CLARKE

Halifax, Canada

Quarterly Report

September 30, 2022 and 2021

Management's Discussion & Analysis

Clarke Inc.

September 30, 2022 and 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion & Analysis ("MD&A") presents management's view of the financial position and performance of Clarke Inc. ("Clarke" or the "Company") for the three and nine months ended September 30, 2022 compared with the three and nine months ended September 30, 2021. The following information is derived from the Company's unaudited interim condensed consolidated financial statements which are prepared in accordance with IAS 34, *Interim Financial 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, 2022, available on SEDAR at www.sedar.com. This MD&A provides an overall discussion, followed by analyses of the performance of the Company's major investments and operations. The MD&A is prepared as at November 8, 2022 (unless otherwise stated). All dollar amounts are shown in millions of Canadian dollars except for per common share amounts or unless otherwise indicated.

OVERVIEW & STRATEGY

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

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

THIRD QUARTER REVIEW AND OUTLOOK[1]

During the third quarter of 2022, the Company's book value per common share increased by $0.34, or 2.5%. The increase was primarily a result of hotel net operating income of $7.2 million, or $0.50 per common share, offset by depreciation and amortization of $2.4 million, or $0.17 per common share and interest expense of $1.6 million, or $0.12 per common share. Our book value per common share at the end of the quarter was $13.83 while our common share price was $11.52.

Hotel Operations

The Canadian hotel industry, while still volatile and varying widely by both segment and market, has generally recovered to pre-COVID-19 pandemic (the "Pandemic") revenue levels. We are pleased that both revenues and operating results for our hotels have continued to recover from the decline caused by the Pandemic.

Our hotels have showed significant improvement in the quarter and year to date. While it is difficult to perfectly compare pre-Pandemic results to current results due to hotel renovations and the modification of use and/or target markets for certain assets, our revenues in the third quarter have essentially recovered to pre-Pandemic levels. This is a milestone that management does not take lightly. The Pandemic has been a remarkably difficult time for hoteliers across Canada and worldwide. It continues to shape and revolutionize the hospitality industry and we continue to adapt to these changes. We continue to proactively manage these changes to maximize hotel revenues and operating results in an attempt to provide shareholders with the highest return and best use of our hospitality assets as possible. This has and will continue to include exploring more long-term stay offerings, additional hotel renovations and potential residential conversions, if these are deemed accretive to the Company.

[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.

We are pleased to report that hotel revenue increased by approximately 37% compared to the second quarter of 2022 and increased 57% compared to the same quarter in 2021. Hotel revenues in the quarter were our highest since the onset of the Pandemic and trended upwards in each month of the quarter.

In addition to the general recovery of consumer confidence in tourism and travel, results have also been driven by increased demand in select oil and gas markets, the traditional strength of the summer season and the renovation of certain key assets.

During the second quarter the Company acquired, through our wholly owned subsidiary Holloway Lodging Corporation ("Holloway"), the Stanford Inn & Suites in Grande Prairie, AB, for a purchase price of $11.6 million. The acquisition was the first hospitality acquisition for Holloway since 2016 – a hiatus of six years. The Stanford Inn & Suites has 206 rooms, the majority of which are kitchenette suites, and features SIPPS Bar & Grill, Monica's Family Restaurant, a fitness center, meeting and banquet space and nearly two acres of oversized equipment and truck parking on an adjoining parcel of excess land. We are very pleased with the results of this hotel to date, and it has complimented our other Grande Prairie, AB assets.

Renovations were completed at our Sternwheeler Hotel & Conference Centre in Whitehorse, YT and we are very excited to have brought this refreshed asset to market. The renovation has re-positioned this hotel to be the premiere hotel in the market as international and domestic travel returns. The renovations, which commenced in 2021, were completed in early June 2022. The positive results have been immediate. Revenues in July and August were the highest since the hotel's acquisition by Holloway in 2016.

Real Estate and Corporate

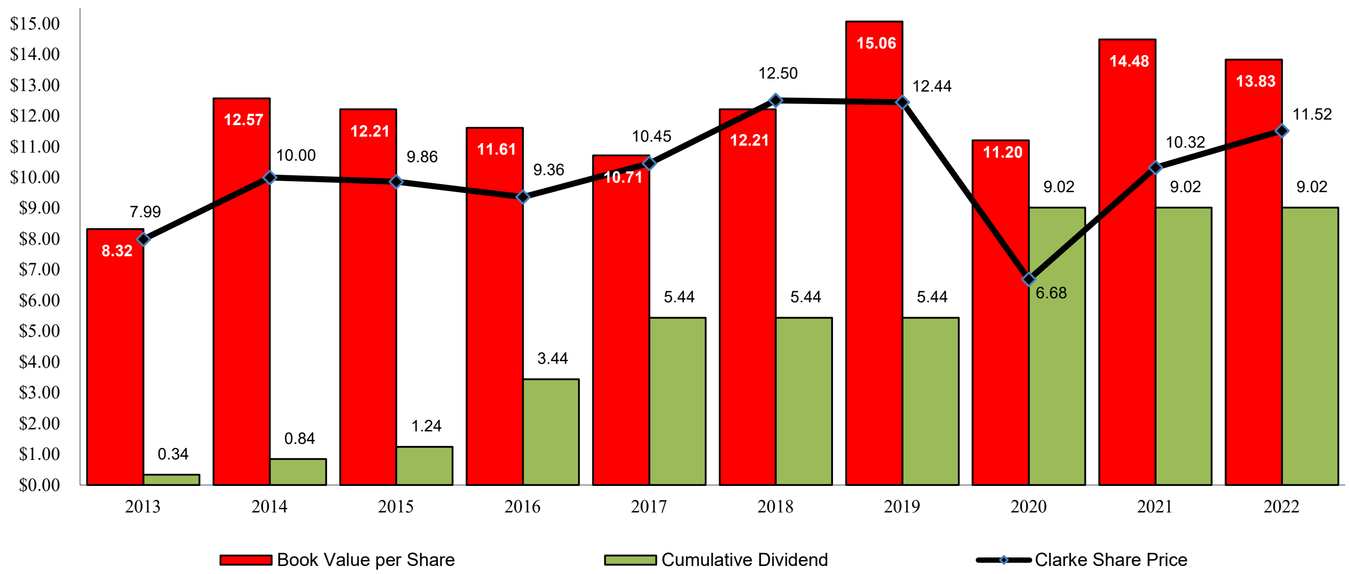
Construction continues on the first phase of the redevelopment of our excess land on Carling Avenue in Ottawa, ON (the "Carling Avenue Development"). While the first phase of construction is underway, pre-construction activities are also ongoing for its second phase. The two phases will consist of a multi-building residential apartment complex including ground-floor retail space. Phase one of the Carling Avenue Development consists of two residential towers with 404 rental units. The project has been self-financed to date with cash on hand and we obtained financing on this project subsequent to September 30, 2022 (see the "Liquidity and Capital Resources" section below).

Leasing, marketing and construction activities continue at our 1111 Atwater Avenue development (the "1111 Atwater Development"), in which we are a one-third partner, located at the former site of the Montreal Children's Hospital. The 1111 Atwater Development includes a 38-storey building including seniors' housing (branded as *Selena*), rental condo units (branded *Eleva*) and luxury condominiums, with extensive amenities for residents. The Company holds the right to exit the co-ownership agreement for consideration of the Company's investment plus a 6.0% cumulative, annual return. This right was exercised on November 1, 2022 which bound the Company's co-investors to purchase the Company's interest. The disposal transaction will close 60 days from December 31, 2022 with the co-investors having a one-time option to extend the closing of the transaction by 30 days.

The Company has $152.1 million of debt as of September 30, 2022 and has access to two secured, revolving credit facilities. The Company's maximum combined borrowing base under these revolving credit facilities was $55.0 million as of September 30, 2022, of which $8.2 million was drawn and $46.8 million was undrawn and 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.

BOOK VALUE PER SHARE

The Company's book value per share at September 30, 2022 was $13.83, a decrease of $0.65 per common share since December 31, 2021. The following graph illustrates Clarke's book value per share, share price and cumulative dividends paid over the past ten years.



**All years as of December 31 except for current quarter as at September 30, 2022.*

RESULTS OF OPERATIONS

Highlights of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021 are as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	**Nine months ended September 30, 2022**	Nine months ended September 30, 2021
(in millions, except per share amounts)	**$**	$	**$**	$
Hotel revenue	**17.2**	11.0	**39.4**	22.7
Provision of services	**4.5**	4.3	**6.7**	5.9
Investment and other income*	**0.5**	2.7	**1.4**	16.9
Net income	**3.9**	3.5	**1.9**	10.6
Comprehensive income (loss)	**4.5**	5.4	**(10.3)**	38.1
Basic earnings per share ("EPS")	**0.27**	0.24	**0.13**	0.72
Diluted EPS	**0.25**	0.16	**0.13**	0.61
Total assets	**389.6**	382.4	**389.6**	382.4
Total liabilities	**194.7**	181.0	**194.7**	181.0
Long-term financial liabilities	**87.6**	116.2	**87.6**	116.2
Book value per share	**13.83**	13.96	**13.83**	13.96

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

Net income for the three and nine months ended September 30, 2022 was $3.9 million and $1.9 million, respectively, compared to net income of $3.5 million and $10.6 million for the same periods in 2021.

The Company's operating businesses were significantly more profitable during the quarter compared to the same period in 2021 – in particular, the Company's hotels. Hotel operations in the third quarter increased significantly compared to the same quarter in the prior year and the first and second quarters of the current year. Hotel revenue for the three and nine months ended September 30, 2022 was $17.2 million and $39.4 million, respectively, compared to $11.0 million and $22.7 million for the same periods in 2021. The hospitality segment's net income before taxes was $3.9 million and $5.8 million for the three and nine months ended September 30, 2022, respectively, compared to net income of $1.4 million and a net loss of $1.6 million for the same periods in 2021

In 2021, net income was primarily driven by net gains on the Company's marketable securities. The Company had no marketable security dispositions and only insignificant unrealized gains/losses in the three and nine months ended September 30, 2022, compared to $3.0 million and $17.2 million of net investment gains in the same respective periods in 2021.

Comprehensive income for the three and nine months ended September 30, 2022 was $4.5 million and a loss of $10.3 million, respectively. While the year to date loss is primarily due to net pension remeasurement losses of $13.0 million, the impact was negligible during the quarter. This loss is attributable mainly to the accounting treatment of the asset ceiling on the Company's accrued pension benefit asset – primarily due to an increase in the estimated discount rate. The Company had comprehensive income of $5.4 million and $38.1 million, respectively in the same periods in 2021. Comprehensive income in 2021 was driven by net pension remeasurement gains of $1.5 million and $17.5 million for the three and nine month periods, respectively, the aforementioned net investment gains, and a revaluation gain, net of income tax of $10.0 million on property and equipment.

SEGMENT REPORTING

The table below summarizes the Company's holdings as at September 30, 2022 based on total assets. The Other category is not a segment and is disclosed for reconciliation purposes. It consists of our treasury and executive functions, our pension plans and our convertible debentures.

	September 30, 2022		December 31, 2021	
Segment	**$**	**%**	$	%
Investment	**140.4**	**36.0**	107.8	28.0
Hospitality	**212.3**	**54.5**	201.7	52.4
Other	**36.9**	**9.5**	75.1	19.5
Total	**389.6**	**100.0**	384.6	100.0

Investment segment

The Investment segment is comprised of the Company's ferry business, its marketable securities, its investment properties and its real estate inventory under development. The Carling Avenue Development and the 1111 Atwater Development continue to progress and are the driver of the segment's $27.2 million of capital expenditures during the year.

The Company owns a passenger/car ferry operating on the St. Lawrence River under contract with the Government of Québec since 1973. The ferry does not operate during the first quarter of the year and completes its annual maintenance and repairs during this offseason period. The ferry commenced service for the season on April 14, 2022.

The company had no material activities with respect to its marketable securities portfolio in the quarter or year to date.

Hospitality segment

The Company owns and operates hotels across Canada. Results for the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021 are as follows:

	Three months ended September 30, 2022 $	Three months ended September 30, 2021 $	**Nine months ended September 30, 2022 $**	Nine months ended September 30, 2021 $
Hotel revenue	**17.2**	11.0	**39.4**	22.7
Investment and other income	**0.1**	0.1	**0.2**	0.4
Total revenue and other income	**17.3**	11.1	**39.7**	23.1
Less:				
Operating expenses, general and administrative expenses, property taxes and insurance	**10.3**	6.4	**24.8**	15.2
Depreciation and amortization	**2.3**	2.6	**7.0**	7.4
Interest and accretion	**0.8**	0.7	**2.1**	2.1
Income (loss) before income taxes	**3.9**	1.4	**5.8**	(1.6)

Hotel operations in the third quarter increased significantly compared to the same quarter in the prior year and the first and second quarters of the current year. Hotel revenue for the three and nine month periods ended September 30, 2022 was $17.2 million and $39.4 million, respectively, compared to $11.0 million and $22.7 million for the same periods in 2021. Income before taxes was $3.9 million and $5.8 million for the three and nine months ended September 30, 2022, respectively, compared to net income of $1.4 million and a net loss of $1.6 million for the same periods in 2021.

OUTSTANDING SHARE DATA

At November 8, 2022, the Company had:

- An unlimited number of common shares authorized and 14,069,144 common shares outstanding; and
- An unlimited number of First and Second Preferred Shares authorized and none outstanding.

LIQUIDITY AND CAPITAL RESOURCES

The Company had $1.5 million of cash and cash equivalents on hand as at September 30, 2022, compared to $18.4 million as at December 31, 2021. The use of cash was primarily related to capital investment in our various real estate developments and our hotel acquisition.

On October 4, 2022, the Company entered into a $85.0 million credit facility with a major Canadian bank for the construction of phase one of its multi-unit residential apartment complex on Carling Avenue in Ottawa, ON. The facility is available to the Company as construction costs are incurred, bears interest at the lender’s prime rate and has a three-year term. The Company has not yet drawn on this facility.

On October 13, 2022, the Company extended a loan facility comprised of a $20.2 million term loan payable and a $15.0 million revolving line of credit, which matured on September 1, 2022. The loan facility was extended for approximately one year and now matures on October 1, 2023. The term loan has a fixed interest rate of 6.55% and a 12-year amortization period and the revolving line of credit bears interest at a variable rate of prime plus 1.40%.

On October 31, 2022, the Company redeemed $15.8 million of its convertible debentures at par from the debentureholders on a pro rata basis. The cash outlay, including $0.5 million of accrued interest, was $16.2 million.

Operating activities

Cash provided by operating activities was $3.6 million for the nine months ended September 30, 2022, compared to using $3.9 million during the same period in 2021. The cash flow provided was primarily attributable to positive changes in working capital balances and positive cash flows from our hospitality operations.

At September 30, 2022, working capital excluding marketable securities was negative $20.3 million, compared to negative $24.0 million at December 31, 2021. The Company has the ability to fund working capital needs through its cash on hand and existing credit facilities.

Investing activities

Cash used in investing activities was $31.7 million for the nine months ended September 30, 2022, compared to providing $6.1 million during the same period in 2021. The cash used was primarily attributable to capital expenditures and the acquisition of the Stanford Inn & Suites. Cash used by investing activities during the same period in 2021 was primarily a result of the Company's investment in the 1111 Atwater Development of $21.1 million and capital expenditures of $8.8 million, offset by proceeds from the disposition of marketable securities of $35.7 million.

Financing activities

Cash provided by financing activities was $11.2 million for the nine months ended September 30, 2022, compared to using $3.4 million during the same period in 2021. The cash provided was primarily the result of 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. Net cash used in financing activities during the same period in 2021 was primarily related to the repayment of long-term debt of $5.0 million, the repurchase of common shares of $5.3 million and repayments of short-term indebtedness of $1.9 million, offset by proceeds of long-term debt of $8.9 million.

SUMMARY OF QUARTERLY RESULTS

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

Three months ended	Sept. 2022 $	Jun. 2022 $	Mar. 2022 $	Dec. 2021 $	Sept. 2021 $	Jun. 2021 $	Mar. 2021 $	Dec. 2020 $
Revenue and other income	22.2	15.1	10.2	20.5	18.0	13.3	14.3	26.9
Net income (loss)	3.9	(0.5)	(1.4)	5.8	3.5	3.1	4.1	14.5
Other comprehensive income (loss)	0.6	(20.0)	7.2	1.6	1.9	14.9	10.7	15.1
Comprehensive income (loss)	4.5	(20.5)	5.7	7.4	5.4	18.0	14.8	29.6
Basic EPS	0.27	(0.04)	(0.10)	0.40	0.24	0.21	0.27	0.94
Diluted EPS	0.25	(0.04)	(0.10)	0.36	0.16	0.20	0.25	0.79

As demonstrated above, our results can fluctuate significantly from quarter to quarter, in part as a result of certain accounting standards the Company follows, and as a result of fluctuations in the market prices of our securities portfolio. Under IFRS, realized and unrealized gains and losses on our publicly-traded securities are presented in "revenue and other income" on our consolidated statements of earnings. The Company does not believe that quarterly fluctuations in the stock prices of our investee companies necessarily reflect a change in the value of the underlying businesses in which we are invested. The values of the underlying businesses are often more stable than their stock prices reflect. The Company's hotel and ferry businesses are seasonal in nature and their results tend to fluctuate throughout the year. The revenues are generally highest in the third quarter due to increased leisure travel during the summer months. While certain expenses fluctuate according to revenue and operating levels, other expenses such as property taxes, insurance and interest are generally fixed and are incurred evenly throughout the year.

FINANCIAL INSTRUMENTS

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

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

As an investment company, Clarke has a significant number of financial instruments. Notes 1, 2, 3, 4, 5, 11, 12, 13, 14 and 24 to the consolidated financial statements for the year ended December 31, 2021 and the Company's 2021 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 annual filings and believe the design and effectiveness to be adequate to provide such reasonable assurance using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013).

There have been no changes in the Company's disclosure controls and procedures or internal controls over financial reporting during the three and nine months ended September 30, 2022, that have materially affected, or are reasonably likely to materially affect, the effectiveness of the internal controls over financial reporting.

RELATED PARTY TRANSACTIONS

The Company may, from time to time, participate in related party transactions. The related party transactions entered during the current period were in the normal course of operations and occurred at fair value. For full details of the Company's related party transactions, please refer to note 15 of our consolidated financial statements for the year ended December 31, 2021.

ENVIRONMENTAL MATTERS

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

The Company's businesses regularly review their operations and facilities to identify any potential environmental contamination or liability. Limited internal reviews, which may include third party environmental assessments, have been conducted at all of 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 International Financial Reporting Standards (“IFRS”) and should not be considered in isolation or as a substitute to any financial measures or ratios of performance calculated and presented in accordance with IFRS. These non-IFRS financial measures and ratios are presented in this MD&A because management of Clarke believes that such measures and ratios enhance the user’s understanding of our historical and current financial performance.

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

The following table reconciles hotel net operating income to income (loss) 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, 2022.

	Three months ended September 30, 2022 $	Three months ended September 30, 2021 $	**Nine months ended September 30, 2022 $**	Nine months ended September 30, 2021 $
Income (loss) before income taxes	**3.9**	1.4	**5.8**	(1.6)
Deduct:				
Investment and other income	**(0.1)**	(0.1)	**(0.2)**	(0.4)
Add:				
Non-operating corporate expenses	**0.2**	0.2	**0.5**	0.3
Depreciation and amortization	**2.3**	2.6	**7.0**	7.4
Interest and accretion	**0.8**	0.7	**2.1**	2.1
Hotel net operating income	**7.2**	4.8	**15.2**	7.8

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, 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, real estate 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, 2022 and 2021

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (in thousands of Canadian dollars)

	September 30, 2022 $	December 31, 2021 $
ASSETS		
Current		
Cash and cash equivalents	**1,491**	18,423
Marketable securities *(note 9)*	**2,965**	2,773
Receivables	**6,469**	9,533
Real estate inventory under development *(note 13)*	**65,948**	—
Other assets *(note 3)*	**3,225**	2,135
Total current assets	**80,098**	32,864
Accrued pension benefit asset *(note 4)*	**35,482**	54,306
Property and equipment *(note 5)*	**189,529**	178,797
Real estate inventory under development	**—**	53,704
Investment properties *(note 6)*	**71,467**	48,849
Deferred income tax assets *(note 8)*	**11,925**	13,452
Other assets *(note 3)*	**1,064**	2,657
Total assets	**389,565**	384,629
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term indebtedness	**8,218**	—
Accounts payable and other liabilities	**24,537**	12,906
Income taxes payable	**1,824**	3,408
Current portion of long-term debt *(note 7)*	**62,901**	37,751
Total current liabilities	**97,480**	54,065
Convertible debentures	**49,454**	49,268
Long-term debt *(note 7)*	**31,493**	48,765
Construction accounts payable and accrued liabilities	**6,095**	8,390
Lease obligations	**601**	730
Deferred income tax liabilities *(note 8)*	**9,614**	14,792
Total liabilities	**194,737**	176,010
Shareholders' equity		
Share capital *(note 10)*	**83,316**	85,218
Contributed surplus	**7,302**	7,302
Retained earnings	**40,366**	40,100
Accumulated other comprehensive income	**63,844**	75,999
Total shareholders' equity	**194,828**	208,619
Total liabilities and shareholders' equity	**389,565**	384,629

See accompanying notes to the interim condensed consolidated financial statements

On behalf of the Board:

/s/ George Armoyan
Director

/s/ Blair Cook
Director

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	Three months ended September 30, 2022	Three months ended September 30, 2021	**Nine months ended September 30, 2022**	Nine months ended September 30, 2021
	$	$	**$**	$
Revenue and other income				
Hotel revenue	**17,231**	11,004	**39,435**	22,714
Provision of services	**4,467**	4,290	**6,718**	5,892
Investment and other income *(note 9)*	**535**	2,664	**1,361**	16,919
	22,233	17,958	**47,514**	45,525
Expenses				
Operating expenses	**10,001**	6,312	**25,224**	14,904
Cost of services provided	**1,593**	1,083	**3,308**	2,624
General and administrative expenses	**810**	283	**2,162**	1,697
Property taxes and insurance	**988**	465	**2,037**	1,198
Depreciation and amortization	**2,415**	2,569	**7,220**	7,573
Interest and accretion	**1,648**	1,515	**4,694**	4,592
	17,455	12,227	**44,645**	32,588
Income before income taxes	**4,778**	5,731	**2,869**	12,937
Provision for income taxes *(note 8)*	**909**	2,268	**979**	2,359
Net income	**3,869**	3,463	**1,890**	10,578
Basic earnings per share:				
(in dollars) (note 10)	**0.27**	0.24	**0.13**	0.72
Diluted earnings per share:				
(in dollars) (note 10)	**0.25**	0.16	**0.13**	0.61

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, 2022 $	Three months ended September 30, 2021 $	**Nine months ended September 30, 2022 $**	Nine months ended September 30, 2021 $
Net income	**3,869**	3,463	**1,890**	10,578
Other comprehensive income (loss)				
Items that will not be reclassified to income or loss				
Remeasurement gains (losses) and effect of changes to asset ceiling on defined benefit pension plans, net of income tax *(note 4)*	**(18)**	1,485	**(12,986)**	17,476
Revaluation gain on property and equipment, net of income tax	**—**	—	**—**	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	**643**	420	**831**	(6)
Other comprehensive income (loss)	**625**	1,905	**(12,155)**	27,519
Comprehensive income (loss)	**4,494**	5,368	**(10,265)**	38,097

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, 2022 $	Nine months ended September 30, 2021 $
OPERATING ACTIVITIES		
Net income	**1,890**	10,578
Adjustments for items not involving cash *(note 11)*	**7,286**	(9,759)
	9,176	819
Additions to real estate inventory under development	**(11,109)**	(8,050)
Net change in non-cash working capital balances *(note 11)*	**5,488**	3,334
Net cash provided by (used in) operating activities	**3,555**	(3,897)
INVESTING ACTIVITIES		
Proceeds on disposition of marketable securities	**—**	35,655
Contribution to joint operation, net of cash acquired	**—**	(21,083)
Proceeds on disposition of asset held-for-sale	**—**	210
Acquisition of hotel property *(note 2)*	**(11,600)**	—
Additions to property and equipment	**(6,049)**	(4,182)
Additions to investment properties	**(15,399)**	(4,612)
Additions to other assets	**—**	(89)
Purchase of marketable securities	**—**	(2,445)
Collections of loans receivable	**250**	1,725
Distribution of pension plan surplus, net of tax *(note 4)*	**1,064**	914
Net cash (used in) provided by investing activities	**(31,734)**	6,093
FINANCING ACTIVITIES		
Repurchase of shares for cancellation *(note 10)*	**(3,526)**	(5,290)
Net proceeds (repayment) of short-term indebtedness	**8,218**	(1,867)
Proceeds of long-term debt, net of financing fees *(note 7)*	**9,619**	8,864
Settlement of stock-option liability	**(72)**	—
Repayment of long-term debt	**(2,878)**	(4,954)
Principal payments of lease obligations	**(114)**	(103)
Net cash provided by (used in) financing activities	**11,247**	(3,350)
Net change in cash during the period	**(16,932)**	(1,154)
Cash and cash equivalents, beginning of period	**18,423**	2,730
Cash and cash equivalents, end of period	**1,491**	1,576

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, 2022 **$**	Nine months ended September 30, 2021 $
Share capital		
Balance at beginning of period	**85,218**	89,097
Common shares repurchased for cancellation *(note 10)*	**(1,902)**	(3,770)
Balance at end of period	**83,316**	85,327
Contributed surplus		
Balance at beginning of period	**7,302**	7,512
Purchase price in excess of the book value of common shares repurchased for cancellation *(note 10)*	**—**	(210)
Balance at end of period	**7,302**	7,302
Retained earnings		
Balance at beginning of period	**40,100**	25,093
Net income	**1,890**	10,578
Purchase price in excess of the book value of common shares repurchased for cancellation *(note 10)*	**(1,624)**	(1,310)
Balance at end of period	**40,366**	34,361
Accumulated other comprehensive income		
Balance at beginning of period	**75,999**	46,902
Other comprehensive (loss) income	**(12,155)**	27,519
Balance at end of period	**63,844**	74,421
Total shareholders' equity	**194,828**	201,411

See accompanying notes to the interim condensed consolidated financial statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Clarke Inc. (the "Company") was incorporated on December 9, 1997 pursuant to the Canada Business Corporations Act. The head office of the Company is located at 145 Hobsons Lake Drive, Halifax, Nova Scotia. The Company is an investment holding company with investments in a diversified group of businesses, operating primarily in Canada. The Company continuously evaluates the acquisition, retention and disposition of its investments. Changes in the mix of investments should be expected. The Company has a diverse and significant portfolio of direct real estate holdings across the hospitality, commercial, industrial and residential sectors. These interim condensed consolidated financial statements were approved by the Board of Directors on November 8, 2022.

Basis of presentation and statement of compliance

These interim condensed consolidated financial statements for the nine months ended September 30, 2022, were prepared in accordance with IAS 34, *Interim Financial Reporting,* and should be read together with the annual consolidated financial statements for the year ended December 31, 2021. The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2021.

Principles of consolidation

Subsidiaries
The interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions have been eliminated on consolidation. All subsidiaries have the same reporting year end as the Company, and all follow the same accounting policies.

Joint operation
The Company became involved in a joint operation during the year ended December 31, 2021. The Company's share of the assets, liabilities, revenues and expenses of this joint operation have been recognized in the relevant categories of these interim condensed consolidated financial statements.

2. HOTEL ACQUISITION

On June 13, 2022, the Company acquired the Stanford Inn & Suites in Grande Prairie, AB, for a gross purchase price of $11,600, which was paid in cash and by drawing on the Company's revolving credit facilities. The following table summarizes the fair value of the assets acquired:

	$
Land	**3,700**
Buildings and components	**6,400**
Furniture, fixtures and equipment	**1,462**
Inventory	**38**
Assets acquired, at fair value	**11,600**

Included in the interim consolidated statement of earnings for the three and nine months ended September 30, 2022 are acquisition costs of nil and $41, respectively, revenue of $1,436 and $1,773, respectively, and income before taxes of $517 and $632, respectively.

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

3. OTHER ASSETS

	September 30, 2022 $	December 31, 2021 $
Other current assets		
Inventories	**117**	78
Prepaid expenses and deposits	**1,603**	1,807
Current portion of loans receivable	**1,505**	250
	3,225	2,135
Other non-current assets		
Loans receivable	**754**	2,202
Intangible and other assets	**310**	455
	1,064	2,657

4. EMPLOYEE FUTURE BENEFITS

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

	September 30, 2022 $	December 31, 2021 $
Fair value of plan assets	**112,927**	104,362
Accrued benefit obligation	**(39,333)**	(50,056)
Funded status of plans – surplus	**73,594**	54,306
Cumulative impact of asset ceiling	**(38,112)**	—
Accrued pension benefit asset	**35,482**	54,306

The defined benefit pension recovery recognized in the interim consolidated statements of earnings for the three and nine months ended September 30, 2022 was $174 and $522, respectively (2021 – expense of $19 and $53). Elements of the defined benefit remeasurement recognized in other comprehensive income (loss) are as follows:

	Three months ended September 30, 2022 $	Three months ended September 30, 2021 $	**Nine months ended September 30, 2022 $**	Nine months ended September 30, 2021 $
Remeasurement gains and return on plan assets in excess of discount rate	**1,905**	2,036	**20,213**	23,947
Impact of asset ceiling	**(1,929)**	—	**(38,112)**	—
Deferred income tax recovery (expense)	**6**	(551)	**4,913**	(6,471)
Net gains (losses)	**(18)**	1,485	**(12,986)**	17,476

The most significant assumption impacting the valuation of the accrued benefit obligation is the discount rate, which was 4.95% as at September 30, 2022 (December 31, 2021 – 2.90%). The discount rate also impacts the calculation of the asset ceiling. An increase in the discount rate reduces the present value of the future economic benefits available to the Company from surplus assets.

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

4. EMPLOYEE FUTURE BENEFITS (CONT'D)

During the nine months ended September 30, 2022, the Company received a distribution from one of its pension plans in the amount of $1,447 (2021 – $1,244) in accordance with the surplus withdrawal rules of the Quebec Supplemental Pension Plans Act.

The following table summarizes the changes in the accrued pension benefit asset for the nine months ended September 30, 2022:

	Nine months ended September 30, 2022 $
Accrued pension benefit asset – beginning balance	**54,306**
Remeasurement gains and return on plan assets in excess of discount rate	**20,213**
Pension recovery	**522**
Surplus withdrawal	**(1,447)**
Impact of asset ceiling	**(38,112)**
Accrued pension benefit asset – ending balance	**35,482**

5. PROPERTY AND EQUIPMENT

Nine months ended September 30, 2022	Land $	Buildings and components $	Ferry and vessel dry dock costs $	Furniture, fixtures and equipment $	Right-of-use assets $	Renovations in progress $	Total $
Beginning balance	40,572	126,123	—	7,000	507	4,595	178,797
Additions (*notes 2 & 13*)	3,700	6,921	733	2,716	—	3,838	17,908
Disposals	—	—	—	(3)	—	—	(3)
Transfers	—	4,069	—	2,426	—	(6,495)	—
Depreciation	—	(4,807)	(140)	(2,168)	(58)	—	(7,173)
Ending balance	**44,272**	**132,306**	**593**	**9,971**	**449**	**1,938**	**189,529**

Valuation	44,272	138,963	—	—	—	—	183,235
Cost	—	—	5,390	21,954	738	1,938	30,020
Accumulated depreciation	—	(6,657)	(4,797)	(11,983)	(289)	—	(23,726)
Net book value	**44,272**	**132,306**	**593**	**9,971**	**449**	**1,938**	**189,529**

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

6. INVESTMENT PROPERTIES

Nine months ended September 30, 2022	Buildings $	Vacant land $	Investment property under construction $	Total $
Beginning balance	17,010	167	31,672	48,849
Additions	79	—	20,881	20,960
Capitalized interest	—	—	273	273
Foreign exchange impact	1,385	—	—	1,385
Ending balance	**18,474**	**167**	**52,826**	**71,467**

7. LONG-TERM DEBT

The following table summarizes significant changes in long-term debt for the nine months ended September 30, 2022:

	Nine months ended September 30, 2022 $
Total long-term debt – beginning balance	**86,516**
Proceeds from long-term debt	**9,740**
Repayment of long-term debt	**(2,878)**
Capitalized interest on construction financing	**1,109**
Deferred financing fees capitalized	**(121)**
Accretion	**123**
Amortization of fair value increment from acquisitions	**(95)**
Total long-term debt – ending balance	**94,394**
Less: current portion (*note 13*)	**(62,901)**
Long-term portion	**31,493**

On April 8, 2022, the Company renewed a mortgage payable of $14,649 with a fixed interest rate of 4.55%, which was due to mature in November 2022. The renewed mortgage has a fixed interest rate of 3.91%, an amortization period of fifteen years, a five-year term and matures in April 2027. The mortgage is secured by two hotels.

At September 30, 2022, the Company had available unused revolving credit facilities totalling $46,782 (December 31, 2021 – $55,000).

On October 13, 2022, the Company extended a loan facility comprised of a $20,157 term loan and a $15,000 revolving line of credit, which matured on September 1, 2022. The loan facility was extended for approximately one year and matures on October 1, 2023. The term loan has a fixed interest rate of 6.55% and a 12-year amortization period. The revolving line of credit bears interest at prime plus 1.40%. The loan facility is secured by five hotels.

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

8. INCOME TAXES

The provision for income taxes consists of:

	Three months ended September 30, 2022	Three months ended September 30, 2021	**Nine months ended September 30, 2022**	Nine months ended September 30, 2021
	$	$	**$**	$
Current	**288**	2,371	**176**	3,324
Deferred	**621**	(103)	**803**	(965)
Provision for income taxes	**909**	2,268	**979**	2,359

As at September 30, 2022, the Company had non-capital losses carried forward for tax purposes of $18,015 (December 31, 2021 – $20,626) in Canada and US$14,196 (December 31, 2021 – US$11,943) in the United States. Certain deferred income tax assets have not been recognized:

	September 30, 2022	December 31, 2021
	$	$
Property and equipment	**1,420**	2,212
Non-capital and capital loss carry-forwards	**3,134**	3,113
Total	**4,554**	5,325

9. INVESTMENT AND OTHER INCOME

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

	Three months ended September 30, 2022	Three months ended September 30, 2021	**Nine months ended September 30, 2022**	Nine months ended September 30, 2021
	$	$	**$**	$
Unrealized (losses) gains on marketable securities	**(35)**	2,441	**(35)**	6,385
Foreign exchange gains	**236**	91	**296**	32
Interest income	**160**	196	**581**	553
Pension recovery (expense) *(note 4)*	**174**	(19)	**522**	(53)
Loss on disposal of assets	**—**	(12)	**(3)**	(194)
Realized gains on marketable securities	**—**	578	**—**	10,807
Gain on modification of convertible debentures	**—**	1,445	**—**	1,445
Fair value adjustment on investment properties	**—**	(2,056)	**—**	(2,056)
	535	2,664	**1,361**	16,919

10. SHARE CAPITAL AND EARNINGS PER SHARE

	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	# of shares	**$**	# of shares	$
Common shares				
Outstanding common shares, beginning of period	**14,411,969**	**85,218**	15,057,892	89,097
Common shares repurchased for cancellation	**(321,525)**	**(1,902)**	(627,623)	(3,770)
Outstanding common shares, end of period	**14,090,444**	**83,316**	14,430,269	85,327

Earnings per share

	Three months ended September 30, 2022			Three months ended September 30, 2021		
	Earnings $	**Weighted average shares (in thousands) #**	**Per share amount $**	Earnings $	Weighted average shares (in thousands) #	Per share amount $
Basic earnings	**3,869**	**14,153**	**0.27**	3,463	14,498	0.24
Interest, net of income taxes, on assumed conversion of convertible debentures	**575**	**3,694**		575	3,694	
Gain, net of tax, on modification of convertible debentures	—	—		(1,056)	—	
Diluted earnings	**4,444**	**17,847**	**0.25**	2,982	18,192	0.16

	Nine months ended September 30, 2022			Nine months ended September 30, 2021		
	Earnings $	**Weighted average shares (in thousands) #**	**Per share amount $**	Earnings $	Weighted average shares (in thousands) #	Per share amount $
Basic earnings	**1,890**	**14,212**	**0.13**	10,578	14,759	0.72
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	**1,890**	**14,212**	**0.13**	11,229	18,453	0.61

All potentially dilutive securities outstanding as of September 30, 2022, relate to the Company's convertible debentures. The convertible debentures were dilutive for the three months ended September 30, 2022, anti-dilutive for the nine months ended September 30, 2022, and dilutive for the three and nine months ended September 30, 2021.

During the nine months ended September 30, 2022, 33,333 vested stock options were exercised and settled for cash proceeds of $72, and 16,667 stock options were forfeited. There are no outstanding vested or unvested stock options as at September 30, 2022.

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

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

Share repurchases

On June 29, 2022, the Company renewed a 12-month normal course issuer bid to repurchase up to 711,543 common shares. During the nine months ended September 30, 2022, the Company purchased for cancellation 321,525 (2021 – 627,623) common shares at a cost of $3,526 (2021 – $5,290). The purchase price in excess of the book value of the shares in the amount of $1,624 (2021 – $1,310) has been charged to retained earnings, nil (2021 – $210) has been charged to contributed surplus and $1,902 (2021 – $3,770) has been charged to share capital.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Adjustments for items not involving cash	**Nine months ended September 30, 2021 $**	Nine months ended September 30, 2021 $
Realized/unrealized losses (gains) on marketable securities *(note 9)*	**35**	(17,192)
Depreciation and amortization	**7,220**	7,573
Deferred income tax expense (recovery) *(note 8)*	**803**	(965)
Share-based payment recovery	**(90)**	(14)
Amortization of fair value increments from acquisitions	**(95)**	(125)
Accretion	**309**	138
Unrealized foreign exchange gains	**(377)**	(32)
Pension expense (recovery) *(note 4)*	**(522)**	53
Loss on disposal of assets	**3**	194
Gain on modification of convertible debentures	**—**	(1,445)
Fair value adjustment on investment properties	**—**	2,056
	7,286	(9,759)

Net changes in non-cash working capital balances	**Nine months ended September 30, 2022 $**	Nine months ended September 30, 2021 $
Receivables	**3,064**	(2,638)
Income taxes receivable	**—**	349
Other assets	**286**	(436)
Accounts payable and other liabilities	**3,339**	2,919
Income taxes payable	**(1,201)**	3,140
	5,488	3,334

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

12. SEGMENTED INFORMATION

The Company operates in two reportable business segments. The Investment segment represents the Company's marketable securities portfolio, its ferry business, its investment properties and its real estate inventory under development. The Hospitality segment consists of the Company's ownership and operation of hotels. The Other category is not a segment and is disclosed for reconciliation purposes. The Other category consists of the Company's treasury and executive functions, its pension plans and its convertible debentures. Revenue in the Other category pertains primarily to investment management fees.

The Company operates predominantly in Canada, with the exception of three investment properties in the United States. Hotel revenue and provision of services was substantially generated from continuing operations in Canada for the three and nine months ended September 30, 2022 and 2021.

Three months ended September 30, 2022	**Investment $**	**Hospitality $**	**Other $**	**Eliminations $**	**Total $**
Revenue and other income:					
Hotel 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 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 (*notes 2 and 5*)	**27,241**	**16,916**	**—**	**—**	**44,157**
Assets located outside of Canada	**18,659**	**—**	**—**	**—**	**18,659**

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

12. SEGMENTED INFORMATION (CON'T)

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	179	(5)	8,143
Depreciation and amortization	13	2,553	3	—	2,569
Interest and accretion	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 (loss)	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	1,340	(9)	20,423
Depreciation and amortization	94	7,443	36	—	7,573
Interest and accretion	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

13. 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 terms of the agreement 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 of the Company's investment plus a 6.0% cumulative, annual return. This right, which was to expire on April 20, 2022, was amended and extended to December 31, 2022 during the nine months ended September 30, 2022. Subsequent to September 30, 2022, the Company exercised this right which bound the Company's co-investors to purchase the Company's interest. The disposal transaction will close 60 days from December 31, 2022 with the co-investors having a one-time option to extend the closing of the transaction by 30 days. As a result of this subsequent event, the corresponding assets and liabilities associated with the COA have been presented as current at September 30, 2022.

14. GOVERNMENT FUNDING

The Company applied for various available sources of federal, provincial, and territorial government grants and recognized $281 and $3,304 in the consolidated statements of earnings during the three and nine months ended September 30, 2022, respectively, from these various programs. Additions to property and equipment are presented net of $1,100 of government funding recorded in the nine months ended September 30, 2022.

15. SUBSEQUENT EVENTS

On October 4, 2022, the Company entered into a $85,000 credit facility with a major Canadian bank for the construction of phase one of its multi-unit residential apartment complex on Carling Avenue in Ottawa, ON. The facility is available to the Company as construction costs are incurred, bears interest at the lender's prime rate and has a three-year term. The Company has not yet drawn on this facility.

On October 31, 2022, the Company redeemed $15,754 of its convertible debentures at par from the debentureholders on a pro rata basis. The cash outlay, including $493 of accrued interest, was $16,247.

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