Clarke Inc.

March 31, 2025 and 2024

May 9, 2025

Management's Report

The accompanying unaudited interim condensed consolidated financial statements (the "Financial Statements") of Clarke Inc. (the "Company") are the responsibility of management and have been approved by the Board of Directors. The Company prepares its Financial Statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting ("CPA Handbook") which incorporates IFRS Accounting Standards. The Financial Statements have been prepared in accordance with IFRS Accounting Standards applicable to the preparation of interim financial statements under IAS 34 *Interim Financial Reporting*. In accordance with GAAP, the Financial Statements do not include all the financial statement disclosures required for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2024. In management's opinion, the Financial Statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented. The Financial Statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the Financial Statements. The Audit Committee of the Board of Directors reviewed and approved the Financial Statements and recommended their approval by the Board of Directors.

The Financial Statements have not been reviewed by the external auditors of the Company.

/s/ George Armoyan
President and Chief Executive Officer
Montreal, QC

/s/ Tom Casey
Chief Financial Officer
Halifax, NS

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (in thousands of Canadian dollars)

	March 31, 2025	December 31, 2024
	$	$
ASSETS		
Current		
Cash	**1,019**	809
Receivables	**8,920**	6,402
Other assets	**2,231**	1,054
Total current assets	**12,170**	8,265
Accrued pension benefit asset *(note 2)*	**38,719**	34,325
Property and equipment	**224,520**	224,130
Investment properties *(note 3)*	**271,158**	249,133
Deferred income tax assets	**115**	113
Other assets	**63**	412
Total assets	**546,745**	516,378
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term indebtedness	**52,400**	26,414
Accounts payable and other liabilities	**24,994**	24,808
Income taxes payable	**98**	98
Current portion of long-term debt *(note 4)*	**90,573**	90,637
Total current liabilities	**168,065**	141,957
Long-term debt *(note 4)*	**67,089**	67,590
Construction accounts payable	**8,002**	6,268
Lease obligations	**581**	593
Deferred income tax liabilities	**24,146**	23,028
Total liabilities	**267,883**	239,436
Shareholders' equity		
Share capital *(note 5)*	**82,240**	82,528
Contributed surplus	**7,302**	7,302
Retained earnings	**78,797**	81,965
Accumulated other comprehensive income	**110,523**	105,147
Total shareholders' equity	**278,862**	276,942
Total liabilities and shareholders' equity	**546,745**	516,378

The accompanying notes are an integral part of the Financial Statements

On behalf of the Board:

/s/ George Armoyan
Director

/s/ Blair Cook
Director

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

Unaudited (in thousands of Canadian dollars, except per share amounts)

	Three months ended March 31, 2025 $	Three months ended March 31, 2024 $
Revenue and other income (loss)		
Hotel and rental revenue	**17,707**	14,631
Provision of services	**232**	262
Other income (loss) *(note 6)*	**(2,102)**	1,088
	15,837	15,981
Expenses		
Operating expenses	**9,968**	9,311
Cost of services provided	**1,020**	1,217
General and administrative expenses	**996**	916
Property taxes and insurance	**1,222**	1,009
Depreciation and amortization	**2,875**	2,593
Interest and accretion	**2,986**	1,328
	19,067	16,374
Loss before income taxes	**(3,230)**	(393)
Recovery of deferred income taxes	**(871)**	(2,824)
Net income (loss)	**(2,359)**	2,431
Basic and diluted earnings (loss) per share *(note 5)*	**(0.17)**	0.17

The accompanying notes are an integral part of the Financial Statements

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited (in thousands of Canadian dollars)

	Three months ended March 31, 2025 $	Three months ended March 31, 2024 $
Net income (loss)	**(2,359)**	2,431
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Remeasurement gains (losses) and effect of changes to asset ceiling on defined benefit pension plans, net of income tax *(note 2)*	**5,376**	(1,901)
Items that have been reclassified to profit or loss		
Unrealized gains on translation of net investment in foreign operations, net of income tax	**—**	94
Reclassification of realized translation gains on disposal of net investment in foreign operations	**—**	(89)
Other comprehensive income (loss)	**5,376**	(1,896)
Comprehensive income	**3,017**	535

The accompanying notes are an integral part of the Financial Statements

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)

	Three months ended March 31, 2025 $	Three months ended March 31, 2024 $
OPERATING ACTIVITIES		
Net income (loss)	**(2,359)**	2,431
Adjustments for items not involving cash *(note 8)*	**5,000**	(1,031)
	2,641	1,400
Net change in non-cash working capital balances *(note 8)*	**(4,194)**	(2,999)
Net cash used in operating activities	**(1,553)**	(1,599)
INVESTING ACTIVITIES		
Additions to property and equipment	**(2,205)**	(3,385)
Additions to investment properties	**(20,317)**	(14,310)
Collection of loan receivable	**—**	2,500
Net cash used in investing activities	**(22,522)**	(15,195)
FINANCING ACTIVITIES		
Repurchase of shares for cancellation *(note 5)*	**(1,097)**	(13)
Net proceeds of short-term indebtedness	**25,986**	9,142
Proceeds of long-term debt, net of financing fees	**—**	7,724
Repayment of long-term debt *(note 4)*	**(592)**	(467)
Principal payments of lease obligations	**(12)**	(45)
Net cash provided by financing activities	**24,285**	16,341
Net change in cash during the period	**210**	(453)
Cash, beginning of period	**809**	929
Cash, end of period	**1,019**	476

The accompanying notes are an integral part of the Financial Statements

Clarke Inc.

INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Unaudited (in thousands of Canadian dollars)

	Three months ended March 31, 2025 $	Three months ended March 31, 2024 $
Share capital		
Balance at beginning of period	**82,528**	82,574
Common shares repurchased for cancellation *(note 5)*	**(288)**	(6)
Balance at end of period	**82,240**	82,568
Contributed surplus		
Balance at beginning and end of period	**7,302**	7,302
Retained earnings		
Balance at beginning of period	**81,965**	44,221
Net income (loss)	**(2,359)**	2,431
Purchase price in excess of the book value of common shares repurchased for cancellation *(note 5)*	**(809)**	(7)
Balance at end of period	**78,797**	46,645
Accumulated other comprehensive income		
Balance at beginning of period	**105,147**	96,592
Other comprehensive income (loss)	**5,376**	(1,896)
Balance at end of period	**110,523**	94,696
Total shareholders' equity	**278,862**	231,211

The accompanying notes are an integral part of the Financial Statements

Unaudited (in thousands of Canadian dollars, except per share amounts)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Nature of operations

The Company was incorporated on December 9, 1997 pursuant to the Canada Business Corporations Act. The head office of the Company 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. These Financial Statements were approved by the Board of Directors on May 9, 2025.

Basis of presentation and statement of compliance

The Company prepares its financial statements in accordance with GAAP as set out in the CPA Handbook which incorporates IFRS Accounting Standards. These Financial Statements are for the three months ended March 31, 2025 and have been prepared in accordance with IFRS Accounting Standards applicable to the preparation of interim financial statements under IAS 34 *Interim Financial Reporting*. The Financial Statements do not include all the financial statement disclosures required for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2024.

The Financial Statements are based on the accounting policies consistent with those disclosed in Note 1 of the Company's annual consolidated financial statements for the year ended December 31, 2024.

Principles of consolidation

The Financial Statements include the accounts of the Company and its wholly owned subsidiaries. The Company's significant subsidiary is Holloway Lodging Corporation ("Holloway"). All intercompany transactions have been eliminated on consolidation. All subsidiaries have the same reporting year-end as the Company, and all follow the same accounting policies.

2. EMPLOYEE FUTURE BENEFITS

Reconciliations of the funded status of the benefit plans to the amounts recorded in the interim consolidated statements of financial position are:

	March 31, 2025 **$**	December 31, 2024 $
Fair value of plan assets	**119,975**	116,500
Accrued benefit obligations	**(39,894)**	(36,570)
Funded status	**80,081**	79,930
Impact of asset ceiling, excluding interest	**(39,075)**	(43,843)
Interest on asset ceiling	**(2,287)**	(1,762)
Accrued pension benefit asset	**38,719**	34,325

The defined benefit pension expense recognized in the interim consolidated statements of earnings (loss) for the three months ended March 31, 2025 was $2,969 (2024 – recovery of $232).

The most significant assumption impacting both the valuation of the accrued benefit obligation and the calculation of the asset ceiling is the discount rate, which was 4.60% as at March 31, 2025 and December 31, 2024.

Unaudited (in thousands of Canadian dollars, except per share amounts)

2. EMPLOYEE FUTURE BENEFITS (CONT'D)

Elements of the defined benefit recovery (expense) recognized in other comprehensive income (loss) are as follows:

	Three months ended March 31, 2025 $	Three months ended March 31, 2024 $
Remeasurement gains and return on plan assets in excess of discount rate	**2,594**	3,847
Change in amount of asset ceiling	**4,768**	(6,453)
Deferred income tax recovery (expense)	**(1,986)**	705
Defined benefit recovery (expense)	**5,376**	(1,901)

3. INVESTMENT PROPERTIES

Three months ended March 31, 2025	**Buildings $**	**Vacant land $**	**Under construction $**	**Total $**
Beginning balance	**183,206**	**45**	**65,882**	**249,133**
Additions	**62**	**—**	**21,963**	**22,025**
Ending balance	**183,268**	**45**	**87,845**	**271,158**

The first phase of the Company's Talisman residential development on Carling Avenue in Ottawa, ON (the "Talisman") is included in 'Buildings' in the table above as at March 31, 2025. The second phase of the Talisman is included in 'Under construction'. The second phase of the Talisman commenced construction during the three months ended March 31, 2024 and is expected to be completed in 2026.

4. LONG-TERM DEBT

The following table summarizes the changes in long-term debt:

	Three months ended March 31, 2025 $
Total long-term debt – beginning balance	**158,227**
Repayment of long-term debt	**(592)**
Accretion	**27**
Total long-term debt – ending balance	**157,662**
Less: current portion of long-term debt	**(90,573)**
Long-term portion	**67,089**

The Company remains a guarantor on the construction loan of a former joint operation for an aggregate amount of $27,700. The Company expects the guarantee to be released in 2025 and has an indemnity agreement with its former partners for this guarantee until it is released.

5. SHARE CAPITAL AND EARNINGS (LOSS) PER SHARE

As at and for the three months ended March 31,	**2025**		2024	
	# of shares	**$**	# of shares	$
Common shares				
Outstanding common shares, beginning of period	**13,951,357**	**82,528**	13,959,157	82,574
Common shares repurchased for cancellation	**(48,700)**	**(288)**	(1,000)	(6)
Outstanding common shares, end of period	**13,902,657**	**82,240**	13,958,157	82,568

Earnings (loss) per share

	Three months ended March 31, 2025			Three months ended March 31, 2024		
	Loss **$**	**Weighted average shares (in thousands)** **#**	**Per share amount** **$**	Earnings $	Weighted average shares (in thousands) #	Per share amount $
Basic and diluted earnings (loss) per share	**(2,359)**	**13,940**	**(0.17)**	2,431	13,959	0.17

The Company did not have any potentially dilutive instruments during the three months ended March 31, 2025 and 2024.

Common share activity

During the three months ended March 31, 2025, the Company purchased for cancellation 48,700 (2024 – 1,000) common shares at a cost of $1,097 (2024 – $13). The purchase price in excess of the historical book value of the shares in the amount of $809 (2024 – $7) has been charged to retained earnings, and $288 (2024 – $6) has been charged to share capital. The common share repurchases in the three months ended March 31, 2025, and 2024 were completed under the Company's normal course issuer bids.

6. OTHER INCOME (LOSS)

Other income (loss) is comprised of the following:

	Three months ended March 31, 2025 **$**	Three months ended March 31, 2024 $
Interest income	**11**	275
Pension recovery (expense) *(note 2)*	**(2,969)**	232
Gain on disposal of subsidiary	**856**	479
Gain on disposal of property and equipment	**—**	13
Foreign exchange gains	**—**	89
	(2,102)	1,088

The pension expense during the three months ended March 31, 2025 is primarily a result of past service costs recognized following a pension plan amendment. The gain on disposal of subsidiary during the three months ended March 31, 2025 is a result of post-closing adjustments on the sale of a US subsidiary completed during the prior year.

Unaudited (in thousands of Canadian dollars, except per share amounts)

7. DEFERRED INCOME TAXES

As at March 31, 2025, the Company had non-capital losses carried forward for tax purposes of $10,422 (December 31, 2024 – $8,638). Certain deferred income tax assets have not been recognized for non-capital loss carry forwards of $203 as at March 31, 2025 and December 31, 2024.

8. SUPPLEMENTAL CASH FLOW INFORMATION

Adjustments for items not involving cash	**Three months ended March 31, 2025 $**	Three months ended March 31, 2024 $
Depreciation and amortization	**2,875**	2,593
Deferred income tax expense	**(871)**	(2,824)
Accretion	**27**	13
Pension expense (recovery) *(note 2)*	**2,969**	(232)
Unrealized foreign exchange gains	**—**	(89)
Gain on disposal of subsidiary	**—**	(479)
Gain on disposal of property and equipment	**—**	(13)
	5,000	(1,031)

Net change in non-cash working capital balances	**Three months ended March 31, 2025 $**	Three months ended March 31, 2024 $
Receivables	**(2,518)**	(1,016)
Other assets	**(835)**	(607)
Accounts payable and other liabilities	**(841)**	(1,306)
Income taxes payable	**—**	(70)
	(4,194)	(2,999)

9. RISK MANAGEMENT

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company believes it has access to sufficient capital through cash on hand, operating cash flows and existing or other borrowing facilities to meet these obligations. The Company monitors and forecasts its cash balances and cash flows to meet its required obligations. As at March 31, 2025, the Company had cash on hand of $1,019 and available undrawn revolving facilities of $32,600.

10. SEGMENTED INFORMATION

The Company operates in two reportable business segments. The Investment segment represents the Company's investment properties and ferry business. The Hospitality segment consists of the Company's ownership, management and operation of hotels. The Other category is not a segment and is disclosed for reconciliation purposes. The Other category consists of the Company's treasury and executive functions, pension plans and its unsecured credit facility. Revenue in the Other category is primarily investment management fees.

Transactions between the segments are recorded at fair value, which is the amount of consideration established and agreed to by management. Reconciling items represent eliminations for services provided between the segments.

Clarke Inc.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three months ended March 31, 2025 and 2024
Unaudited (in thousands of Canadian dollars, except per share amounts)

10. SEGMENTED INFORMATION (CONT'D)

The Company has no assets or operations located outside of Canada.

Three months ended March 31, 2025	**Investment $**	**Hospitality $**	**Other $**	**Eliminations $**	**Total $**
Revenue and other income (loss):					
Hotel and rental revenue and provision of services	**2,752**	**14,955**	**242**	**(10)**	**17,939**
Other income (loss)	**856**	**—**	**(2,958)**	**—**	**(2,102)**
	3,608	**14,955**	**(2,716)**	**(10)**	**15,837**
Operating expenses before the undernoted	**2,216**	**10,371**	**629**	**(10)**	**13,206**
Depreciation and amortization	**9**	**2,865**	**1**	**—**	**2,875**
Interest and accretion	**1,160**	**1,061**	**765**	**—**	**2,986**
Income (loss) before income taxes	**223**	**658**	**(4,111)**	**—**	**(3,230)**
Assets	**273,691**	**232,791**	**40,263**	**—**	**546,745**
Liabilities	**112,837**	**111,930**	**43,116**	**—**	**267,883**
Capital expenditures	**20,317**	**2,205**	**—**	**—**	**22,522**

Three months ended March 31, 2024	Investment $	Hospitality $	Other $	Eliminations $	Total $
Revenue and other income:					
Hotel and rental revenue and provision of services	409	14,261	228	(5)	14,893
Other income	831	13	244	—	1,088
	1,240	14,274	472	(5)	15,981
Operating expenses before the undernoted	1,693	10,072	693	(5)	12,453
Depreciation and amortization	9	2,563	21	—	2,593
Interest and accretion	47	670	611	—	1,328
Income (loss) before income taxes	(509)	969	(853)	—	(393)
Assets	154,146	211,880	32,401	—	398,427
Liabilities	65,963	56,557	44,696	—	167,216
Capital expenditures	14,310	3,385	—	—	17,695