

SKYLINE INVESTMENTS INC.
Condensed interim consolidated financial statements
for the period ended
June 30, 2022
(Unaudited)

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(Unaudited)

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Review Report for the second quarter
A Review Report of the Auditor to the shareholders of
Skyline Investments Inc.

Introduction

We have reviewed the accompanying financial information of Skyline Investments Inc. the Company and subsidiaries (hereafter- "the Company") which includes the condensed consolidated statement of financial position as of June 30, 2022, and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of six and three months ended on that date. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the statements in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Haifa,
August 11, 20

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SKYLINE INVESTMENTS INC.**Condensed interim consolidated statements of financial position**

(in thousands of Canadian Dollars)

| | Note | As at | | |
|---|------|-----------------------|-----------------------|-----------------------|
| | | June 30, | | December 31, |
| | | 2022 | 2021 | 2021 |
| | | (Unaudited) | (Unaudited) | (Audited) |
| Current assets | | | | |
| Cash and cash equivalents | | 40,607 | 29,819 | 61,489 |
| Trade receivables, other receivables and prepayments | | 16,727 | 15,843 | 13,136 |
| Inventories | | 767 | 1,597 | 980 |
| Real estate inventory | | 6,170 | 16,781 | 7,034 |
| Loans to purchasers | | 2,883 | 6,266 | 2,022 |
| Restricted bank deposits | | 3,215 | 4,929 | 4,727 |
| | | <u>70,369</u> | <u>75,235</u> | <u>89,388</u> |
| Non-current assets | | | | |
| Financial derivative | | — | 3,801 | — |
| Investment properties | 5 | 12,642 | 68,522 | 11,971 |
| Property, plant and equipment | 6 | 357,792 | 431,729 | 328,390 |
| Loans to purchasers | | 92,099 | 50,159 | 95,951 |
| Other non-current assets | | 13,710 | 3,842 | 12,452 |
| Other investments measured at fair value through profit or loss | | 26,140 | — | 28,808 |
| Restricted bank deposits | | 8,804 | 7,988 | 12,744 |
| | | <u>511,187</u> | <u>566,041</u> | <u>490,316</u> |
| Total assets | | <u>581,556</u> | <u>641,276</u> | <u>579,704</u> |
| Current liabilities | | | | |
| Loans payable | 7 | 51,210 | 52,561 | 152,450 |
| Bonds | | 3,633 | 6,061 | 3,569 |
| Trade payables | | 5,430 | 7,433 | 10,889 |
| Other payables and credit balances | | 20,845 | 26,611 | 22,447 |
| Deferred revenue | | 4,442 | 15,648 | 4,568 |
| Current tax liability | | 2 | 76 | 5,155 |
| Other liabilities measured at fair value | | 79 | — | 189 |
| Purchasers' deposits | | 326 | 2,682 | 325 |
| | | <u>85,967</u> | <u>111,072</u> | <u>199,592</u> |
| Non-current liabilities | | | | |
| Loans payable | 7 | 124,505 | 148,218 | 24,105 |
| Bonds | | 42,332 | 86,260 | 43,478 |
| Other liabilities | | 133 | 85 | 89 |
| Deferred tax liabilities | | 19,027 | 33,795 | 15,364 |
| | | <u>185,997</u> | <u>268,358</u> | <u>83,036</u> |
| Total liabilities | | <u>271,964</u> | <u>379,430</u> | <u>282,628</u> |
| Equity | | | | |
| Equity attributable to shareholders of the Company | | 278,933 | 230,791 | 266,249 |
| Non-controlling interest | | 30,659 | 31,055 | 30,827 |
| | | <u>309,592</u> | <u>261,846</u> | <u>297,076</u> |
| Total liabilities and equity | | <u>581,556</u> | <u>641,276</u> | <u>579,704</u> |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

On behalf of the board of directors:

| | | | |
|----------------------------|---------------------|------------------------|------------------------|
| <u>"Shimshon Marfogel"</u> | <u>"Blake Lyon"</u> | <u>"Robert Waxman"</u> | <u>August 11, 2022</u> |
| Shimshon Marfogel | Blake Lyon | Robert Waxman | Date |
| Chairman | CEO | CFO | |

SKYLINE INVESTMENTS INC.**Condensed interim consolidated statements of income (loss)**

(in thousands of Canadian Dollars)

| | Note | Six Months Ended June 30, | | Three Months Ended June 30, | | Year Ended December 31, |
|---|------|------------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | | 2022 <i>(Unaudited)</i> | 2021 <i>(Unaudited)</i> | 2022 <i>(Unaudited)</i> | 2021 <i>(Unaudited)</i> | 2021 <i>(Audited)</i> |
| Revenue | | | | | | |
| Income from hotels and resorts | | 62,849 | 53,110 | 30,826 | 24,919 | 129,293 |
| Sale of residential real estate | | 1,321 | 4,314 | 1,054 | 1,398 | 7,453 |
| | | <u>64,170</u> | <u>57,424</u> | <u>31,880</u> | <u>26,317</u> | <u>136,746</u> |
| Expenses and costs | | | | | | |
| Operating expenses from hotels and resorts | | (49,353) | (38,358) | (25,541) | (18,421) | (96,212) |
| Cost of sales of residential real estate | | (1,414) | (4,412) | (1,097) | (1,838) | (7,677) |
| | | <u>(50,767)</u> | <u>(42,770)</u> | <u>(26,638)</u> | <u>(20,259)</u> | <u>(103,889)</u> |
| | | 13,403 | 14,654 | 5,242 | 6,058 | 32,857 |
| Selling and marketing expenses | | (78) | (193) | (53) | (143) | (266) |
| Administrative and general expenses | | (3,732) | (3,201) | (1,784) | (1,369) | (8,090) |
| | | <u>(3,810)</u> | <u>(3,394)</u> | <u>(1,837)</u> | <u>(1,512)</u> | <u>(9,356)</u> |
| Operating income before depreciation, valuation adjustments and other income | | 9,593 | 11,260 | 3,405 | 4,546 | 24,501 |
| Impairment of real estate properties | | — | — | — | — | (2,491) |
| Depreciation | | (6,883) | (9,586) | (3,441) | (4,769) | (17,992) |
| Gain from fair value adjustments of investment properties | | 533 | 7,519 | 533 | 5,125 | 30,976 |
| Gain (loss) from fair value adjustments of financial instruments, net | | (2,558) | — | (1,986) | — | 14 |
| Gain on sale and other capital gains, net | | — | 8 | — | — | 7,220 |
| Other expenses, net | | (394) | (680) | (269) | (558) | (656) |
| Net income (loss) from operations | | 291 | 8,521 | (1,758) | 4,344 | 41,572 |
| Financial expense | 8 | (6,787) | (9,715) | (4,715) | (3,263) | (19,454) |
| Financial income | 9 | 2,498 | 4,126 | 1,234 | 972 | 1,954 |
| Net income (loss) before income taxes | | (3,998) | 2,932 | (5,239) | 2,053 | 24,072 |
| Income tax recovery (expense) | 10 | (1,089) | (881) | (528) | 153 | 5,506 |
| Net income (loss) for the period | | (5,087) | 2,051 | (5,767) | 2,206 | 29,578 |
| Attributable to: | | | | | | |
| Shareholders of the Company | | (4,530) | 934 | (5,532) | 769 | 22,926 |
| Non-controlling interest | | (557) | 1,117 | (235) | 1,437 | 6,652 |
| | | <u>(5,087)</u> | <u>2,051</u> | <u>(5,767)</u> | <u>2,206</u> | <u>29,578</u> |
| Earnings per share: | | | | | | |
| Basic | | (0.27) | 0.06 | (0.33) | 0.05 | 1.39 |
| Diluted | | (0.27) | 0.06 | (0.33) | 0.05 | 1.39 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SKYLINE INVESTMENTS INC.**Condensed interim consolidated statements of comprehensive income**

(in thousands of Canadian Dollars)

| | Six Months Ended June 30, | | Three Months Ended June 30, | | Year Ended December 31, |
|---|------------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 2022 <i>(Unaudited)</i> | 2021 <i>(Unaudited)</i> | 2022 <i>(Unaudited)</i> | 2021 <i>(Unaudited)</i> | 2021 <i>(Audited)</i> |
| Net income (loss) for the period | <u>(5,087)</u> | <u>2,051</u> | <u>(5,767)</u> | <u>2,206</u> | <u>29,578</u> |
| Other comprehensive income | | | | | |
| Items that will not be reclassified subsequently to net income (loss): | | | | | |
| Revaluation of property, plant and equipment, before income taxes | 19,323 | 9,748 | 19,139 | 9,748 | 15,411 |
| Taxes income (expense) | <u>(4,472)</u> | <u>(2,072)</u> | <u>(4,421)</u> | <u>(2,072)</u> | <u>3,234</u> |
| | 14,851 | 7,676 | 14,718 | 7,676 | 18,645 |
| Items that may be reclassified subsequently to net income (loss): | | | | | |
| Exchange differences on translation of foreign operations | <u>2,787</u> | <u>(3,668)</u> | <u>5,117</u> | <u>(1,971)</u> | <u>(206)</u> |
| Other comprehensive income for the period, net of taxes | <u>17,638</u> | <u>4,008</u> | <u>19,835</u> | <u>5,705</u> | <u>18,439</u> |
| Total comprehensive income for the period, net of taxes | <u>12,551</u> | <u>6,059</u> | <u>14,068</u> | <u>7,911</u> | <u>48,017</u> |
| Attributable to: | | | | | |
| Shareholders of the Company | 13,098 | 4,704 | 13,980 | 6,005 | 40,122 |
| Non-controlling interest | <u>(547)</u> | <u>1,355</u> | <u>88</u> | <u>1,906</u> | <u>7,895</u> |
| | <u>12,551</u> | <u>6,059</u> | <u>14,068</u> | <u>7,911</u> | <u>48,017</u> |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SKYLINE INVESTMENTS INC.
Condensed interim consolidated statements of changes in equity

(in thousands of Canadian Dollars)

| | Attributable to shareholders of the Company | | | | | | | | | Total Equity |
|---|---|-----------------|-----------------------|---------------------|----------------------------------|------------------------------|-------------------|---|--------------------------|--------------|
| | Share capital and premium | Treasury shares | Related party surplus | Revaluation surplus | Share based compensation surplus | Foreign exchange translation | Retained earnings | Attributable to shareholders of the Company | Non-controlling interest | |
| For the six months ended June 30, 2022 (Unaudited) | | | | | | | | | | |
| Balance at the beginning of the period | 79,867 | — | 125 | 42,189 | 674 | 713 | 142,681 | 266,249 | 30,827 | 297,076 |
| Net loss for the period | — | — | — | — | — | — | (4,530) | (4,530) | (557) | (5,087) |
| Other comprehensive income for the period | — | — | — | 15,135 | — | 2,493 | — | 17,628 | 10 | 17,638 |
| Total comprehensive income (loss) for the period | — | — | — | 15,135 | — | 2,493 | (4,530) | 13,098 | (547) | 12,551 |
| Transfer upon recognition of depreciation | — | — | — | (634) | — | — | 634 | — | — | — |
| Contribution from non-controlling shareholders | — | — | — | — | — | — | — | — | 379 | 379 |
| Repurchase of shares (see note 11g) | — | (433) | — | — | — | — | — | (433) | — | (433) |
| Recognition of share-based payment | — | — | — | — | 19 | — | — | 19 | — | 19 |
| Balance at the end of the period | 79,867 | (433) | 125 | 56,690 | 693 | 3,206 | 138,785 | 278,933 | 30,659 | 309,592 |
| For the six months ended June 30, 2021 (Unaudited) | | | | | | | | | | |
| Balance at the beginning of the period | 79,686 | — | 125 | 78,553 | 772 | 854 | 66,054 | 226,044 | 30,385 | 256,429 |
| Net income for the period | — | — | — | — | — | — | 934 | 934 | 1,117 | 2,051 |
| Other comprehensive income (loss) for the period | — | — | — | 6,935 | — | (3,165) | — | 3,770 | 238 | 4,008 |
| Total comprehensive income (loss) for the period | — | — | — | 6,935 | — | (3,165) | 934 | 4,704 | 1,355 | 6,059 |
| Transfer upon recognition of depreciation | — | — | — | (1,353) | — | — | 1,353 | — | — | — |
| Distribution to non-controlling shareholders | — | — | — | — | — | — | — | — | (685) | (685) |
| Recognition of share-based payment | — | — | — | — | 43 | — | — | 43 | — | 43 |
| Balance at the end of the period | 79,686 | — | 125 | 84,135 | 815 | (2,311) | 68,341 | 230,791 | 31,055 | 261,846 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SKYLINE INVESTMENTS INC.
Condensed interim consolidated statements of changes in equity

(in thousands of Canadian Dollars)

| | Attributable to shareholders of the Company | | | | | | | | | Total Equity |
|---|---|-----------------|-----------------------|---------------------|----------------------------------|------------------------------|-------------------|---|--------------------------|----------------|
| | Share capital and premium | Treasury shares | Related party surplus | Revaluation surplus | Share based compensation surplus | Foreign exchange translation | Retained earnings | Attributable to shareholders of the Company | Non-controlling interest | |
| For the three months ended June 30, 2022 (Unaudited) | | | | | | | | | | |
| Balance at the beginning of the period | 79,867 | — | 125 | 42,041 | 686 | (1,342) | 144,002 | 265,379 | 30,192 | 295,571 |
| Net loss for the period | — | — | — | — | — | — | (5,532) | (5,532) | (235) | (5,767) |
| Other comprehensive income for the period | — | — | — | 14,964 | — | 4,548 | — | 19,512 | 323 | 19,835 |
| Total comprehensive income (loss) for the period | — | — | — | 14,964 | — | 4,548 | (5,532) | 13,980 | 88 | 14,068 |
| Transfer upon recognition of depreciation | — | — | — | (315) | — | — | 315 | — | — | — |
| Contribution from non-controlling shareholders | — | — | — | — | — | — | — | — | 379 | 379 |
| Repurchase of shares (see note 11g) | — | (433) | — | — | — | — | — | (433) | — | (433) |
| Recognition of share-based payment | — | — | — | — | 7 | — | — | 7 | — | 7 |
| Balance at the end of the period | <u>79,867</u> | <u>(433)</u> | <u>125</u> | <u>56,690</u> | <u>693</u> | <u>3,206</u> | <u>138,785</u> | <u>278,933</u> | <u>30,659</u> | <u>309,592</u> |
| For the three months ended June 30, 2021 (Unaudited) | | | | | | | | | | |
| Balance at the beginning of the period | 79,686 | — | 125 | 77,871 | 796 | (612) | 66,901 | 224,767 | 29,834 | 254,601 |
| Net income for the period | — | — | — | — | — | — | 769 | 769 | 1,437 | 2,206 |
| Other comprehensive income (loss) for the period | — | — | — | 6,935 | — | (1,699) | — | 5,236 | 469 | 5,705 |
| Total comprehensive income (loss) for the period | — | — | — | 6,935 | — | (1,699) | 769 | 6,005 | 1,906 | 7,911 |
| Transfer upon recognition of depreciation | — | — | — | (671) | — | — | 671 | — | — | — |
| Distribution to non-controlling shareholders | — | — | — | — | — | — | — | — | (685) | (685) |
| Recognition of share-based payment | — | — | — | — | 19 | — | — | 19 | — | 19 |
| Balance at the end of the period | <u>79,686</u> | <u>—</u> | <u>125</u> | <u>84,135</u> | <u>815</u> | <u>(2,311)</u> | <u>68,341</u> | <u>230,791</u> | <u>31,055</u> | <u>261,846</u> |
| For the year ended December 31, 2021 (Audited) | | | | | | | | | | |
| Balance at the beginning of the year | 79,686 | — | 125 | 78,553 | 772 | 854 | 66,054 | 226,044 | 30,385 | 256,429 |
| Net income for the period | — | — | — | — | — | — | 22,926 | 22,926 | 6,652 | 29,578 |
| Other comprehensive income (loss) for the period | — | — | — | 17,337 | — | (141) | — | 17,196 | 1,243 | 18,439 |
| Total comprehensive income (loss) for the period | — | — | — | 17,337 | — | (141) | 22,926 | 40,122 | 7,895 | 48,017 |
| Transfer upon recognition of depreciation | — | — | — | (2,385) | — | — | 2,385 | — | — | — |
| Distribution to non-controlling shareholders | — | — | — | — | — | — | — | — | (7,453) | (7,453) |
| Recognition of share-based payment | — | — | — | — | 83 | — | — | 83 | — | 83 |
| Transfer upon sale | — | — | — | (51,316) | — | — | 51,316 | — | — | — |
| Transfer upon expiration | 181 | — | — | — | (181) | — | — | — | — | — |
| Balance at the end of the year | <u>79,867</u> | <u>—</u> | <u>125</u> | <u>42,189</u> | <u>674</u> | <u>713</u> | <u>142,681</u> | <u>266,249</u> | <u>30,827</u> | <u>297,076</u> |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SKYLINE INVESTMENTS INC.**Condensed interim consolidated statements of cash flows**

(in thousands of Canadian Dollars)

| | Six Months Ended June 30, | | Three Months Ended June 30, | | Year ended December 31, |
|--|------------------------------|----------------|--------------------------------|----------------|----------------------------|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| Operating activities | | | | | |
| Net income (loss) for the period | (5,087) | 2,051 | (5,767) | 2,206 | 29,578 |
| Adjustments for: | | | | | |
| Depreciation and amortization | 7,249 | 10,326 | 3,670 | 5,120 | 21,983 |
| (Gain) loss from fair value adjustments on investment properties and financial instruments | 2,025 | (7,519) | 1,453 | (5,125) | (30,990) |
| Gain on sale of investment and other property | — | (8) | — | — | (7,220) |
| Finance (income) costs from bonds including foreign exchange | 726 | (631) | 2,197 | 930 | 523 |
| Finance (income) costs from financial derivative | — | 1,863 | — | (522) | (536) |
| Deferred tax, net | (1,008) | 506 | (1,432) | (175) | (12,901) |
| Share based compensation | 63 | 43 | 42 | 19 | 83 |
| <i>Changes in non-cash working capital</i> | | | | | |
| Trade receivables, other receivables, prepayments and others | (1,121) | 6,724 | 30 | 5,190 | 24,920 |
| Restricted bank deposits | 1,527 | (2,160) | (215) | (1,579) | (4,929) |
| Inventories | 228 | (124) | 229 | (258) | (259) |
| Real estate Inventory | 864 | 1,338 | 679 | 258 | 1,722 |
| Trade and other payables and credit balances | (7,387) | (524) | 772 | 3,588 | (4,670) |
| Income taxes payable | 2,099 | (600) | 1,960 | (342) | 6,141 |
| Purchasers' deposits | 1 | 2,572 | — | 1,634 | 4,073 |
| Cash provided by (used in) operating activities | <u>179</u> | <u>13,857</u> | <u>3,618</u> | <u>10,944</u> | <u>27,518</u> |
| Investing activities | | | | | |
| Additions to investment properties | — | (103) | — | (27) | (127) |
| Release from (Investment in) restricted long term deposit | 4,050 | (1,492) | 3,540 | (1,293) | (7,609) |
| Additions to property, plant and equipment | (11,577) | (2,992) | (7,339) | (1,665) | (7,400) |
| Income taxes | (7,762) | — | (685) | — | (1,365) |
| Net proceeds from sale of disposal group | — | — | — | — | 103,975 |
| Disposition of financial derivative | — | — | — | — | 6,200 |
| Proceeds from sale of property, plant and equipment | — | 8 | — | — | 8 |
| Cash provided by (used in) investing activities | <u>(15,289)</u> | <u>(4,579)</u> | <u>(4,484)</u> | <u>(2,985)</u> | <u>93,682</u> |
| Financing activities | | | | | |
| Bank credit and other short-term loans | 1,812 | (1,478) | 1,812 | (1,136) | (22,890) |
| Repayment of bonds | (1,904) | (3,240) | — | — | (53,646) |
| Proceeds from long term loans | 123,763 | 7,075 | 121,429 | 1,766 | 12,511 |
| Repayments of long term loans | (129,484) | (3,436) | (126,431) | (2,148) | (10,993) |
| Repurchase of shares | (433) | — | (433) | — | — |
| Contribution from (Distribution to) non-controlling shareholders | 379 | (685) | 379 | (685) | (7,453) |
| Cash provided by (used in) financing activities | <u>(5,867)</u> | <u>(1,764)</u> | <u>(3,244)</u> | <u>(2,203)</u> | <u>(82,471)</u> |
| Foreign exchange translation of cash balances | <u>95</u> | <u>(131)</u> | <u>272</u> | <u>(54)</u> | <u>324</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(20,882)</u> | <u>7,383</u> | <u>(3,838)</u> | <u>5,702</u> | <u>39,053</u> |
| Cash and cash equivalents at beginning of period | 61,489 | 22,436 | 44,445 | 24,117 | 22,436 |
| Cash and cash equivalents at end of period | <u>40,607</u> | <u>29,819</u> | <u>40,607</u> | <u>29,819</u> | <u>61,489</u> |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SKYLINE INVESTMENTS INC.**Condensed interim consolidated statements of cash flows**

(in thousands of Canadian Dollars)

| | Six Months Ended June 30, | | Three Months Ended June 30, | | Year ended December 31, |
|---|------------------------------|-------------|--------------------------------|-------------|----------------------------|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| Supplemental cash flow information | | | | | |
| Interest paid * | 5,187 | 6,675 | 1,916 | 1,804 | 14,168 |
| Interest received | 922 | 362 | 412 | 282 | 431 |
| Income taxes paid | 7,762 | 963 | 685 | 364 | 2,598 |

* Interest paid for the three and six months ended June 30, 2022 includes \$0 and \$0 (three and nine months ended June 30, 2021: \$167 and \$167) related to the receipt of PPP grants. Interest paid for the year ended December 31, 2021 includes \$426 related to the receipt of PPP grants.

Significant non-cash investing and financing activities

| | | | | | |
|--|---|-------|---|---|--------|
| Loans to purchasers | — | 1,128 | — | — | 61,112 |
| Other investments measured at fair value through pro | — | — | — | — | 28,808 |
| Other non-current assets | — | — | — | — | 8,000 |
| Share capital and premium increase | — | — | — | — | 181 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SKYLINE INVESTMENTS INC.

Notes to condensed interim consolidated financial statements

(in thousands of Canadian Dollars)

1 - Nature of operations

(a) Nature of operations

Skyline Investments Inc. (the "Company", the "Group" or "Skyline") was incorporated on December 4, 1998 under the Ontario Business Corporations Act, and its registered office is located at 36 King Street East, Suite 700, Toronto, Ontario, Canada.

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada. The Company's normal operating cycle is twelve months except for development activities, which are in excess of twelve months and typically range between one to four years.

As at June 30, 2022, the Company is 49.5% owned by its controlling shareholder, Mishorim Real Estate Investments Ltd ("Mishorim") and 20.3% owned by The Israel Land Development Co. Ltd ("ILDC"). Both are public companies whose shares are traded on the Tel-Aviv Stock Exchange ("TASE").

The Company's shares and bonds trade on the Tel Aviv Stock Exchange (the "TASE"), and the Company is a reporting issuer in Canada.

(b) COVID-19 update

The COVID-19 pandemic continues to have an impact on the global economy. The Company's hotels located in the USA (the "US Properties") have never closed and were all operating with appropriately reduced staff levels through the pandemic. Given that the majority of the US Properties are primarily located in "drive-to" secondary markets that are not dependent on international air travel, and that a significant percentage of guests are travelling business people, the Company expects that as the recovery continues to unfold, there will be pent-up demand for this segment.

In response to the COVID-19 pandemic, the Canadian and US Governments unveiled multiple support measures for which the Company was eligible. In the US, Skyline qualified for US \$14,247 in total loans under the Paycheck Protection Program ("PPP"). As part of this program, loan funds spent on payroll and other specified costs may be forgiven by the US Government under certain circumstances; the Company has received formal forgiveness of US \$6,391 as at June 30, 2022. The remaining forgiveness applications are currently being reviewed by the US Government, and Skyline expects to receive forgiveness for substantially all of the PPP amounts. In Canada, the Canada Employment Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") programs are no longer in effect and the Company does not expect to receive any further assistance from the Canadian Government in response to the COVID-19 pandemic.

During Q3 of 2022 the Company received notification from the Small Business Association that an additional \$2,000 USD of PPP loans have been forgiven.

2 - Significant accounting policies

(a) Basis of preparation

The Company has prepared these condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. These policies have been consistently applied to all periods presented. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements. These condensed interim consolidated financial statements should therefore be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2021.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on August 11, 2022.

SKYLINE INVESTMENTS INC.**Notes to condensed interim consolidated financial statements**

(in thousands of Canadian Dollars)

(b) Significant estimates, assumptions, and judgements

For information regarding Management's assumptions and estimates, please refer to note 6.

| (c) Foreign currency | June 30, | | As at March 31, | | December 31, |
|--|------------------------------|--------|--------------------------------|--------|----------------------------|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| Exchange rates - ending rate: | | | | | |
| USD / CAD | 1.289 | 1.239 | 1.250 | 1.258 | 1.268 |
| CAD / NIS | 2.708 | 2.629 | 2.536 | 2.645 | 2.442 |
| | Six Months Ended June 30, | | Three Months Ended June 30, | | Year Ended December 31, |
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| Exchange rates - average rate: | | | | | |
| USD / CAD | 1.272 | 1.247 | 1.277 | 1.228 | 1.253 |
| CAD / NIS | 2.573 | 2.618 | 2.621 | 2.657 | 2.577 |
| Change in rate - compared to prior period ended: | | | | | |
| USD / CAD | 1.6% | (2.7%) | 3.1% | (1.5%) | (0.4%) |
| CAD / NIS | 10.9% | 4.3% | 6.8% | (0.6%) | (3.1%) |

3 - Seasonality and other disclosures

Due to the seasonal nature of Company's resorts, which are part of the US and Canadian hotels and resorts segments, revenues of these assets are typically higher in the winter and summer months as a result of the nature of their operations. The operating expenses of these assets are evenly incurred throughout the year, with the exception of certain variable costs such as labor, food and beverage costs, and supplies, among others, which are typically higher during peak season.

4 - Fair value of financial assets and liabilities

(a) The estimated fair values and carrying amounts of bonds and loans payable are as follows:

| | Fair value as at | | | Carrying amount as at | | |
|---------------|------------------|---------|--------------|-----------------------|---------|--------------|
| | June 30, | | December 31, | June 30, | | December 31, |
| | 2022 | 2021 | 2021 | 2022 | 2021 | 2021 |
| Bonds | 47,103 | 97,779 | 50,156 | 47,299 | 94,920 | 48,478 |
| Loans payable | 174,781 | 202,045 | 176,411 | 175,715 | 200,779 | 176,555 |

(b) The fair value of long-term financial liabilities have been determined by calculating their present values as at the reporting date, using effective market interest rates available to the Company. The carrying amount of these loans approximate their fair values.

(c) The fair value of bonds is based on the quoted price on the TASE (in New Israeli Shekels) as at the balance sheet date, translated to CAD using a NIS/CAD quote per the Bank of Israel web site. The carrying amount presented in the statement of financial position is net of financing costs.

(d) Fair value of other financial assets and liabilities:

The fair value of cash and cash equivalents approximate their carrying values. Amounts receivable, accounts payable and accrued liabilities are assumed to have a fair value that approximates their carrying values due to their short-term nature. Non-current loans to purchasers approximate their fair values as the interest rates charged correspond to the market rates in effect as at June 30, 2022. In addition, the Company has taken adequate security pledges on these assets.

SKYLINE INVESTMENTS INC.**Notes to condensed interim consolidated financial statements**

(in thousands of Canadian Dollars)

| | <u>Six Months Ended June 30,</u> | | <u>Year Ended December 31,</u> |
|---|--------------------------------------|-----------------|------------------------------------|
| | <u>2022</u> | <u>2021</u> | <u>2021</u> |
| 5 - Investment properties | | | |
| Balance as at the beginning of the period | 11,971 | 61,278 | 61,278 |
| Expenditures subsequent to acquisition | — | 103 | 127 |
| Net gain from fair value adjustments | 533 | 7,519 | 30,976 |
| Transfer to real estate inventory, loans to purchasers, and other | — | (153) | (153) |
| Disposals and other proceeds | — | — | (80,221) |
| Foreign exchange translation | 138 | (225) | (36) |
| Balance as at the end of the period | <u>12,642</u> | <u>68,522</u> | <u>11,971</u> |
| | | | |
| | <u>Six Months Ended June 30,</u> | | <u>Year Ended December 31,</u> |
| | <u>2022</u> | <u>2021</u> | <u>2021</u> |
| 6 - Property, plant and equipment | | | |
| Gross carrying amount as at beginning of period | 390,249 | 513,032 | 513,032 |
| Accumulated depreciation as at beginning of period | <u>(61,859)</u> | <u>(79,048)</u> | <u>(79,048)</u> |
| | 328,390 | 433,984 | 433,984 |
| Expenditures subsequent to acquisition | 11,577 | 2,992 | 7,400 |
| Net adjustment to fair value through revaluation surplus | 19,323 | 9,748 | 15,411 |
| Transfers from (to) real estate inventory, loans to purchasers, and other | — | 2,873 | 2,850 |
| Disposals and other proceeds | — | — | (111,379) |
| Depreciation and impairment | (6,883) | (9,586) | (18,638) |
| Foreign exchange translation | <u>5,385</u> | <u>(8,282)</u> | <u>(1,238)</u> |
| Balance as at the end of the period | <u>357,792</u> | <u>431,729</u> | <u>328,390</u> |

The revaluation method has been used for PP&E, with valuations for each hospitality asset classified as PP&E performed at least annually by qualified independent valuers who hold recognized relevant professional qualifications and have recent experience in the location and category of similar properties. The Company discusses the valuation process and verifies all major inputs to the valuations and reviews the results with the external appraisers for all independent valuations.

For periods when an independent third-party valuation is not performed, the Company undertakes specific actions to determine if there is any change in the value of its PP&E, including discussions with independent, third-party experts, referencing market transactions and any non-binding offers received on its hotels, and a review of updated internal forecasts. The Company then uses the inputs mentioned above in a discounted cash flow analysis over ten years to determine if there is any required revaluation at each reporting date.

The value of the Company's PP&E is primarily determined using the DCF method. As a result, PP&E are classified as level 3 in the fair value hierarchy. Changes in level 3 fair values are analyzed at each reporting date as part of the discussion between the Company and its appraisers as well as during the review of internal cash flow forecasts. As part of this discussion, the appraisers present a report that explains the reasons for any movements in value.

Significant unobservable (level 3) inputs used in the DCF method as at June 30, 2022 are as follows:

- (a) Forecast of the operating profit of the property for a period of up to 10 years;
- (b) Specific terminal capitalization rate for each asset according to its condition, location and risks specific to the asset;
- (c) Required investments in renovations;
- (d) Estimations of the number of hospitality rooms to be rented by third parties;

Discount rates used in applying the DCF method ranged between 9.75% and 13.0%, terminal capitalization rates ranged between 8.25% and 12.5%.

SKYLINE INVESTMENTS INC.**Notes to condensed interim consolidated financial statements**

(in thousands of Canadian Dollars)

As at June 30, 2022, a 25-basis point ("bps") decrease in both the discount and terminal capitalization rates would increase the fair value of the Company's PP&E by \$14,900. As at June 30, 2022, a 25 bps increase in both the discount and terminal capitalization rates would decrease the estimated fair value of the Company's PP&E by \$13,750.

| | Six Months Ended June 30, | | Year Ended December 31, |
|---|------------------------------|----------------|----------------------------|
| | 2022 | 2021 | 2021 |
| 7 - Loans payable | | | |
| Balance as at the beginning of the period | 176,555 | 207,363 | 207,363 |
| Proceeds from long term loans, including PPP loans (see note 11e) | 123,763 | 7,075 | 12,511 |
| Repayments of long term loans (see note 11e) | (129,484) | (3,436) | (10,993) |
| Change in bank credit and other short-term loans | 1,812 | (1,478) | (22,890) |
| PPP loans forgiveness and other | (17) | (4,875) | (4,875) |
| Amortization of deferred financing charges | 365 | 740 | 1,500 |
| Transfers to disposal group classified as held for sale | — | — | (5,360) |
| Foreign exchange translation | 2,721 | (4,610) | (701) |
| Balance as at the end of the period | <u>175,715</u> | <u>200,779</u> | <u>176,555</u> |

| | Six Months Ended June 30, | | Three Months Ended June 30, | | Year Ended December 31, |
|--|------------------------------|----------------|--------------------------------|----------------|----------------------------|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| 8 - Financial expense | | | | | |
| Interest on long-term loans and leases | (4,150) | (3,612) | (2,185) | (1,714) | (7,223) |
| Interest on bonds | (1,402) | (2,927) | (749) | (1,436) | (5,852) |
| Loss from early repayment of bonds | — | — | — | — | (2,024) |
| Foreign exchange revaluation of bonds loss | (668) | — | (1,448) | — | (946) |
| Fair value gain (loss) from financial derivative | — | (1,863) | — | 522 | — |
| Amortization of deferred financing charges | (365) | (740) | (228) | (352) | (1,500) |
| Interest on short-term loans | (18) | (375) | (4) | (180) | (1,528) |
| Bank charges | (184) | (198) | (101) | (103) | (381) |
| | <u>(6,787)</u> | <u>(9,715)</u> | <u>(4,715)</u> | <u>(3,263)</u> | <u>(19,454)</u> |

| | Six Months Ended June 30, | | Three Months Ended June 30, | | Year Ended December 31, |
|--|------------------------------|--------------|--------------------------------|------------|----------------------------|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| 9 - Financial income | | | | | |
| Fair value gain from financial derivative | — | — | — | — | 536 |
| Foreign exchange revaluation of bonds gain | — | 3,573 | — | 521 | — |
| Other financial income | 2,498 | 553 | 1,234 | 451 | 1,418 |
| | <u>2,498</u> | <u>4,126</u> | <u>1,234</u> | <u>972</u> | <u>1,954</u> |

| | Six Months Ended June 30, | | Three Months Ended June 30, | | Year Ended December 31, |
|--|------------------------------|--------------|--------------------------------|------------|----------------------------|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| 10 - Income tax recovery (expenses) | | | | | |
| Current income tax expense | (144) | (362) | (26) | (17) | (7,370) |
| Prior year income tax expense | (1,953) | (13) | (1,934) | (4) | (25) |
| Deferred income tax recovery (expense) | 1,008 | (506) | 1,432 | 174 | 12,901 |
| | <u>(1,089)</u> | <u>(881)</u> | <u>(528)</u> | <u>153</u> | <u>5,506</u> |

11 - Significant events during the period

- (a) On February 8, 2022, the Company exercised its option to extend the loan associated with its 13 Courtyard by Marriott hotels to June 9, 2022. The loan was fully repaid on April 21, 2022. Refer to note (e).

SKYLINE INVESTMENTS INC.

Notes to condensed interim consolidated financial statements

(in thousands of Canadian Dollars)

- (b) On March 16, 2022, the Company extended its loan related to the Hyatt to March 16, 2023 (the "Hyatt Loan Extension"). The Hyatt Loan Extension bears interest at the Bank Bill Swap Bid Rate ("BBSY") plus 350 bps, and there are no covenants associated with the Hyatt Loan Extension. The Company is in the process of securing long-term financing for the Hyatt. The total outstanding balance of the loan as at June 30, 2022 is \$15,973 USD.
- (c) The Company extended its loan related to the Renaissance hotel to September 16, 2022 in order to allow for sufficient time to complete a long-term extension of the loan. Skyline has received a term sheet related to the long-term extension and is in the process of negotiating the loan terms, which it expects to complete during Q3 2022. The Company has sufficient sources and alternatives to fund this obligation. The total outstanding balance of the loan as at June 30, 2022 is \$20,560 USD.
- (d) On March 20, 2022 the Company announced that it entered into a definitive agreement of purchase and sale with an unrelated third party for the purchase of the Courtyard by Marriott hotel in Ithaca, New York (the "Courtyard Ithaca"). See note 14 - "Subsequent events".
- (e) On April 21, 2022, the Company closed on a loan to finance 12 of its Courtyard by Marriott hotels for a period of 5 years in the amount of up to \$129,625 USD (the "New Courtyard Loan"), including an earnout and a line of credit to fund the renovation of the secured Courtyard hotels according to the renovation program. The interest rate on any drawn portion of the New Courtyard Loan will be equal to the 30-day average Secured Overnight Financing Rate ("SOFR") plus 5.54%. The New Courtyard Loan is prepayable after 12 months. From months 13 to 24 the prepayment penalty is equal to the full interest from the time of prepayment through the 24th month plus 0.50% of the principal being repaid. From months 25-30 the prepayment penalty is 0.25% of the principal being repaid. After 30 months Skyline can repay the loan with no penalties. There are no defaulting financial covenants related to the New Courtyard loan.

\$92,125 USD was drawn on closing, including a \$3,000 USD interest reserve which will be released to Skyline if during the first 36 months of the New Courtyard Loan the debt yield is at least 10% for 2 consecutive quarters and no events of default then exist. If the debt yield test is not met in the first 36 months of the New Courtyard Loan term, the funds will remain as an interest rate reserve for the balance of the New Courtyard Loan term. \$30,000 USD will be available as a line of credit during the first 4 years of the New Courtyard Loan term to fund up to 75% of future renovation funding, which will be drawn as renovations are completed. \$7,500 USD of additional loan proceeds available to be drawn once all renovations are completed and a debt yield of 11.0% is achieved for 2 consecutive quarters, among other conditions.
- (f) On April 29, 2022, the Company extended the due diligence period related to the conditional sale of 90% of its interest in the Renaissance hotel and its 100% interest in the Hyatt Regency Arcade hotel (the "Cleveland Assets"), to a third party unrelated to the Company, to May 31, 2022. On May 31, 2022 the Company announced that the transaction had been terminated.
- (g) On April 24, 2022, the Company commenced a share repurchase plan, which will be in effect until March 31, 2023, with a maximum total purchase amount of \$5,000. During the quarter the Company repurchased 44,747 shares at an average price of 25.41 NIS.
- (h) On February 16, 2022 the Company's shareholders approved a one-time performance bonus of \$612, to the Company's CEO and other senior executives, in relation to the Freed Transaction.

12 - Claims

- (a) In December 2019, the Company was served a claim from the Company's former President and Chairman for \$2,400 employment related issues. In addition, the company has been served with several smaller claims. As per the Company's legal advisors, at this stage it is not possible to estimate the Company's chances of success or the likely amount of recovery, if any.
- (b) The Company has been served with claims totaling \$1,700 in relation to certain construction projects. As per the Company's legal advisors, at this stage it is not possible to estimate the Company's chances of success or the likely amount of settlement, if any.

SKYLINE INVESTMENTS INC.**Notes to condensed interim consolidated financial statements**

(in thousands of Canadian Dollars)

13 - Segmented information(a) *Hospitality segments*

The chief operating decision maker reviews and analyzes the US hospitality operations as separate segment, which includes the Hyatt Regency Arcade and the Renaissance Hotels located in Cleveland, Ohio, the 13 Hotels branded Marriott Courtyard located in 9 different states and the Bear Valley Resort located in California. The Canadian hospitality operations include the Deerhurst and Horseshoe resorts located in Ontario, Canada that were sold during 2021. The chief operating decision maker will not review Deerhurst and Horseshoe as stand-alone entities going forward. The Company continues to review potential acquisitions for Canadian properties that meet its investment criteria.

Development segment

Management operates the development assets regardless of their accounting classification, as one operating segment. Therefore, the chief operating decision maker reviews and analyzes all land (both accounted for IAS 40 and IAS 2) under the development segment, together.

Business segments are classified as follows:

| | |
|-----------------------------|---|
| US hotels and resorts | Acquisition, ownership and management of hotels and resorts in the US |
| Canadian hotels and resorts | Acquisition, ownership and management of hotels and resorts in Canada |
| Development | Acquisition, development and sale of real estate properties and lands |

The chief operating decision maker reviews the results of other investments measured at FV through profit or loss on a consolidated basis.

(b) Segmented financial information:

| | US hotels and resorts | Canadian hotels and resorts | Development | Total |
|---|--------------------------|-----------------------------------|----------------|-----------------------|
| For the six months ended June 30, 2022 (Unaudited) | | | | |
| Revenue | 62,379 | 470 | 1,321 | 64,170 |
| Costs and expenses | <u>(49,321)</u> | <u>(32)</u> | <u>(1,414)</u> | <u>(50,767)</u> |
| | 13,058 | 438 | (93) | 13,403 |
| Selling and marketing expenses | | | | (78) |
| Administrative and general expenses | | | | (3,732) |
| Depreciation | | | | (6,883) |
| Loss from fair value adjustments | | | | (2,025) |
| Other expense, net | | | | (394) |
| Financial expense | | | | (6,787) |
| Financial income | | | | <u>2,498</u> |
| Net loss before income taxes | | | | <u><u>(3,998)</u></u> |
| For the six months ended June 30, 2021 (Unaudited) | | | | |
| Revenue | 40,248 | 12,862 | 4,314 | 57,424 |
| Costs and expenses | <u>(28,819)</u> | <u>(9,539)</u> | <u>(4,412)</u> | <u>(42,770)</u> |
| | 11,429 | 3,323 | (98) | 14,654 |
| Selling and marketing expenses | | | | (193) |
| Administrative and general expenses | | | | (3,201) |
| Depreciation | | | | (9,586) |
| Gain from fair value adjustments | | | | 7,519 |
| Gain (loss) on sale and other capital gains (losses), net | | | | 8 |
| Other expense, net | | | | (680) |
| Financial expense | | | | (9,715) |
| Financial income | | | | <u>4,126</u> |
| Net income before income taxes | | | | <u><u>2,932</u></u> |

SKYLINE INVESTMENTS INC.**Notes to condensed interim consolidated financial statements**

(in thousands of Canadian Dollars)

| | US hotels and resorts | Canadian hotels and resorts | Development | Total |
|---|--------------------------|-----------------------------------|----------------|------------------|
| For the three months ended June 30, 2022 (Unaudited) | | | | |
| Revenue | 30,662 | 164 | 1,054 | 31,880 |
| Costs and expenses | <u>(25,536)</u> | <u>(5)</u> | <u>(1,097)</u> | <u>(26,638)</u> |
| | 5,126 | 159 | (43) | 5,242 |
| Selling and marketing expenses | | | | (53) |
| Administrative and general expenses | | | | (1,784) |
| Depreciation | | | | (3,441) |
| Loss from fair value adjustments | | | | (1,453) |
| Other expense | | | | (269) |
| Financial expense | | | | (3,935) |
| Financial income | | | | <u>454</u> |
| Net loss before income taxes | | | | <u>(5,239)</u> |
| For the three months ended June 30, 2021 (Unaudited) | | | | |
| Revenue | 20,371 | 4,548 | 1,398 | 26,317 |
| Costs and expenses | <u>(13,341)</u> | <u>(5,080)</u> | <u>(1,838)</u> | <u>(20,259)</u> |
| | 7,030 | (532) | (440) | 6,058 |
| Selling and marketing expenses | | | | (143) |
| Administrative and general expenses | | | | (1,369) |
| Depreciation | | | | (4,769) |
| Gain from fair value adjustments | | | | 5,125 |
| Other expense, net | | | | (558) |
| Financial expense | | | | (3,263) |
| Financial income | | | | <u>972</u> |
| Net income before income taxes | | | | <u>2,053</u> |
| For the year ended December 31, 2021 (Audited) | | | | |
| Revenue | 89,587 | 39,706 | 7,453 | 136,746 |
| Costs and expenses | <u>(67,687)</u> | <u>(28,525)</u> | <u>(7,677)</u> | <u>(103,889)</u> |
| | 21,900 | 11,181 | (224) | 32,857 |
| Selling and marketing expenses | | | | (266) |
| Administrative and general expenses | | | | (8,090) |
| Impairment of real estate properties | | | | (2,491) |
| Depreciation | | | | (17,992) |
| Gain from fair value adjustments | | | | 30,976 |
| Gain from fair value adjustments of financial instruments | | | | 14 |
| Gain on sale and other capital gains, net | | | | 7,220 |
| Other expense, net | | | | (656) |
| Financial expense | | | | (19,454) |
| Financial income | | | | <u>1,954</u> |
| Net income before income taxes | | | | <u>24,072</u> |

SKYLINE INVESTMENTS INC.**Notes to condensed interim consolidated financial statements**

(in thousands of Canadian Dollars)

| | US hotels and resorts | Canadian hotels and resorts | Development | Total |
|--|--------------------------|-----------------------------------|-----------------|------------------|
| As at June 30, 2022 (Unaudited) | | | | |
| Assets | 400,979 | 101,296 | 79,281 | 581,556 |
| Liabilities | <u>(256,521)</u> | <u>(507)</u> | <u>(14,936)</u> | <u>(271,964)</u> |
| | <u>144,458</u> | <u>100,789</u> | <u>64,345</u> | <u>309,592</u> |
| As at June 30, 2021 (Unaudited) | | | | |
| Assets | 348,921 | 148,848 | 143,507 | 641,276 |
| Liabilities | <u>(252,310)</u> | <u>(94,690)</u> | <u>(32,430)</u> | <u>(379,430)</u> |
| | <u>96,611</u> | <u>54,158</u> | <u>111,077</u> | <u>261,846</u> |
| As at December 31, 2021 (Audited) | | | | |
| Assets | 366,275 | 117,999 | 95,430 | 579,704 |
| Liabilities | <u>(253,119)</u> | <u>(5,854)</u> | <u>(23,655)</u> | <u>(282,628)</u> |
| | <u>113,156</u> | <u>112,145</u> | <u>71,775</u> | <u>297,076</u> |

14 - Subsequent events

- (a) On July 11, 2022 the Company closed the Ithaca Acquisition for a purchase price of US\$11,250. The Courtyard Ithaca is a leasehold property with the land owned by Cornell University. As part of the Ithaca Acquisition and as a condition precedent, the Company entered into a new lease with Cornell University for a 49-year term at a price of US\$1,080.

In connection with the acquisition the Company entered into a 5-year financing agreement with a US Bank for 40% of the total Acquisition costs. The rest of the Acquisition costs was financed out of the Company's equity. Interest on the loan will be 225bps over the Wall Street Journal Prime ("WSJP") rate (5.5% as the date of approval of these financial statements). The Bank has also provided the Company with a line of credit to complete the renovation of \$4,075. The line of credit represents 100% of estimated costs of the renovation. For the first 24 months the interest rate on the loan will be floating, and the payments will be interest only. For the last 36 months of the Loan, the interest rate will be fixed at the WSJP rate at such time, plus 225 bps. Payments made during the last 36 months of the loan will be a blend of interest and principal, based on a 20-year amortization schedule.

In connection with the Ithaca Acquisition, Marriott provided the Company a new 15-year franchise for the name Courtyard by Marriott. Urgo Corp., which manages two of Skyline's other Courtyard by Marriott hotels, manages the Courtyard Ithaca.