

Clarke Inc.

June 30, 2025 and 2024

August 8, 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)*

	June 30, 2025	December 31, 2024
	\$	\$
ASSETS		
Current		
Cash	994	809
Receivables	11,669	6,402
Other assets	3,574	1,054
Total current assets	16,237	8,265
Accrued pension benefit asset <i>(note 2)</i>	37,237	34,325
Property and equipment	223,318	224,130
Investment properties <i>(note 3)</i>	299,505	249,133
Deferred income tax assets	515	113
Other assets	180	412
Total assets	576,992	516,378
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term indebtedness	55,132	26,414
Accounts payable and other liabilities	27,749	24,808
Income taxes payable	48	98
Current portion of long-term debt <i>(note 4)</i>	27,240	90,637
Total current liabilities	110,169	141,957
Long-term debt <i>(note 4)</i>	161,211	67,590
Construction accounts payable	8,899	6,268
Lease obligations	570	593
Deferred income tax liabilities	24,335	23,028
Total liabilities	305,184	239,436
Shareholders' equity		
Share capital <i>(note 5)</i>	80,750	82,528
Contributed surplus	7,302	7,302
Retained earnings	74,565	81,965
Accumulated other comprehensive income	109,191	105,147
Total shareholders' equity	271,808	276,942
Total liabilities and shareholders' equity	576,992	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 June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
	\$	\$	\$	\$
Revenue and other income (loss)				
Hotel and rental revenue	17,656	15,101	35,363	29,732
Provision of services	1,872	2,277	2,104	2,520
Other income (loss) <i>(note 6)</i>	265	(156)	(1,837)	932
	19,793	17,222	35,630	33,184
Expenses				
Operating expenses	9,835	8,730	19,803	18,041
Cost of services provided	1,516	1,093	2,536	2,290
General and administrative expenses	1,060	740	2,056	1,657
Property taxes and insurance	1,186	823	2,408	1,832
Depreciation and amortization	2,921	2,595	5,796	5,188
Interest and accretion	3,151	1,423	6,137	2,751
	19,669	15,404	38,736	31,759
Income (loss) before income taxes	124	1,818	(3,106)	1,425
Provision for (recovery of) income taxes	208	55	(663)	(2,769)
Net income (loss)	(84)	1,763	(2,443)	4,194
Basic and diluted earnings (loss) per share <i>(note 5)</i>	(0.01)	0.13	(0.18)	0.30

The accompanying notes are an integral part of the Financial Statements

Clarke Inc.**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)***Unaudited (in thousands of Canadian dollars)*

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
	\$	\$	\$	\$
Net income (loss)	(84)	1,763	(2,443)	4,194
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 (<i>note 2</i>)	(1,332)	(861)	4,044	(2,762)
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)	(1,332)	(861)	4,044	(2,757)
Comprehensive income (loss)	(1,416)	902	1,601	1,437

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)

	Six months ended June 30, 2025	Six months ended June 30, 2024
	\$	\$
OPERATING ACTIVITIES		
Net income (loss)	(2,443)	4,194
Adjustments for items not involving cash <i>(note 8)</i>	7,145	2,060
	4,702	6,254
Net change in non-cash working capital balances <i>(note 8)</i>	(6,482)	(3,752)
Net cash provided by (used in) operating activities	(1,780)	2,502
INVESTING ACTIVITIES		
Additions to property and equipment	(5,853)	(4,882)
Additions to investment properties	(45,069)	(31,412)
Proceeds on disposal of subsidiary <i>(note 6)</i>	856	—
Collection of loan receivable	—	4,000
Net cash used in investing activities	(50,066)	(32,294)
FINANCING ACTIVITIES		
Repurchase of shares for cancellation <i>(note 5)</i>	(6,735)	(125)
Net proceeds of short-term indebtedness	28,718	12,305
Proceeds of long-term debt, net of financing fees <i>(note 4)</i>	149,893	18,803
Repayment of long-term debt <i>(note 4)</i>	(119,822)	(911)
Principal payments of lease obligations	(23)	(49)
Net cash provided by financing activities	52,031	30,023
Net change in cash during the period	185	231
Cash, beginning of period	809	929
Cash, end of period	994	1,160

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)*

	Six months ended June 30, 2025 \$	Six months ended June 30, 2024 \$
Share capital		
Balance at beginning of period	82,528	82,574
Common shares repurchased for cancellation (<i>note 5</i>)	(1,778)	(46)
Balance at end of period	80,750	82,528
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)	(2,443)	4,194
Purchase price in excess of the book value of common shares repurchased for cancellation (<i>note 5</i>)	(4,957)	(79)
Balance at end of period	74,565	48,336
Accumulated other comprehensive income		
Balance at beginning of period	105,147	96,592
Other comprehensive income (loss)	4,044	(2,757)
Balance at end of period	109,191	93,835
Total shareholders' equity	271,808	232,001

The accompanying notes are an integral part of the Financial Statements

Clarke Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2025 and 2024

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 August 8, 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 and six months ended June 30, 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:

	June 30, 2025	December 31, 2024
	\$	\$
Fair value of plan assets	118,484	116,500
Accrued benefit obligations	(39,508)	(36,570)
Funded status	78,976	79,930
Impact of asset ceiling, excluding interest	(38,928)	(43,843)
Interest on asset ceiling	(2,811)	(1,762)
Accrued pension benefit asset	37,237	34,325

The defined benefit pension recovery (expense) recognized in the interim consolidated statements of earnings (loss) for the three and six months ended June 30, 2025 was \$269 and (\$2,700), respectively (2024 – recovery of \$298 and \$530).

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 4.70% as at June 30, 2025 (December 31, 2024 – 4.60%).

Clarke Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2025 and 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 June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
	\$	\$	\$	\$
Remeasurement gains (losses) and return on plan assets in excess of discount rate	(1,898)	837	696	4,683
Change in amount of asset ceiling	148	(2,013)	4,916	(8,465)
Deferred income tax recovery (expense)	418	315	(1,568)	1,020
Defined benefit recovery (expense)	(1,332)	(861)	4,044	(2,762)

3. INVESTMENT PROPERTIES

	Buildings	Vacant land	Under construction	Total
Six months ended June 30, 2025	\$	\$	\$	\$
Beginning balance	183,206	45	65,882	249,133
Additions, net of government grant	19	—	50,353	50,372
Ending balance	183,225	45	116,235	299,505

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 June 30, 2025. The second phase of the Talisman is included in 'Under construction'. The second phase of the Talisman commenced construction during the six months ended June 30, 2024, and is expected to be completed in 2026.

4. LONG-TERM DEBT

On May 23, 2025, the Company repaid a maturing mortgage with proceeds from a new mortgage secured with a new lender. The new mortgage has a principal balance of \$9,835, a fixed interest rate of 4.49%, a thirty-five-year amortization period, a five-year term and matures on May 23, 2030. Net cash proceeds received on the refinancing after fees and disbursements were \$6,046. This mortgage is subject to an additional advance of \$3,100, contingent upon the achievement of specified capital expenditure and zoning milestones.

On May 29, 2025, the Company completed the refinancing of the existing Talisman construction facility. The refinancing resulted in a \$250,000 facility consisting of a \$115,000 term loan and a \$135,000 construction loan. The term loan was partially used to repay the existing construction loan of \$85,000. The term loan is interest-payments only, bears interest at the lender's prime rate or based on a spread to CORRA and matures on December 31, 2027. The construction loan is available to the Company as construction costs on phase two of the Talisman are incurred, is due on demand, is interest-payments only, bears interest at the lender's prime rate or based on a spread to CORRA and matures on December 31, 2027.

On June 25, 2025, the Company repaid in full an unsecured credit facility of \$30,000 due to a related party.

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.

Clarke Inc.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Three and six months ended June 30, 2025 and 2024

*Unaudited (in thousands of Canadian dollars, except per share amounts)***4. LONG-TERM DEBT (CONT'D)**

	June 30, 2025	December 31, 2024
	\$	\$
Mortgages payable, with a face value of \$163,569, bearing interest at a weighted average rate of 4.66% and maturing on various dates from April 2027 to May 2030. Individual first charges on nine hotel properties and two investment properties with a carrying value of \$431,087 have been pledged as security for individual mortgages.	163,186	43,227
Construction mortgage, with a maximum borrowing limit of \$135,000, bearing interest at the lender's prime rate or based on a spread to CORRA, secured by a registered first ranking charge over the Talisman development.	25,265	—
Unsecured credit facility due to a related party, with a maximum borrowing limit of \$35,000, bearing interest at 6.00%.	—	30,000
Construction mortgage, with a maximum borrowing limit of \$85,000, bearing interest at the lender's prime rate, secured by the Talisman development.	—	85,000
Total long-term debt	188,451	158,227
Less: current portion of long-term debt	(27,240)	(90,637)
Long-term portion	161,211	67,590

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

	Six months ended June 30, 2025
	\$
Total long-term debt – beginning balance	158,227
Proceeds of long-term debt, net of financing fees	149,893
Repayment of long-term debt	(119,822)
Accretion	153
Total long-term debt – ending balance	188,451

5. SHARE CAPITAL AND EARNINGS (LOSS) PER SHARE

As at and for the six months ended June 30,	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	(300,500)	(1,778)	(7,800)	(46)
Outstanding common shares, end of period	13,650,857	80,750	13,951,357	82,528

Common share activity

During the six months ended June 30, 2025, the Company purchased for cancellation 300,500 (2024 – 7,800) common shares at a cost of \$6,735 (2024 – \$125). The purchase price in excess of the historical book value of the shares in the amount of \$4,957 (2024 – \$79) has been charged to retained earnings, and \$1,778 (2024 – \$46) has been charged to share capital. The common share repurchases in the six months ended June 30, 2025, and 2024 were completed under the Company's normal course issuer bids.

Clarke Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2025 and 2024

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

5. SHARE CAPITAL AND EARNINGS (LOSS) PER SHARE (CONT'D)

Earnings (loss) per share

	Three months ended June 30, 2025			Three months ended June 30, 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	(84)	13,771	(0.01)	1,763	13,958	0.13

	Six months ended June 30, 2025			Six months ended June 30, 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	(2,443)	13,855	(0.18)	4,194	13,958	0.30

The Company did not have any potentially dilutive instruments during the three and six months ended June 30, 2025 and 2024.

6. OTHER INCOME (LOSS)

Other income (loss) is comprised of the following:

	Three months ended June 30, 2025 \$	Three months ended June 30, 2024 \$	Six months ended June 30, 2025 \$	Six months ended June 30, 2024 \$
Interest income	11	301	22	576
Pension recovery (expense) (note 2)	269	298	(2,700)	530
Gain (loss) on disposal of subsidiary	—	(820)	856	(341)
Gain (loss) on disposal of property and equipment	(15)	65	(15)	78
Foreign exchange gains	—	—	—	89
	265	(156)	(1,837)	932

The pension expense during the six months ended June 30, 2025 is primarily a result of past service costs recognized following a pension plan amendment. The gain on disposal of subsidiary during the six months ended June 30, 2025 is a result of post-closing adjustments on the sale of a US subsidiary completed in 2024.

7. DEFERRED INCOME TAXES

As at June 30, 2025, the Company had non-capital losses carried forward for tax purposes of \$11,503 (December 31, 2024 – \$8,638). Certain deferred income tax assets have not been recognized for non-capital loss carry forwards of \$210 as at June 30, 2025 (December 31, 2024 – \$203).

Clarke Inc.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Three and six months ended June 30, 2025 and 2024

*Unaudited (in thousands of Canadian dollars, except per share amounts)***8. SUPPLEMENTAL CASH FLOW INFORMATION**

Adjustments for items not involving cash	Six months ended June 30, 2025	Six months ended June 30, 2024
	\$	\$
Depreciation and amortization	5,796	5,188
Deferred income tax recovery	(663)	(2,769)
Accretion, net of amortization of fair value increments	153	(3)
Pension expense (recovery) (note 2)	2,700	(530)
Unrealized foreign exchange gains	—	(89)
Loss (gain) on disposal of subsidiary	(856)	341
Loss (gain) on disposal of property and equipment	15	(78)
	7,145	2,060

Net change in non-cash working capital balances	Six months ended June 30, 2025	Six months ended June 30, 2024
	\$	\$
Receivables	(3,767)	(2,151)
Other assets	(2,310)	(1,505)
Accounts payable and other liabilities	(405)	(26)
Income taxes payable	—	(70)
	(6,482)	(3,752)

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 June 30, 2025, the Company had cash on hand of \$994 and available undrawn revolving facilities of \$29,868.

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 revolving credit facilities. The Company's revolving credit facilities were previously presented within the hospitality segment, as that was the primary use of the funds. These facilities are no longer specific to the hospitality operations and are now included in the Other category. 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.

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

Clarke Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2025 and 2024

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

10. SEGMENTED INFORMATION (CONT'D)

Three months ended June 30, 2025	Investment \$	Hospitality \$	Other \$	Eliminations \$	Total \$
Revenue and other income (loss):					
Hotel and rental revenue and provision of services	4,425	14,877	229	(3)	19,528
Other income (loss)	—	(15)	280	—	265
	4,425	14,862	509	(3)	19,793
Operating expenses before the undernoted	2,934	9,990	676	(3)	13,597
Depreciation and amortization	61	2,859	1	—	2,921
Interest and accretion	1,019	753	1,379	—	3,151
Income (loss) before income taxes	411	1,260	(1,547)	—	124

Six months ended June 30, 2025	Investment \$	Hospitality \$	Other \$	Eliminations \$	Total \$
Revenue and other income (loss):					
Hotel and rental revenue and provision of services	7,177	29,832	471	(13)	37,467
Other income (loss)	856	(15)	(2,678)	—	(1,837)
	8,033	29,817	(2,207)	(13)	35,630
Operating expenses before the undernoted	5,150	20,361	1,305	(13)	26,803
Depreciation and amortization	70	5,724	2	—	5,796
Interest and accretion	2,179	1,368	2,590	—	6,137
Income (loss) before income taxes	634	2,364	(6,104)	—	(3,106)
Assets	303,527	235,692	37,773	—	576,992
Liabilities	177,685	63,050	64,449	—	305,184
Capital expenditures	47,018	3,898	6	—	50,922

Three months ended June 30, 2024	Investment \$	Hospitality \$	Other \$	Eliminations \$	Total \$
Revenue and other income (loss):					
Hotel and rental revenue and provision of services	2,534	14,618	229	(3)	17,378
Other income (loss)	(532)	—	376	—	(156)
	2,002	14,618	605	(3)	17,222
Operating expenses before the undernoted	1,495	9,371	523	(3)	11,386
Depreciation and amortization	10	2,564	21	—	2,595
Interest and accretion	54	694	675	—	1,423
Income (loss) before income taxes	443	1,989	(614)	—	1,818

Clarke Inc.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Three and six months ended June 30, 2025 and 2024

*Unaudited (in thousands of Canadian dollars, except per share amounts)***10. SEGMENTED INFORMATION (CONT'D)**

Six months ended June 30, 2024	Investment \$	Hospitality \$	Other \$	Eliminations \$	Total \$
Revenue and other income:					
Hotel and rental revenue and provision of services	2,943	28,860	457	(8)	32,252
Other income	299	13	620	—	932
	3,242	28,873	1,077	(8)	33,184
Operating expenses before the undernoted	3,188	19,424	1,216	(8)	23,820
Depreciation and amortization	19	5,127	42	—	5,188
Interest and accretion	101	1,364	1,286	—	2,751
Income (loss) before income taxes	(66)	2,958	(1,467)	—	1,425
Assets	177,305	214,200	32,187	—	423,692
Liabilities	85,675	62,435	43,581	—	191,691
Capital expenditures	31,412	4,882	—	—	36,294