

Management's Discussion & Analysis

Clarke Inc.

March 31, 2025 and 2024

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, 2025 compared to the three months ended March 31, 2024. The following information is derived from the Company's unaudited interim condensed consolidated financial statements (the "Financial Statements") which are prepared in accordance with generally accepted accounting principles in Canada as set out in the CPA Canada Handbook – Accounting, which incorporates IFRS Accounting Standards ("IFRS"). The Financial Statements were prepared in accordance with IFRS applicable to the preparation of interim financial statements under IAS 34 *Interim Financial Reporting*. This interim MD&A should be read in conjunction with the information disclosed in the Financial Statements and notes thereto for the three months ended March 31, 2025, available on SEDAR+ at www.sedarplus.ca. This MD&A provides an overall discussion and analysis of the Company's performance and operations. The MD&A is prepared as at May 9, 2025 (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 a real estate company with holdings across real estate sectors – primarily residential, furnished suites and hospitality. The Company operates exclusively in Canada. The Company continually evaluates the acquisition, retention, and disposition of its holdings and changes in its asset mix and segment allocation should be expected. Our objective is to maximize shareholder value. While not the perfect metric, we believe that Clarke's book value per share¹, together with the cumulative dividends paid to shareholders, is an appropriate measure of our success in maximizing shareholder value over time.

Our objective is to actively manage our assets to generate strong earnings and deliver attractive returns to our shareholders. We focus on optimizing operations, enhancing asset value, and executing strategic initiatives to drive long-term profitability. At the same time, we remain committed to providing high-quality accommodations and service to our tenants and guests, ensuring a positive living and hospitality experience that supports both customer satisfaction and sustained financial performance. In doing this, we also look for new real estate opportunities that are either undervalued or are underperforming and may be in need of positive change, or to evaluate any changing trends within our current portfolio of assets that would allow the Company to generate accretive returns through a combination of land development, new construction, renovations and conversions of existing assets.

FIRST QUARTER REVIEW AND OUTLOOK¹

During the first quarter of 2025, the Company's book value per common share increased by \$0.21, or 1.1%. The change can be attributed primarily to the after-tax remeasurement gains on the Company's pension surplus of \$5.4 million, or \$0.39 per common share, offset by a net loss in the quarter of \$2.4 million, or \$0.17 per common share. Net loss included hotel net operating income of \$4.9 million, or \$0.35 per common share and an income tax recovery of \$0.9 million, or \$0.06 per common share, offset by depreciation and amortization of \$2.9 million, or \$0.21 per common share, interest and accretion of \$3.0 million, or \$0.21 per common share and a pension expense of \$3.0 million, or \$0.21 per common share.

The Company's book value per common share at the end of the quarter was \$20.06, while the common share price was \$22.67.

Real Estate and Financing

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 completed in 2024 and was fully occupied during the first quarter of 2025. We were pleased with the speed of stabilization of this phase and are optimistic about replicating this success as the remainder of the development reaches occupancy. Construction of the second phase of the Talisman, which will be three towers and 612 rental units, commenced in 2024 and we expect the first of the three buildings to be operational by the third quarter of 2025, with the remaining two buildings achieving occupancy in 2026.

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.

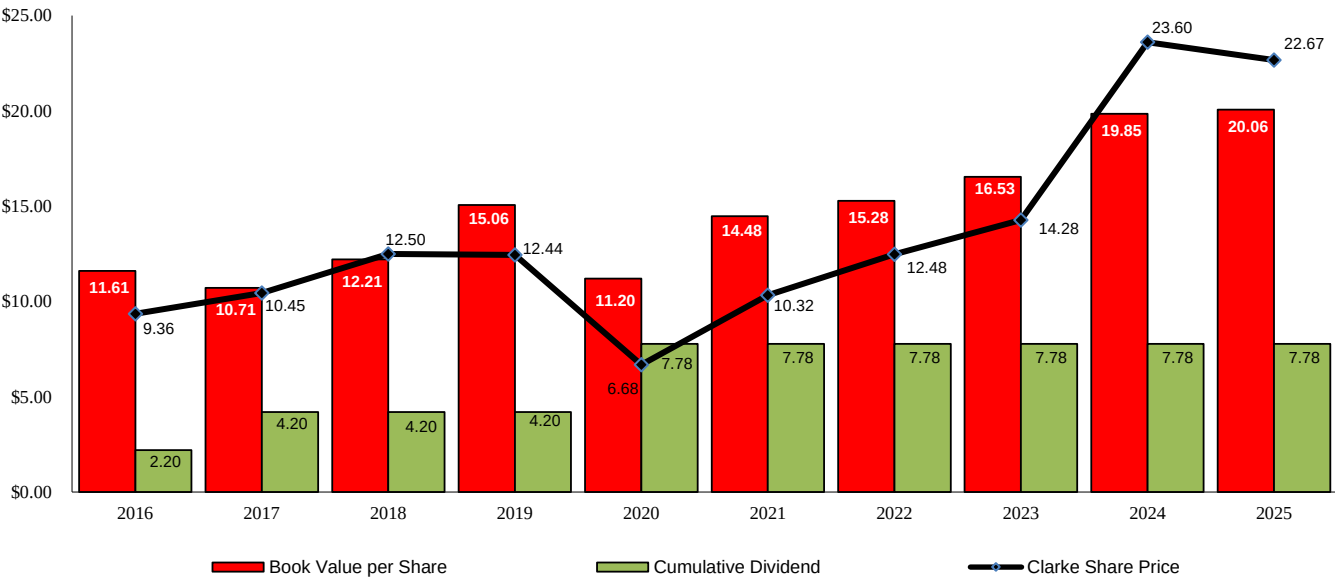
The Company has \$210.0 million of debt and has access to two secured, revolving credit facilities. The Company’s maximum combined borrowing base under these revolving credit facilities is \$85.0 million. As of March 31, 2025, \$52.4 million was drawn and \$32.6 million was undrawn and available. The Company renegotiated the interest rates on both of its revolving credit facilities during the quarter, reducing the interest rates from prime plus 1.50% and prime plus 1.00%, respectively, to prime plus 0.50%. In addition, the spread over the Canadian Overnight Repo Rate Average (CORRA) on one of the facilities was also reduced from 2.75% to 2.00%.

Hotel Operations

Hotel revenue increased in the first quarter of 2025 compared to the same period in 2024. The stronger revenue is a direct result of capital improvements at certain properties and due to the timing of certain business related to the spring decommissioning cycle in our oil and gas markets, as well as the timing of the Easter holiday compared to 2024. Some of this positive variance driven by timing is expected to be somewhat offset by subdued reduced results year over year in April of 2025. We will continue to invest in strategic renovations where appropriate which we believe adds to both higher revenue and customer satisfaction. Our hotel net operating income for the three months ended March 31, 2025 was \$4.9 million compared to \$4.5 million during the same period in 2024.

BOOK VALUE PER SHARE

The Company’s book value per share at March 31, 2025 was \$20.06, an increase of \$0.21 per common share since December 31, 2024. The following graph illustrates Clarke’s book value per share, share price and cumulative dividends paid over the past ten years.



**All years as of December 31 except for current quarter as at March 31, 2025.*

RESULTS OF OPERATIONS

Highlights of the Financial Statements for the three months ended March 31, 2025 compared to the three months ended March 31, 2024 are as follows:

	Three months ended March 31, 2025	Three months ended March 31, 2024
	\$	\$
Hotel and rental revenue	17.7	14.6
Provision of services revenue	0.2	0.3
Other income (loss)	(2.1)	1.1
Net income (loss)	(2.4)	2.4
Other comprehensive income (loss)	5.4	(1.9)
Comprehensive income	3.0	0.5
Basic and diluted earnings (loss) per share ("EPS")	(0.17)	0.17
Total assets	546.7	398.4
Total liabilities	267.9	167.2
Long-term financial liabilities	75.7	123.5
Book value per share	20.06	16.56

The Company's net loss for the three months ended March 31, 2025 was \$2.4 million, compared to net income of \$2.4 million for the same period in 2024. The net loss was primarily attributable to a pension expense resulting from past service costs following a pension plan amendment, offset by earnings from the Company's hospitality and residential operating businesses. Other changes period over period included certain interest expense outlays being expensed in the current period, compared to a portion in the prior period that had been capitalized due to ongoing construction, as well as a reduced deferred income tax recovery.

Hotel and rental revenue increased primarily due to the Talisman, which was still under construction during the first quarter of 2024.

The increase in comprehensive income year over year despite the net loss is a result of changes in the Company's pension plans. Other comprehensive income for the three months ended March 31, 2025 was \$5.4 million, driven by remeasurement gains on the Company's pension plans, compared to an other comprehensive loss of \$1.9 million in the same period in 2024, driven by remeasurement losses on the Company's pension plans.

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.

Segment	March 31, 2025		December 31, 2024	
	\$	%	\$	%
Investment	273.7	50.1	250.3	48.5
Hospitality	232.8	42.6	230.4	44.6
Other	40.3	7.4	35.7	6.9
Total	546.7	100.0	516.4	100.0

Investment segment

The investment segment is comprised of the Company's investment properties and ferry business. Development of the second phase of the Talisman continues to progress and is the largest driver of the segment's capital expenditures during the quarter. The improved results in the investment segment are due to the first phase of the Talisman's operations, which has been under construction and non-operational in the first quarter of 2024. The Company owns a passenger/car ferry that has been 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 off-season period.

Results of the investment segment for the three months ended March 31, 2025, compared to the three months ended March 31, 2024 are as follows:

	Three months ended March 31, 2025 \$	Three months ended March 31, 2024 \$
Rental revenue and provision of services	2.7	0.4
Other income	0.9	0.8
Total revenue and other income	3.6	1.2
Less:		
Operating expenses, property taxes and insurance	2.2	1.7
Interest and accretion	1.2	—
Income (loss) before income taxes	0.2	(0.5)

Hospitality segment

The hospitality segment consists of the Company's ownership and operation of hotels across Canada. Results for the three months ended March 31, 2025 compared to the three months ended March 31, 2024 are as follows:

	Three months ended March 31, 2025 \$	Three months ended March 31, 2024 \$
Hotel revenue	15.0	14.3
Less:		
Operating expenses, property taxes and insurance	10.4	10.0
Depreciation and amortization	2.9	2.6
Interest and accretion	1.1	0.7
Income before income taxes	0.7	1.0

Hotel revenue was \$15.0 million for the three months ended March 31, 2025, compared to \$14.3 million in 2024. The decrease in income before taxes, despite the increase in both hotel revenue and net operating income is a result of higher interest costs as well as higher depreciation on a larger book value of our hotel portfolio, partly due to hotel revaluations recorded in 2024.

OUTSTANDING SHARE DATA

At May 9, 2025, the Company had:

- An unlimited number of common shares authorized and 13,782,557 common shares outstanding; and
- An unlimited number of First and Second Preferred Shares authorized and none outstanding.

LIQUIDITY AND CAPITAL RESOURCES

The Company has \$210.0 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 March 31, 2025, \$52.4 million was drawn and \$32.6 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 used in operating activities was \$1.6 million for the three months ended March 31, 2025 and 2024. The cash was primarily used to fund net working capital requirements for both three-month periods.

Cash flow from investing activities

Cash used in investing activities was \$22.5 million for the three months ended March 31, 2025, compared to \$15.2 million during the same period in 2024. The primary use of cash in both periods was for continued construction expenditures on the Talisman and capital improvements at the Company's hotels.

Cash flow from financing activities

Cash provided by financing activities was \$24.3 million for the three months ended March 31, 2025, compared to \$16.3 million during the same period in 2024. The cash provided during the quarter was primarily proceeds of short-term indebtedness of \$26.0 million, offset by the repurchase of common shares of \$1.1 million and the repayment of long-term debt of \$0.6 million. In 2024, the cash provided was primarily proceeds of construction financing draws for the Talisman of \$7.7 million and proceeds of short-term indebtedness of \$9.1 million, offset by the repayment of long-term debt of \$0.5 million.

SUMMARY OF QUARTERLY RESULTS

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

<i>Three months ended</i>	Mar. 2025	Dec. 2024	Sept. 2024	Jun. 2024	Mar. 2024	Dec. 2023	Sept. 2023	Jun. 2023
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue and other income	15.8	48.5	33.4	17.2	16.0	25.1	19.2	17.8
Net income (loss)	(2.4)	21.5	12.2	1.8	2.4	7.5	(1.9)	(0.5)
Other comprehensive income (loss) ("OCI")	5.4	(0.2)	11.5	(0.9)	(1.9)	8.7	2.7	(0.3)
Comprehensive income (loss)	3.0	21.3	23.6	0.9	0.5	16.1	0.8	(0.8)
Basic and diluted EPS	(0.17)	1.54	0.87	0.13	0.17	0.54	(0.13)	(0.03)

As demonstrated above, our 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 due to changes in assumptions and the impact of the accounting requirements of the asset ceiling under IFRS. Further volatility in net income, OCI and comprehensive income 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. Given the Company's holdings at March 31, 2025, foreign exchange risk is considered insignificant. The Company does not currently have any futures or foreign exchange contracts in place.

The Company has several financial instruments. Notes 1, 3, 4, 9, 10, 11, 12, and 21 to the audited consolidated financial statements for the year ended December 31, 2024 and the Company's 2024 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 March 31, 2025, 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. All related party transactions during the current period were in the normal course of operations and occurred at fair value. For details of the Company's related party transactions, please refer to our audited consolidated financial statements for the year ended December 31, 2024.

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 for 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 income taxes of the Company's hospitality segment as disclosed in the Financial Statements for the three months ended March 31, 2025.

	Three months ended March 31, 2025	Three months ended March 31, 2024
	\$	\$
Income before income taxes	0.7	1.0
Add:		
Non-operating corporate expenses	0.2	0.2
Depreciation and amortization	2.9	2.6
Interest and accretion	1.1	0.7
Hotel net operating income	4.9	4.5

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 its 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 or expected performance of the Company's underlying assets, changes in the property 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 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 assets, the expectation that the Company's redeployment of capital from its asset dispositions, renovations and repurposes will be accretive to the Company's shareholders, the anticipated timing of completion for the second phase of the Talisman residential redevelopment, reliance on key executives and other factors. The real estate industry is subject to various risks that could impact on our financial performance and asset values. These risks include fluctuations in property values, changes in market demand, interest rate volatility, and broader economic conditions such as inflation, employment levels, and consumer confidence. Tourism levels, economic activity and changing competition in our markets can have a significant impact on the underlying results of our assets. Competition from new developments and alternative accommodation options could affect occupancy rates and rental pricing. Regulatory and legislative changes, including zoning laws, rent control measures and environmental policies, may impose additional costs or restrictions on operations. Additionally, unforeseen capital expenditures, rising maintenance costs, and disruptions in supply chains may impact profitability. Our ability to successfully acquire, develop, and manage real estate assets depends on effective risk mitigation strategies, financial flexibility, and market adaptability. With respect to the 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 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.