SKYLINE

Management's Discussion and Analysis

For the period ended June 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 11, 2014

Introduction

The following discussion summarizes significant factors affecting the consolidated operating results and financial condition of Skyline International Development Inc. for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 and twelve months ended in December 31, 2013. References to "the Company", "we", "us" or "our" are to be taken as reference to Skyline International Development Inc.

Our interim condensed consolidated financial statements for the six months ended June 30, 2014 have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting on the basis of all available information up to August 11, 2014, the date of this discussion. Amounts discussed below are based on our interim condensed consolidated financial statements and are presented in Thousands Canadian dollars, unless otherwise stated.

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the following:

- our interim condensed consolidated financial statements for the three months ended June 30, 2014;
- our most recent audited consolidated financial statements for the year ended December 31, 2013; and
- our (final) non-offering long form prospectus dated May 14, 2014 (the "**Long Form Prospectus**") and, specifically, the management's discussion and analysis of the Company's financial condition and results of operations for the year ended December 31, 2013 contained therein;

The documents outlined above, and additional information relating to us, are all available under our SEDAR profile at www.sedar.com.

Except as expressly provided herein, none of the information on the SEDAR website is incorporated by reference into this document by this or any other reference.

Overview

The Company plans to become the leading operator and developer of hotel and resort communities in Canada. Over the past five years, the Company has focused on hotels and resorts management and the development of residential and retail centers within hotel and resort communities. Currently, the assets are concentrated in southern Ontario except for one hotel in Cleveland, Ohio and a new ski resort in the US that the Company acquired in August, 2014 (see below). In December 2013, the Company was recognized within the Canadian hotel industry with a Pinnacle Award for "Regional Company of the Year" and was named one of Canada's Best Managed Companies by Canadian Imperial Bank of Commerce and Deloitte LLP. The Company owns and/or asset manages 1,250 hotel rooms and 13,470 m^2 of retail area. The Company also holds land reserves with master plans for the development of 5,500 residential units, 76,000 m^2 of commercial space, and over 400 marina slips. Management's business strategy is as follows:

1. short term identification of hotel and resort acquisition opportunities that provide an acceptable investment risk adjusted rate of return from hotel and retail operations while offering development lands for long term value creation and cash flow upside;
2. medium term development of real estate segments with minimal investment and risk utilizing existing assets at the hotel or resort; and
3. long term focus on operating margin improvements that improve the return on investment, improve the value of landholdings through resort master planning and regulatory approval processes, and unlock real estate value through development of the land inventory.

On February 28, 2014, the Company received a receipt from the Israeli Securities Authority to publish a prospectus and offer common shares in the capital of the Company (the "**Common Shares**")on the Tel Aviv Stock Exchange. The Company completed an initial public offering in Israel on March 13, 2014 and raised approximately $22,450 (before fees) by issuing 1,759,250 Common Shares, representing 10.65% of the outstanding shareholdings, and an aggregate of 703,700 Series 1 Warrants and Series 2 Warrants.

On May 14, 2014, following the filing of the Long Form Prospectus, the Company obtained a receipt from the Ontario Securities Commission, and became a public issuer in Ontario, Canada.

Business Highlights

- In April 2013, the Company acquired Intrawest's interest in Blue Mountain Village consisting of retail space in the village, development lands within the village and surrounding the golf course together with the management of the remaining 50% of the commercial retail space in the village for $20 million. The Company was responsible for 60% of the investment equity with 40% coming from an unrelated third party investor.
- On February 26, 2014, the Company reached an agreement with the above noted unrelated third party investor to purchase its ownership (40%) in the assets of Blue Mountain Village for $15,400 and become the owner of 100% of the property. The parties agreed to complete the transaction within 90 days, subject to customary closing conditions, including the receipt of financing by the Company's lender and release of the seller from its financial obligations. In May 2014, the Company and the third party both agreed to extend the closing date of transaction to the end of August 2014. The acquisition will be completed though the issuance of shares of the Company.
- On May 14, 2014, following the filing of Long Form Prospectus, the Company obtained a receipt from the Ontario Securities Commission, and became a public issuer in Ontario, Canada.
- On August 5, 2014 the Company entered into an agreement with a vendor for the acquisition of operation and certain assets of a ski resort and village centre offering approximately 1,700 acres and 75 runs of skiable area, located in California, United States. The assets acquired include mainly nine lifts, a mountain based 40,000 sq. ft. lodge, equipment area, 2,000 stall parking lot , as well as all the snowmaking and other equipment, and ancillary maintenance and equipment buildings for a total consideration of $2,000 USD. The transaction includes a ten-year lease of 53 guest room lodge and 17,000 sq. ft. commercial center, and a two year option to purchase substantial development lands surrounding the resort, suitable for a development of more than 350 residential unit at the exercise price of $3,000 USD. Mr. Mark Goodman, director of the company, announced on his personal interest in the transaction, given that one of the affiliates of Dundee Realty Inc. (DREAM), a company owned by Mr. Goodman family, is affiliate to the vendor. The closing of the transaction is expected take place within few weeks after receiving a permit by the U.S. Department of Agriculture-Forest Service and approval by the Company organs under the provisions of the Israeli Companies Act, 1999.
- On July 22, 2014 the Company launched a new 162 unit condominium development project known as "Lakeside Lodge" at Deerhurst Resort (100 units with a water front view). As of August 11, 2014, the Company has firmed 32 agreements with purchasers.
- In July 2014, the Company received rezoning approval from the Township of Oro-Medonte for the Copeland House condominium. If there are no objections from the residents in the surrounding area, construction of the condominium is anticipated to begin in September 2014.
- In July 2014, the Company accepted an offer to acquire all of the 9 lots that had been offered for sale in the Blue Mountain Village for $860; the sales program commenced in May 2014. The Company began plans to launch a major residential subdivision in the fall of 2014.
- During the reporting period ended in June 30, 2014, the Company has invested $5,451 in renovations and upgrades of its hospitality assets, primarily at the Cleveland Hyatt Regency Hotel where more 114 guest rooms have been fully renovated.
- During the most recent quarter, the Company continued its efforts to improve hospitality operations. As a result, the Company's largest properties (Deerhurst and Horseshoe Resorts) improved operational results compared to the same period last year. The Company is focused on improvements of its downtown Toronto and Cleveland properties.

Balance Sheet Highlights

- Shareholders' equity as of June 30, 2014 was $150,712 (approximately 48.48% of total assets) compared to $132,859 as at June 30, 2013 (approximately 40.3% of the total assets), an increase of 13.43%. The equity as at December 31, 2013 was $133,843. The equity was increased between the reporting period ended in June 30, 2014 and the fiscal year ended December 31, 2013 by 12.6%. The equity increase between the fiscal year ended December 31, 2013 and the reporting period ended in June 30, 2014 was primarily due to the Company's initial public offer, pursuant to which the Company raised approximately $18,938 (net of costs).

- The consolidated balance sheet assets of the Company as of June 30, 2014 totaled $310,854 compared to $330,033 as of June 30, 2013 (5.8% decrease) and compared to $296,382 as of December 31, 2013 (an increase of 11.4%). The increase compared to December 31, 2013 is primarily due to an increase in cash and cash equivalents of $8,846, investment property increase of $4,481, gains from fair value adjustments resulting from the revaluation of an investment property (Deerhurst Resort) and a net increase in fixed assets in the amount of $2,568 due to acquisition and improvement of the Company's existing hospitality assets in the amount of $5,451

Income Statement Highlights

- Revenue during the six-month period ended June 30, 2014 totaled $37,437 compared to $46,847 in the six-month period ended in June 30, 2013.
- The gross loss for the six-month period ended June 30, 2014 was $689 (1.8% of revenue), compared with $977 (2.1%) in the six-month period ended in June 30, 2013.
- In the six-month period ended in June, 30 2014, revenue from the Development segment was $3,167 compared to $11,609 in the six-month period ended in June 30, 2013.
- In the six-month period ended June, 30 2014, revenue from the Hospitality segment was $31,940 compared to $34,434 in the six-month period ended in June 30, 2013.
- The Investment Property Segment's revenue in the six-month period ended June, 30 2014 was $1,545 compared to $804 in the six-month period ended in June 30, 2013.
- During this reporting period ended June 30, 2014 the Company recognized a fair value adjustment income of $5,087 (compared to a gain of $17,095 in last year). On March 20, 2014, the Company received a letter from the Township's Planning Department's head advising the Company that the application was considered "complete" however there are still some minor outstanding issues that need to be resolved. The Township and the region committee see the project favorably and the application conforms to the Official Plan Therefore, the future development is considered to be nearing the approval stage and the fair value of the site was appraised at $6,950 resulting in fair value adjustment of $5,087 in the reporting period. It is envisioned for a mixed-use residential and commercial development of 51.3 acres for 791 residential units and approximately 186,540 square feet of commercial gross floor area.
- For further information see the segmental analysis (Page 7 below).

Cash Flow Statement Highlights

As its business development strategy, the Company acquires investment properties. Those investments result in negative cash flows from investing activities.

- In the six-month period ended in June 30, 2014 the decrease in net cash from operations was $1,868 compared to an increase of $2,440 in the six-month period ended in June 30, 2013.
- In the six-month period ended in June 30, 2014 the decrease in net cash used in investing activities was $5,721 versus $22,932 in the six-month period ended in June 30, 2013.
- In the six-month period ended in June 30, 2014 the increase in net cash used in financing activities was $16,435 compared to $27,531 in the six-month period ended in June 30, 2013.
- For further information see cash flow analysis. (Page 14 below).

Factors Affecting Performance

Real Estate Development for Sale segment ("Development") *Competitive Conditions*

The Company has extensive real est*ate holdings at their r*esorts in Muskoka and Oro-Medonte, Ontario and in Port McNicoll and Blue Mountain, Ontario. Real estate operations, through Skyline Resort Communities, a wholly-owned subsidiary, include the planning, oversight, infrastructure improvement, development, marketing and sale of the real estate holdings. In addition to the cash flow generated from real estate development sales, these development activities benefit the Company's Hotels and Resorts segment through (1) the creation of additional resort lodging and other resort related facilities and venues (primarily restaurants, spas, commercial space, private clubs and parking structures) that provide the opportunity to create new sources of recurring revenue, enhance the guest experience at the resorts and expand the destination bed base; (2) the ability to control the architectural themes of the resorts; and (3) the expansion of the Company's property management and commercial leasing operations.

Currently, Skyline Resort Communities' principal activities include the marketing and selling of remaining condominium units and lots that are available for sale, which primarily relate to Copeland House (see also Business Highlights above), Swan Island Estates, Golf Cottages and Sanctuary; planning for future real estate development projects, including rezoning and acquisition of applicable permits; and the purchase of selected strategic land parcels for future development.

In this segment, competition revolves around a number of parameters, with the main ones being the geographic location of the projects and level of demand in the same area, the construction and development quality and the purchase prices and maintenance expenses collected by the applicable condominium corporation. The Company is exposed to competition by a small number of directly competitive companies in the development of condominium units, single family homes, subdivisions, townhomes and retail villages.

Seasonality

Since the Port McNicoll project is located on a lake which is frozen during winter and autumn, it is typically marketed during summer and spring.

Seasonality has no impact on the activities of the Company's other projects in this segment.

Hotel and Resorts segment ("Hospitality")

Competitive Conditions

Competition in the hotel industry is generally based on quality and consistency of rooms, restaurant and meeting facilities and services, attractiveness of locations, availability of a global distribution system, price and other factors. The Company's properties compete within their geographic markets with hotels and resorts that include locally owned independent hotels, as well as facilities owned or managed by national and international chains, including such brands as Four Seasons, Hilton, Hyatt, Marriott, Ritz-Carlton, Starwood and Westin. Properties also compete for convention and conference business across the national market. The Company has a competitive advantage in the market due to:

- *Enhancements it has undertaken in 2014:* The Company has a central reservations system and is in process of enhancing its online planning and booking platform, offering guests a seamless and useful way to make reservations at hotels. The Company is also in the process of implementing an online booking platform for resort activities, which will streamline guests' trip planning experience.
- The Company actively upgrades the quality of the accommodations and amenities available at the hotels through capital improvements. Projects completed over the last year include extensive upgrades to the majority of guestrooms and meeting and conference spaces at Horseshoe Resort; guestroom renovations at Deerhurst Resort; renovated lobby at the Pantages Hotel;
- Renovation of approximately 71 guestrooms (in 50 rooms renovations have been completed and 21 rooms are currently in the renovation process) at The King Edward Hotel and 114 guestrooms Hyatt Regency Arcade in Cleveland, Ohio.

A*ccessibility from major metropolitan areas*

Ontario Properties – The Company's hotels and resorts are mostly located within the Greater Golden Horseshoe and within driving distance of the fast growing Greater Toronto Area (GTA), Canada's largest city. The Greater Golden Horseshoe, with a population of approximately 8.8 million, encompasses the GTA and is expected to grow to more than 13 million by 2041. The Company's resort properties are located within one hour (Horseshoe) and two hours (Deerhurst) from the GTA, with access via a major highway. Additionally, all properties are proximate to Toronto's Pearson International Airport.

Seasonality

Resort operations are highly seasonal in nature, with a typical winter/ski season beginning in early December and running through the end of March, and typical summer seasons beginning late in June and ending in early September. In an effort to partially counterbalance the concentration of revenue in the winter months at Horseshoe and summer months at Deerhurst, the Company offers counter-seasonal attractions such as mountain biking, hiking, guided ATV, Segway and adventure buggy tours, golf and an Adventure Park (at Horseshoe) and guided snowmobiling tours, dog sledding, skating, snowshoeing and winter hiking (at Deerhurst). These activities also help attract destination conference and group business to the resorts. The Company also recently introduced a timeshare product, Skyline Vacation Club, to help drive off-season revenue through pre-purchased vacation points that the member is required to spend annually at the properties.

Real Estate for Investment segment ("Investment Properties")

Seasonality

The Real Estate for Investment segment is impacted by seasonality, with each project being impacted differently. For the commercial and retail components of the Real Estate for Investment segment, the Horseshoe and Deerhurst resorts have complimentary high seasons, with the Horseshoe resort having its high season in the winter season and the Deerhurst resort having its high season during summer and early fall. As lands in the Real Estate for Investment segment are held for long periods, seasonality is not a factor.

Discussion of Operations

Revenue is generated by two broad business units: Hospitality and Development. Hospitality includes: hotel operations, alpine and Nordic ski facilities, golf courses, adventure park operations, as well as other businesses, including food and beverage, spa, retail and rental operations, and other related or ancillary activities. Hospitality represented 85.3%, 73.5% and 79.9% of Company's total revenue for the six month ending June 30, 2014, June 30, 2013 and year ended December 31, 2013, respectively. Development revenue includes the sale of serviced lots, semi-custom single family cottages, and condominiums.

The revenue from the Hospitality and Development segments are driven by the volume of guests and competitive pricing. Volume is impacted by a number of factors including the guest experience, economic conditions, geo-political factors, weather and accessibility of the resorts.

Income Statements and Segmental Analysis:

	FOR THE SIX MONTHS ENDED in June 30,		YEAR ENDED Dec 31,
	2014	**2013**	**2013**
	(Unaudited)	*(Unaudited)*	*(Audited)*
REVENUE			
Sale of condominiums	119	9,143	9,269
Sale of residential condos and lots	3,048	2,466	6,657
Income from investment properties	1,545	804	2,362
Hospitality income	31,896	34,034	72,176
Property management fees	43	386	1,032
Timeshare income	785	--	45
Other revenue	1	14	41
	37,437	46,847	91,582
EXPENSES AND COSTS			
Cost of sale of condominiums	158	7,084	7,221
Operating expenses of investment properties	658	179	1,005
Hospitality operating expenses	29,899	32,533	67,304
Timeshare expenses	624	--	33
Cost of sale of residential condos and lots	3,011	2,528	7,472
Development periodic costs	827	928	1,706
Depreciation	2,949	2,618	5,303
	38,126	45,870	90,044
GROSS PROFIT	**(689)**	**977**	**1,538**
Gain (loss) from fair value adjustments	5,087	17,095	21,567
Selling and marketing expenses	1,618	395	1,459
Administrative and general expenses	1,840	2,901	6,053
PROFIT FROM OPERATIONS	**940**	**14,776**	**15,593**
Financial expense	3,376	3,276	7,178
Financial income	(38)	(308)	(566)
Other expense	--	--	95
Loss (gain) on sale of investment	--	--	(1,155)
PROFIT BEFORE INCOME TAXES	**(2,398)**	**11,808**	**10,041**
Income tax expense (recovery)	(686)	3,390	2,102
PROFIT (LOSS) FOR THE PERIOD	**(1,712)**	**8,418**	**7,939**
Attributable to:			
Shareholders of the Company	(1,734)	3,264	2,858
Non-controlling interest	22	5,154	5,081
	(1,712)	8,418	7,939
BASIC EARNINGS PER SHARE	**(0.11)**	**0.23**	**0.20**
DILUTED EARNINGS PER SHARE	**(0.11)**	**0.23**	**0.20**

For the six months ended June 30, 2014 (unaudited)

	Investment Properties	Development	Hospitality	Other	Total
REVENUE					
Sale of condominiums	--	119	--	--	119
Sale of residential condos and lots	--	3,048	--	--	3,048
Income from investment properties	1,545	--	--	--	1,545
Hospitality income	--	--	31,896	--	31,896
Property management fees	--	--	43	--	43
Timeshare income	--	--	--	785	785
Other Revenue	--	--	1	--	1
	1,545	3,167	31,940	785	37,437
EXPENSES AND COSTS					
Cost of sale of condominiums	--	158	--	--	158
Operating expenses of investment properties	658	--	--	--	658
Hospitality operating expenses	--	--	29,899	--	29,899
Timeshare expenses	--	--	--	624	624
Cost of sale of residential condos and lots	--	3,011	--	--	3,011
Development periodic costs	--	827	--	--	827
Depreciation	--	103	2,725	121	2,949
	658	4,099	32,624	745	38,126
SEGMENTED RESULTS	**887**	**(932)**	**(684)**	**40**	**(689)**
Gain (loss) from fair value adjustments					**5,087**
Selling and marketing expenses					**1,618**
Administrative and general expenses					**1,840**
Financial expense					**3,376**
Financial income					**(38)**
PROFIT BEFORE INCOME TAXES					**(2,398)**

	For the six months ended June 30, 2013 (unaudited)				
	Investment properties	Development	Hospitality	Other	Total
REVENUE					
Sale of condominiums	--	9,143	--	--	9,143
Sale of residential condos and lots	--	2,466	--	--	2,466
Income from investment properties	804	--	--	--	804
Hospitality income	--	--	34,034	--	34,034
Property management fees	--	--	386	--	386
Other Revenue	--	--	14	--	14
	804	11,609	34,434	--	46,847
EXPENSES AND COSTS					
Cost of sale of condominiums	--	7,084	--	--	7,084
Operating expenses of investment properties	179	--	--	--	179
Hospitality operating expenses	--	--	32,533	--	32,533
Cost of sale of residential condos and lots	--	2,528	--	--	2,528
Development periodic costs	--	928	--	--	928
Depreciation	--	10	2,608	--	2,618
	179	10,550	35,141	--	45,870
SEGMENTED RESULTS	**625**	**1,059**	**(707)**	**--**	**977**
Gain (loss) from fair value adjustments					**17,095**
Selling and marketing expenses					**395**
Administrative and general expenses					**2,901**
Financial expense					**3,276**
Financial income					**(308)**
LOSS BEFORE INCOME TAXES					**11,808**

	For the year ended December 31, 2013 (Audited)				
	Investment Properties	Development	Hospitality	Other	Total
REVENUE					
Sale of condominiums	--	9,269	--	--	9,269
Sale of residential condos and lots	--	6,657	--	--	6,657
Income from investment properties	2,362	--		--	2,362
Hospitality income	--	--	72,176	--	72,176
Property management fees	--	--	1,032	--	1,032
Timeshare income	--	--	--	45	45
Other revenue	39	2	--	--	41
	2,401	15,928	73,208	45	91,582
EXPENSES AND COSTS					
Cost of sale of condominiums	--	7,221	--	--	7,221
Operating expenses of investment properties	1,005	--	--	--	1,005
Hospitality operating expenses	--	--	67,304	--	67,304
Timeshare expenses	--	--	--	33	33
Cost of sale of residential condos and lots	--	7,472	--	--	7,472
Development periodic costs	--	1,706	--	--	1,706
Depreciation	--	276	4,983	44	5,303
	1,005	16,675	72,287	77	90,044
SEGMENTED RESULTS	**1,396**	**(747)**	**921**	**(32)**	**1,538**
Gain (loss) from fair value adjustments					**21,567**
Selling and marketing expenses					**1,459**
Administrative and general expenses					**6,053**
Financial expense					**7,178**
Financial income					**(566)**
Other expense					**95**
Loss (gain) on sale of investment					**(1,155)**
PROFIT BEFORE INCOME TAXES					**10,041**

Revenue:

Revenue in the six month period ended June 30, 2014 totaled $37,437 compared with $46,847 in the six month period ended in June 30, 2013 (a decrease of $9,410 or 20%). This decrease is primarily attributable to the decrease in the Development segment of $8,442, a decrease in Hospitality segment of $2,494 and an increase of $741 in the Investment Properties segment. For further comparison between quarters revenue see below:

Development Segment Revenue:

In the current reporting period, the Company recognized revenue from the delivery of four cottages and one lot (cost of sale of those included a fair value gain component of $568 which was recognized in prior years) at the

Deerhurst Resort and a condo at King Edward (Company's share of 9.07%) compared to the parallel reporting period last year in which the Company recognized 17% of revenues from the sale of 90 units that were sold and delivered at the King Edward and a revenue from the sale of ten lots (cost of sale of those included a fair value gain component of $1,210 which was recognized in prior years) at the Deerhurst Resort. The King Edward hotel condos and the ten lots contributed $1,059 to gross profit in the parallel reporting period last year.

Hospitality Segment Revenue:

The change in revenue and expenses in this reporting period resulted mainly from the discontinuance of a proportionate consolidation of King Edward Hotel results of operations August, 2013, which contributed $1,562 to the group's revenue in the prior period, a reduction of $380 in Hyatt Regency Arcade revenue following the closure and renovation of 114 rooms at the property (completed in April, 2014) and a decrease in revenue of $550 from Cosmopolitan Hotel in downtown Toronto, mainly due to reduction in available room inventory from 65 rooms as of June 30, 2013 to 52 as of June 30, 2014.

Gross loss in the reporting period was 2.14% (compared to a gross loss of 2.05% for the parallel period last year).

Investment Property Segment:

The increase in both the revenue and expenses is mostly due to inclusion of Blue Mountain Retail in this reporting period. During this reporting period the Company recognized a fair value adjustment income of $5,087 (compared to an income of $17,095 in parallel period last year). On March 20, 2014 the Company received a letter from the Township's Planning Department's head advising Skyline that the application was considered "complete" so there are still some minor outstanding issues that need to be resolved. The Township and the Region see the project favorably and the application conforms to the Official Plan. Therefore, the future development is considered to be in the nearing the approval stage and the fair value of the site was appraised at $6,950 resulting in fair value adjustment of $5,087 in the quarter. It is envisioned for a mixed-use residential and commercial development of 51.3 acres for 791 residential units and approximately 186,540 square feet of commercial gross floor area.

Other (Vacation Ownership):

In late October 2013 the Company launched a "Vacation Ownership" operation so as to optimize the usage of the resort and hotel properties and services within the Group to the public.

All costs incurred in marketing, operating, and promoting the timeshare business as well as administration, set up and sales costs are expensed as incurred. The Company has made a number of operational changes, reduced staffing levels of this operation and is in process of relocating its sales and call centre to Horseshoe Resort. Since Vacation Ownership's inception the Company spent $2,092 under Marketing and $1,067 under GA for the timeshare,

<u>Gross Profit/Loss</u>

The gross loss for the period ended in June 30, 2014 is $689, compared to a gross loss of $977 in the reporting period ended in June 30, 2013.

In the period ended in June 30, 2014, the gross rate rate was 1.8% compared to 2.1% in the parallel reporting period in 2013. This difference in profitability is attributable to the following two matters:

During the reporting period, the Company recognized a gross loss of $932 from lot and units sold in the Deerhurst Resort and a condo delivery in the King Edward Hotel. In the parallel period in 2013, the Company recognized a gross profit of $1,059 from delivery of 90 condos in the King Edward Hotel and ten lots in the Deerhurst Resort. During the reporting period there was a decrease in the Hospitality segment, mainly due to a reduction in revenue of $380 relating to Hyatt Regency Arcade following the closure and renovation of 114 rooms at the property (completed in April, 2014) and a decrease in revenue of $550 from Cosmopolitan Hotel in downtown Toronto, mainly due to reduction in available room inventory from 65 rooms as of June 30, 2013 to 52 as of June 30, 2014.

Cost of sale for the lots sold at the Deerhurst resort property included a fair value gain component of $568 compared to $1,210 in prior period, which was recognized in prior years. Net of these non- cash cost components, the gross loss for the period ended in June 30, 2014 and June 30, 2013 is $121 and $2,187 correspondingly.

Sales and marketing expenses

Sales and marketing expenses in the period ended in June 30, 2014 are $1,618, compared to $395 in the period ended in June 30, 2013.

The increase in sales and marketing expenses, compared to a parallel period of 2013, is primarily due to extensive marketing and sales of the vacation ownership program ($1,295) following its launch in October 2013.

Administrative and general expenses

Administrative and general expenses in the period ended June 30, 2014 totaled $1,840, compared to $2,901 in the period ended June 30, 2013, an improvement of $1,061. The decrease in costs is due to payroll cost reduction of $1,178 compared to a parallel period last year, which also included a payroll expense of $550 that represented President's bonus allowance.. In addition there was an increase of other general and administrative costs which accumulated to $117. Since the beginning of 2012, the Company has accrued a provision for the President and Chairman of the Board of Directors compensation totalling approximately $2,000. Payment of this amount is conditional on the approval by special majority of the Company’s shareholders, which has not been obtained as of the date hereof.

Fair Value Adjustment

See Income statements highlights above. (Page 4 above).

Financing expenses,

Financing expenses, net in the period ended in June 30, 2014 were $3,338, compared to $2,968 in the period ended in June 30, 2013. The increase in financial expenses compared to the same period last year is mainly due to the financing costs of the Blue-Mountain retail (of $578 in the period ended in June 30, 2014 compared to $130 in the parallel period last year) which was acquired in April 2013.

Income Taxes

In the six month period ended in June 30, 2014 the tax recovery was $686, compared to tax expense of $3,390 in the period ended in June 30, 2013. Tax recovery which was recorded during the reporting period is due to a loss compared to tax expenses recorded during the parallel period last year is mainly due to a gain from fair value adjustments, resulting from the revaluation of an investment properties.

Profit for the year

In the period ended in June 30, 2014, the loss of the Company was $1,712, compared to a gain of $8,418 in the period ended in June 30, 2013.

Summary of Quarterly Results:

The table below provides selected quarterly financial information for our eight most recently completed fiscal quarters. This information is unaudited, but reflects all adjustments of a normal, recurring nature which are, in our opinion, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

(in thousands of Canadian Dollars)	Q2-2014	Q1-2014	Q4-2013	Q3-2013	Q2-2013	Q1-2013	Q4-2012	Q3-2012
REVENUE	**18,930**	**18,507**	**18,164**	**26,571**	**20,659**	**26,188**	**17,811**	**25,422**
EXPENSES AND COSTS	**20,236**	**17,890**	**19,893**	**24,281**	**21,619**	**24,251**	**20,118**	**20,872**
GROSS PROFIT (LOSS)	**(1,306)**	**617**	**(1,729)**	**2,290**	**(960)**	**1,937**	**(2,307)**	**4,550**
Gain (Loss) from fair value adjustments	(3)	5,090	4,461	11	17,228	(133)	1,920	(51)
Selling and marketing expenses	412	1,206	956	108	101	294	(87)	440
Administrative and general expenses	815	1,025	1,840	1,312	1,737	1,164	1,645	1,051
PROFIT (LOSS) FROM OPERATIONS	**(2,536)**	**3,476**	**(64)**	**881**	**14,430**	**346**	**(1,945)**	**3,008**
Financial expense	1,545	1,831	1,911	1,991	1,610	1,666	1,962	1,573
Financial income	(35)	(3)	(222)	(36)	(286)	(22)	(12)	(21)
Other (income) expense	--	--	99	(4)	--	--	29	30
Loss (Gain) on sale of investment	--	--	--	(1,155)	--	--	184	(21)
PROFIT (LOSS) BEFORE INCOME TAXES	**(4,046)**	**1,648**	**(1,852)**	**85**	**13,106**	**(1,298)**	**(4,108)**	**1,447**
Current income tax expense (recovery)	--	--	155	276	(78)	78	(409)	(116)
Deferred tax expense (recovery)	(1,004)	318	(968)	(751)	3,771	(381)	(568)	723
PROFIT (LOSS) FOR THE PERIOD	**(3,042)**	**1,330**	**(1,039)**	**560**	**9,413**	**(995)**	**(3,131)**	**840**

Additional Financial Information

The Company's total balance sheet as of six months ended June 30, 2014 totalled $310,854 compared to $296,382 in December 2013.

The total non-current consolidated financial liabilities were $115,340 in the six month period ended in June 30, 2014 compared to $124,798 in December 31, 2013.

Outlook

The Company's strategy is to continue focusing on investments in hospitality and real estate, mostly in regions benefiting from economic stability. The Canadian economy provides a favorable business environment for the Company. The Company continues to look for investment opportunities in markets similar to its current portfolio (Canada and US).

Liquidity and Cash Flow Analysis

The following table summarizes the statement of cash flows of the Company:

CASH FLOW	Six months ended June 30, 2014 **(Unaudited)**	Six months ended June 30, 2013 **(Unaudited)**	Year ended December 31, 2013 **(Audited)**
Profit (Loss) for the Period	(1,712)	8,418	7,939
Net cash provided by operations	(1,868)	2,440	2,526
Net cash used in investing activities	(5,721)	(22,932)	(2,535)
Net cash used in financing activities	16,435	27,531	1,308
Increase in cash and cash equivalents	8,846	7,039	1,299
Cash and cash equivalents, beginning of the period	5,578	4,279	4,279
Cash and cash equivalents, end of the period	14,424	11,318	5,578

Cash Flows from Operations

During the six month [?]period ended in June 30, 2014 the Company's negative cash flow from operations was $1,868 compared to a positive cash flow from operations of $2,440 in the first six months of 2013 mainly due to a reduction in real estate inventory balances in previous period associated with construction costs of King Edward project incurred in prior years of $5,172.

Cash Flows Used in Investment Activities

During the reporting period, the Company reported a negative cash flow from investing activities of $5,721 mainly due to investments in its property, plant and equipment of $5,454 (including $3,545 spent in the Hyatt Regency Arcade renovation and $640 which were invested in the time share operation) compared to $21,139 cost of acquisition of Blue Mountain commercial and development assets in April 2013.

Cash Flows Used in Financing Activities

In the period ended in June, 30 2014 the Company had positive cash flow from financing activities of $16,435 mainly due to the net proceeds of $18,938 of the initial public offering (IPO) in March 2014. During that period, the Company repaid $1,969 of loans payable (net) and $203 to related parties compared to a positive cash flow from financing activities of $27,531 in the parallel period last year mainly due to proceeds on loan payable in the amount of $31,412,which was mainly taken in order to finance the Blue Mountain asset acquisition, $9,000 raised as part of private placement of the Company's Common Shares, a repayment of $6,713 to financial institutions and a repayment of $5,336 to related parties.

Financial Instruments and Off Balance Sheet Arrangements

As at June 30, 2014, the Company has not entered into any derivative or other off balance sheet arrangements.

Company's Distributions

There is no dividend distribution policy to shareholders.

Critical Accounting Policies and Estimates

The presentation of the consolidated financial statements involves estimates and assumptions that may affect the data presented. Changes in the estimates may affect the reported amounts.

The Company believes these estimates to be critical:

1. Investment property and fixed assets

The estimates include investment property and buildings within fixed assets at fair value, determined by external independent appraisers. Valuations involve the use of discount rates and assumptions about occupancy rates, room rates and other critical metrics which involve uncertainty.

During the reporting period, no significant change in the value of investment property and fixed assets exists, except for the Deerhurst Resort Village lands valuation (see also Segmental Analysis – Investment Properties above).

2. Contingencies and lawsuits

When estimating the lawsuits filed against the Company and its subsidiaries, the Company relied on the opinion of its legal advisors. The opinions of legal counsel are based on best professional judgment, taking into account the stage of the proceedings and legal experience gained in various matters. The outcome of the claims adjudged by the courts, could differ from these estimates.

During the reporting period there has been no change in the provisions in respect of claims (For more information see Note 21 to the consolidated annual financial statements).

Exposure to market risks and ways of managing them

The Company has appointed Mr. Vadim Shub who is a Certified Public Accountant in Israel, the U.S. and Canada, and has served as CFO of Skyline Canada since 2007, to assess the Company's exposure to risks.

1. Exchange rates: During the reporting period of 2014, the Canadian Dollar weakened by 0.3% compared to the U.S. Dollar and in the parallel period of 2013 the US Dollar appreciated against the Canadian Dollar by 5.3%. For more information regarding the influence of the foreign exchange rate on Company's equity read note 33 d in the annual consolidated financial statements. From the 2014 Q2 end to the day the consolidated financial statements were signed, the U.S Dollar appreciated against the Canadian Dollar by 2.3%

   The Company's management holds regular discussions on the exposure to various market risks, including changes in exchange rates. The Company's policy is to maintain a correlation between the currency in which the assets are acquired and the currency of the loans the Company takes to finance those assets, in order to maintain equity in that currency. The change in U.S. Dollar exchange has a limited impact on the Company given that its US holdings are relatively few with the following balance sheet proportions: assets 11%, liabilities 14% and equity 8%. The Company does not purchase financial instruments that hedge the equity currency rate risk.

2. Market Risks: The Company is subject to a number of risks and uncertainty, primarily risks associated with: the development of future assets, competition, real estate markets, general and regional economic conditions, the availability and cost of financing, and changes in interest rates due to uncertainty in the world markets including Israel, United States and Canada. The Company does not hold or issue derivative financial instruments for trading purposes.

Risk Factors

We are exposed to a number of risks and uncertainties in the normal course of business that could have a negative effect on our financial condition or results of operation. A detailed discussion of these risk factors impacting our business and financial results is included in our most recent Long Form Prospectus, under the heading “Risk Factors”, which is available on our SEDAR profile at www.sedar.com. All such risk factors are specifically incorporated by reference into this MD&A.

Cautionary Note Regarding Forward Looking Statements

This MD&A may contain forward looking statements or information, within the meaning of applicable Canadian securities laws, which reflect our current view of future events and financial performance. Forward looking statements can often be identified by the use of forward looking terminology such as "may", "will", "would", "could", "should", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of such terms or variations of them or similar terminology. All forward looking statements that we make are based on the opinions and estimates of our management as of the date such statements are made and represent management’s best judgment based on facts and assumptions that we consider reasonable. The forward looking statements and information contained in this MD&A include statements with respect to the sufficiency of liquidity and capital resources to maintain our operations, expected growth of our business, payment of interest on borrowings under the new credit facility, the split between current and deferred income taxes in future periods and other information or statements about future events or conditions which may prove to be incorrect.

The forward looking statements and information contained in this MD&A are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated including, but not limited to, risks relating to unfavorable weather conditions, the seasonality of our operations, availability of capital, competition from other ski and four season resorts, changes in laws, regulations and policies and failure to comply with any legal requirements, the impact of any occurring natural disasters, insufficient insurance against material claims or losses, risks relating to Company’s access to and use of debt financing, and negative economic, business and market conditions. A more detailed description of these risks is available in our most recently filed annual information form and management’s discussion and analysis, which is available on our website and at www.sedar.com under our SEDAR profile. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements or information prove incorrect, actual results may vary materially from those described herein. Although we believe that the expectations reflected in such forward looking statements and information are reasonable, undue reliance should not be placed on forward looking statements or information because we give no assurance that such expectations will prove to be correct.

These forward looking statements and information are made as of the date of this MD&A, and we have no intention and assume no obligation to update or revise any forward looking statements or information to reflect new events or circumstances, except as required by applicable Canadian securities laws.

Gil Blutrich	**Michael Sneyd**	**Vadim Shub**
Chairman	CEO	CFO