CLARKE

Halifax, Canada

MD&A & Financial Statements 2018

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, 2018 compared with the year ended December 31, 2017. The following disclosures and associated consolidated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the information disclosed within the consolidated financial statements and notes thereto for the year ended December 31, 2018 and the Company's Annual Information Form ("AIF"), including the risk factors described therein, available on SEDAR at www.sedar.com. This MD&A provides an overall discussion, followed by analyses of the performance of the Company's major investments. The MD&A is prepared as at February 13, 2019 (unless otherwise stated). All dollar amounts are shown in millions of Canadian dollars unless otherwise indicated.

OVERVIEW & STRATEGY

Clarke is an investment company. Our objective is to maximize shareholder value. While not the perfect metric, we believe that Clarke's book value per share, together with the dividends paid to shareholders, is an appropriate measure of our success in maximizing shareholder value over time.

We attempt to maximize shareholder value by allocating capital to investments that we believe will generate high returns and reallocating capital over time as needed. In doing this, Clarke's goal is to identify investments that are either undervalued or are underperforming and may be in need of positive change. These investments may be companies, securities or other assets such as real estate, and they may be public entities or private entities. We do not believe in limiting ourselves to specific types of investments. From time to time, Clarke will invest passively in a security where it believes the security is undervalued and there is no need for change or where it believes the security is undervalued but that the management team in place at the underlying company is doing an appropriate job to reduce the undervaluation. More often, Clarke will seek active involvement in the governance and/or management of the company in which it invests. In these cases, Clarke will have acquired the security with a view of changes that could be made to improve the underlying company's performance and maximize the company's value. When Clarke believes that an investee company has implemented appropriate changes and/or the value of the investee company has reached or exceeded its intrinsic value, Clarke may sell its investment. Clarke generally invests in industries that have hard assets, including manufacturing, industrial, energy and real estate businesses.

FULL YEAR REVIEW AND OUTLOOK

During 2018, the Company's book value per share increased by $1.50 or 14.0%. The increase can be ascribed to (i) positive $1.31 per Clarke common share ("Common Share") resulting from the recognition of additional surplus in one of our pension plans, (ii) positive $0.23 per Common share due to repurchasing Common Shares at prices below our book value per share, offset by (iii) negative $0.04 per Common Share of investment performance. Our book value per Common Share at the end of the year was $12.21 while our Common Share price was $12.50.

Two thousand eighteen was a year of mixed performance for Clarke. First, the positive.

We continued to monitor and work with our largest investees, Holloway Lodging Corp. ("Holloway") and TerraVest Industries Inc. ("Terravest"). We believe each company performed well during the year and continued to increase its intrinsic value per share, especially given the challenges each company faced during the year.

We expect that Holloway increased its net operating income compared to the prior year with a rebound in certain Western Canadian hotel markets. Holloway launched a third party management platform, which is a capital-light, high-margin business. Holloway also sold three hotels from October 2018 to January 2019 generating significant gains on sale. As a result of these and other activities, Holloway was able to repay approximately $48.0 million of debt or 23% of its total debt and repurchase 15.1% of its shares since January 1, 2018. Clarke did not sell any shares of Holloway during the year and now owns 51% of Holloway's shares. Accounting rules require that, beginning in the first quarter of 2019, Clarke consolidate Holloway's financial results into its own results and deduct a non-controlling interest for the 49% of Holloway's shares Clarke does not own. Of course, this does not reflect the way we view or treat our investment in Holloway. We will do our best to provide supplementary disclosure to show Clarke's performance on a non-consolidated basis. We believe Holloway remains undervalued. With a much lower debt balance and cost of debt than in prior years, Holloway has the ability to generate significant cash flows. As well, we believe the value of Holloway's hotels is understated on its financial statements, which should lead to growth in book value per share if Holloway sells additional hotels.

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