Management's Discussion & Analysis

# Clarke Inc.

September 30, 2020 and 2019

# 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, 2020 compared with the three and nine months ended September 30, 2019. The following information is derived from the Company's unaudited interim condensed consolidated financial statements which are prepared in accordance with IAS 34, *Interim Financial Reportin*g. 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, 2020, available on SEDAR at www.sedar.com. This MD&A provides an overall discussion, followed by analyses of the performance of the Company's major investments. The MD&A is prepared as at November 10, 2020 (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. 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.

## THIRD QUARTER REVIEW AND OUTLOOK

During the third quarter of 2020, the Company's book value per Common Share increased by $0.70 or 8.3%. The increase can primarily be ascribed to (i) unrealized gains on our marketable securities in the amount of $10.8 million, or $0.68 per Common Share, (ii) a fair value increase of certain office buildings owned by Holloway Lodging Corporation ("Holloway") in the amount of $2.0 million, or $0.13 per Common Share (iii) repurchasing our Common Shares at prices below our book value per share in the amount of $1.0 million, or $0.05 per Common Share, offset by (iv) a decrease in the after-tax value of our pension plan surplus in the amount of $1.8 million, or $0.11 per Common Share, and (v) losses in our operating businesses and corporate overhead in an amount of $0.7 million, or $0.04 per Common Share. Our book value per Common Share at the end of the third quarter was $9.11 while our Common Share price was $5.81.

Subsequent to the end of the third quarter, the Company, through its wholly-owned subsidiary, Holloway, agreed to sell the Best Western ® in Grande Prairie, Alberta to G2S2 Capital Inc. ("G2S2") for consideration of $11.5 million. The transaction constitutes a "related party transaction" pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is exempt from the requirements to obtain a formal valuation and minority shareholder approval in connection with the sale in reliance on the exemptions contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101, respectively, as the fair market value of the transaction does not exceed 25% of the Company's market capitalization. The transaction was reviewed and approved by the board of directors of the Company, excluding Mr. George Armoyan, the Executive Chairman of G2S2, who abstained from voting on the matter. The transaction is subject to customary closing conditions and, subject to the satisfaction or waiver of those conditions, is expected to close by year end.

## COVID-19

The spread of COVID-19, consumer and business perceptions of the danger of COVID-19 and Canadian and provincial government responses to COVID-19 have affected the Company materially and adversely during the first three quarters of 2020. The impact has been particularly strong on Holloway and Clarke's ferry business due to the collapse in business and leisure travel and even day-to-day commuting.

With the increasing lifting of business lockdowns and travel bans, economic activity is resuming, and our businesses are beginning to recover. How long it takes for business levels to normalize remains highly uncertain. In mid-March, as the impact of COVID-19 on business levels became apparent, we took immediate and drastic action at our businesses to safeguard employee and customer safety, ensure financial liquidity, reduce and/or defer expenses and minimize cash burn. We do not expect to generate significant positive cash flow at Holloway or our ferry business until the travel and leisure industries return to more normal economic levels. The world will need energy once again, a large portion of this will be provided from oil or natural gas and Trican will be best positioned in Canada to help oil and gas producers complete their wells. People will still want or need to travel, and Holloway will accommodate guests. And cars, trucks and passengers will need to cross the St. Lawrence River and our ferry operation will remain an efficient way of doing so.

**Holloway Lodging Corporation**

The impact of COVID-19 is expected to continue for the foreseeable future. While we believe that the worst of the downturn is behind us, the resurgence of virus cases in a number of provinces makes it impossible to predict with certainty, and the hotel sector is among the most severely impacted parts of the economy. Travel restrictions remain in effect in some of our areas of operation, and these restrictions may ease or strengthen depending on evolving circumstances and government actions.

Certain of our hotels have secured group and crew business as specific projects resume, and every effort is being made to ensure that we capture more than our share of any available demand. We continue to work on the pre-construction phase of the redevelopment of our Ottawa hotel site.

**Trican Well Service Ltd. (“Trican”)**

We remain cautiously optimistic towards Trican and the oil field services space. A recovery in rig counts and natural gas fundamentals offers hope, though uncertainty over 2021 E&P spending and the continued malaise of COVID-19 muddle the picture. Regardless, Trican continues to outperform its peers and maintains an enviable balance sheet. We are bullish on the long-term value of Trican, and we see a leaner Canadian sector with stronger pricing power for hydraulic fracturing companies as the path forward.

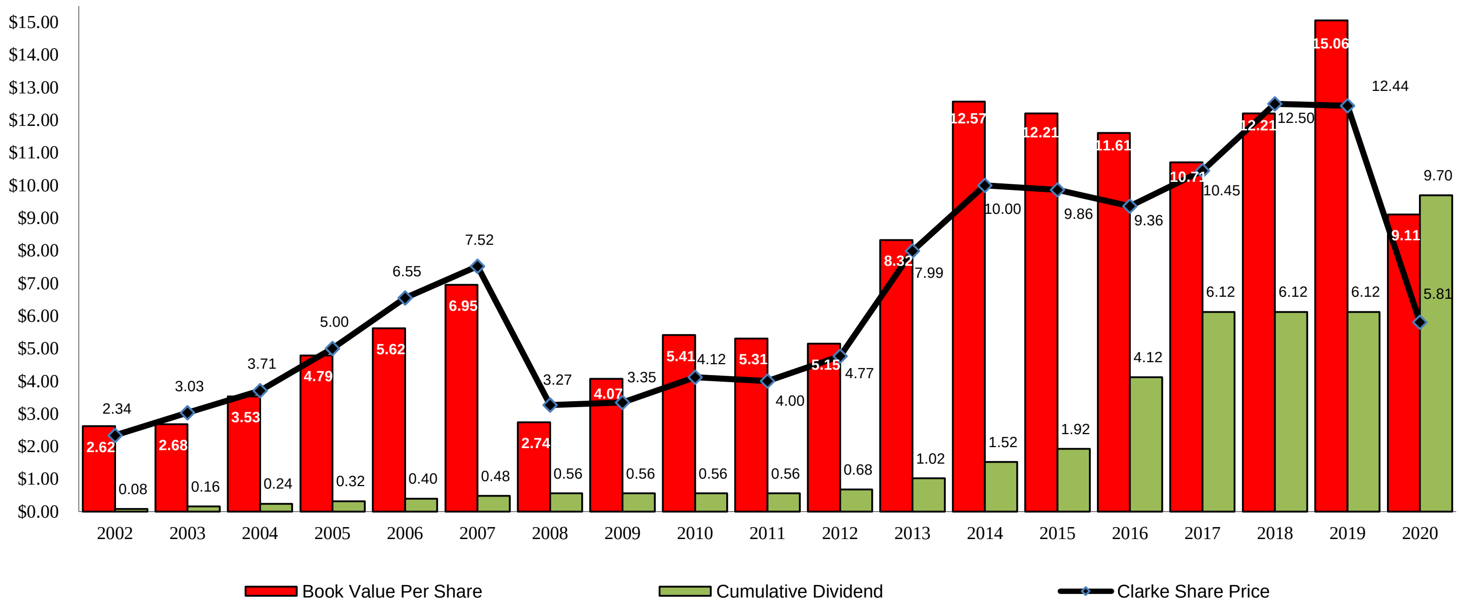
**Real Estate and Corporate**

We currently own three vacant office buildings in Houston, TX totalling approximately 435,000sf. We acquired these properties far below the cost at which they can be replaced, and we are actively working to redevelop and/or lease these properties. During the quarter we recorded a fair value adjustment increase on two of these properties for a total of $2.0 million as a result of unsolicited purchase offers. We also own a vacant parcel of land in Moncton, NB.

We currently have $68 million of debt at the Clarke corporate level and $141 million of debt on a consolidated basis. We have availability under our corporate and subsidiary credit lines of $11.7 million (although our borrowing bases may decline due to the impact of COVID-19). Subsequent to the end of the quarter, we amended our credit facilities with our primary lender to establish incremental, long-term liquidity to the Company.

## BOOK VALUE PER SHARE

The Company's book value per share at September 30, 2020 was $9.11, a decrease of $5.95 per Common Share since December 31, 2019. 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 September 30, 2020.*

## RESULTS OF OPERATIONS

Highlights of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019 are as follows:

| *(in millions, except per share amounts)* | **Three months ended September 30, 2020 $** | Three months ended September 30, 2019 $ | **Nine months ended September 30, 2020 $** | Nine months ended September 30, 2019 $ |
|---|---|---|---|---|
| Hotel and management services | **7.0** | 21.7 | **24.5** | 58.7 |
| Provision of services | **3.0** | 4.5 | **3.8** | 6.7 |
| Bargain purchase | **—** | — | **—** | 20.7 |
| Investment and other income (loss)* | **13.1** | (4.7) | **(28.3)** | 10.4 |
| Net income (loss) attributable to equity holders of the Company | **12.5** | (2.9) | **(33.7)** | 31.2 |
| Comprehensive income (loss) attributable to equity holders of the Company | **10.4** | (3.3) | **(40.0)** | 26.6 |
| Basic earnings (loss) per share ("EPS") | **0.79** | (0.24) | **(2.10)** | 2.58 |
| Diluted EPS | **0.67** | (0.24) | **(2.10)** | 2.56 |
| Total assets | **295.4** | 391.5 | **295.4** | 391.5 |
| Long-term financial liabilities | **97.9** | 95.3 | **97.9** | 95.3 |
| Book value per share | **9.11** | 14.26 | **9.11** | 14.26 |

**Investment and other income (loss) include unrealized/realized gains/losses on investments, hotel revaluations and property fair value adjustments, dividend and interest income, pension recovery, insurance proceeds, losses on disposal of assets, foreign exchange gains/losses, and gains on repurchase of convertible debentures.*

The net income (loss) attributable to equity holders of the Company for the three and nine months ended September 30, 2020 was $12.5 million and ($33.7), respectively, compared to ($2.9) million and $31.2 million for the same periods in 2019. During the three and nine months ended September 30, 2020, the Company had unrealized gains on its investments of $10.8 million and unrealized losses of $41.2 million, respectively, compared to unrealized losses of $5.9 million and $5.2 million for the same periods in 2019. The Company had realized gains on its investments of nil and $29.0 million, respectively, for the three and nine months ended September 30, 2020 compared with realized gains of nil and $12.5 million for the same periods in 2019. The Company recorded a bargain purchase gain of $20.7 million during the nine months ended September 30, 2019 as a result of the acquisition of control of Holloway.

## SEGMENT REPORTING

The table below shows a breakdown by segment of the Company's holdings as at September 30, 2020 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, the results of our pension plans and the interest payable on our convertible debentures.

| | **September 30, 2020** | | December 31, 2019 | |
|---|---|---|---|---|
| **Segment** | **$** | **%** | $ | % |
| Investment | **61.1** | **20.7** | 131.2 | 32.7 |
| Hospitality | **213.8** | **72.4** | 238.5 | 59.4 |
| Other | **20.5** | **6.9** | 32.0 | 8.0 |
| Intercompany elimination | **—** | **—** | (0.5) | (0.1) |
| Total | **295.4** | **100.0** | 401.2 | 100.0 |

### Investment segment

The Company's investment segment is comprised of securities, a ferry business, and vacant office buildings in Houston, TX. During the three and nine months ended September 30, 2020, the Investment segment had unrealized gains on its investments of $10.8 million and unrealized losses of $41.2 million, respectively, compared to unrealized losses of $0.4 million and unrealized gains of $22.5 million for the same periods in 2019. The Investment segment had realized gains on its investments of nil and $29.0 million, respectively, for the three and nine months ended September 30, 2020 compared with realized gains of nil and $1.7 million for the same periods in 2019.
The Investment segment's equity holdings did not generate dividends during the three and nine months ended September 30, 2020, compared with dividends of $0.5 million and $2.2 million earned for the same periods in 2019.

At September 30, 2020, the Company owned 34,961,900 shares of Trican with a value of $39.5 million. During the first quarter of 2020, Clarke's investment in the common shares of Terravest were disposed of through the dividend-in-kind and all other public company securities were sold.

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

| | **Nine months ended September 30, 2020** |
|---|---|
| | **$** |
| Securities – beginning of period | **111.7** |
| Proceeds on sale | **(1.8)** |
| Net realized and unrealized losses on securities | **(12.3)** |
| Disposal of Terravest common shares by dividend-in-kind | **(58.1)** |
| Securities – end of period | **39.5** |

There were no material developments with our office buildings in Houston during the quarter aside from the fair value adjustment of $2.0 million. 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 the ferry business during the quarter. Year to date, we have experienced a significant reduction in revenue due to the delayed opening of the season as a result of the state of emergency due to the pandemic. The ferry normally begins its operating season at the start of the second quarter. This year we opened in the latter half of May.

### Hospitality segment

Holloway owns and operates hotels across Canada. We began to consolidate Holloway's results into our own results after acquiring control by obtaining 51% of Holloway's outstanding shares in early 2019. We acquired the remaining outstanding shares of Holloway on September 30, 2019 to increase our ownership to 100%. Holloway's results for the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019 are as follows:

| | **Three months ended September 30, 2020 $** | Three months ended September 30, 2019 $ | **Nine months ended September 30, 2020 $** | Nine months ended September 30, 2019 $ |
|---|---|---|---|---|
| Hotel operations | **7.0** | 21.8 | **24.5** | 58.7 |
| Investment and other income (loss), net of hotel revaluations | **0.1** | 0.5 | **(18.4)** | 1.3 |
| Total revenue and other income | **7.1** | 22.3 | **6.1** | 60.0 |
| Less: | | | | |
| Hotel operating expenses, corporate expenses, property taxes and insurance | **4.9** | 15.1 | **20.0** | 43.2 |
| Selling costs on property and equipment sales | **—** | 1.5 | **—** | 2.7 |
| Share-based payment expense | **—** | — | **—** | 0.4 |
| Depreciation and amortization | **2.6** | 2.9 | **8.1** | 9.1 |
| Interest expense | **0.8** | 1.9 | **2.3** | 5.8 |
| Income (loss) before income taxes | **(1.2)** | 0.9 | **(24.3)** | (1.2) |

The third quarter was the second full quarter since the beginning of the COVID-19 pandemic. While hotel occupancy declined significantly compared to the prior year, it increased compared to the prior quarter. This is a due to a combination of factors, including the reopening of our closed hotels, the impact of seasonality where the third quarter traditionally produces the greatest demand, and the gradual reopening of certain parts of the economy. Nonetheless, the revenue decline has made for a very difficult quarter.

We continue to use all available means to mitigate the impact of lower revenue. These measures include significant staffing reductions in both hotel operations and corporate departments, availing of all applicable government subsidy programs and reducing operating expenses across all areas of our business.

## OUTSTANDING SHARE DATA

At November 10, 2020, the Company had:

- An unlimited number of Common Shares authorized and 15,291,231 Common Shares outstanding;
- An unlimited number of First and Second Preferred Shares authorized and none outstanding; and
- 150,000 options to acquire Common Shares outstanding, none of which are vested and exercisable.

## LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended September 30, 2020, the Company's net short term debt position (a non-IFRS measure representing short-term indebtedness net of cash and cash equivalents) increased $7.0 million and is $34.5 million as at September 30, 2020. This decrease in cash is largely a result of repurchasing Common Shares during the first three quarters.

### Cash flow from operating activities

Cash used in operating activities was $3.5 million for the nine months ended September 30, 2020, compared to $10.5 million provided during the same period in 2019. The cash from operating activities is driven mainly by the hospitality and ferry operations as well as interest received during the period.

At September 30, 2020, working capital excluding securities was negative $41.9 million, compared to $36.5 at December 31, 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**

Cash provided by investing activities was $5.4 million for the nine months ended September 30, 2020, compared to $24.3 million provided during the same period in 2019. Net cash provided by investing activities during the period was a result of proceeds from the sale of marketable securities of $1.8 million and collections of loans receivable of $5.5 million, offset by additions of property and equipment and investment properties of $1.9 million. Net cash provided by investing activities during the nine months ended September 30, 2019 was a result of proceeds from the sale of hotel properties of $66.7 million and the after-tax pension surplus distribution of $1.2 million, offset by net purchases of investments of $26.7 million, and the purchase of investment properties of $17.5 million.

**Cash flow from financing activities**

Cash used in financing activities was $3.9 million for the nine months ended September 30, 2020, compared to $38.9 million used during the same period in 2019. Net cash used in financing activities during the period was related to the repurchase of Common Shares of $7.7 million, and the repayment of long-term debt of $1.0 million, offset by the net proceeds of short-term borrowings of $4.9 million. Net cash used in financing activities during the nine months ended September 30, 2019 was related to the repayment of long-term debt of $25.9 million, the repurchase of Common Shares of $6.1 million, and net repayments on short-term borrowings of $5.1 million.

**Available capital under credit facilities**

The Company has access to credit facilities where certain of the Company's securities are pledged as collateral, and Holloway has access to two revolving credit facilities. At September 30, 2020, $48.9 million was available under these facilities and $35.0 million was drawn on these facilities resulting in available unused facilities totaling $13.9 million. Declines in the market value of pledged securities may have an adverse effect on the amount of credit available under these facilities.

## SUMMARY OF QUARTERLY RESULTS

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

| ***Three months ended*** | **Dec. 2018 $** | **Mar. 2019 $** | **Jun. 2019 $** | **Sep. 2019 $** | **Dec. 2019 $** | **Mar. 2020 $** | **Jun. 2020 $** | **Sep. 2020 $** |
|---|---|---|---|---|---|---|---|---|
| Revenue and other income (loss) | (8.2) | 55.7 | 20.5 | 21.3 | 22.8 | (40.6) | 17.5 | 23.1 |
| Net income (loss) | (9.8) | 36.5 | 0.6 | (3.6) | 5.7 | (53.1) | 6.9 | 12.5 |
| Other comprehensive income (loss) | (2.4) | (0.8) | (3.5) | (0.4) | 5.2 | (1.7) | (2.5) | (2.1) |
| Comprehensive income (loss) | (12.2) | 35.7 | (2.9) | (4.0) | 10.9 | (54.8) | 4.4 | 10.4 |
| Basic EPS (in dollars) | (0.79) | 3.06 | (0.13) | (0.24) | 0.36 | (3.26) | 0.43 | 0.79 |
| Diluted EPS (in dollars) | (0.79) | 3.04 | (0.13) | (0.24) | 0.34 | (3.26) | 0.38 | 0.67 |

As seen in the table above, our results can fluctuate significantly from quarter to quarter, in part as a result of certain accounting standards the Company follows, and as a result of fluctuations in the market prices of our securities portfolio. Under IFRS, realized and unrealized gains and losses on our publicly-traded securities are recorded in "Investment 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. 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. Our results have also fluctuated significantly since the first quarter of 2019 as a result of consolidating Holloway's results with ours. 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.

## SIGNIFICANT EQUITY INVESTMENTS

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company has determined that Trican is a significant equity investee. 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.

### Trican

Trican is an oilfield services company with considerable operations in pressure pumping, coil tubing and cementing as well as numerous other service lines. As of September 30, 2020, Clarke owned 13.5% of the outstanding shares of Trican.

| **Selected Financial Information** | | | **September 30, 2020** **$** | December 31, 2019 $ |
|---|---|---|---|---|
| Total assets | | | **604.3** | 926.5 |
| Total liabilities | | | **(84.1)** | (185.4) |
| Shareholders' equity | | | **520.2** | 741.1 |
| | **Three months ended September 30, 2020** **$** | Three months ended September 30, 2019 $ | **Nine months ended September 30, 2020** **$** | Nine months ended September 30, 2019 $ |
| Total revenue | **74.1** | 129.9 | **294.3** | 472.8 |
| Net loss | **(26.1)** | (16.7) | **(209.7)** | (52.6) |

## RELATED PARTY TRANSACTIONS

The Company was party to related party transactions during the nine months ended September 30, 2020. 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, 2019 and Note 12 of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2020.

## 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, 6, 7, 12, 13, 14, 15 and 25 to the consolidated financial statements for the year ended December 31, 2019 and the Company’s 2019 AIF, provide further information on classifications in the financial statements, and risks, pertaining to the use of financial instruments by the Company.  Notes 2 and 15 to the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 also provide further information on the risks and uncertainties of estimates, liquidity, and credit as a result of COVID-19.

## DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 months ended September 30, 2020 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. 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 of the Company at the date of the statement of financial position by the number of Common Shares outstanding at that date. Clarke's method of determining this amount may differ from other companies' methods and, accordingly, this amount may not be comparable to measures used by other companies. This amount is not a performance measure as defined under IFRS and should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with IFRS.

## 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.