Management’s Discussion & Analysis

Clarke Inc.

September 30, 2024 and 2023

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, 2024 compared with the three and nine months ended September 30, 2023. The following information is derived from the Company's unaudited interim condensed consolidated financial statements which are prepared in accordance with IAS 34, *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS"). 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, 2024, available on SEDAR+ at www.sedarplus.ca. This MD&A provides an overall discussion and analysis of the Company's operations and performance. The MD&A is prepared as at November 8, 2024 (unless otherwise stated). All dollar amounts are shown in millions of Canadian dollars except for per common share amounts or unless otherwise indicated.

OVERVIEW & STRATEGY

Clarke was incorporated on December 9, 1997 pursuant to the Canada Business Corporations Act and its head office is located at 168 Hobsons Lake Drive, Beechville, Nova Scotia.

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

We attempt to maximize shareholder value by allocating capital to assets 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 need a positive change. These investments may be real estate, companies, securities or other assets. Clarke has a diverse and significant portfolio of direct real estate holdings across the hospitality, commercial, industrial, and residential sectors. We do not believe in limiting ourselves to specific types of investments. Clarke generally invests in industries that have hard assets, in particular, hospitality and real estate businesses.

THIRD QUARTER REVIEW AND OUTLOOK[1]

During the third quarter of 2024, the Company's book value per common share increased by $1.69, or 10.2%. The increase can be attributed primarily to (i) hotel net operating income of $8.6 million or $0.62 per share, (ii) revaluation gains on certain hotels of $15.6 million or $1.12 per share, (iii) a fair value adjustment on investment properties of $4.1 million or $0.29 per share, and (iv) after-tax remeasurement gains and changes on the Company's pension plans of $2.5 million or $0.18 per share, offset by (v) depreciation of $2.6 million or $0.19 per share and (vi) interest and accretion of $1.9 million or $0.14 per share.

The Company's book value per common share at the end of the quarter was $18.32 while our common share price was $23.96.

Real Estate and Corporate

The first phase of our *Talisman* residential development on Carling Avenue in Ottawa, ON (the "Talisman"), which is two towers and 404 rental units, was substantially completed in August 2024. We welcomed our first residents in June 2024 and the lease-up is ongoing.

The Company's former Travelodge® Ottawa West hotel was closed in November 2023 and was demolished in the first quarter of 2024 to make way for the Talisman's second phase, which will be three towers and 612 rental units. Construction on this phase commenced in 2024 and is expected to be completed in 2026.

We continue to proactively evaluate potential renovations and conversions of our hospitality assets to maximize value. We are continuing the partial conversion of one hotel into a mixed-use asset, which includes the renovation and conversion of certain hotel rooms into residential units. The ultimate magnitude of this renovation will be dictated by the local market's response and lease-up results. We continue to explore more long-term stay offerings and potential residential conversions to assess if these opportunities will be accretive to the Company.

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

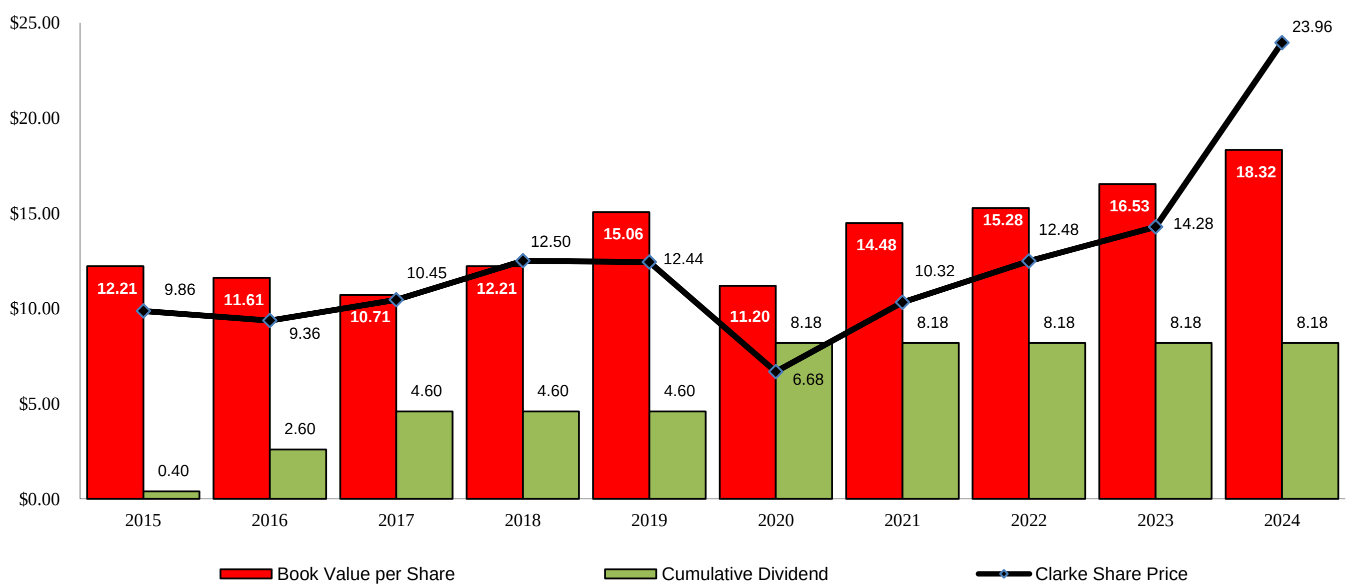
In March 2024, the Company sold the shares of a wholly owned subsidiary, Holloway Lodging US Inc. (“HLUS”), to an entity owned by the Company’s Chairman and his immediate family member for $4.0 million (US$3.0 million). The Company recorded a gain on disposal of $0.5 million in the three months ended March 31, 2024. The transaction was non-cash whereby the consideration before post-closing adjustments was the partial settlement of an unsecured credit facility due to the acquiring entity. As a result of certain post-closing adjustments made in the three months ended June 30, 2024 and the three months ended September 30, 2024, the Company recorded a loss of $0.9 million on the disposition of HLUS, resulting in a year-to-date loss on the transaction of $0.4 million. The Company may be required to record additional adjustments to this transaction in future periods due to the ultimate settlement of other post-closing adjustments.

Hotel Operations

Hotel revenue in the three and nine months ended September 30, 2024 was $18.5 million and $47.4 million, respectively, compared to $19.3 million and $50.0 million in 2023. The Company had two fewer hotels in operations in 2024 compared to 2023, which was the cause of the decline. On a same-hotel basis, hotel revenue was materially consistent for the three months ended September 30, 2024 and increased by $0.8 million for the nine months ended September 30, 2024.

BOOK VALUE PER SHARE

The Company’s book value per share at September 30, 2024 was $18.32, an increase of $1.79 since December 31, 2023. The following graph illustrates Clarke’s book value per share, share price and cumulative dividends paid over the past ten years.



**All years as of December 31 except for current year as at September 30, 2024.*

RESULTS OF OPERATIONS

Highlights of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 compared to the three and nine months ended September 30, 2023 are as follows:

(in millions, except per share amounts)	**Three months ended September 30, 2024** **$**	Three months ended September 30, 2023 $	**Nine months ended September 30, 2024** **$**	Nine months ended September 30, 2023 $
Hotel and rental revenue	**20.0**	19.6	**49.8**	50.5
Provision of services revenue	**4.8**	4.3	**7.3**	6.8
Investment and other income (loss)	**8.6**	(4.8)	**9.5**	(4.9)
Net income (loss)	**12.2**	(1.9)	**16.4**	(4.1)
Other comprehensive income	**11.5**	2.7	**8.7**	5.0
Comprehensive income	**23.6**	0.8	**25.1**	1.0
Basic and diluted earnings (loss) per share ("EPS")	**0.87**	(0.13)	**1.17**	(0.29)
Total assets	**469.4**	452.5	**469.4**	452.5
Total liabilities	**213.8**	237.7	**213.8**	237.7
Long-term financial liabilities	**147.6**	117.1	**147.6**	117.1
Book value per share	**18.32**	15.37	**18.32**	15.37

The Company's net income was $12.2 million and $16.4 million for the three and nine months ended September 30, 2024, respectively, compared to a net loss of $1.9 million and $4.1 million for the same periods in 2023. The increased earnings year-over-year are primarily as a result of $8.0 million of fair value adjustment gains recorded within earnings in the third quarter. The $8.0 million was the aggregate of a $4.1 million fair value gain on its investment properties, and $3.9 million of revaluation gains on certain hotel properties. The Company also had $11.7 million of revaluation gains on certain hotel properties, which were recorded within other comprehensive income. In addition, 2023's results included operating losses from the Company's three vacant office buildings in Houston, TX, and a former joint venture located at 1111 Atwater Avenue in Montreal, QC ("1111 Atwater"). These losses were avoided in 2024 because of the Company's exit from these investments.

Hotel operations produced strong third quarter results and achieved net operating income of $8.6 million for the quarter and $18.4 million year-to-date, compared to $8.2 million and $18.2 million, respectively, in 2023. The improved year-over-year results are mainly due to increased business in our Northern Canadian markets.

Comprehensive income was $23.6 million for the three months ended September 30, 2024, compared to $0.8 million for the three months ended September 30, 2023. Comprehensive income was $25.1 million for the nine months ended September 30, 2024, compared to $1.0 million for the nine months ended September 30, 2023. The increase in comprehensive income for the three and nine months ended September 30, 2024, was primarily attributable to positive earnings in the respective periods, compared to losses in 2023 and increased revaluation gains recorded in other comprehensive income ("OCI") in 2024 compared to those recorded in 2023.

SEGMENT REPORTING

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

	September 30, 2024		December 31, 2023	
Segment	**$**	**%**	$	%
Investment	**201.2**	**42.9**	148.8	37.7
Hospitality	**232.1**	**49.4**	211.5	53.5
Other	**36.1**	**7.7**	34.8	8.8
Total	**469.4**	**100.0**	395.1	100.0

Investment segment

The investment segment is comprised of the Company's ferry business and investment properties. Development of the Talisman continues to progress and is the largest driver of the segment's $53.5 million of capital expenditures to date in 2024. The improved results in the investment segment are due to several factors. One of the Company's hotels was converted to an investment property at the end of 2023 and is now presented in this segment, whereby the results of 2023 are presented in the hospitality segment. In the three and nine months ended September 30, 2023, the Company recorded a $7.0 million fair value adjustment loss on three vacant office buildings in Houston, TX. This adjustment and these assets' operating losses were not repeated after their disposition. In 2023, our former joint venture, 1111 Atwater was incurring losses for lease-up and marketing activities. Finally, the first phase of the Talisman had been under construction and non-operating in 2023 but began operations in the second quarter of 2024.

Hospitality segment

The Company owns and operates hotels across Canada. Results for the three and nine months ended September 30, 2024 compared to the three and nine months ended September 30, 2023 are as follows:

	Three months ended September 30, 2024 $	Three months ended September 30, 2023 $	**Nine months Ended September 30, 2024 $**	Nine months ended September 30, 2023 $
Hotel revenue	**18.5**	19.3	**47.4**	50.0
Investment and other income	**3.9**	2.8	**3.9**	2.8
Total revenue and other income	**22.4**	22.1	**51.3**	52.8
Less:				
Hotel operating expenses, property taxes and insurance	**10.0**	11.3	**29.4**	32.4
Depreciation and amortization	**2.6**	2.7	**7.7**	7.5
Interest and accretion	**0.9**	1.3	**2.3**	4.1
Income before income taxes	**8.9**	6.8	**11.9**	8.8

Hotel revenue for the three and nine months ended September 30, 2024 was $18.5 million and $47.4 million, respectively, compared to $19.3 million and $50.0 million in 2023. Income before income taxes was $8.9 million and $11.9 million for the three and nine months ended September 30, 2024, respectively, compared to $6.8 million and $8.8 million in 2023. Investment and other income for the year and quarter-to-date increased due to $3.9 million of revaluation gains on certain hotel properties. The Company also recorded $11.7 million of revaluation gains on certain hotel properties within other comprehensive income.

OUTSTANDING SHARE DATA

At November 8, 2024, the Company had:

- An unlimited number of common shares authorized and 13,951,357 common shares outstanding; and
- An unlimited number of First and Second Preferred Shares authorized and none outstanding.

LIQUIDITY AND CAPITAL RESOURCES

The Company has $165.9 million of debt and has access to two secured, revolving credit facilities with two Canadian chartered banks. The Company's maximum combined borrowing base under these two revolving credit facilities is $85.0 million. As of September 30, 2024, the maximum availability on these facilities was $77.0 million, of which $14.6 million was drawn and $62.4 million was undrawn and available. The Company monitors and forecasts its cash balances and cash flows to meet its required obligations. The Company believes it has access to sufficient capital through cash on hand, operating cash flows and existing borrowing facilities to meet its obligations as they come due.

Cash flow from operating activities

Cash provided from operating activities was $9.9 million for the nine months ended September 30, 2024, compared to $2.9 million in 2023. This cash flow was primarily generated by the Company's hospitality operations. In the prior period, the cash provided was primarily attributable to cash flows from hospitality operations, offset by additions to real estate inventory under development related to 1111 Atwater.

Cash flow from investing activities

Cash used in investing activities was $53.7 million for the nine months ended September 30, 2024, compared to $27.8 million in 2023. The primary use of cash in both periods was the result of the continued capital expenditures for the Talisman construction and capital improvements at the Company's hotels. The use of cash in 2024 was partially offset by $9.7 million of principal repayments on a loan receivable.

Cash flow from financing activities

Cash provided from financing activities was $44.2 million for the nine months ended September 30, 2024, compared to $24.8 million in 2023. Cash provided in 2024 was primarily the result of net proceeds of long-term debt of $35.6 million and proceeds of short-term indebtedness of $10.8 million, offset by the repayment of long-term debt of $2.1 million. Cash provided in 2023 was primarily the result of net proceeds of long-term debt of $70.1 million and proceeds of short-term indebtedness of $4.0 million, offset by the repayment of long-term debt of $13.1 million, the redemption of the debentures of $34.9 million, and the repurchase of common shares of $1.2 million.

SUMMARY OF QUARTERLY RESULTS

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

Three months ended	**Sept. 2024 $**	**Jun. 2024 $**	**Mar. 2024 $**	**Dec. 2023 $**	**Sept. 2023 $**	**Jun. 2023 $**	**Mar. 2023 $**	**Dec. 2022 $**
Revenue and other income	33.4	17.2	15.9	25.1	19.2	17.8	15.4	19.6
Net income (loss)	12.2	1.8	2.4	7.5	(1.9)	(0.5)	(1.7)	1.3
Other comprehensive income (loss)	11.5	(0.9)	(1.9)	8.7	2.7	(0.3)	2.8	19.1
Comprehensive income (loss)	23.6	0.9	0.5	16.1	0.8	(0.8)	1.0	20.4
Basic and diluted EPS	0.87	0.13	0.17	0.54	(0.13)	(0.03)	(0.12)	0.10

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

FINANCIAL INSTRUMENTS

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

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

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

The Company has a significant number of financial instruments. Notes 1, 3, 4, 10, 11, 12, 13, and 23 to the audited consolidated financial statements for the year ended December 31, 2023, and the Company's 2023 Annual Information Form, provide further information on classifications in the financial statements, and risks pertaining to the use of financial instruments by the Company.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with Canadian Securities Administrators National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, the Company has filed certificates signed by the President & Chief Executive Officer and the Chief

Financial Officer that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

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

There have been no changes in the Company's disclosure controls and procedures or internal controls over financial reporting during the three months ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, the effectiveness of the internal controls over financial reporting.

RELATED PARTY TRANSACTIONS

The Company may, from time to time, participate in related party transactions. During the first quarter of 2024, the Company sold its wholly owned subsidiary, HLUS, to an entity owned by the Company's Chairman and his immediate family member as described in the "Real Estate and Corporate" section of this MD&A.

All other related party transactions during the current period were in the normal course of operations and occurred at fair value. For details on the Company's related party transactions, please refer to our audited consolidated financial statements for the year ended December 31, 2023.

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

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

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

The following table reconciles hotel net operating income to income before taxes of the Company's hospitality segment as disclosed in the interim condensed consolidated financial statements for the three and nine months ended September 30, 2024.

	Three months ended September 30, 2024 $	Three months ended September 30, 2023 $	**Nine months ended September 30, 2024 $**	Nine months ended September 30, 2023 $
Income before income taxes	**8.9**	6.8	**11.9**	8.8
Add (deduct):				
Investment and other income	**(3.9)**	(2.8)	**(3.9)**	(2.8)
Non-operating corporate expenses	**0.1**	0.2	**0.4**	0.6
Depreciation and amortization	**2.6**	2.7	**7.7**	7.5
Interest expense	**0.9**	1.3	**2.3**	4.1
Hotel net operating income	**8.6**	8.2	**18.4**	18.2

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

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

ENVIRONMENTAL MATTERS

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

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

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

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 price and value of securities held by the Company, changes in these securities holdings, 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 lease-up and construction schedules of the Company's investment properties in operation and under construction, 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 the Company's investments, the fact that dividends from investee companies are not guaranteed, reliance on key executives, commodity market risk, risks associated with the investment in derivative instruments and other factors. With respect to the Company's investment in hotel, residential real estate and ferry operations, such risks and uncertainties include, among others, weather conditions, safety, claims and insurance, uninsured losses, changes in levels of business and commercial travel and tourism, increases in the supply of accommodations and housing in local markets, rent caps, changes to residential tenancy laws in local markets, the recurring need for renovation and improvement of real estate holdings, 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.