

Management's Discussion & Analysis

Clarke Inc.

June 30, 2015 and 2014

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion & Analysis ("MD&A") presents management's view of the financial position and performance of Clarke Inc. ("Clarke" or the "Company") for the three and six months ended June 30, 2015 compared with the three and six months ended June 30, 2014. The following disclosures and associated unaudited interim condensed consolidated financial statements are presented in accordance with IAS 34, *Interim Financial Reporting*. This interim MD&A should be read in conjunction with the information disclosed within the interim condensed consolidated financial statements and notes thereto for the three and six months ended June 30, 2015. This MD&A is prepared as at August 5, 2015 (unless otherwise stated). All dollar amounts are shown in millions of Canadian dollars unless otherwise indicated.

OVERVIEW & STRATEGY

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

We attempt to maximize shareholder value by allocating capital to investments that we believe will generate high returns and reallocating capital over time as needed. In doing this, Clarke's goal is to identify investments that are either undervalued or are underperforming and may be in need of positive change. These investments may be companies, securities or other assets such as real estate, and they may be public entities or private entities. We do not believe in limiting ourselves to specific types of investments. From time to time, Clarke will invest passively in a security where it believes the security is undervalued and there is no need for change or where it believes the security is undervalued but that the management team in place at the underlying company is doing an appropriate job to reduce the undervaluation. More often, Clarke will seek 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.

We view our investments as businesses. The rules applicable to the drafting of this MD&A may require us to discuss these investments as if we operated them ourselves. While we are sometimes involved in the management of our investee companies, we rather speak of them as owners and not as operators. From time to time, we will exclude certain details for competitive reasons.

KEY EVENTS – Q2 2015

In the second quarter, the Company increased book value per share by \$0.26 and returned \$0.10 per share to shareholders in the form of dividends paid (a total return of 2.8% per share). The Company spent \$33.7 million during the quarter to repurchase 3,201,472 common shares ("Common Shares") at a discount to book value. Our book value per share at the end of the quarter was \$13.13 while our share price was \$11.85.

The following were certain other key events during the second quarter:

- On April 8, 2015, the Company repurchased 2,379,042 Common Shares at a purchase price of \$10.00 per Common Share pursuant to a substantial issuer bid ("SIB").
- On April 17, 2015, TerraVest Capital Inc. ("Terravest") repaid in full to Clarke the \$19.0 million outstanding under its \$24.9 million promissory note issued to complete the acquisition of Gestion Jerico Inc. ("Jerico") in 2014.
- On June 17, 2015, the Company entered into a loan agreement to advance up to US\$2.8 million to fund the construction of a 17 unit townhome development in Atlanta, Georgia. During the second quarter this loan was partially funded. Clarke has a further interest in this development by way of a separate royalty agreement linked to the sale of each townhome.

On August 5, 2015, the Company's Board of Directors declared the third quarter dividend of \$0.10 per Common Share payable on October 9, 2015 to shareholders of record at the end of business on September 30, 2015.

OUTLOOK

As a result of our various investment sales in recent years, Clarke eliminated substantially all of its debt and built a cash balance of \$79.1 million at the beginning of 2015. During the first half of 2015, Clarke deployed \$71.8 million, consisting of \$31.8 million of investment purchases and \$40.0 million of share repurchases while also receiving \$44.0 million of loans receivable repayments. At June 30, 2015, our cash balance (net of all debt) was \$55.8 million representing 30% of Clarke's market capitalization.

Our investment purchases in the first half of 2015 were focused on the oil and gas industry as corporate valuations declined in response to the decline in oil and gas prices. Historically, Clarke has generated substantial returns by investing in out of favour companies and industries that are either suffering from mismanagement or from factors that are perceived by investors to be permanent when they are more likely temporary in nature. We believe that current oil prices (which are approximately \$46 per WTI barrel) are too low to warrant substantial investment in replacing existing production or developing new production and that the dramatic decline in oil prices will lead to some increase in the demand for oil. Our belief is that the confluence of these factors will, over time, lead to higher oil prices and higher security prices for well positioned companies, including those in our energy basket.

Since the start of 2015, the Company has repurchased 3,866,802 of our shares at an average cost of \$10.34 per share and at a total cost of \$40.0 million. All of these shares were repurchased at less than our book value per share and less than management's view of our intrinsic value per share. As we believe that our investment holdings will appreciate in value in coming years (particularly as the oil and gas markets normalize), we believe that these repurchases will benefit shareholders greatly.

We continue to see limited investment opportunities outside of the oil and gas industry due to generally high valuations, although we remain on the lookout. We will remain disciplined in deploying our capital as that capital retains option value while it is in our hands.

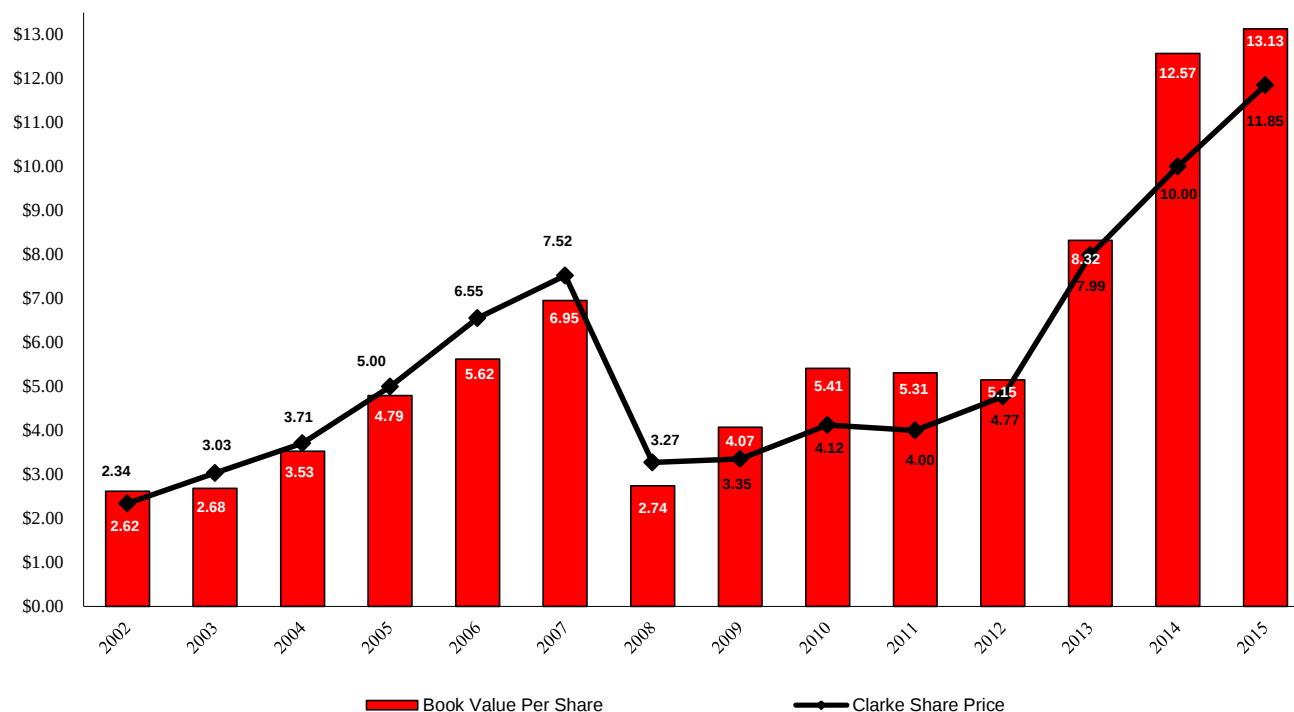
In addition to seeking new investments, we will continue working with our two major investee companies to maximize their business values. We believe there is significant opportunity for each of Terravest and Holloway Lodging Corporation ("Holloway") to continue acquiring complementary businesses and hotels, respectively, at accretive prices. Each of these companies remains undervalued in our view.

Finally, as we completed our normal course issuer bid during the second quarter, we will evaluate the merits of additional share repurchases as the year progresses. As always, we benchmark all investments against share repurchases and other expenditures of capital regularly.

BOOK VALUE PER SHARE

The Company's book value per share at June 30, 2015 was \$13.13, an increase of \$0.56 per share since December 31, 2014. This increase was mainly due to the repurchase of the Company's Common Shares, which was done at a discount to book value per share, and net income earned during the first half of the year. Although the Company's book value has increased significantly in recent years and in large part consists of cash and securities, the Company's shares continue to trade at a meaningful discount to their book value.

The following graph shows Clarke's book value per share and share price since 2002 (the year the present Executive Chairman joined the Company).



* Information for the years ended 2002 and 2003 is as at March of the following year. In 2004 the Company's year-end was changed to December. All other information is for the years ended December 31 and as at June 30, 2015.

RESULTS OF OPERATIONS

Highlights of the interim condensed consolidated financial statements for the three and six months ended June 30, 2015 compared to the three and six months ended June 30, 2014 are as follows:

<i>(in millions, except per share amounts)</i>	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	\$	\$	\$	\$
Realized and unrealized gains (losses) on investments	(3.0)	16.5	1.4	25.5
Interest income	0.6	1.0	1.7	1.7
Dividend income	0.9	2.3	1.8	3.8
Revenue and other income*	2.0	4.6	3.1	9.4
Income (loss) from continuing operations	(1.9)	19.9	1.6	33.2
Net income (loss) attributable to equity holders of the Company	(1.9)	19.9	1.6	92.9
Comprehensive income (loss) attributable to equity holders of the Company	(2.0)	19.7	2.8	88.9
Basic earnings (loss) per share ("EPS")				
Income (loss) from continuing operations	(0.12)	1.00	0.09	1.74
Net income (loss)	(0.12)	1.00	0.09	4.87
Diluted EPS				
Income (loss) from continuing operations	(0.12)	0.94	0.09	1.40
Net income (loss)	(0.12)	0.94	0.09	3.86
Total assets	217.6	258.6	217.6	258.6
Long-term financial liabilities	2.1	2.8	2.1	2.8
Cash dividends declared per share	0.10	0.10	0.20	0.30
Book value per share	13.13	12.19	13.13	12.19

*Revenue and other income includes pension recovery/expense, gains on sale of fixed assets, foreign exchange gains/losses, gains on convertible debenture redemptions and repurchases and service revenue.

Net income (loss) attributable to equity holders of the Company for the three and six months ended June 30, 2015 was a net loss of \$1.9 million and net income of \$1.6 million, respectively, compared with net income of \$19.9 million and \$92.9 million for the same period in 2014. The significant net income earned for the six months ended June 30, 2014 was due to the sale of the Company's freight transport business and its interest in Jerico, which resulted in gains on sale of \$71.1 million. Also during this period in 2014, substantially all active members of the Company's pension plans stopped accruing service and salary increases for future periods which resulted in a curtailment gain of \$3.3 million.

During the three and six months ended June 30, 2015, the Company had unrealized losses on its investments of \$3.3 million and unrealized gains of \$0.5 million, respectively, compared to unrealized gains of \$8.4 million and \$16.4 million for the same period in 2014. The Company had realized gains on its investments of \$0.2 million and \$0.8 million, respectively, for the three and six months ended June 30, 2015 compared with realized gains of \$8.1 million and \$9.1 million for the same period in 2014. Further discussion on these gains is set out under "Investment Holdings" below.

INVESTMENT HOLDINGS

The Company owns securities, interests in two private equity funds, loans and a ferry business.

The Company's securities portfolio had \$3.0 million of realized and unrealized losses and \$1.4 million of realized and unrealized gains in the three and six months ended June 30, 2015, respectively. The Company received dividends of \$0.9 million and \$1.8 million in the three and six months ended June 30, 2015, respectively, compared to \$2.3 million and \$3.8 million for the same period in 2014. This decrease is mainly due to the sale of our investment in Supremex Inc.

The Company earned interest income of \$0.6 million and \$1.7 million in the three and six months ended June 30, 2015, respectively, compared to \$1.0 million and \$1.7 million for the same period in 2014. These amounts include interest earned on our interest bearing investments and cash balances.

Securities Portfolio

The Company's securities portfolio consisted of the following investments:

	June 30, 2015				December 31, 2014			
	Shares or face value	Market Price \$	Market value \$'000	%	Shares or face value	Market Price \$	Market value \$'000	%
Energy Securities Portfolio	N/A	N/A	21,254	18.5	N/A	N/A	2,647	2.9
Holloway shares	7,874,815	5.75	45,280	39.5	6,874,815	6.00	41,249	46.2
Holloway 6.25% Convertible Debentures	11,584,000	0.92	10,657	9.3	11,604,000	0.875	10,154	11.4
Holloway 7.50% Convertible Debentures	—	—	—	—	6,232,000	0.970	6,045	6.8
Keck Seng Investments Ltd.	4,000,000	1.13	4,520	3.9	—	—	—	—
Terravest	5,000,000	6.50	32,500	28.4	5,000,000	5.85	29,250	32.7
Undisclosed investment	N/A	N/A	463	0.4	—	—	—	—
Carrying value of securities			114,674	100.0			89,345	100.0

The breakdown of the change in the Company's securities portfolio is as follows:

	Six months ended June 30, 2015 \$
Securities – beginning of period	89.3
Purchases	31.8
Proceeds on sale	(7.5)
Realized and unrealized gains on securities	1.1
Securities – end of period	114.7

Energy Basket: Following the precipitous decline in oil prices in the fourth quarter of 2014, we started to acquire select securities of companies related to the oil and gas industry. We believe that current oil prices (which are currently approximately \$46 per WTI barrel) are too low to warrant substantial investment in replacing existing production or developing new production and that the dramatic decline in oil prices will lead to some increase in the demand for oil. In our opinion the confluence of these factors will, over time, lead to higher oil prices and higher security prices.

Our present intention is to acquire both debt and equity securities of companies engaged in the oil and gas industry that we believe are attractively valued and offer the potential for significant capital appreciation in the future. During the second quarter we acquired (net of dispositions) \$14.2 million of securities of three companies in the energy industry, all of which were additional purchases of existing investments. At the end of the second quarter, our energy basket consisted of securities in six energy related companies.

Holloway: Holloway's acquisition of Royal Host in 2014 continues to bear fruit as Holloway sold two Royal Host hotels as well as the Travelodge® franchise business in the first half of 2015. All of these sales, particularly the sale of the franchise business, generated gains that increase Holloway's book value. Holloway continues to repay debt, lower its cost of capital, diversify its portfolio out of oil and gas markets and improve its properties. On both a cap rate and asset basis, Holloway is the cheapest publicly-traded hotel company in Canada yet it has a much stronger balance sheet and much better operating margins than its peers.

We believe Holloway's rebranding and upgrading of the Hilton hotel in London, Ontario and the Chimo hotel in Ottawa, Ontario will be highly beneficial to Holloway in coming years. In our view, the combined net operating income of these two hotels should increase by 2-3x following the completion of the upgrades. Given that each of these hotels is located in a metropolitan market that attracts low capitalization rates, the improvement in these properties can result in substantial value creation at the company.

Keck Seng Investments Ltd. ("Keck Seng"): The trading price of Keck Seng's shares experienced considerable volatility in the second quarter. This does not bother us as the shares remain materially undervalued.

Terravest: In the second quarter of 2015 Terravest closed its previously announced acquisition of Signature Truck Systems ("Signature"), based in Michigan, USA. We are pleased to see the company continue with its disciplined approach to acquisitions. Signature is complementary to Terravest's existing fuel containment business both from a manufacturing and product offering perspective as well as geographically. All of the company's acquisitions in the last 18 months have similar characteristics: they were complementary to Terravest's core businesses while adding to its product portfolio, manufacturing base and/or geographic reach; they have been completed at accretive multiples of earnings; and they have offered the opportunity for both cost and revenue synergies, thereby lowering the purchase price multiple on a pro forma basis. We expect these types of acquisitions to continue.

With the addition of Signature, Terravest now expects approximately 55% of its operating earnings to be derived from business lines uncorrelated with the oil and gas industry. With its cash flow diversification Terravest is well-positioned to take advantage of the current market downturn when opportunities present themselves. In the absence of good acquisition candidates we expect the company will continue to pay down debt. We believe the platform Terravest has built remains underappreciated by the capital markets.

Undisclosed Investment: During the second quarter, we began acquiring shares of a closed-end fund that trades meaningfully below its net asset value. We believe the investments held by the fund will appreciate over time and that the discount to net asset value will close. Either one of these events will yield a positive investment result while the combination of both events will yield an even better result. We intend to acquire additional shares in this entity.

Other Investments

We currently have \$3.2 million invested in two private equity funds, which management considers to be legacy investments. We also own a passenger/car ferry operating on the St. Lawrence River under contract with the Government of Québec since 1973. There were no material developments with these assets during the second quarter.

During the first half of the year, the Company completed the sale of the *MV Shamrock* and received net proceeds of US\$4.6 million (Cdn. \$5.6 million) resulting in a gain on sale of \$0.6 million for the six months ended June 30, 2015.

OUTSTANDING SHARE DATA

At August 5, 2015, the Company had:

- An unlimited number of Common Shares authorized and 15,626,175 Common Shares outstanding;
- An unlimited number of First and Second Preferred Shares authorized and none outstanding; and
- 500,000 options to acquire Common Shares outstanding, none of which are vested or exercisable.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2015, the Company's net cash position (a non-IFRS measure representing cash and cash equivalents less short-term indebtedness) was \$58.6 million compared to \$79.1 million at December 31, 2014. This decrease in cash is mainly a result of share repurchases and marketable security purchases during the period. At August 5, 2015, the Company's net cash position was approximately \$50.3 million.

Cash flow from operating activities

Cash provided by operating activities was \$4.7 million for the six months ended June 30, 2015, compared to \$1.2 million provided by operations for the six months ended June 30, 2014. This increase is mainly due to the net decrease in non-cash working capital during the period.

At June 30, 2015, working capital excluding securities was \$53.2 million, compared to \$79.0 million at December 31, 2014. The Company's working capital needs are minimal and the Company has the ability to fund any working capital needs through its cash on hand and its existing credit facilities.

Cash flow from investing activities

Net cash of \$18.9 million was provided by investing activities during the six months ended June 30, 2015, compared to \$16.0 million provided in the six months ended June 30, 2014. This was primarily due to the net repayment of loans (proceeds less advances) to Clarke in the amount of \$36.9 million and the receipt of \$5.6 million on the sale of the *MV Shamrock*. This was partially offset by net purchases of investments (purchases less sales) in the amount of \$24.3 million for the six months ended June 30, 2015.

Cash flow from financing activities

Net cash used in financing activities was \$44.0 million for the six months ended June 30, 2015, compared to \$78.5 million used in the six months ended June 30, 2014. Net cash used in financing activities during the period was mainly related to the repurchase of Common Shares for \$40.0 million and the payment of dividends in the amount of \$3.8 million. Cash used in financing activities for the six months ended June 30, 2014 primarily consisted of the repayment of short term indebtedness in the amount of \$35.9 million, the redemption and repurchase of convertible debentures in the amount of \$30.7 million, the repurchase of Common Shares for \$8.0 million and the payment of dividends in the amount of \$3.7 million.

Available capital under credit facilities

The Company has access to credit facilities where certain of the Company's securities are pledged as collateral. At June 30, 2015, \$27.5 million was available under these facilities and nil was drawn on these facilities. Declines in the market value of pledged securities may have an adverse effect on the amount of credit available under these facilities.

Cash flow from discontinued operations

There were no cash activities of discontinued operations during the six months ended June 30, 2015. For the six months ended June 30, 2014 net cash provided by operating activities of discontinued operations was \$0.2 million which related to cash flow generated from Jerico for the period prior to the sale transaction, net cash provided by investing activities of discontinued operations was \$99.3 million which was mainly due to the cash proceeds received on the sale of the Company's freight transport business and net cash used in financing activities of discontinued operations was \$2.7 million and was primarily due to the reduction of debt in Jerico for the period prior to the sale transaction.

SUMMARY OF QUARTERLY RESULTS

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

<i>Three months ended</i>	Sept. 2013	Dec. 2013	Mar. 2014	June 2014	Sept. 2014	Dec. 2014	Mar. 2015	Jun. 2015
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	24.1	15.2	16.0	24.4	20.5	(5.2)	7.4	0.5
Income (loss) from continuing operations	17.4	15.4	13.3	19.9	16.4	(6.4)	3.6	(1.9)
Income (loss) from discontinued operations *	4.5	6.3	59.7	—	—	(0.3)	—	—
Net income (loss)	21.9	21.7	73.0	19.9	16.4	(6.6)	3.6	(1.9)
Other comprehensive income (loss)	1.6	2.4	(3.8)	(0.2)	1.1	(0.2)	1.2	(0.1)
Comprehensive income (loss)	23.5	24.1	69.2	19.7	17.5	(6.8)	4.8	(2.0)
Basic EPS from continuing operations (in dollars)	1.12	1.06	0.73	1.00	0.83	(0.32)	0.19	(0.12)
Diluted EPS from continuing operations (in dollars)	0.78	0.73	0.57	0.94	0.83	(0.32)	0.19	(0.12)
Basic EPS (in dollars)	1.30	1.25	4.01	1.00	0.83	(0.33)	0.19	(0.12)
Diluted EPS (in dollars)	0.89	0.87	3.03	0.94	0.83	(0.33)	0.19	(0.12)

* Income from discontinued operations mainly consists of the results from the freight transport business and Jerico and the gain on sale of both subsidiaries in the first quarter of 2014.

As seen in the table above, our results can fluctuate significantly from quarter to quarter, mainly as a result of certain accounting standards the Company follows. Under IFRS, realized and unrealized gains and losses on our publicly-traded securities are recorded in “revenue” on our consolidated statements of earnings. The Company does not believe that quarterly fluctuations in the stock prices of our investee companies necessarily reflect a change in the value of the underlying businesses in which we are invested. The value of the underlying businesses are often more stable than their stock prices reflect and often worth more than the public markets give them credit for. Clarke views its investments on a longer-term basis as opposed to on a quarter-to-quarter basis. These fluctuations, however, often provide us with an opportunity to invest more capital in particular investments that we like or vice-versa.

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. As the Canadian dollar depreciated during the second quarter, Clarke decided to hedge its foreign currency exposure on U.S. dollar denominated investments. Clarke anticipates continuing this policy for the foreseeable future.

As an investment company, Clarke has a significant number of financial instruments. Notes 1, 5, 6, 8, 11, 14, 15, 16, 25 and 26 to the consolidated financial statements for the year ended December 31, 2014 and the Company’s AIF dated March 3, 2015, provide further information on classifications in the financial statements, and risks, pertaining to the use of financial instruments by the Company.

SIGNIFICANT EQUITY INVESTMENTS

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company has determined that Holloway and Terravest are significant equity investees. Accordingly, we are required to disclose the following summary financial information. The summarized financial information provided is for the most recent year-to-date interim period and the comparative year-to-date period. For those reporting entities that have not yet released their interim consolidated financial statements for the current period, the prior period financial information is provided.

Holloway

Holloway's core business is hotel ownership. Holloway owns 35 hotels comprising 3,967 rooms. As of June 30, 2015, Clarke owned 40.7% of the outstanding shares of Holloway and \$11.6 million principal amount of 6.25% convertible debentures.

Selected Financial Information	March 31, 2015	December 31, 2014
	\$	\$
Total assets	368.6	382.4
Total liabilities	244.4	264.5
Shareholders' equity	124.2	117.9
	Three months ended March 31, 2015	Three months ended March 31, 2014
	\$	\$
Total revenue	28.5	15.4
Net income	6.8	1.6

Terravest

Terravest is engaged in (i) the manufacturing of residential and commercial tanks and pressure vessels, (ii) the manufacturing of wellhead processing equipment for the oil and natural gas industry, and (iii) well servicing for the oil and natural gas industry in Southwestern Saskatchewan. As of June 30, 2015, Clarke owned 27.7% of the outstanding shares of Terravest.

Selected Financial Information	March 31, 2015	September 30, 2014
	\$	\$
Total assets	177.5	171.4
Total liabilities	94.4	91.3
Shareholders' equity	83.1	80.1
	Three months ended March 31, 2015	Three months ended March 31, 2014
	\$	\$
Total revenue	41.4	30.2
Net income	2.5	1.7
	Six months ended March 31, 2015	Six months ended March 31, 2014
	\$	\$
Total revenue	94.4	50.9
Net income	7.8	4.3

RELATED PARTY TRANSACTIONS

The Company was party to related party transactions during the three and six months ended June 30, 2015. All related party transactions were in the normal course of operations and occurred at fair value. For full details of the Company's related party transactions, please refer to Note 24 of our consolidated financial statements for the year ended December 31, 2014 and note 10 of the interim condensed consolidated financial statements for the three and six months ended June 30, 2015.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The implementation of Canadian Securities Administrators National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings represents a continuous improvement process, which has prompted the Company to formalize existing processes and control measures and to introduce new ones. The objective of this instrument is to improve the quality, reliability, and transparency of information that is filed or submitted under securities regulation.

In accordance with this instrument, the Company has filed certificates signed by the President & Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

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

There have been no changes in the Company's disclosure controls and procedures or internal controls over financial reporting during the three and six months ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, the effectiveness of the internal controls over financial reporting.

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 within the past three years. These limited reviews identified no material remediation issues and potential risks and there have been no material events arising subsequently that would indicate additional obligations.

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

CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS ACCOUNTING MEASURES

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

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", "budget", "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 in the Company's energy basket, 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 ferry operation, such risks and uncertainties include, among others, weather conditions, safety, claims and insurance, 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.