Management's Discussion & Analysis

Clarke Inc.

March 31, 2019 and 2018

MANAGEMENT’S DISCUSSION & ANALYSIS

Management’s Discussion & Analysis (“MD&A”) presents management’s view of the financial position and performance of Clarke Inc. (“Clarke” or the “Company”) for the three months ended March 31, 2019 compared with the three months ended March 31, 2018. 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 months ended March 31, 2019. This MD&A is prepared as at May 13, 2019 (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.

FIRST QUARTER REVIEW AND OUTLOOK

The first quarter was a period of significant change for Clarke. First, Clarke acquired majority ownership of Holloway Lodging Corp. (“Holloway”) following a substantial issuer bid (“SIB”) pursuant to which Holloway repurchased 1,553,755 of its common shares. Clarke did not sell any shares of Holloway into this SIB and currently owns 51.0% of Holloway’s shares. As a result of acquiring majority ownership of Holloway, Clarke must now consolidate Holloway’s financial results into its own results. We discuss this more below. Second, Clarke made its first significant new investment in several years by acquiring, together with certain deemed joint actors, 10% of Trican Well Service Ltd. (“Trican”). We discuss this more below as well.

In the first quarter of 2019, the Company’s book value per share increased by $3.02 or 24.7%. The increase can be ascribed to (i) $1.43 per Clarke common share (“Common Share”) from the consolidation of Holloway’s financial results into our own financial results, (ii) $1.62 per Common Share of positive investment performance and net income, (iii) $0.04 per Common Share due to repurchasing Common Shares at prices below our book value per share, offset by (iv) negative $0.07 per Common Share resulting from a decrease in the value of our pension plan surplus due to a lower discount rate. Our book value per Common Share at the end of the quarter was $15.23 while our Common Share price was $13.00.

As a result of consolidating Holloway’s financial results into our own, our financial statements look far different than in recent years. Essentially, accounting standards now require that we incorporate our 51.0% share of Holloway’s financial results into our financial statements. This compares to past financial statements where we reflected on our balance sheet the value of the Holloway shares we owned and on our income statement the change in the value of our Holloway shares as well as dividends we received from Holloway. Notwithstanding the change in how we present our financial statements, we view our business the old way and manage it accordingly.

We will continue to present our book value per share, together with dividends paid to shareholders, every quarter as, in our view, it remains an appropriate measure of our success in maximizing shareholder value over time. However, it is not truly accurate and likely understates our intrinsic value at the moment. For example, if our ownership of Holloway shares entitles us to 51.0% of Holloway's earnings and net assets, then our ownership of shares of Terravest Industries Inc. ("Terravest") also entitles us to 31.0% of Terravest's earnings and net assets. Looking at each of our investee companies, we see companies with business values considerably in excess of their market values. Case in point: when we valued Holloway's assets at their fair market value upon the acquisition of our majority ownership, we realized a "bargain purchase" which means that the value of our Holloway shares immediately before the acquisition of majority ownership was less than our share of Holloway's net assets.

In an attempt to present our results as we look at them on a day-to-day basis and to enable our shareholders to compare our current results to our prior results, we have included at the end of this MD&A Clarke's performance on a non-consolidated basis, i.e. excluding the consolidation of Holloway.

Holloway Lodging Corp.

Holloway had an active first quarter. It redeemed its highest cost 7.5% convertible debentures, repurchased 9.1% of its outstanding shares at prices that we believe are materially lower than their intrinsic value, sold five properties at a significant profit and acquired a vacant office building in Houston, Texas.

We believe that Holloway will experience generally stable results for the foreseeable future with volatility in Western Canada. We continue to see lots of potential opportunities and value in Holloway's shares: additional hotel sales, additional discounted share repurchases, rebranding and redevelopment opportunities, a growing third-party hotel management business and a value-add opportunity in Texas.

Terravest Industries Inc.

Contrary to Holloway, Terravest appears to have had a quiet quarter. Our view of the company remains the same as in recent periods. We believe Terravest can generate significant free cash flow and increase its EBITDA organically and through sensible acquisitions. We also believe the company remains undervalued.

Trican Well Service Ltd.

Over the last few quarters, we acquired a meaningful investment in Trican. Together with our deemed joint actors, we currently own approximately 10.0% of Trican's shares. On May 9, 2019, Michael Rapps, our President and CEO, joined the company's board after being elected as a director at the company's annual meeting.

Trican is an oilfield services company with considerable operations in pressure pumping (also known as hydraulic fracturing), coil tubing and cementing as well as numerous other service lines. Since the energy downturn in 2015, Trican has reduced the scope of its business and is focused exclusively on Canada today.

The oilfield services industry suffers from many negatives. It is a volatile and capital intensive industry that is dependent on commodity prices that are outside of any company's control. There are often too many service providers, which results in overly aggressive service pricing. In addition to those "always present" issues, the Canadian energy industry today faces headwinds from commodity price differentials, lack of oil and gas pipelines, lengthy regulatory processes to do just about anything and general political ambivalence (if not outright hostility) towards the industry.

With this industry backdrop why would we invest in Trican? There are several reasons. At an industry level, we do not believe the Canadian and other levels of government will permanently stand in the way of resource development. At a corporate level, we believe Trican's shares are very inexpensive and the company has several opportunities to materially increase shareholder value. First, the company is trading at less than our estimate of its liquidation value and substantially below an earnings-based valuation assuming industry conditions normalize. Second, the company has among the strongest balance sheets of any oilfield services company (and an especially strong balance sheet compared to its pressure pumping competitors) with minimal net debt. Third, we believe the company can continue taking value-additive actions, such as reducing costs, selling select non-core assets and repurchasing shares while they trade at such a discount to their intrinsic value.

Our investment in Trican may require some patience, but we believe it will pay off handsomely for our shareholders.

Other

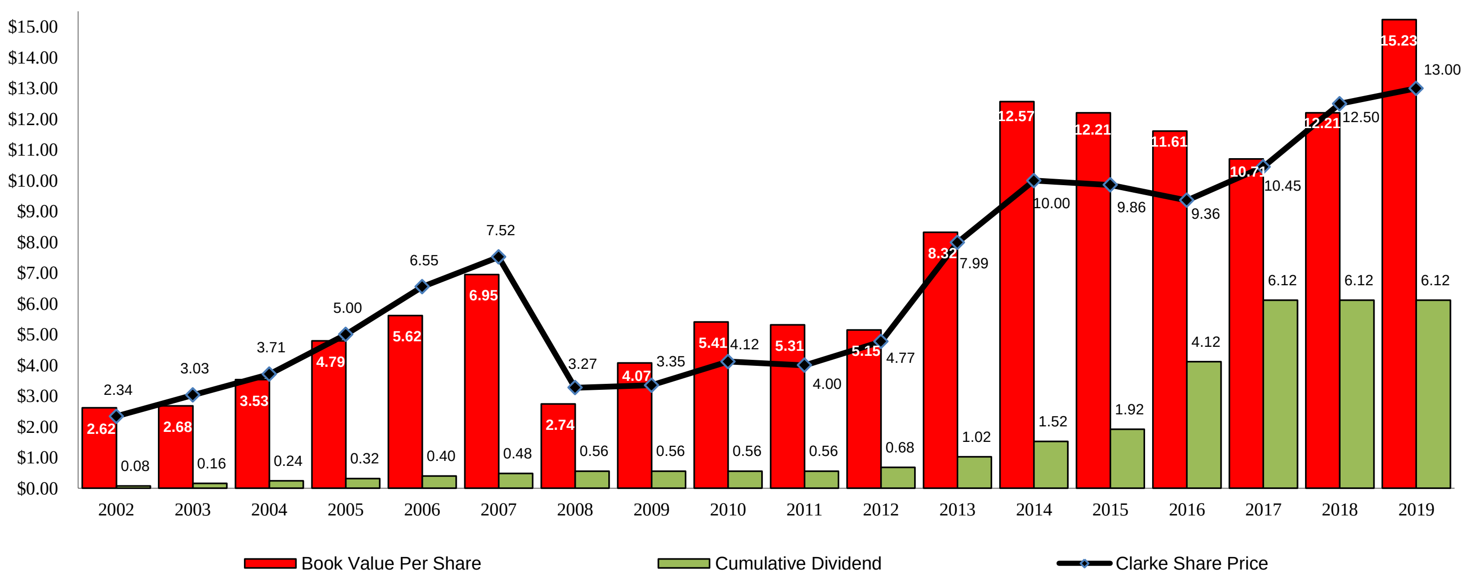
We currently own two energy investments other than Trican. These are small investments but we believe they are undervalued.

During the quarter we sold our shares of Keck Seng Investments Ltd. ("Keck Seng") for net proceeds of $3.6 million. While Keck Seng remains exceptionally undervalued, our assessment of the catalyst to unlock this value proved to be early or wrong. At some point, being early and being wrong become the same.

Finally, we repurchased 231,359 Common Shares or 1.9% of our Common Shares during the period at a cost of $3.0 million.

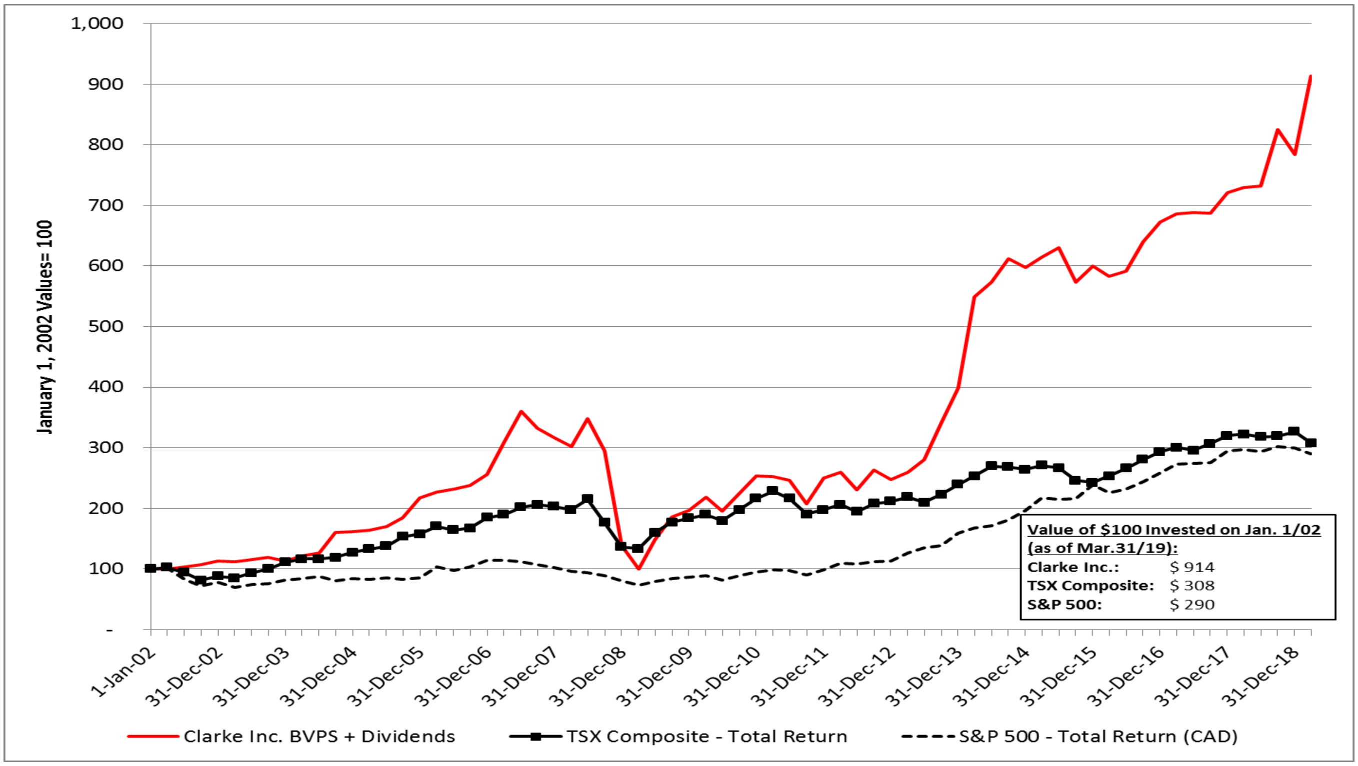
BOOK VALUE PER SHARE

The Company's book value per share at March 31, 2019 was $15.23, an increase of $3.02 per Common Share since December 31, 2018. The following graph shows Clarke's book value per share, share price and cumulative dividends paid 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 March 31, 2019.*

The following graph compares the yearly change in the value of $100 invested since 2002 (the year the present Executive Chairman joined the Company) in (i) the TSX Composite Total Return Index, (ii) the S&P 500 Total Return Index, and (iii) the Company based on the change in book value per share ("BVPS") and cumulative dividends paid.



RESULTS OF OPERATIONS

Highlights of the interim condensed consolidated financial statements for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 are as follows:

(in millions, except per share amounts)	**March 31, 2019** **$**	March 31, 2018 $
Hotel management services	**15.8**	—
Provision of services	**0.2**	0.2
Bargain purchase	**22.4**	—
Investment and other income*	**17.3**	3.1
Net income attributable to equity holders of the Company	**37.4**	2.1
Comprehensive income attributable to equity holders of the Company	**36.6**	2.3
Basic earnings per share ("EPS")	**3.06**	0.16
Diluted EPS	**3.04**	0.16
Total assets	**442.1**	143.1
Long-term financial liabilities	**59.5**	0.4
Book value per share	**15.23**	10.93

**Investment and other income include unrealized/realized gains/losses on investments, dividend and interest income, gains/losses on sale of property and equipment, pension recovery/expense, and foreign exchange gains/losses.*

Net income attributable to equity holders of the Company for the three months ended March 31, 2019 was $37.4 million compared with $2.1 million for the same period in 2018. During the three months ended March 31, 2019, the Company had unrealized gains on its investments of $4.0 million compared to $2.1 million for the same period in 2018. The Company had realized gains on its investments of $12.5 million for the three months ended March 31, 2019 compared with nil for the same period in 2018.

SEGMENT REPORTING

The table below shows a breakdown by segment of the Company's holdings as at March 31, 2019 based on total assets. The Other category is not a segment and is disclosed for reconciliation purposes. It consists of owned real estate, our treasury and executive functions, and the results of our pension plans. No comparative period information is disclosed because the Company only had one operating segment as at December 31, 2018.

	March 31, 2019	
Segment	**$**	**%**
Investment	**164.8**	**37.3**
Hospitality	**243.4**	**55.1**
Other	**33.9**	**7.6**
Total	**442.1**	**100.0**

Investment segment

The Company owns securities and a ferry business. During the three months ended March 31, 2019, the Investment segment had unrealized gains on its investments of $8.8 million compared to $2.1 million for the same period in 2018. The Investment segment had realized gains on its investments of $12.5 million for the three months ended March 31, 2019 compared with nil for the same period in 2018. The Company's equity holdings generated dividends of $0.8 million in the three months ended March 31, 2019 and $0.9 million for the same period in 2018.

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

	March 31, 2019				December 31, 2018			
	Shares	**Market Price $**	**Market value $'000**	**%**	Shares	Market Price $	Market value $'000	%
Energy Securities Portfolio	**N/A**	**N/A**	**37,143**	**22.8**	N/A	N/A	11,552	9.6
Holloway	**7,952,715**	**6.95**	**55,271**	**34.1**	7,952,715	6.30	50,102	41.7
Terravest	**5,386,440**	**12.99**	**69,970**	**43.1**	5,386,440	10.18	54,834	45.6
Keck Seng	**—**	**—**	**—**	**—**	4,292,000	0.86	3,686	3.1
Carrying value of securities			**162,384**	**100.0**			120,174	100.0

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

	Three months ended March 31, 2019 $
Securities – beginning of period	**120.2**
Purchases	**24.6**
Proceeds on sale	**(3.6)**
Net realized and unrealized gains on securities (net of foreign exchange losses on securities)	**21.2**
Securities – end of period	**162.4**

We continue to own a receivable of nominal value from a private equity fund, which is classified with our marketable securities for accounting purposes. We also own 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. There were no material developments with these assets during the quarter.

Hospitality segment

Results of operations for the three months ended March 31, 2019 in the Company's Hospitality segment are below. The segment is new this quarter following the acquisition of control of Holloway so there is no comparative information.

	Three months ended March 31, 2019 $
Hotel and management services	**15.8**
Operating expenses	**12.5**
Hotel operating income*	**3.3**
Investment income and other income (loss)	**(1.0)**
Depreciation and amortization	**(2.8)**
Interest expense	**(1.8)**
Loss before income taxes	**(2.3)**

** Non-IFRS measure. See definitions of non-IFRS measures on page 11.*

Holloway owns and operates hotels across Canada and provides hotel management services to third parties.

Hotels: At March 31, 2019, Holloway's portfolio consisted of 27 hotels with 3,055 rooms of which 26 are operated by Holloway and one has been leased to a third party on a triple net basis. Of the 26 hotels operated by Holloway, 21 hotels are limited service and five hotels are full service properties. In addition, 24 are operated under internationally recognized hotel brands, one is operated under a regional hotel brand and one is unbranded.

Other Assets: As of March 31, 2019, Holloway owns one freestanding single tenant property leased to a nationally recognized restaurant chain, two land parcels that are being held for potential future development and a commercial office building in Houston, TX. Holloway also has loans receivable of $10.5 million as a result of previous asset sales.

Management Services: As of March 31, 2019, the Company provided full or partial management services to 11 third party owned hotels. Additional information regarding this division is available at www.hlcorpmanagement.ca. Holloway continued to expand its hotel management business, with five contracts commencing during the quarter. Negotiations are ongoing for additional contracts.

OUTSTANDING SHARE DATA

At May 13, 2019, the Company had:

- An unlimited number of Common Shares authorized and 12,045,729 Common Shares outstanding; and
- An unlimited number of First and Second Preferred Shares authorized and none outstanding.
- 250,000 options to acquire Common Shares outstanding, all of which are vested and exercisable.

LIQUIDITY AND CAPITAL RESOURCES

During the three months ended March 31, 2019, the Company's net short term debt position (a non-IFRS measure representing short-term indebtedness net of cash and cash equivalents) increased $51.9 million and is $44.9 million as at March 31, 2019. This decrease in cash is a result of purchasing investments during the quarter combined with assuming the short-term debt of Holloway through the business combination.

Cash flow from operating activities

Cash provided by operating activities was $1.2 million for the three months ended March 31, 2019 and $3.9 million for the same period in 2018. The cash from operating activities is driven mainly by the dividends and interest received during the year as well as the ferry and hospitality operations.

At March 31, 2019, working capital excluding securities was negative $109.2 million, compared to positive $6.2 million at December 31, 2018. The current period includes the current portion of convertible debentures assumed in the business combination with a carrying value of $50.9 million. Subsequent to the quarter, Holloway received approval from the debenture holders to amend the maturity date of the convertible debentures to February 28, 2023. As a result, the debentures will be reclassified to long-term in the second quarter of 2019. 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 $7.4 million was used in investing activities during the three months ended March 31, 2019, compared to $1.1 million used in the same period in 2018. Net cash used investing activities during the three months ended March 31, 2019 was a result of net purchases of investments of $21.0 million, and the purchase of investment property of $6.4 million, offset by proceeds from the sale of hotel properties of $18.6 million and the after-tax pension surplus distribution of $1.2 million. Net cash used in investing activities during the same period in 2018 was mainly a result of investment purchases of $1.5 million and dry dock costs for our ferry of $0.8 million, offset by the after-tax pension surplus distribution of $1.2 million.

Cash flow from financing activities

Net cash provided by financing activities was $1.2 million for the three months ended March 31, 2019, compared to $20.6 million used during the same period in 2018. Net cash provided by financing activities during the quarter was related to net proceeds on short-term borrowings of $14.9 million, offset by the repayment of long-term debt of $9.6 million, the repurchase of Common Shares of $3.0 million and the settlement of Holloway's share-based liability of $1.1 million. Cash used in financing activities during the same period in 2018 was related to Common Share repurchases of $20.6 million and long-term debt repayments of $0.1 million.

Contractual obligations and capital resource requirements

The effects of commitments, events, risks and uncertainties on future performance are discussed in the sections relating to Contractual Obligations and Capital Resource Requirements.

The table below summarizes Clarke's maximum contractual obligations by due date:

Contractual obligations	Total $	Less than 1 year $	1 – 3 years $	3 - 5 years $	After 5 years $
Short-term indebtedness	46.9	46.9	—	—	—
Convertible debentures	50.9	50.9	—	—	—
Long-term debt	70.3	8.1	11.5	47.4	3.3
Lease obligation	0.7	0.1	0.2	0.2	0.2
	168.8	106.0	11.7	47.6	3.5

The convertible debentures balance of $50.9 million is the face value repayment required upon maturity of Holloway's Series B Debentures. These debentures are convertible into common shares of Holloway at any time at the option of the holder, and therefore the actual cash required at maturity, if any, is dependent upon the number of debentures remaining unconverted. The debentures are also redeemable, at the option of the Company, in whole or in part, at any time after June 2, 2020. The redemption price is the principal amount plus accrued and unpaid interest. Holloway is required to provide at least 30 days' prior notice of the redemption.

Clarke expects to be able to fund all working capital requirements, contractual obligations, and capital expenditures from a combination of operating cash flows, existing credit facilities, and its current cash and cash equivalents position.

Clarke has several investment margin facilities with Canadian brokerage companies. The facilities permit draws of a portion of the market value of purchases of qualifying securities, depending upon the type of instrument, with certain market value restrictions. At March 31, 2019, $31.8 million was available under these facilities and $17.8 million was drawn on these facilities (December 31, 2018 – $20,000 and nil, respectively). Declines in the market value of pledged securities may have an adverse effect on the amount of credit available under these facilities. Additionally, Holloway has access to two revolving credit facilities. At March 31, 2019, $66.0 million was available under these facilities and $29.1 million was drawn on these facilities. In total, $50.9 million was available on all facilities at the end of March 31, 2019 in addition to amounts drawn. *(see note 11 to the unaudited interim consolidated financial statements for the three months ended March 31, 2019).*

SUMMARY OF QUARTERLY RESULTS

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

Three months ended	Jun. 2017 $	Sept. 2017 $	Dec. 2017 $	Mar. 2018 $	Jun. 2018 $	Sep. 2018 $	Dec. 2018 $	Mar. 2019 $
Revenue and other income (loss)	1.9	2.4	3.1	3.5	2.8	8.8	(8.2)	55.7
Net income (loss)	—	—	(0.6)	2.1	0.9	6.2	(9.8)	36.5
Other comprehensive income (loss)	0.7	(0.6)	11.5	0.2	—	21.2	(2.4)	(0.8)
Comprehensive income (loss)	0.7	(0.6)	10.9	2.3	0.9	27.4	(12.2)	35.7
Basic EPS (in dollars)	—	—	(0.04)	0.16	0.07	0.49	(0.79)	3.06
Diluted EPS (in dollars)	—	—	(0.04)	0.16	0.07	0.49	(0.79)	3.04

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. Clarke views its investments on a longer-term basis as opposed to on a quarter-to-quarter basis. These fluctuations, however, often provide us with an opportunity to invest more capital in particular investments that we like or vice-versa. Holloway's business is seasonal in nature and the results fluctuate throughout the year. The revenues are generally highest in the third quarter due to increased leisure travel during the summer months. While certain expenses fluctuate according to occupancy levels, other expenses such as property taxes, insurance and interest are fixed and are incurred evenly throughout the year.

FINANCIAL INSTRUMENTS

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

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

- To manage foreign exchange, interest rate and general market risk, the Company may enter into futures and forward exchange contracts. These instruments may have interest, market, credit and foreign exchange risk associated with them. Clarke hedges 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, 8, 11, 17 and 18 to the consolidated financial statements for the year ended December 31, 2018 and the Company's 2018 AIF, provide further information on classifications in the financial statements, and risks, pertaining to the use of financial instruments by the Company. Notes 2, 4, 5, 6, 11, 12, 13, 14 and 23 to the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019 also provide further information on financial instruments acquired and assumed in the business combination with Holloway.

SIGNIFICANT EQUITY INVESTMENTS

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company has determined that none of its investments qualify as significant equity investees. Holloway and Terravest were both previously disclosed as significant equity investees. Holloway no longer qualifies now that its financial results are consolidated with the Company, and Terravest no longer meets the quantitative thresholds for disclosure.

RELATED PARTY TRANSACTIONS

The Company was party to related party transactions during the three months ended March 31, 2019. 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 16 of our consolidated financial statements for the year ended December 31, 2018 and Note 18 of our interim condensed consolidated financial statements for the three months ended March 31, 2019.

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. The Company's President & Chief Executive Officer and the Chief Financial Officer have limited the scope of design of internal controls over financial reporting for Holloway. This scope limitation is in accordance with National Instrument 52-109 section 3.3 (1) (b), which allows for an issuer to limit scope for a business it acquired not more than 365 days prior to the end of the fiscal period. Fair value of assets and liabilities upon acquisition is as stated in note 4 to the interim condensed consolidated financial statements. Summary financial information for the company as consolidated in the interim financial statements of Clarke as at March 31, 2019, is as follows:

	$
Total assets	**243.4**
Total liabilities	**158.5**
Revenue	**16.1**
Net loss	**(1.6)**

There have been no changes in the Company's disclosure controls and procedures or internal controls over financial reporting during the three months ended March 31, 2019 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 five 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, hotel operating income and non-consolidated financial statements. Clarke uses 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 attributable to equity holders of the Company at the date of the statement of financial position by the number of Common Shares outstanding at that date. Clarke uses hotel operating income as a measure of the performance of its Hospitality segment as it excludes depreciation and interest charges, which are a function of the entity's specific capital structure, and also excludes entity specific tax, hotel selling costs and share-based payment expense. Clarke presents non-consolidated financial statements excluding the consolidation of Holloway as an appendix to this MD&A to enable the Company's shareholders to compare our current results to our prior results before the acquisition of control of Holloway. 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. These amounts are not performance measures 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", "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 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 investment in a 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.

APPENDIX:
Non-consolidated financial statements excluding the results of Holloway

Clarke Inc.

INTERIM STATEMENTS OF FINANCIAL POSITION

Unaudited (in thousands of Canadian dollars)

	March 31, 2019 as stated	Holloway reversal	**March 31, 2019 unconsolidated**
	$	$	**$**
ASSETS			
Current			
Cash and cash equivalents	**1,985**	(655)	**1,330**
Marketable securities	**107,113**	55,271	**162,384**
Receivables	**5,483**	(4,419)	**1,064**
Inventories	**384**	(384)	**—**
Income taxes receivable	**378**	—	**378**
Prepaid expenses	**1,172**	(1,061)	**111**
Current portion of loans receivable	**2,000**	(2,000)	**—**
Total current assets	**118,515**	46,752	**165,267**
Accrued pension benefit asset	**32,029**	—	**32,029**
Property and equipment	**265,091**	(264,402)	**689**
Investment properties	**9,097**	(8,930)	**167**
Loans receivable	**8,545**	(8,545)	**—**
Deferred income tax assets	**8,306**	(7,968)	**338**
Other assets	**495**	(495)	**—**
Total assets	**442,078**	(243,588)	**198,490**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Short-term indebtedness	**46,918**	(29,141)	**17,777**
Accounts payable and accrued liabilities	**9,977**	(9,194)	**783**
Income taxes payable	**3**	—	**3**
Accrued interest on convertible debentures	**1,318**	(1,318)	**—**
Current portion of convertible debentures	**50,904**	(50,904)	**—**
Current portion of long-term debt	**11,428**	(10,428)	**1,000**
Share-based payment liability	**25**	(25)	**—**
Total current liabilities	**120,573**	(101,010)	**19,563**
Long-term debt	**58,878**	(56,545)	**2,333**
Lease obligation	**668**	(668)	**—**
Deferred income tax liabilities	**9,472**	1,172	**10,644**
Total liabilities	**189,591**	(157,051)	**32,540**
Shareholders' equity			
Share capital	**39,076**	—	**39,076**
Retained earnings	**106,114**	(17,607)	**88,507**
Accumulated other comprehensive income	**36,822**	—	**36,822**
Share-based payments	**1,545**	—	**1,545**
Total shareholders' equity attributable to equity holders of the Company	**183,557**	(17,607)	**165,950**
Non-controlling interest	**68,930**	(68,930)	**—**
Total shareholders' equity	**252,487**	(86,537)	**165,950**
Total liabilities and shareholders' equity	**442,078**	(243,588)	**198,490**

APPENDIX:
Non-consolidated financial statements excluding the results of Holloway

Clarke Inc.
INTERIM STATEMENTS OF EARNINGS
Unaudited (in thousands of Canadian dollars)

	Three months ended March 31, 2019 as stated $	Holloway reversal $	**Three months ended March 31, 2019 unconsolidated $**
Revenue and other income			
Hotel and management services	**15,829**	(15,829)	**—**
Provision of services	**178**	18	**196**
Bargain purchase	**22,389**	(22,389)	**—**
Investment and other income	**17,329**	4,815	**22,144**
	55,725	(33,385)	**22,340**
Expenses			
Hotel operating expenses	**11,108**	(11,108)	**—**
Cost of services provided	**660**	—	**660**
General and administrative expenses	**750**	(393)	**357**
Property taxes and insurance	**950**	(950)	**—**
Selling costs on property and equipment sales	**884**	(884)	**—**
Share-based payment expense	**445**	(445)	**—**
Depreciation	**2,861**	(2,772)	**89**
Interest expense and accretion on debt	**1,836**	(1,703)	**133**
	19,494	(18,255)	**1,239**
Income before income taxes	**36,231**	(15,130)	**21,101**
Provision for (recovery of) income taxes	**(317)**	1,643	**1,326**
Net income	**36,548**	(16,773)	**19,775**
Attributable to:			
Equity holders of the Company	**37,381**	(17,606)	**19,775**
Non-controlling interest	**(833)**	833	**—**
	36,548	(16,773)	**19,775**