Management's Discussion & Analysis

Clarke Inc.

December 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 year ended December 31, 2025, compared with the year ended December 31, 2024. The following information is derived from the Company's consolidated financial statements which are prepared with accounting standards in accordance with International Financial Reporting Standards ("IFRS" or "IFRS Accounting Standards") as issued by the International Accounting Standards Board. This MD&A should be read in conjunction with the information disclosed in the consolidated financial statements and notes thereto for the year ended December 31, 2025, and the Company's Annual Information Form ("AIF"), including the risk factors described therein, available on SEDAR+ at www.sedarplus.ca. This MD&A provides an overall discussion and analysis of the Company's performance. The MD&A is prepared as at March 3, 2026 (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 share[1], 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.

FULL YEAR REVIEW AND OUTLOOK[1]

2025 was a year of positive change for the Company, with significant construction progress, renovation activity, and new revenue streams gaining momentum. It was the Company's first full year of stabilized residential operations following completion of phase one of the *Talisman* development on Carling Avenue in Ottawa, ON (the "Talisman") partway through 2024. The resulting increase in residential operations more than offset a modest setback in the hotel portfolio compared to 2024.

Highlights during the year included the Company completing a transformational refinancing with a $250.0 million construction and term loan facility, the successful renovation of our Quality Inn hotel in Whitehorse, YT, the branding of two independent hotels to internationally recognized hotel brands in Grande Prairie, AB and Whitehorse, YT, the completion and full lease-up of the new 132-unit first building of phase two of the Talisman, and the commencement of construction on a new multifamily development at 320 King Street in downtown London, ON, located at the heart of the City's new rapid transit bus system.

During 2025, the Company's book value per common share increased by $1.23, or 6.2%. The Company had net income of $13.0 million during the year which included hotel net operating income of $21.5 million, or $1.54 per common share, residential net operating income of $7.4 million, or $0.53 per common share, and fair value adjustments on investment properties of $14.9 million, or $1.07 per common share, offset by depreciation and amortization of $12.3 million, or $0.88 per common share, interest and accretion of $10.8 million, or $0.78 per common share and hotel revaluation losses of $1.5 million, or $0.11 per common share. The Company also recorded hotel revaluation gains, of $2.5 million, or $0.18 per common share in other comprehensive income. The Company's book value per common share at the end of the year was $21.08, while the common share price was $20.93.

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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.

Construction and Financing

The first phase of the Talisman, which is two buildings and 404 rental units, was completed in 2024 and was fully stabilized during the year. Construction of the second phase of the Talisman, comprising three buildings with a total of 612 rental units and ground-floor commercial space, began in 2024. The first of these buildings welcomed its initial tenants and stabilized operations in the third quarter. Looking ahead to 2026, we are excited to complete the final 480 units and ground floor commercial space at the Talisman. By the third quarter of 2026, we expect to have all 1,016 units at this site completed and operating.

During 2025, we demolished the parking structure adjacent to our DoubleTree by Hilton hotel in London, ON and commenced soil remediation and site excavation in preparation for the construction of a 31-storey multifamily residential development. The project will include 448 residential units, extensive tenant amenity space, ground-floor commercial space, and parking facilities to serve both the building's tenants and the guests of our adjacent hotel.

The Company had $284.8 million of debt as of December 31, 2025, including two secured, revolving credit facilities. The Company's maximum combined borrowing base under these revolving credit facilities is $95.0 million, an increase of $10.0 million since the prior year due to an amendment in one of the Company's facilities. As of December 31, 2025, $39.6 million was drawn and $55.4 million was undrawn and available. The Company renegotiated the interest rates on both of its revolving credit facilities in 2025, 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 3.05% to 2.30%.

Hotel Operations

Hotel revenue declined by $1.9 million year over year, decreasing from $61.6 million in the year ended December 31, 2024 to $59.7 million in the year ended December 31, 2025. This decline was primarily driven by performance in several core markets: Yellowknife, NT, Grande Prairie, AB and Whitehorse, YT.

- In Grande Prairie, the decrease was primarily due to the non-recurrence of certain one-time wildfire evacuee business experienced in 2024, along with reduced economic activity and lower demand from several large clients as project volumes were generally reduced compared to 2024.

- In Whitehorse, results were impacted by the major renovation completed at our Quality Inn hotel. During the renovation, certain rooms and guest amenities were out of service, which constrained occupancy and revenue. The renovation has now been completed, and we are very pleased with the outcome. Guest feedback and community response have been overwhelmingly positive, and we expect these upgrades to support stronger operations going forward. Additional hotel supply in the market also negatively impacted performance at our two hotels.

- Our Yellowknife hotels underperformed year-over-year, as we expected, relative to a strong prior-year comparison, as 2024 was an exceptional year for that market.

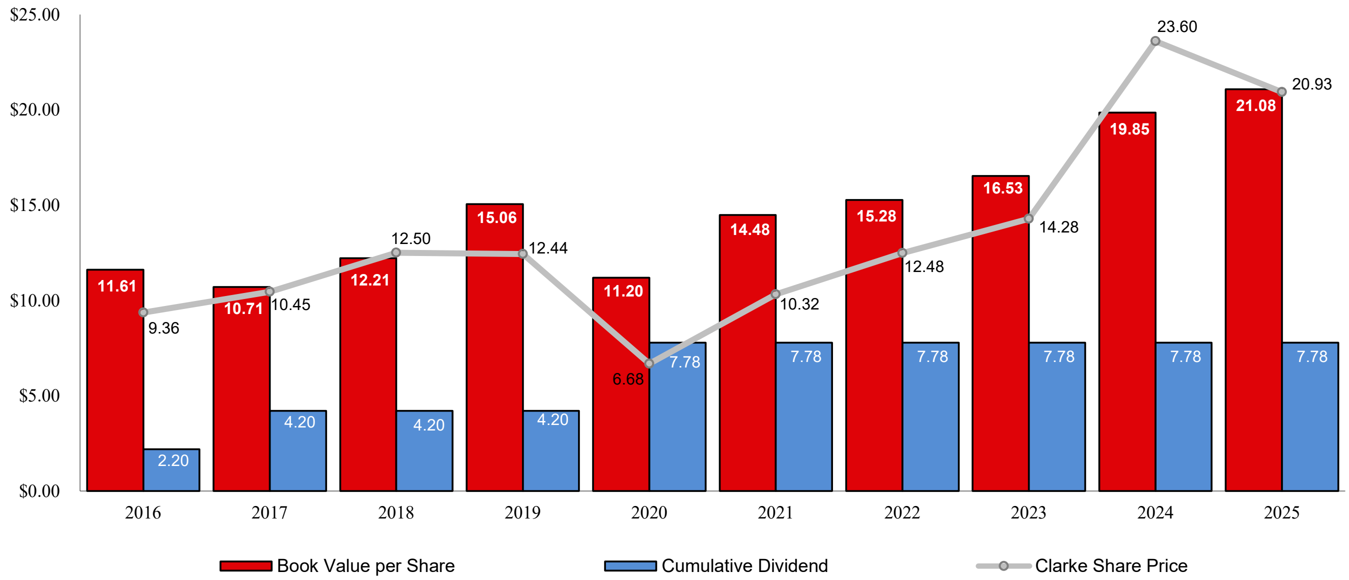
As a result of these factors, hotel net operating income declined from $22.9 million to $21.5 million year over year.

Residential Operations

Residential rental revenue increased year over year by $7.3 million, increasing from $4.9 million for the year ended December 31, 2024 to $12.2 million for the year ended December 31, 2025, driven by a full year of stabilized operations at the Talisman's first phase, and a partial year contribution from the first building of its second phase, which commenced operations in the third quarter. Residential net operating income increased year-over-year from $2.4 million to $7.4 million.

BOOK VALUE PER SHARE

The Company's book value per common share as at December 31, 2025, was $21.08, an increase of $1.23 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.



RESULTS OF OPERATIONS

Highlights of the consolidated financial statements for the last three completed fiscal years are as follows:

	Year ended December 31, 2025 $	Year ended December 31, 2024 $	Year ended December 31, 2023 $
Hotel and rental revenue	**71.9**	66.5	65.2
Provision of services revenue	**9.6**	8.9	8.2
Other income	**12.2**	39.7	4.0
Net income	**13.0**	37.8	3.4
Other comprehensive income	**4.6**	8.6	13.7
Comprehensive income	**17.6**	46.4	17.1
Basic and diluted earnings per share ("EPS")	**0.95**	2.71	0.24
Total assets	**633.3**	516.4	395.1
Total liabilities	**346.9**	239.4	164.4
Long-term financial liabilities	**163.6**	74.5	120.6
Book value per share	**21.08**	19.85	16.53

Hotel and rental revenue for the year ended December 31, 2025, increased primarily due to a full year of contribution from the Talisman, which commenced operations partway through the comparative year. This increase in 2025 was partially offset due to slightly subdued hotel performance compared to 2024, as the Company experienced softer results in several key markets.

The Company's net income was $13.0 million compared to $37.8 million in 2024 and $3.4 million in 2023. Net income in the year included fair value adjustment gains of $14.9 million on certain investment properties compared to significantly larger fair value gains of $34.0 million in 2024. Interest and accretion expense increased year over year despite lower interest rates on our floating-rate debt, due to higher average long-term debt balances driven by ongoing construction expenditures. In addition, a larger portion of construction interest was capitalized in 2024 compared to 2025, reflecting the timing of when dedicated construction financing was in place.

The results of the year ended December 31, 2023, included operating losses from the Company's three former vacant office buildings in Houston, TX, and a former joint venture located in Montreal, QC. These loss-generating assets had all been disposed of by March 2024.

Other comprehensive income during all three years is a result of net remeasurement gains in the Company's pension plans and revaluation gains recorded on certain hotels.

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 revolving credit facilities.

	December 31, 2025		December 31, 2024	
Segment	**$**	**%**	$	%
Investment	**364.8**	**57.6**	250.3	48.5
Hospitality	**231.2**	**36.5**	230.4	44.6
Other	**37.2**	**5.9**	35.7	6.9
Total	**633.3**	**100.0**	516.4	100.0

Investment segment

The investment segment is comprised of the Company's investment properties and ferry business. Results for the year ended December 31, 2025, compared to the year ended December 31, 2024 are as follows:

	Year ended December 31, 2025 $	Year ended December 31, 2024 $
Rental and provision of services revenue	**20.5**	12.7
Other income	**15.8**	34.5
Total revenue and other income	**36.3**	47.2
Less:		
Operating expenses before the undernoted	**10.2**	8.0
Depreciation and amortization	**0.2**	—
Interest and accretion	**4.8**	1.8
Income before income taxes	**21.0**	37.4

Development of the second phase of the Talisman continues to progress and is the largest driver of the segment's capital expenditures. The improved rental and provision of services revenue is due to the first phase of the Talisman's operations, which had been under construction and non-operational for the majority of the first half of 2024. Other income is largely attributable to fair value adjustment gains of $14.9 million recorded on certain investment properties in 2025 compared to $34.0 million in 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.

Hospitality segment

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

	Year ended December 31, 2025 $	Year ended December 31, 2024 $
Hotel revenue	**59.7**	61.6
Other income (loss)	**(1.5)**	3.9
Total revenue and other income	**58.3**	65.5
Less:		
Operating expenses before the undernoted	**39.7**	39.7
Depreciation and amortization	**12.1**	10.5
Interest and accretion	**2.5**	3.2
Income before income taxes	**4.0**	12.1

Hotel revenue for the year ended December 31, 2025, was $59.7 million compared to $61.6 million in 2024. In addition to the decline in hotel operating income, the decrease in income before taxes was impacted by revaluation losses of $1.5 million on certain hotels recorded in earnings in 2025 compared to revaluation gains of $3.9 million recorded in earnings in 2024, as well as higher depreciation on a larger carrying value of our hotel portfolio.

OUTSTANDING SHARE DATA

At March 3, 2026, the Company had:

- An unlimited number of common shares authorized and 12,968,315 common shares outstanding; and
- An unlimited number of First and Second Preferred Shares authorized and none outstanding.

REPURCHASE OF COMMON SHARES

The Company periodically files normal course issuer bids to purchase its securities. The Board of Directors and senior management are of the opinion that, from time to time, the purchase of common shares at the prevailing market price may be a worthwhile use of funds and in the best interest of the Company and its shareholders. A summary of the repurchases under these normal course issuer bids outstanding within fiscal 2025 and 2024 are as follows:

Bid Date	Expiry	Maximum #	Repurchased #
July 4, 2023	July 3, 2024	699,232	38,400
July 4, 2024	July 3, 2025	697,592	300,500
August 12, 2025	August 11, 2026	682,542	682,542*

*Including repurchases up to and including the date of this document.

LIQUIDITY AND CAPITAL RESOURCES

The Company maintains two secured credit facilities with Canadian chartered banks. The borrowing capacity of the Company's first credit facility is determined by a borrowing base calculation, subject to a maximum of $55.0 million. This credit facility bears interest at the lender's prime rate plus 0.50% or based on a spread to the CORRA. At December 31, 2025, the Company had drawn $29.6 million on this facility. This facility is secured by six hotel properties, and the Company's ferry business. The Company's second credit facility has a maximum borrowing capacity of $40.0 million and bears interest at the lender's prime rate plus 0.50%. At December 31, 2025, the Company had drawn $10.0 million on this facility. This facility and a corresponding term loan are secured by five hotel properties and one investment property. This facility matures in November 2027.

Both facilities are subject to an annual review. Any decline in the fair value or profitability of the pledged assets may limit the Company's access to the full amount of these credit facilities. 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.

During 2025, the Company completed the refinancing of its Talisman construction financing. This resulted in a new $250.0 million facility consisting of a $115.0 million term loan—partially used to repay the previous $85.0 million construction loan on the development's first phase, and a $135.0 million construction facility to fund the development's second phase. Previously, the Company had financed the construction of the Talisman's second phase through its cashflow from operations, cash on hand and its existing revolving credit facilities. This refinancing allowed the Company to pay down its revolving credit facilities, increase its liquidity, and fully repay its $30.0 million, unsecured credit facility, which was due to a related party.

The Company also refinanced an investment property in St. John's, NL, with a $13.0 million loan. This marked a milestone in our financing strategy, as we were able to secure the loan using residential loan terms rather than hospitality terms after the conversion of the property. The repurposing of the property not only enhanced the asset's results but also led to a meaningful capitalization rate compression and a substantial improvement in financing terms. Funding of $3.1 million under this loan was contingent on meeting specified capital expenditure and zoning milestones. The Company achieved the required milestones and received the additional advance subsequent to December 31, 2025.

As at December 31, 2025, current liabilities exceeded current assets by $144.5 million. The Company has not experienced, nor does it expect to experience any liquidity issues, and has not encountered any difficulty in meeting its financial obligations. The Company has not violated, nor does it expect to violate any debt covenants. The negative position is a result of our unique capitalization structure. We use a combination of revolving lines of credit and construction financing to fund operations and construction projects, and these facilities are secured by our hotels and investment properties which are non-current assets. Our construction financing and revolving lines of credit are due on demand, and as such, are classified as current on the statement of financial position, but management does not expect to repay these within twelve months unless we choose to do so. In addition to our financing presentation, we are actively engaged in substantial construction activity, resulting in elevated accounts payable for capital expenditures. These expenditures relate to long-term assets; however, the associated liabilities are classified as current. The classification mismatch of these various factors results in the Company's current liabilities being significantly greater than its current assets. Management does not view this as a concern, and closely monitors cashflows, financing efforts, and our liquidity. We continue to maintain a strong liquidity position and overall solvency.

Cash flow from operating activities

Cash provided by operating activities was $16.1 million for the year ended December 31, 2025, compared to $17.9 million in 2024. The positive cashflow was primarily generated by the Company's hospitality, rental and ferry operations in both 2025 and 2024.

Cash flow from investing activities

Cash used in investing activities was $108.2 million for the year ended December 31, 2025, compared to $81.0 million 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, including, specifically in 2025, the renovation of the Quality Inn hotel in Whitehorse, YT. The use of cash in 2024 was partially offset by $9.7 million of principal payments received on a loan receivable.

Cash flow from financing activities

Cash provided by financing activities was $91.9 million for the year ended December 31, 2025, compared to $63.0 million in 2024. The cash provided during the year was primarily a result of the Company's debt refinancings, which resulted in net proceeds of long-term debt of $207.9 million, offset by the repayment of long-term debt of $121.1 million and the repurchase of common shares of $8.1 million. The Company also had net proceeds of short-term indebtedness of $13.2 million. In 2024, the cash provided was primarily proceeds of construction financing draws for the Talisman of $43.5 million and proceeds of short-term indebtedness of $22.7 million, offset partially by the repayment of long-term debt of $3.0 million.

Contractual obligations and capital resource requirements

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

Contractual obligations	Total $	Less than 1 year $	1 – 3 years $	3 - 5 years $	After 5 years $
Short-term indebtedness	39.6	39.6	—	—	—
Long-term debt	245.4	2.0	234.0	9.4	—
	285.0	41.6	234.0	9.4	—

Unrecorded commitments

At December 31, 2025, Clarke continued to be a party to the unrecorded commitments as disclosed in note 17 to the consolidated financial statements for the year ended December 31, 2025.

SUMMARY OF QUARTERLY RESULTS

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

Three months ended	Dec. 2025 $	Sept. 2025 $	Jun. 2025 $	Mar. 2025 $	Dec. 2024 $	Sept. 2024 $	Jun. 2024 $	Mar. 2024 $
Revenue and other income	19.2	39.0	19.8	15.8	48.5	33.4	17.2	16.0
Net income (loss)	(0.4)	15.8	(0.1)	(2.4)	21.5	12.2	1.8	2.4
Other comprehensive income (loss) (“OCI”)	(1.5)	2.1	(1.3)	5.4	(0.2)	11.5	(0.9)	(1.9)
Comprehensive income (loss)	(1.9)	17.9	(1.4)	3.0	21.3	23.6	0.9	0.5
Basic and diluted EPS	(0.03)	1.16	(0.01)	(0.17)	1.54	0.87	0.13	0.17

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 generally 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.

FOURTH QUARTER

A comparison of results for the three months ended December 31, 2025, and 2024, is as follows:

	Three months ended December 31, 2025 $	Three months ended December 31, 2024 $
Revenue and other income		
Hotel and rental revenue	**16.7**	16.7
Provision of services	**2.1**	1.6
Other income	**0.3**	30.2
	19.2	48.5
Expenses		
Operating expenses	**9.5**	9.7
Cost of services provided	**1.3**	1.2
General and administrative expenses	**1.9**	1.7
Property taxes and insurance	**1.3**	1.2
Depreciation and amortization	**3.5**	2.8
Interest and accretion	**2.3**	2.8
Income (loss) before income taxes	**(0.6)**	29.1
Provision for (recovery of) income taxes	**(0.2)**	7.6
Net income (loss)	**(0.4)**	21.5
Other comprehensive loss	**(1.5)**	(0.2)
Comprehensive income (loss)	**(1.9)**	21.3

Hotel and rental revenue was stable quarter over quarter at $16.7 million, with incremental rental revenue from the first building of the Talisman’s second phase commencing operations offsetting lower quarter over quarter hotel revenue.

The $29.9 million fair value adjustment gain on investment properties recorded in 2024 is the largest factor in the decreased fourth quarter net income quarter over quarter.
The Company had other comprehensive losses of $1.5 million in the fourth quarter of 2025 compared to $0.2 million in 2024. The primary reason for the increased loss was a higher remeasurement loss on the accrued pension benefit asset in the fourth quarter of 2025 compared to 2024.

For the three months ended December 31, 2025, Clarke’s basic and diluted loss per common share was $0.03, compared to earnings per common share of $1.54 in 2024.

Cash provided by operating activities was $5.2 million for the fourth quarter of 2025, compared to $8.1 million in 2024. Cash flows in the fourth quarter of both 2025 and 2024 were driven mainly by the hospitality, rental and ferry operations.

Cash used in investment activities was $28.7 million in the fourth quarter of 2025, compared to $27.3 million in 2024. The primary uses of cash in the fourth quarters of both 2025 and 2024 were additions to property and equipment and investment properties.

Cash provided by financing activities for the fourth quarter of 2025 was $23.5 million compared to $18.7 million in the same period in 2024. The primary sources of cash in the fourth quarter of 2025 were proceeds of long-term debt of $28.1 million, partially offset by the net repayment of short-term indebtedness of $2.4 million and the repurchase of shares of $1.4 million. The primary sources of cash in the fourth quarter of 2024 were proceeds of short-term indebtedness and long-term debt of $19.7 million, partially offset by the repayment of debt of $0.9 million.

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 interest rate risk, the Company's strategy is based on a combination of fixed-rate debt, the option to fix rates on certain variable-rate facilities, and the ability to enter into interest rate swap arrangements with our lending partners where fixed-rate options are not embedded. A significant portion of our debt is either fixed or includes provisions that allow us to convert to a fixed rate at our discretion. We actively monitor interest rate trends and market conditions and, where appropriate, utilize hedging tools to manage exposure. Additionally, the Company maintains strong liquidity, available revolving credit facilities, and a strong balance sheet, providing flexibility to absorb potential adverse movements in interest rates.

- To manage foreign exchange 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 December 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, and 20 to the audited consolidated financial statements for the year ended December 31, 2025, and the Company's 2025 Annual Information Form, provide further information on classifications in the financial statements, and risks, pertaining to the use of financial instruments by the Company.

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.

RELATED PARTY TRANSACTIONS

The Company may, from time to time, participate in related party transactions. All related party transactions occurred at fair value representing the amount of consideration established and agreed to by the related parties. All related party transactions were in the normal course of operations, except for the sale of shares of Holloway Lodging US Inc. ("HLUS") in 2024. The Company was party to the following related party transactions during the year ended December 31, 2025:

- The Company was a party to rental and information technology agreements with companies owned by the Company's Chairman and his immediate family member. During 2025, the Company incurred $0.3 million (2024 – $0.3 million) under these agreements.

- The Company provided administrative and asset management services to the two pension plans it sponsors and charged $1.3 million (2023 – $1.1 million).

- The Company provided and received services with entities owned by the Company's Chairman and his immediate family member of $0.6 million (2024 – $0.6 million). The Company provided hotel and residential management services in exchange for receiving legal, accounting, tax, construction, and pre-construction consulting services.

- The Company repaid in full a 6.00%, $30.0 million unsecured credit facility with an entity owned by the Company's Chairman and his immediate family member. Interest incurred in the year on this credit facility was $0.9 million (2024 – $1.9 million)

During the prior year, the Company sold the shares of a wholly owned subsidiary, HLUS, to an entity owned by the Company's Chairman, Mr. George Armoyan and his immediate family member for $3.1 million (US$2.3 million), net of agreed upon post-closing adjustments. The primary asset of HLUS was a vacant office building located at 222 Benmar Drive, in Houston, TX. The transaction constituted a "related party transaction" pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company was 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 did 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, who abstained from voting on the matter. The transaction was subject to certain post-closing adjustments and closed in March 2024.

Key management consists of the directors and officers of the Company. The compensation incurred is as follows:

Year ended December 31,	**2025** **$**	2024 $
Salaries, board compensation and incentives	**0.8**	0.5
Pension value	**3.3**	0.1
Total	**4.1**	0.6

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 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. These two officers certified the effectiveness of the Company's disclosure controls and procedures as of December 31, 2025, concluding that these controls and procedures were adequate and effective.

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 annual 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 year ended December 31, 2025, that have materially affected, or are reasonably likely to materially affect, the effectiveness of the internal controls over financial reporting.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Please refer to notes 1 and 2 of our consolidated financial statements for the year ended December 31, 2025, for detailed disclosure regarding our material accounting policies and application of significant accounting judgements, estimates and assumptions.

Valuation of property and equipment

The Company measures its land and building and components at fair value under the revaluation model. These assets are revalued with sufficient regularity to ensure that their carrying amounts do not differ materially from fair value at each reporting date.

The Company has established a methodology to assess when indicators exist that the carrying amount of a property may differ materially from its fair value. Such indicators include, but are not limited to, significant changes in operating performance, economic conditions, regional development activity and competitive dynamics in the markets in which the properties operate. The Company primarily relies on internal income capitalization models to perform its revaluation analyses, supplemented by third-party offers or external appraisals when available.

During the year, the Company performed a revaluation analysis of its land and building components associated with its hotels using internal income capitalization models. These models incorporated management's knowledge of relevant markets, normalized operating results, and capitalization rates obtained from independent third-party sources. The analysis resulted in revaluation increases for three hotels and revaluation decreases for three hotels. A net revaluation increase of $2.5 million was recognized in other comprehensive income, while a net revaluation decrease of $1.5 million recorded in earnings within other income. In the prior year, the Company recorded a net revaluation increase of $11.7 million in other comprehensive income, while a net revaluation decrease of $3.9 million was recognized in earnings within other income for the year ended December 31, 2024.

Significant assumptions applied in the valuation analysis included budgeted cash flow forecasts used to normalize operating results, occupancy rate assumptions and capitalization rates. The capitalization rates applied ranged from 8.50% to 12.25% (2024 – 8.50% to 12.50%). A sensitivity analysis indicates that a 0.25% increase or decrease in the capitalization rates would result in an approximate $2.0 million change in the carrying value of property and equipment.

Fair value of investment properties

The Company's significant investment properties as at December 31, 2025, consisted of a multi-building residential rental complex, of which a portion is currently operational and the remainder under development, and a standalone residential rental building. Changes in the fair value of the Company's investment properties may occur as a result of factors including operating performance, economic conditions, regional development activity and competitive dynamics in the markets in which the properties operate. The Company primarily relies on internal income capitalization models to perform its fair value analyses over its investment properties supplemented by third-party offers or external appraisals when available.

During the year, the Company performed a fair value assessment of its investment properties, excluding properties under development, using internal capitalization models. The valuation analysis incorporated management's knowledge of the relevant markets, normalized operating results attributable to the individual operating investment properties, and capitalization rates obtained from independent third-party sources. The analysis resulted in a fair value increase of $14.9 million related to two investment properties, which was recognized in earnings and included in other income. In the prior year, the Company recorded a fair value increase of $34.0 million related to two investment properties, which was recognized in earnings and included in other income for the year ended December 31, 2024.

Significant assumptions used in the income capitalization models included budgeted cash flow forecasts used to determine normalized operating results, occupancy rate assumptions and capitalization rates. The capitalization rates applied in the current year ranged from 4.25% to 5.25% (2024 – 4.25% to 6.00%). A sensitivity analysis indicates that a 0.25% increase or decrease in the capitalization rates would result in an approximate $3.8 million change in the fair value of investment properties.

Pension benefits and asset ceiling

The costs of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least a AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Management is also required to make certain assumptions regarding the quantification of the asset ceiling, which impacts the accrued pension benefit asset recorded on the consolidated statements of financial position.

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 tables reconcile hotel net operating income and residential net operating income to income before income taxes of the Company’s hospitality and investment segments, respectively, as disclosed in the consolidated financial statements for the year ended December 31, 2025.

Hospitality segment	**Year ended December 31, 2025 $**	Year ended December 31, 2024 $
Income before income taxes	**4.0**	12.1
Add (deduct):		
Other loss (income)	**1.5**	(3.9)
Non-operating corporate expenses	**1.4**	1.0
Depreciation and amortization	**12.1**	10.5
Interest and accretion	**2.5**	3.2
Hotel net operating income	**21.5**	22.9

Investment segment	**Year ended December 31, 2025 $**	Year ended December 31, 2024 $
Income before income taxes	**21.0**	37.4
Add (deduct):		
Other loss (income)	**(15.8)**	(34.5)
Non-residential investment operations	**(2.9)**	(2.2)
Depreciation and amortization	**0.2**	—
Interest and accretion	**4.8**	1.8
Residential net operating income	**7.4**	2.4

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.

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, requirements for additional capital and management's expectation that the Company will not be required, without choosing to do so, to repay its construction financing or revolving credit facilities within the next twelve months. 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 of the construction projects and renovations, reliance on key executives and other factors. The real estate industry is subject to various risks that could impact 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.