risks, pertaining to the use of financial instruments by the Company.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with Canadian Securities Administrators National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, the Company has filed certificates signed by the President & Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President & Chief Executive Officer and the Chief Financial Officer have supervised the Company's management in the evaluation of the design and effectiveness of the Company's internal controls over financial reporting as of the end of the period covered by the quarterly filings and believe the design and effectiveness to be adequate to provide such reasonable assurance using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013).

There have been no changes in the Company's disclosure controls and procedures or internal controls over financial reporting during the three months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the effectiveness of the internal controls over financial reporting.

RELATED PARTY TRANSACTIONS

The Company may, from time to time, participate in related party transactions. During the third quarter of 2023, the Company drew $35.0 million on a credit facility with a related party. Refer to the "Liquidity and Capital Resources" section of this MD&A for more information.

All other related party transactions during the current period were in the normal course of operations and occurred at fair value. For details on the Company's related party transactions, please refer to our consolidated financial statements for the year ended December 31, 2022.

ENVIRONMENTAL MATTERS

The Company's businesses are exposed to the following environmental risks in conducting regular operations: (i) contamination of owned or leased property; and (ii) contamination of the environment relating to spills or leaks originating from the Company's ferry.

The Company's businesses regularly review their operations and facilities to identify any potential environmental contamination or liability. Limited internal reviews, which may include third party environmental assessments, have been conducted at all the Company's wholly-owned real estate. These limited reviews identified no material remediation issues or potential risks and there have been no material events arising subsequently that would indicate additional obligations.

The Company believes it and its businesses comply in all material respects with all relevant environmental laws and regulations. The Company is not aware of any material uninsured pending or proceeding actions against it or any of its businesses relating to environmental issues.

CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS ACCOUNTING MEASURES AND RATIOS

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

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

The following table reconciles hotel net operating income to income before taxes of the Company's hospitality segment as disclosed in the interim condensed consolidated financial statements for the three and nine months ended September 30, 2023.

	Three months ended September 30, 2023 $	Three months ended September 30, 2022 $	**Nine months ended September 30, 2023 $**	Nine months ended September 30, 2022 $
Income before income taxes	**6.8**	3.9	**8.8**	5.8
Add (deduct):				
Investment and other income	**(2.8)**	(0.1)	**(2.8)**	(0.2)
Add:				
Non-operating corporate expenses	**0.2**	0.2	**0.6**	0.5
Depreciation and amortization	**2.7**	2.3	**7.5**	7.0
Interest expense	**1.3**	0.8	**4.1**	2.1
Hotel net operating income	**8.2**	7.2	**18.2**	15.2

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

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

FORWARD-LOOKING STATEMENTS

This MD&A may contain or refer to certain forward-looking statements relating, but not limited, to the Company's expectations, intentions, plans and beliefs with respect to the Company. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "does not expect", "is expected", "budgets", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or equivalents or variations of such words and phrases, or state that certain actions, events or results, "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements include, without limitation, those with respect to the future or expected performance of the Company's investee companies, changes in these securities holdings, the future price of oil, changes to the Company's hedging practices, currency fluctuations and requirements for additional capital. Forward-looking statements rely on certain underlying assumptions that, if not realized, can result in such forward-looking statements not being achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, the Company's investment strategy, legal and regulatory risks, general market risk, potential lack of diversification in the Company's investments, interest rates, foreign currency fluctuations, the sale of 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, 2023 and 2022

November 10, 2023

Management’s Report

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

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

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

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

/s/ Tom Casey
Chief Financial Officer
Halifax, NS

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (in thousands of Canadian dollars)

	September 30, 2023 $	December 31, 2022 $
ASSETS		
Current		
Cash	**982**	1,090
Receivables	**9,231**	8,041
Real estate inventory under development *(note 12)*	**84,708**	70,418
Assets held-for-sale *(note 4)*	**7,508**	—
Other assets	**1,758**	1,303
Total current assets	**104,187**	80,852
Accrued pension benefit asset *(note 3)*	**26,776**	28,630
Investment properties *(notes 2 and 4)*	**90,883**	80,885
Property and equipment *(notes 2 and 5)*	**230,443**	221,704
Deferred income tax assets *(note 10)*	—	3,730
Other assets	**217**	320
Total assets	**452,506**	416,121
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term indebtedness *(note 14)*	**30,124**	26,086
Accounts payable and other liabilities	**32,424**	25,310
Income taxes payable	**1,896**	2,063
Current portion of long-term debt *(note 6)*	**56,105**	77,423
Total current liabilities	**120,549**	130,882
Convertible debentures *(note 7)*	—	34,146
Long-term debt *(note 6)*	**101,857**	20,929
Construction accounts payable and other liabilities	**7,975**	7,035
Lease obligations	**436**	560
Deferred income tax liabilities *(note 10)*	**6,858**	7,599
Total liabilities	**237,675**	201,151
Shareholders' equity		
Share capital *(note 8)*	**82,699**	83,190
Contributed surplus	**7,302**	7,302
Retained earnings	**36,893**	41,579
Accumulated other comprehensive income	**87,937**	82,899
Total shareholders' equity	**214,831**	214,970
Total liabilities and shareholders' equity	**452,506**	416,121

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, 2023	Three months ended September 30, 2022	**Nine months ended September 30, 2023**	Nine months ended September 30, 2022
	$	$	**$**	$
Revenue and other income				
Hotel and rental revenue	**19,641**	17,231	**50,530**	39,435
Provision of services	**4,310**	4,467	**6,785**	6,718
Investment and other income (loss) *(note 9)*	**(4,758)**	535	**(4,901)**	1,361
	19,193	22,233	**52,414**	47,514
Expenses				
Operating expenses	**11,569**	10,001	**32,546**	25,224
Cost of services provided	**934**	1,593	**3,191**	3,308
General and administrative expenses	**737**	810	**2,447**	2,162
Property taxes and insurance	**1,162**	988	**3,261**	2,037
Depreciation and amortization	**2,751**	2,415	**7,592**	7,220
Interest and accretion	**1,881**	1,648	**5,737**	4,694
	19,034	17,455	**54,774**	44,645
Income (loss) before income taxes	**159**	4,778	**(2,360)**	2,869
Provision for income taxes *(note 10)*	**2,016**	909	**1,701**	979
Net income (loss)	**(1,857)**	3,869	**(4,061)**	1,890
Basic earnings (loss) per share *(note 8)*	**(0.13)**	0.27	**(0.29)**	0.13
Diluted earnings (loss) per share *(note 8)*	**(0.13)**	0.25	**(0.29)**	0.13

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, 2023 $	Three months ended September 30, 2022 $	**Nine months ended September 30, 2023 $**	Nine months ended September 30, 2022 $
Net income (loss)	**(1,857)**	3,869	**(4,061)**	1,890
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss				
Remeasurement losses and effect of changes to asset ceiling on defined benefit pension plans, net of income tax *(note 3)*	**(3,038)**	(18)	**(351)**	(12,986)
Revaluation gain on property and equipment, net of $1,692 of income tax *(notes 2 and 5)*	**5,508**	—	**5,508**	—
Items that may be reclassified subsequently to profit or loss				
Unrealized gains (losses) on translation of net investment in foreign operations, net of income tax	**185**	643	**(119)**	831
Other comprehensive income (loss)	**2,655**	625	**5,038**	(12,155)
Comprehensive income (loss)	**798**	4,494	**977**	(10,265)

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, 2023 $	Nine months ended September 30, 2022 $
OPERATING ACTIVITIES		
Net income (loss)	**(4,061)**	1,890
Adjustments for items not involving cash *(note 11)*	**13,849**	7,286
	9,788	9,176
Additions to real estate inventory under development	**(5,668)**	(11,109)
Net change in non-cash working capital balances *(note 11)*	**(1,179)**	5,488
Net cash provided by operating activities	**2,941**	3,555
INVESTING ACTIVITIES		
Acquisition of hotel property	**—**	(11,600)
Additions to property and equipment	**(6,102)**	(6,049)
Additions to investment properties	**(26,728)**	(15,399)
Receipt of deposits on disposition of joint operation *(note 12)*	**3,932**	—
Collection of loans receivable	**—**	250
Distribution of pension plan surplus, net of tax	**1,049**	1,064
Net cash used in investing activities	**(27,849)**	(31,734)
FINANCING ACTIVITIES		
Repurchase of shares for cancellation *(note 8)*	**(1,200)**	(3,526)
Redemption of convertible debentures *(note 7)*	**(34,916)**	—
Net proceeds of short-term indebtedness	**4,038**	8,218
Proceeds of long-term debt, net of financing fees *(note 6)*	**70,088**	9,619
Settlement of share-based liability	**—**	(72)
Repayment of long-term debt *(note 6)*	**(13,088)**	(2,878)
Principal payments of lease obligation	**(122)**	(114)
Net cash provided by financing activities	**24,800**	11,247
Net change in cash during the period	**(108)**	(16,932)
Cash, beginning of period	**1,090**	18,423
Cash, end of period	**982**	1,491

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, 2023 $	Nine months ended September 30, 2022 $
Share capital		
Balance at beginning of period	**83,190**	85,218
Common shares issued on debenture conversion *(notes 7 and 8)*	**84**	—
Common shares repurchased for cancellation *(note 8)*	**(575)**	(1,902)
Balance at end of period	**82,699**	83,316
Contributed surplus		
Balance at beginning and end of period	**7,302**	7,302
Retained earnings		
Balance at beginning of period	**41,579**	40,100
Net income (loss)	**(4,061)**	1,890
Purchase price in excess of the book value of common shares repurchased for cancellation *(note 8)*	**(625)**	(1,624)
Balance at end of period	**36,893**	40,366
Accumulated other comprehensive income		
Balance at beginning of period	**82,899**	75,999
Other comprehensive income (loss)	**5,038**	(12,155)
Balance at end of period	**87,937**	63,844
Total shareholders' equity	**214,831**	194,828

See accompanying notes to the interim condensed consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Clarke Inc. was incorporated on December 9, 1997 pursuant to the Canada Business Corporations Act. The head office of the Company is located at 145 Hobsons Lake Drive, Halifax, Nova Scotia. The Company is an investment holding and real estate company with holdings in a diversified group of businesses and across real estate sectors. The Company operates primarily in Canada. The Company continually evaluates the acquisition, retention, and disposition of its holdings and changes in its asset mix should be expected. These interim condensed consolidated financial statements were approved by the Board of Directors on November 10, 2023.

Basis of presentation and statement of compliance

The Financial Statements are for the three and nine months ended September 30, 2023 and were prepared in accordance with IAS 34, *Interim Financial Reporting,* and should be read together with the annual consolidated financial statements for the year ended December 31, 2022. The same accounting policies and methods of computation were followed in the preparation of the Financial Statements as were followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2022.

Principles of consolidation

The Financial Statements include the accounts of the Company and its subsidiaries. All intercompany transactions have been eliminated on consolidation. The Company's significant subsidiary is Holloway Lodging Corporation. All subsidiaries have the same reporting year end as the Company, and all follow the same accounting policies. The Financial Statements also include the Company's share of the assets, liabilities, revenues and expenses of its 1111 Atwater Avenue development joint operation in Montreal, QC ("1111 Atwater").

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these judgements, estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the asset or liability in future periods. Additional information on the Company's significant accounting judgements, estimates and assumptions can be obtained from the annual consolidated financial statements for the year ended December 31, 2022.

Valuation of property and equipment

During the three months ended September 30, 2023, the Company obtained third party appraisals for nine hotels as part of various refinancing initiatives. A revaluation increase of $13,700 was recorded among four hotels and a revaluation decrease of $3,700 was recorded among two hotels. Three hotels did not require a revaluation. As a result, property and equipment increased by $10,000, with a net increase of $2,800 recorded in the consolidated statement of earnings (loss) and a net increase of $7,200 recorded in the consolidated statement of comprehensive income (loss).

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

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT.)

Fair value of investment properties

During the three months ended September 30, 2023, the Company entered into purchase and sale agreements for two of its three investment properties located in Houston, TX for aggregate net proceeds of $7,508. These investment properties were remeasured at their fair value less costs to sell, resulting in a fair value decrease of $4,173 being recorded. The Company also evaluated whether these purchase prices were indicative of the fair value of the Company's remaining Houston, TX investment property. Using management's professional judgement and expertise, the Company estimated the value of this remaining investment property and recorded a fair value decrease of $2,810. The aggregate fair value decrease of the Company's investment properties of $6,983 was recorded in the three and nine months ended September 30, 2023, and is included in investment and other income (loss) in the interim consolidated statements of earnings (loss).

3. EMPLOYEE FUTURE BENEFITS

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

	September 30, 2023 $	December 31, 2022 $
Fair value of plan assets	**106,884**	114,183
Accrued benefit obligation	**(33,161)**	(38,778)
Funded status of plans – surplus	**73,723**	75,405
Cumulative impact of asset ceiling	**(46,947)**	(46,775)
Accrued pension benefit asset	**26,776**	28,630

The defined benefit pension recovery recognized in the interim consolidated statements of earnings (loss) for the three and nine months ended September 30, 2023 was $198 and $56, respectively (2022 – $174 and $522).

During the three months ended June 30, 2023, the Clarke Inc. Master Trust purchased a group buy-out annuity for the members of one of the Company's defined benefit plans for a cash outlay of $4,482. This annuity purchase is one of the factors in the reduction since December 31, 2022, of both the fair value of plan assets and the accrued benefit obligation.

The most significant assumption impacting both the valuation of the accrued benefit obligation and the calculation of the asset ceiling is the discount rate, which was 5.65% as at September 30, 2023 (December 31, 2022 – 5.05%).

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

3. EMPLOYEE FUTURE BENEFITS (CONT.)

Elements of the defined benefit expense are as follows:

	Three months ended September 30, 2023 $	Three months ended September 30, 2022 $	**Nine months ended September 30, 2023 $**	Nine months ended September 30, 2022 $
Remeasurement gains (losses) and return on plan assets in excess of discount rate	**1,029**	1,905	**(2,082)**	20,213
Impact of asset ceiling changes	**(5,194)**	(1,929)	**1,601**	(38,112)
Deferred income tax recovery	**1,127**	6	**130**	4,913
Defined benefit expense	**(3,038)**	(18)	**(351)**	(12,986)

4. INVESTMENT PROPERTIES

Nine months ended September 30, 2023	**Buildings $**	**Vacant land $**	**Under construction $**	**Total $**
Beginning balance	**18,431**	**45**	**62,409**	**80,885**
Additions	196	—	24,427	24,623
Fair value adjustments *(note 2)*	(6,983)	—	—	(6,983)
Transfer to assets held-for-sale	(7,508)	—	—	(7,508)
Foreign exchange impact	(134)	—	—	(134)
Ending balance	**4,002**	**45**	**86,836**	**90,883**

During the three months ended September 30, 2023, the Company entered into purchase and sale agreements for two of its office buildings located in Houston, TX, for net proceeds of $7,508. As a result, the investment properties were reclassified as assets held-for-sale as of September 30, 2023. The respective sales closed subsequent to September 30, 2023, on October 20, 2023.

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

5. PROPERTY AND EQUIPMENT

Nine months ended September 30, 2023	Land $	Buildings and components $	Ferry and vessel dry dock costs $	Furniture, fixtures and equipment $	Right-of-use assets $	Renovations in progress $	Total $
Beginning balance	**49,207**	**160,491**	**101**	**9,097**	**430**	**2,378**	**221,704**
Additions	—	1,963	—	1,599	—	2,732	6,294
Disposals	—	—	—	(5)	—	—	(5)
Revaluations *(note 2)*	1,500	8,500	—	—	—	—	10,000
Depreciation	—	(5,515)	(26)	(1,951)	(58)	—	(7,550)
Ending balance	**50,707**	**165,439**	**75**	**8,740**	**372**	**5,110**	**230,443**
Valuation	50,707	169,420	—	—	—	—	220,127
Cost, net	—	—	4,795	23,613	738	5,110	34,256
Accumulated depreciation	—	(3,981)	(4,720)	(14,873)	(366)	—	(23,940)
Net book value	**50,707**	**165,439**	**75**	**8,740**	**372**	**5,110**	**230,443**

6. LONG-TERM DEBT

	Nine months ended September 30, 2023 $
Total long-term debt – beginning balance	**98,352**
Proceeds of long-term debt, net of financing fees	**70,088**
Repayment of long-term debt	**(13,088)**
Capitalized interest on construction financing	**2,573**
Accretion	**37**
Total long-term debt – ending balance	**157,962**
Less: current portion of long-term debt	**(56,105)**
Long-term portion	**101,857**

During the three months ended September 30, 2023, the Company drew $35,000 on an unsecured credit facility (*note 14)*. This facility bears interest at 6.00% and has interest-only payments until January 1, 2028, whereby afterwards the facility will continue as a revolving line of credit due on demand. The remaining $35,088 of long-term debt proceeds pertains to the Company's construction loans to finance both the Carling Avenue Development in Ottawa, ON (the "Carling Avenue Development") and 1111 Atwater.

On February 9, 2023, using its revolving credit facilities, the Company repaid a term loan of $11,042, which was due to mature on November 20, 2023 and was secured at the time by a second lien on five hotels and three investment properties.

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

7. CONVERTIBLE DEBENTURES

	Nine months ended September 30, 2023 $
Debentures – beginning balance	**34,146**
Conversion to common shares *(note 8)*	**(84)**
Accretion	**86**
Redemption of debentures	**(34,148)**
Debentures – ending balance	**—**

On July 28, 2023, the Company redeemed its outstanding 5.50% Series B Convertible Unsecured Subordinated Debentures (the "Debentures"), which had a maturity date of January 1, 2028. The Debentures were redeemed for a cash outlay of $35,384, which included $468 of accrued interest. The Company recorded a net loss of $768 on the redemption, representing the difference between the carrying value of the Debentures and their principal amount.

8. SHARE CAPITAL AND EARNINGS PER SHARE

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	# of shares	**$**	# of shares	$
Common shares				
Outstanding common shares, beginning of period	**14,069,144**	**83,190**	14,411,969	85,218
Common shares issued upon conversion of Debentures	**6,113**	**84**	—	—
Common shares repurchased for cancellation	**(95,000)**	**(575)**	(321,525)	(1,902)
Outstanding common shares, end of period	**13,980,257**	**82,699**	14,090,444	83,316

Common Share Repurchases

On July 4, 2023, the Company renewed a 12-month normal course issuer bid to repurchase up to 699,232 common shares. During the nine months ended September 30, 2023, the Company purchased for cancellation 95,000 (2022 – 321,525) common shares at a cost of $1,200 (2022 – $3,526). The purchase price in excess of the book value of the common shares, in the amount of $625 (2022 – $1,624) has been charged to retained earnings and $575 (2022 – $1,902) has been charged to share capital.

8. SHARE CAPITAL AND EARNINGS PER SHARE (CONT.)

Earnings per Share

	Three months ended September 30, 2023			Three months ended September 30, 2022		
	Earnings (loss) $	**Weighted average shares (in thousands) #**	**Per share amount $**	Earnings $	Weighted Average shares (in thousands) #	Per share amount $
Basic earnings (loss)	**(1,857)**	**13,982**	**(0.13)**	3,869	14,153	0.27
Interest, net of income taxes, on assumed conversion of Debentures	**—**	**—**		575	3,694	
Diluted earnings (loss)	**(1,857)**	**13,982**	**(0.13)**	4,444	17,847	0.25

	Nine months ended September 30, 2023			Nine months ended September 30, 2022		
	Earnings (loss) $	**Weighted average shares (in thousands) #**	**Per share amount $**	Earnings $	Weighted average shares (in thousands) #	Per share amount $
Basic and diluted earnings (loss)	**(4,061)**	**14,015**	**(0.29)**	1,890	14,212	0.13

Diluted earnings (loss) per share calculation considers the dilutive effects of the Debentures on a pro rata basis until their redemption on July 28, 2023. The Debentures were anti-dilutive for the three and nine months ended September 30, 2023 and for the nine months ended September 30, 2022 and were dilutive for the three months ended September 30, 2022.

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

9. INVESTMENT AND OTHER INCOME (LOSS)

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

	Three months ended September 30, 2023	Three months ended September 30, 2022	**Nine months ended September 30, 2023**	Nine months ended September 30, 2022
	$	$	**$**	$
Interest income	**—**	160	**—**	581
Pension recovery *(note 3)*	**198**	174	**56**	522
Revaluation gains on property and equipment *(notes 2 and 5)*	**2,800**	—	**2,800**	—
Fair value adjustment on investment properties *(notes 2 and 4)*	**(6,983)**	—	**(6,983)**	—
Loss on disposal of property and equipment	**(6)**	—	**(8)**	(3)
Loss on redemption of Debentures *(note 7)*	**(768)**	—	**(768)**	—
Unrealized losses on marketable securities	**—**	(35)	**—**	(35)
Foreign exchange gains	**1**	236	**2**	296
	(4,758)	535	**(4,901)**	1,361

10. INCOME TAXES

The provision for income taxes consists of:

	Three months ended September 30, 2023	Three months ended September 30, 2022	**Nine months ended September 30, 2023**	Nine months ended September 30, 2022
	$	$	**$**	$
Current	**48**	288	**238**	176
Deferred	**1,968**	621	**1,463**	803
Provision for income taxes	**2,016**	909	**1,701**	979

As at September 30, 2023, the Company had non-capital losses carried forward for tax purposes of $13,167 (December 31, 2022 – $17,018) in Canada and US$16,421 (December 31, 2022 – US$14,985) in the United States.

Certain deferred income tax assets have not been recognized. They are as follows:

	September 30, 2023	December 31, 2022
	$	$
Property and equipment	**2,270**	1,401
Non-capital loss carry-forwards	**4,699**	3,543
Total	**6,969**	4,944

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

11. SUPPLEMENTAL CASH FLOW INFORMATION

Adjustments for items not involving cash	**Nine months ended September 30, 2023 $**	Nine months ended September 30, 2022 $
Depreciation and amortization	**7,592**	7,220
Deferred income tax expense *(note 10)*	**1,463**	803
Revaluation gains on property and equipment *(notes 2 and 5)*	**(2,800)**	—
Share-based payment recovery	**(213)**	(90)
Fair value adjustment on investment properties *(notes 2 and 4)*	**6,983**	—
Accretion	**124**	214
Realized/unrealized foreign exchange gains	**(20)**	(377)
Pension recovery *(note 3)*	**(56)**	(522)
Loss on redemption of Debentures *(note 7)*	**768**	—
Loss on disposal of property and equipment	**8**	3
Unrealized losses on marketable securities	**—**	35
	13,849	7,286

Net change in non-cash working capital balances	**Nine months ended September 30, 2023 $**	Nine months ended September 30, 2022 $
Receivables	**(1,190)**	3,064
Other assets	**(373)**	286
Accounts payable and other liabilities	**217**	3,339
Income taxes payable	**167**	(1,201)
	(1,179)	5,488

12. JOINT OPERATION

The Company continues to finalize the exit of its one-third ownership in 1111 Atwater, which is expected to occur in the fourth quarter of 2023. During the three months ended September 30, 2023, the Company received deposits from its partners on this disposition of $3,932, which are presented in accounts payable and other liabilities as of September 30, 2023. As a result of the impending disposition, the Development's assets and liabilities are presented as current on the statement of financial position as of September 30, 2023.

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

13. SEGMENTED INFORMATION

The Company operates in two reportable business segments. The Investment segment represents the Company's ferry business, investment properties and 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, unsecured credit facility *(note 14*), pension plans and the Debentures until their redemption (*note 7)*. Revenue in the Other category is primarily investment management fees.

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

The Company operates predominantly in Canada, with the exception of its investment properties located in the United States. All material hotel and rental revenue and provision of services were generated by continuing operations in Canada for the three and nine months ended September 30, 2023 and 2022.

Three months ended September 30, 2023	**Investment $**	**Hospitality $**	**Other $**	**Eliminations $**	**Total $**
Revenue and other income:					
Hotel and rental revenue and provision of services	**4,383**	**19,315**	**260**	**(7)**	**23,951**
Investment and other income (loss)	**(6,972)**	**2,795**	**(581)**	**—**	**(4,758)**
	(2,589)	**22,110**	**(321)**	**(7)**	**19,193**
Operating expenses before the undernoted	**2,639**	**11,267**	**503**	**(7)**	**14,402**
Depreciation and amortization	**10**	**2,720**	**21**	**—**	**2,751**
Interest and accretion	**—**	**1,320**	**561**	**—**	**1,881**
Income (loss) before income taxes	**(5,238)**	**6,803**	**(1,406)**	**—**	**159**

Nine months ended September 30, 2023	**Investment $**	**Hospitality $**	**Other $**	**Eliminations $**	**Total $**
Revenue and other income:					
Hotel and rental revenue and provision of services	**6,556**	**49,979**	**798**	**(18)**	**57,315**
Investment and other income (loss)	**(6,983)**	**2,793**	**(711)**	**—**	**(4,901)**
	(427)	**52,772**	**87**	**(18)**	**52,414**
Operating expenses before the undernoted	**7,268**	**32,408**	**1,787**	**(18)**	**41,445**
Depreciation and amortization	**50**	**7,492**	**50**	**—**	**7,592**
Interest and accretion	**—**	**4,052**	**1,685**	**—**	**5,737**
Income (loss) before income taxes	**(7,745)**	**8,820**	**(3,435)**	**—**	**(2,360)**
Assets	**188,532**	**235,483**	**28,491**	**—**	**452,506**
Liabilities	**116,042**	**61,433**	**60,200**	**—**	**237,675**
Capital expenditures	**32,396**	**6,102**	**—**	**—**	**38,498**
Assets located outside of Canada	**11,510**	**—**	**—**	**—**	**11,510**

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

13. SEGMENTED INFORMATION (CONT.)

Three months ended September 30, 2022	Investment $	Hospitality $	Other $	Eliminations $	Total $
Revenue and other income:					
Hotel and rental revenue and provision of services	4,232	17,231	247	(12)	21,698
Investment and other income	237	112	186	—	535
	4,469	17,343	433	(12)	22,233
Operating expenses before the undernoted	2,588	10,333	483	(12)	13,392
Depreciation and amortization	116	2,296	3	—	2,415
Interest and accretion	—	791	857	—	1,648
Income (loss) before income taxes	1,765	3,923	(910)	—	4,778

Nine months ended September 30, 2022	Investment $	Hospitality $	Other $	Eliminations $	Total $
Revenue and other income:					
Hotel and rental revenue and provision of services	6,004	39,435	732	(18)	46,153
Investment and other income	500	247	614	—	1,361
	6,504	39,682	1,346	(18)	47,514
Operating expenses before the undernoted	6,302	24,841	1,606	(18)	32,731
Depreciation and amortization	268	6,945	7	—	7,220
Interest and accretion	—	2,122	2,572	—	4,694
Income (loss) before income taxes	(66)	5,774	(2,839)	—	2,869
Assets	140,362	212,270	36,933	—	389,565
Liabilities	62,166	60,863	71,708	—	194,737
Capital expenditures	27,241	16,916	—	—	44,157
Assets located outside of Canada	18,659	—	—	—	18,659

14. RISK MANAGEMENT AND RELATED PARTY TRANSACTION

Related Party Transaction

During the three months ended September 30, 2023, the Company drew $35,000, the maximum borrowing capacity, on a credit facility with an entity owned by the Company's Chairman and his immediate family member to finance the redemption of the Debentures *(note 7)*. This facility bears interest at 6.00% and has monthly interest-only payments until January 1, 2028, whereby afterwards the facility will continue as a revolving line of credit due on demand.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company monitors and forecasts its cash balances and cash flows generated from operations to meet its required obligations.

The Company has two secured credit facilities with Canadian chartered banks. At September 30, 2023, the aggregate availability of these facilities was $55,000 with $30,124 drawn and unused availability of $24,876. The aggregate maximum availability of these facilities was increased to $85,000 subsequent to September 30, 2023 *(note 15)*.

14. RISK MANAGEMENT AND RELATED PARTY TRANSACTION (CONT.)

Liquidity Risk (cont.)

In 2022, the Company obtained an $85,000 construction loan to finance the Carling Avenue Development. Funds are advanced from the loan periodically as construction costs are incurred. The loan bears interest at the lender's prime rate and has a three-year term. During the year, the Company began drawing on the loan and as of September 30, 2023 has drawn $29,458. As such, the Company does not expect to use its two chartered bank credit facilities for financing the Carling Avenue Development going forward, other than for short-term working capital requirements. The Company believes it has access to sufficient capital through cash on hand, operating cash flows and existing borrowing facilities to meet its obligations as they come due.

15. SUBSEQUENT EVENTS

On October 13, 2023, the Company amended one of its revolving lines of credit, increasing the maximum borrowing capacity from $40,000 to $55,000. The Company pledged an additional hotel property and its ferry operations, both previously unencumbered as part of this amendment. In addition to this incremental security, the facility is also secured by a registered charge on five hotel properties and one office building.

On October 30, 2023, the Company renewed an existing credit facility that matured on October 1, 2023. The $55,000 credit facility is comprised of a $25,000 term loan and a $30,000 revolving line of credit. The revolving line of credit bears interest at prime plus 1.00% and the term loan bears interest at a four-year fixed rate of 6.95% with a 25-year year amortization period. The credit facility has a five-year term and continues to be secured by a registered charge on five hotel properties.

Clarke Inc.
Suite 106
145 Hobsons Lake Dr.
Halifax, NS B3S 0H9

www.clarkeinc.com