SKYLINE INVESTMENTS INC.
Condensed interim consolidated financial statements
for the period ended
September 30, 2023
(Unaudited)

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A Review Report of the Independent Auditor to the shareholders of

Skyline Investments Inc.

Introduction

We have reviewed the accompanying financial information of **Skyline Investments Inc.** and subsidiaries (hereafter- "the Company") which includes the condensed consolidated statements of financial position as of September 30, 2023, and the related condensed consolidated statements of income (loss), comprehensive income, changes in equity and cash flows for the periods of nine and three months then ended. 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 Independent 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.

Emphasis of matter

Without qualifying our conclusion above, we refer the attention to Note 1b which details, among other, Company's liabilities and cash flow needs, including obligation to repay bonds (series B) in July 2024 in the amount of $ 53.68 million Canadian Dollars, and management's and the board's plans. Based on the analysis of debt repayment dates made by the Company, the alternatives and available sources, the Company's board of directors and management are of the opinion that the Company will repay it's liabilities when they come due.

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

Haifa,
November 24, 2023.

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SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of financial position

(in thousands of Canadian Dollars)

	Note	As at September 30, 2023	As at September 30, 2022	As at December 31, 2022
		(Unaudited)	*(Unaudited)*	*(Audited)*
Current assets				
Cash and cash equivalents		16,880	29,674	19,503
Trade receivables, other receivables and prepayments		18,017	13,113	20,695
Inventories		416	889	1,102
Real estate inventory		9,124	6,465	6,694
Loans to purchasers		35,207	5,691	1,848
Restricted bank deposits		12,380	4,263	1,618
Disposal group classified as held for sale	5	27,485	—	—
		119,509	60,095	51,460
Non-current assets				
Financial derivative		3,992	—	4,160
Investment properties	7	13,976	13,138	13,046
Property, plant and equipment	8	418,044	404,662	401,506
Loans to purchasers		44,442	89,399	89,084
Other non-current assets		2,823	11,686	3,238
Other investments measured at fair value through profit or loss		30,000	25,803	36,880
Restricted bank deposits		16,427	8,618	9,973
		529,704	553,306	557,887
Total assets		**649,213**	**613,401**	**609,347**
Current liabilities				
Loans payable	9	10,183	54,190	26,786
Bonds		52,877	3,863	3,828
Trade payables		5,402	6,317	5,832
Other payables and credit balances		57,051	22,554	22,427
Deferred revenue		1,781	4,603	4,626
Disposal group classified as held for sale	5	8,583	—	—
		135,877	91,527	63,499
Non-current liabilities				
Loans payable	9	216,721	139,792	167,402
Bonds		—	42,838	42,474
Other liabilities		2,540	168	2,648
Deferred tax liabilities		10,338	19,527	17,358
		229,599	202,325	229,882
Total liabilities		365,476	293,852	293,381
Equity				
Equity attributable to shareholders of the Company		250,360	284,647	280,458
Non-controlling interest		33,377	34,902	35,508
		283,737	319,549	315,966
Total liabilities and equity		**649,213**	**613,401**	**609,347**

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

On behalf of the board of directors:

"Shimshon Marfogel"	*"Blake Lyon"*	*"Neha Kapelus"*	November 24, 2023
Shimshon Marfogel Chairman	Blake Lyon CEO	Neha Kapelus VP Finance	Date

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of income (loss)

(in thousands of Canadian Dollars)

	Note	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Year Ended December 31, 2022
		(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Revenue						
Income from hotels and resorts	10	96,566	97,374	29,719	34,525	132,130
Sale of residential real estate		4	1,566	—	245	1,570
		96,570	98,940	29,719	34,770	133,700
Expenses and costs						
Operating expenses from hotels and resorts		(82,204)	(76,769)	(25,726)	(27,416)	(104,595)
Cost of sales of residential real estate		(24)	(1,424)	(2)	(10)	(1,033)
		(82,228)	(78,193)	(25,728)	(27,426)	(105,628)
		14,342	**20,747**	**3,991**	**7,344**	**28,072**
Selling and marketing expenses		—	(80)	—	(2)	(80)
Administrative and general expenses		(6,676)	(5,796)	(2,260)	(2,064)	(8,265)
Operating income before depreciation, valuation adjustments and other income		**7,666**	**14,871**	**1,731**	**5,278**	**19,727**
Impairment of real estate properties		(234)	—	666	—	—
Depreciation		(11,280)	(10,536)	(3,682)	(3,653)	(14,409)
Gain from fair value adjustments of investment properties		945	450	(68)	(83)	497
Gain (loss) from fair value adjustments of financial instruments, net		(6,880)	(2,817)	(2,700)	(259)	8,261
Capital losses, net, and other gains (expenses), net		(2,083)	(461)	1,057	(67)	(526)
Net income (loss) from operations		**(11,866)**	**1,507**	**(2,996)**	**1,216**	**13,550**
Financial expense	11	(28,341)	(13,610)	(13,435)	(6,823)	(18,583)
Financial income		3,571	3,741	1,192	1,243	4,963
Net income (loss) before income taxes		**(36,636)**	**(8,362)**	**(15,239)**	**(4,364)**	**(70)**
Income tax recovery (expense)	12	5,535	(1,090)	3,494	(1)	(1,955)
Net income (loss) for the period		**(31,101)**	**(9,452)**	**(11,745)**	**(4,365)**	**(2,025)**
Attributable to:						
Shareholders of the Company		(25,618)	(8,827)	(9,588)	(4,297)	(1,549)
Non-controlling interest		(5,483)	(625)	(2,157)	(68)	(476)
		(31,101)	(9,452)	(11,745)	(4,365)	(2,025)
Earnings per share:						
Basic		(1.55)	(0.53)	(0.58)	(0.26)	(0.09)
Diluted		(1.55)	(0.53)	(0.58)	(0.26)	(0.09)

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)

	Nine Months Ended September 30,		Three Months Ended September 30,		Year Ended December 31,
	2023	2022	2023	2022	2022
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Net income (loss) for the period	**(31,101)**	**(9,452)**	**(11,745)**	**(4,365)**	**(2,025)**
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to net income (loss):					
Revaluation of property, plant and equipment, before income taxes	(12,883)	17,412	(9,095)	(1,911)	5,487
Taxes income (expense)	1,738	(4,044)	773	428	(1,345)
	(11,145)	13,368	(8,322)	(1,483)	4,142
Items that may be reclassified subsequently to net income (loss):					
Exchange differences on translation of foreign operations	(168)	15,445	4,540	12,658	13,005
Other comprehensive income for the period, net of taxes	(11,313)	28,813	(3,782)	11,175	17,147
Total comprehensive income (loss) for the period, net of taxes	**(42,414)**	**19,361**	**(15,527)**	**6,810**	**15,122**
Attributable to:					
Shareholders of the Company	(30,107)	18,806	(8,244)	5,708	14,610
Non-controlling interest	(12,307)	555	(7,283)	1,102	512
	(42,414)	**19,361**	**(15,527)**	**6,810**	**15,122**

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									
	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	Total Equity
For the nine months ended September 30, 2023 (Unaudited)										
Balance at the beginning of the period	79,867	(433)	125	45,166	706	12,453	142,574	280,458	35,508	315,966
Net loss for the period	—	—	—	—	—	—	(25,618)	(25,618)	(5,483)	(31,101)
Other comprehensive income (loss) for the period	—	—	—	(4,374)	—	(115)	—	(4,489)	(6,824)	(11,313)
Total comprehensive income (loss) for the period	—	—	—	(4,374)	—	(115)	(25,618)	(30,107)	(12,307)	(42,414)
Transfer upon recognition of depreciation	—	—	—	(876)	—	—	876	—	—	—
Contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	10,176	10,176
Recognition of share-based payment	—	—	—	—	9	—	—	9	—	9
Transfer upon expiration and exercise	321	—	—	—	(321)	—	—	—	—	—
Balance at the end of the period	80,188	(433)	125	39,916	394	12,338	117,832	250,360	33,377	283,737
For the nine months ended September 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 income (loss) for the period	—	—	—	—	—	—	(8,827)	(8,827)	(625)	(9,452)
Other comprehensive income (loss) for the period	—	—	—	13,686	—	13,947	—	27,633	1,180	28,813
Total comprehensive income (loss) for the period	—	—	—	13,686	—	13,947	(8,827)	18,806	555	19,361
Transfer upon recognition of depreciation	—	—	—	(965)	—	—	965	—	—	—
Contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	3,520	3,520
Repurchase of shares	—	(433)	—	—	—	—	—	(433)	—	(433)
Recognition of share-based payment	—	—	—	—	25	—	—	25	—	25
Balance at the end of the period	79,867	(433)	125	54,910	699	14,660	134,819	284,647	34,902	319,549

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									
	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	Total Equity
For the three months ended September 30, 2023 (Unaudited)										
Balance at the beginning of the period	80,188	(433)	125	42,782	391	8,377	127,171	258,601	36,468	295,069
Net loss for the period	—	—	—	—	—	—	(9,588)	(9,588)	(2,157)	(11,745)
Other comprehensive income for the period	—	—	—	(2,617)	—	3,961	—	1,344	(5,126)	(3,782)
Total comprehensive income (loss) for the period	—	—	—	(2,617)	—	3,961	(9,588)	(8,244)	(7,283)	(15,527)
Transfer upon recognition of depreciation	—	—	—	(249)	—	—	249	—	—	—
Contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	4,192	4,192
Recognition of share-based payment	—	—	—	—	3	—	—	3	—	3
Balance at the end of the period	80,188	(433)	125	39,916	394	12,338	117,832	250,360	33,377	283,737
For the three months ended September 30, 2022 (Unaudited)										
Balance at the beginning of the period	79,867	(433)	125	56,690	693	3,206	138,785	278,933	30,659	309,592
Net income for the period	—	—	—	—	—	—	(4,297)	(4,297)	(68)	(4,365)
Other comprehensive income (loss) for the period	—	—	—	(1,449)	—	11,454	—	10,005	1,170	11,175
Total comprehensive income for the period	—	—	—	(1,449)	—	11,454	(4,297)	5,708	1,102	6,810
Transfer upon recognition of depreciation	—	—	—	(331)	—	—	331	—	—	—
Contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	3,141	3,141
Recognition of share-based payment	—	—	—	—	6	—	—	6	—	6
Balance at the end of the period	79,867	(433)	125	54,910	699	14,660	134,819	284,647	34,902	319,549
For the year ended December 31, 2022 (Audited)										
Balance at the beginning of the year	79,867	—	125	42,189	674	713	142,681	266,249	30,827	297,076
Net loss for the period	—	—	—	—	—	—	(1,549)	(1,549)	(476)	(2,025)
Other comprehensive income for the period	—	—	—	4,419	—	11,740	—	16,159	988	17,147
Total comprehensive income (loss) for the period	—	—	—	4,419	—	11,740	(1,549)	14,610	512	15,122
Transfer upon recognition of depreciation	—	—	—	(1,442)	—	—	1,442	—	—	—
Contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	4,169	4,169
Recognition of share-based payment	—	—	—	—	32	—	—	32	—	32
Repurchase of shares	—	(433)	—	—	—	—	—	(433)	—	(433)
Balance at the end of the year	79,867	(433)	125	45,166	706	12,453	142,574	280,458	35,508	315,966

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)

	Nine Months Ended September 30,		Three Months Ended September 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Operating activities					
Net income (loss) for the period	(31,101)	(9,452)	(11,745)	(4,365)	(2,025)
Adjustments for:					
Depreciation and amortization	13,028	11,174	3,465	3,925	15,353
(Gain) loss from fair value adjustments on investment properties and financial instruments	5,935	2,367	2,768	342	(8,758)
Capital loss, net	2,907	—	(1,057)	—	4
Finance costs from bonds including foreign exchan	(396)	2,745	502	2,019	3,083
Finance (income) costs from financial derivative	178	—	519	—	396
Deferred tax, net	(5,228)	(1,085)	(3,314)	(77)	(353)
Share based compensation	9	* 25	3	* 6	* 32
Changes in non-cash working capital					
Trade receivables, other receivables, prepayments and others	10,027	4,518	6,012	5,640	6,455
Inventories	418	159	56	(69)	(65)
Real estate Inventory	(2,490)	569	(857)	(295)	340
Trade and other payables and credit balances	2,176	* (5,320)	322	* 2,022	* (4,031)
Income taxes payable	988	2,166	675	67	1,713
Cash provided by (used in) operating activities	(3,549)	7,866	(2,651)	9,215	12,144

* Reclassified.

Investing activities					
Additions to investment properties	—	—	—	—	(4)
Release from (Investment in) restricted deposit	(16,938)	5,742	(13,989)	165	7,699
Additions to property, plant and equipment	(35,718)	(38,598)	(17,474)	(27,021)	(56,066)
Income taxes	—	(7,762)	—	—	(7,762)
Proceeds of loans given to purchasers	—	—	—	—	3,167
Net proceeds from sale of property, plant and	1,300	—	1,300	—	13
Disposition of financial derivative	—	—	—	—	(4,568)
Cash used in investing activities	(51,356)	(40,618)	(30,163)	(26,856)	(57,521)
Financing activities					
Bank credit and other short-term loans	7,596	1,832	5,994	20	3,539
Repayment of bonds	(4,035)	(3,897)	(1,996)	(1,992)	(3,897)
Issuance of bonds	10,464	—	10,464	—	—
Proceeds from long term loans	51,615	130,057	18,498	6,294	132,063
Repayments of long term loans	(23,556)	(131,064)	(1,299)	(1,580)	(132,949)
Repurchase of shares	—	(433)	—	—	(433)
Contribution from non-controlling shareholders	10,176	3,520	4,192	3,141	4,169
Cash provided by (used in) financing activities	52,260	15	35,853	5,883	2,492
Foreign exchange translation of cash balances	22	922	149	826	899
Net decrease in cash and cash equivalents	(2,623)	(31,815)	3,188	(10,932)	(41,986)
Cash and cash equivalents at beginning of period	19,503	61,489	13,692	40,606	61,489
Cash and cash equivalents at end of period	16,880	29,674	16,880	29,674	19,503

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)

	Nine Months Ended September 30,		Three Months Ended September 30,		Year ended December 31,
	2023	**2022**	**2023**	**2022**	**2022**
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Supplemental cash flow information					
Interest paid	14,688	10,255	4,379	5,068	12,990
Interest received	1,207	1,437	276	515	2,815
Income taxes paid (received)	(1,278)	7,756	(833)	(6)	8,347
Significant non-cash investing and financing activities					
Right-of-use assets and lease liabilities	149	1,447	149	1,447	1,447
Share capital and premium increase	321	—	—	—	—

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

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 43 Colborne Street, Suite 300, 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 real estate development activities, which are in excess of twelve months and typically range between one to four years. As at September 30, 2023, real estate development activities are not material.

As at September 30, 2023, the Company is 52.75% owned by its controlling shareholder, Mishorim Real Estate Investments Ltd (“Mishorim”) and 25.69% 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) The Company’s Financial Position

The Company has an upcoming maturity of its Debentures (Series B) in July 2024, in the amount of $53.68 million, including accrued interest and net of the cost of bond issuance, also including the expansion of the Series that was completed in July 2023 (See Note 13(h) for details).

The company has negative working capital of $16 million. The Company is in the process of renovating several of its hotels (the Cleveland Renaissance Hotel and four of its Courtyard by Marriott Hotels). Renovations are in progress and the Company is engaged with contractors. For their completion, the renovations require significant investment of cash in the upcoming year, while as at this date such investment is substantially but not fully funded. (See Note 13(m) for updates on loan agreements related to the Cleveland Renaissance Hotel, and Note 13(o) for the completion of a Tax Increment Financing deal in support of the Hotel renovation). It is noted that the Company is a guarantor under certain existing loan agreements and the related guarantor covenants set in under the guarantor agreements require the company to maintain liquidity of CA$12.5 million.

The main sources of cash to meet obligations, according to company’s plans are:

1) Sale of Bear Valley Ski Resort, resulting in net proceeds on closing of US$ 4.3 million. For details on the sale, see Note 16(a) Subsequent Events.

2) Sale of all the Company’s equity holdings in RCLP and refinancing its VTB loans: On November 24, 2023, the Company completed an agreement with Freed's affiliates to sell the Company's 29% holdings in the equity of RCLP, and refinance the VTB loans. Net cash flow, before tax, received at the time of signing was approximately $44.01 million (this amount includes: payment on the VTB loan of $30.00 million, plus interest accrued on the VTB loans of $3.88 million; $8.00 million payment for the bridge loan granted under the previous agreement, plus interest accrued on the bridge loan of $1.88 million; plus closing fees of $0.25 million). The Company's share of total net cash flow, before tax was $41.2 million. Please see Note 1(c) and Note 4 for more information. The remaining payments from this transaction will be $49 million principal ($19 million remaining VTB principal, $30 million Equity Note Payable), to be paid on March 31 2025, accruing interest at 9% per annum to February 28, 2025 and 15% per annum for the month of March 2025.

3) Sale of some or all of its hotel assets in the United States. The Company entered into a non-binding Letter of Intent to sell all of its remaining hotel assets in the US for a total of US $255 million for 100% of these assets. The potential buyer will increase the price for any investments the Company makes, in relation to the ongoing renovations at the Renaissance Cleveland, and four Courtyard by Marriott Hotels. The potential buyer will also be assuming all existing and any new renovation-related debts.

   This transaction is non-binding and it remains uncertain whether it will close – if it proceeds as planned, deal close is expected to be in Q1 2024. The due diligence process is well under way, and the Potential Buyer and the Company continue to be in negotiations. The signing of a binding agreement is subject to the approval of the Board of Directors.

In the event that this transaction is not completed, the Company may decide to sell only some of its US hospitality assets, and employ other strategies such as the deferral of renovations on its remaining Courtyard assets that have not yet commenced. The company is examining all the options available to it and, taking into account its financial situation, is promoting several possible alternatives at the same time. As of the date of this report, other than transactions related to Bear Valley and Freed that have already closed, no other decision definitive transactions have yet been approved has yet been made by the Company's Board of Directors regarding the selection of any of the alternatives.

While these transaction inflows represent one of the sources of bonds repayment, based on Management and Board of Directors analyses, the Company has other alternatives, such as selling assets individually rather than as part of a portfolio sale, raising debt on unencumbered assets, or refinancing existing debts including but not limited to the Debentures (Series B).

Based on analyses of Management and the Company's Board of Directors, the Company has several options for how it will pay the Debentures (Series B) debt when it is due in July 2024, and the Company is expected to meet all of its financial obligations in the foreseeable future when they come due.

(c) Update on Investment in Resort Communities Limited Partnership

The Company had an investment in Resort Communities Limited Partnership ("RCLP", the "Freed Transaction", "the Partnership"), and has provided loans to the Partnership as follows (See Notes 4 and 6 for further detail):

- Equity investment in the Partnership, $30 million recorded in the Company's Consolidated Financial Statements under other investments measured at fair value through profit or loss;
- Vendor-take-back mortgages ("VTB") of $49 million principal, included under financial assets as loans to purchasers ($60 million as at Q2 2023);
- Bridge Loan of $8 million principal, included in Other Receivables;

The Company notes that RCLP shared audited December 31, 2022 financial statements wherein the report of the external auditors, dated August 04, 2023, drew attention to material uncertainty around RCLP's ability to continue operating as a going concern. Attention was drawn to short-term debt obligations of the Partnership due in December 2023, and the breach of a loan agreement due to not making scheduled repayments during 2022, resulting in cross covenant violations on other loans. The Partnership financial statements further note that, subsequent to December 31 2022 year-end, the Partnership made payments to satisfy the scheduled repayments that were due in 2022.

On November 24, 2023, the Company completed agreements with affiliates of Freed Corp. ("Freed") as follows.

- Selling all the Company's holdings in the Partnership for an amount of CAD $30 million, to be paid on March 31 2025, accruing interest at 9% per annum to February 28, 2025, and 15% per annum for the month of March 2025;
- Reducing the VTB loans from CAD $60 million to CAD $49 million principal, with $30 million paid on November 24,2023, and the remaining $19 million payable on March 31 2025, accruing interest at 9% per annum to February 28, 2025 and 15% per annum for the month of March 2025;
- The Bridge loan (a principal of CAD $8 million, carrying 12% annual interest rate) paid on November 24, 2023, slightly in advance of its due date on December 6th 2023.
- Net cash flow, before tax, received at the time of signing was approximately $44.01 million (this amount includes: payment on the VTB loan of $30.00 million, plus interest accrued on the VTB loans of $3.88 million; $8.00 million payment for the bridge loan granted under the previous agreement, plus interest accrued on the bridge loan of $1.88 million; plus closing fees of $0.25 million). The Company's share of total net cash flow, before tax was $41.2 million.

Please see Note 4 for further information on the Company's holdings in Freed.

2 - Significant accounting policies

(in thousands of Canadian Dollars)

(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, 2022.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on November 24, 2023

(b) Significant estimates, assumptions, and judgements

For information regarding Management's significant assumptions and estimates, please refer to Note 8.

(c) Foreign currency

	As at				
	September 30,		June 30,		December 31,
	2023	2022	2023	2022	2022
Exchange rates - ending rate:					
USD / CAD	1.352	1.371	1.324	1.289	1.354
CAD / NIS	2.843	2.592	2.790	2.708	2.597

	Nine Months Ended September 30,		Three Months Ended September 30,		Year Ended December 31,
	2023	2022	2023	2022	2022
Exchange rates - average rate:					
USD / CAD	1.346	1.283	1.341	1.304	1.301
CAD / NIS	2.708	2.584	2.790	2.608	2.581
Change in rate - compared to prior period ended:					
USD / CAD	(0.2%)	8.1%	2.1%	6.4%	6.8%
CAD / NIS	9.5%	6.1%	1.9%	(4.3%)	6.3%

3 - Seasonality and other disclosures

Due to the seasonal nature of the Company's hotels and resorts, revenues of some assets are typically higher in the winter months, whereas some are higher in the 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. Please refer to Note 10 for details, noting the seasonality of ski revenue in particular.

4 - Freed Transaction

On December 6, 2021, Skyline closed agreements (the “Freed Transaction”) for the sale of a 100% interest in the resort assets and surrounding development lands at Deerhurst and Horseshoe, as well as the remaining development lands at Blue Mountain Resort (“Blue Mountain”) (collectively, the “Assets”), for an aggregate purchase price of $210 million, subject to standard working capital adjustments on closing, to Freed Corporation (“Freed”). Freed, through a newly formed subsidiary, Resort Communities LP ("RCLP") combined the Assets with Muskoka Bay Resort ("Muskoka Bay"), an asset previously owned by Freed and its partners, at an agreed value of $90 million. On closing in 2021, the Company recorded approximately $104 million in net cash inflows from investing activities in its statement of cash flows, as well as the VTB, the Bridge Loan, and the Equity Investment.

Vendor Take Back Mortgage

As part of the Freed Transaction, Skyline provided a secured vendor-take back mortgage loan (“VTB”) in the amount of $60 million, bearing annual interest at 5%. Interest is accrued and paid monthly, with the exception of interest related to Deerhurst, which is accrued monthly and will be paid in early 2024 on the 28th month after closing in conjunction with the first scheduled principal repayment, and will be paid monthly thereafter. The principal portion of the VTB will be repaid over four years, as $10 million in April 2024, $25 million in June 2025, and $25 million in December 2025.

The VTB is prepayable by RCLP at any time prior to maturity without penalty, and is secured by the underlying assets.

The VTB loans related to RCLP are debt instruments carried on the balance sheet at amortized cost under IFRS 9. As at June 30th 2023, the Freed Vendor-take-back mortgages ("VTB") had a gross principal balance of $60 million, included under financial assets as loans to purchasers. In Q2 2023, expected credit losses of $5.2 million were booked against this VTB receivable, with the provision for credit losses being recorded under financial expenses in Q2.

On November 24, 2023, the Company completed an agreement with Freed accepting their offer of a discounted VTB principal of $11 million, whereby $30 million of principal has been received at the close of the transaction, and the remaining $19 million will be received in March 2025, for a total principal repayment of $49 million compared to the prior balance of $60 million. The Company accepted the $11 million discount, acknowledging the following benefits from the transaction:

- Earlier settlement of the VTB with $30 million cash received upfront on November 24, 2023 and $19 million to be received in February 2025, earlier than original contractual timelines. The offer price of $49 million is within the range of the present value of the VTB's discounted cash flows, assuming a cost of capital at 10%, which approximates the Company's current cost of borrowing;

- Interest rate on the remaining debt has increased from 5% to 9%, providing higher interest income from the VTB;

- Securities of the loan have increased, which includes a guarantee by each of Freed and Freed Resort Communities LP (FRCLP), and a pledge of FRCLP's 71% limited partnership in RCLP, in addition to the original mortgage which remains registered to the title of the lands from the inception of the VTB in December 2021.

The Company notes that the acceptance of this negotiated price is a business decision to take fair compensation for changes in the underlying contract that provide cash earlier than originally due, as well as improved returns and security. As a result of this transaction, the total principal balance outstanding for the Freed VTBs has been reduced to $49 million as at September 30, 2023, compared to $60 million prior to the transaction. In addition to the previously recognized provision for credit losses ($5.2 million in Q2 2023), a further loss of $5.8 million was booked in Q3 2023, to bring the total credit loss to $11 million, thereby recognizing the $11 million total principal that the Company has forgiven as per the agreement signed with Freed.

Bridge Loan

Skyline provided a two-year bridge loan (the "Bridge Loan") to RCLP in the amount of $8 million, which has a guarantee from both Freed and Freed's RCLP holding entity (the 71% owner of RCLP) through a pledge of their interest in RCLP, which is accruing interest at 12% until it is repaid. The Bridge Loan is prepayable at any time prior to maturity without penalty. As at September 30th 2023, the Freed Bridge loan has a balance of $9.7 million including principal and accrued interest, and is included under Other Receivables.

As part of the Freed agreement, signed on 24 November 2023, the Company received full repayment of the Bridge loan and all outstanding accrued interest accumulated as at the date of the transaction, for a total payment of $9.9 million, and with a corresponding release and discharge of the associated security. However, similar security will be provided to the remaining $19.00 million VTB loans, and $30.00 million loan for the purchase of the Company's RCLP LP units.

Equity Investment and Purchase Option

Skyline holds 29% of the Limited Partnership units in RCLP (the "Equity Investment"), with a fair value at inception of $28.81 million, and certain protective rights laid out in the partnership agreement, including the right to approve certain decisions such as the issuance of additional equity, or issuance of debt above certain amounts. Freed or its affiliates operate and manage the RCLP assets as General Partner, in return for fees set out in the purchase and sale agreements.

Freed had an option until December 31, 2022, to purchase Skyline's Equity Investment for $32.717 million along with a 12% annualized return on this amount in cash (the "Purchase Option"). On December 31, 2022, the option expired without being exercised. Skyline has a put option, and Freed has a call option, for 50% of Skyline's 29% equity, at the end of each of years four and five after the closing of the transaction (i.e., December 10, 2025 and December 10, 2026), based on fair market value at that time, based on a valuation mechanism set out in the agreements (up to 50% of the 29% at the end of year four and up to an additional 50% of the 29% at the end of year five).

(in thousands of Canadian Dollars)

The Company's Equity Investment is treated as a financial instrument measured at fair value through profit and loss. The Company engaged an external business valuator to calculate the fair value of the Company's Equity Investment in RCLP as at June 30, 2023, considering all information available at Q2 2023 reporting date. The independent expert determined the fair value to be $32.7 million; based on a range of $26.9 million to $38.5 million. Fair value was based on applying the net asset value approach to RCLP's unaudited balance sheet as at June 30, 2023, adjusted for other considerations that an arms' length purchaser would apply, such as a discount to reflect the Company's position as a minority stakeholder in a limited partnership. The approach included analysis of the third-party valuation reports of RCLP's real estate and hospitality properties, which were all completed within the last 12 months, and support the fair value conclusion.

The Company completed an agreement with Freed on November 24, 2023, and as part of this agreement, the Company has accepted a value of $30 million for its Equity Investment in RCLP. Given the fact that this transaction has closed successfully, and that the transaction price is within the fair value range of $26.9 million to $38.5 million concluded by an external expert in Q2 2023, the fair value of the equity investment has been updated as of September 30, 2023 to $30 million, a reduction of $2.7 million compared to the fair value of $32.7 million as at June 30, 2023.

The $30 million value will be received as a Note Payable, to be paid on March 31 2025, accruing interest at 9% per annum to February 28, 2025, and 15% per annum for the month of March 2025. The Company considers this to be a favourable value, acknowledging the benefits of transacting at fair value for the 29% equity interest, with earlier and better secured payout than the original transaction, which contemplated for the recovery of equity value through put/ call options in December 2025 and December 2026.

Please refer to Note 1(c) for further discussion around the Company's investment in the Partnership.

5 - Disposal group classified as held for sale

On November 01, 2023, the Company signed an agreement with a third party unrelated to the Company (the "Purchaser") for the sale of the assets of Bear Valley Resort for total consideration of USD 19.5 million before adjustments. As part of the transaction, the Company discharged all liabilities associated with Bear Valley Resort, mainly related to leased equipment. The transaction was completed on November 01, 2023. Please refer to Note 16(a) for further detail.

The Company has treated Bear Valley Resort as a disposal group as at September 30, 2023, wherein all assets are current and measured at fair value less cost to sell. All liabilities are treated as current.

The assets and liabilities forming the disposal group related to Bear Valley Resort as at September 30, 2023, are as follows:

	US hotels and resorts	Total
Assets		
Trade receivables, other receivables and prepayments	1,647	1,647
Inventories	265	265
Property, plant and equipment	25,573	25,573
	27,485	27,485
Liabilities		
Trade payables	(1,279)	(1,279)
Other payables and credit balances	(256)	(256)
Deferred revenue	(3,056)	(3,056)
Loans payable	(3,992)	(3,992)
	(8,583)	(8,583)

6 - Fair value of financial assets and liabilities

(a) The estimated fair values and carrying amounts of financial instruments are as follows:

(in thousands of Canadian Dollars)

	Fair value as at			Carrying amount as at		
	September 30,		December 31,	September 30,		December 31,
	2023	2022	2022	2023	2022	2022
Financial assets						
Loans to purchasers	76,759	88,189	84,442	79,649	95,090	90,932
Financial liabilities						
Bonds	52,562	45,330	46,418	53,675	47,326	47,664
Loans payable	230,034	195,653	202,024	226,904	193,982	194,188

(b) The fair value of financial assets includes loans to purchasers as vendor-take-back mortgages ("VTB"), including the VTBs as part of the Freed Transaction. Fair value has been determined by calculating the present value of the asset as at the reporting date, including considerations for changes in the counterparty risk of the underlying borrower. As of September 30, 2023, the Company adjusted the carrying value of the VTB principal based on the agreement entered into prior to the reporting date, and fair values were updated accordingly. Please refer to Note 1(c) and Note 4 for more details on the calculation of the VTBs value.

(c) The fair value of long-term financial liabilities has 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. The carrying amount presented in the statement of financial position is net of financing costs.

(d) 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.

(e) 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.

(f) The deed of trust states that the Company is required to maintain minimum equity excluding non-controlling interests of $130,000, and a minimum equity to asset value ratio (excluding minority interests) of 26%. As at September 30, 2023, the Company complies with these covenants per the deed of trust.

7 - Investment properties

	Nine Months Ended September 30,		Year Ended December 31,
	2023	2022	2022
Balance as at the beginning of the period	13,046	11,971	11,971
Expenditures subsequent to acquisition	—	—	4
Net gain from fair value adjustments	945	450	497
Foreign exchange translation	(15)	717	574
Balance as at the end of the period	13,976	13,138	13,046

(in thousands of Canadian Dollars)

8 - Property, plant and equipment

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Year Ended December 31, 2022
Gross carrying amount as at beginning of period	482,210	390,249	390,249
Accumulated depreciation as at beginning of period	(80,704)	(61,859)	(61,859)
	401,506	328,390	328,390
Acquisitions	—	16,281	16,281
Additions*	70,899	22,317	39,785
Net adjustment to fair value through revaluation surplus	(12,883)	17,412	5,487
Transfers to disposal group (See Note 5)	(25,573)	—	—
Right-of-use assets and lease liabilities	149	1,447	1,447
Disposals	(4,207)	—	(16)
Depreciation and impairment	(11,514)	(10,536)	(14,409)
Foreign exchange translation	(333)	29,351	24,541
Balance as at the end of the period	418,044	404,662	401,506

* The nine months ended September 30, 2023, includes $35.2 million related to Capital expenditures that were incurred and have not yet been paid as of September 30, 2023 (Nine months ended September 30, 2022: $0; Year ended December 31, 2022: $0). $34.1 million was paid after the reporting period.

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 valuators 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.

In the current reporting period, certain assets were revalued by independent appraisers. For assets where independent third-party valuation was not performed, the Company undertook 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 applied the inputs mentioned above in a discounted cash flow analysis over ten years to determine if there is any required revaluation at the 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.

Significant unobservable (level 3) inputs used in the DCF method as at September 30, 2023 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 timing and amount of investment in the property improvement plans;
(d) Estimations of the average occupancy as well as the average daily rate;
(e) Other factors such as building rights, planning and legal status.

Discount rates used in applying the DCF method ranged between 10.25% and 12.25%, terminal capitalization rates ranged between 8.50% and 9.75%.

As at September 30, 2023, 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 $7,754. As at September 30, 2023, 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 $7,849.

(in thousands of Canadian Dollars)

9 - Loans payable

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Year Ended December 31, 2022
Balance as at the beginning of the period	194,188	176,555	176,555
Proceeds from long-term loans	51,615	130,057	132,063
Repayments of long-term loans	(23,556)	(131,064)	(132,949)
Net proceeds from short-term loans	7,596	1,832	3,539
Right-of-use assets and lease liabilities	149	1,447	1,447
Transfers to (from) other non-current assets and other	(482)	156	521
Amortization of deferred financing charges	1,514	637	944
Transfers to disposal group classified as held for sale (See Note 5)	(3,992)	—	—
Foreign exchange translation	(128)	14,362	12,068
Balance as at the end of the period	226,904	193,982	194,188

10 - Income from hotels and resorts

	Nine Months Ended September 30,		Three Months Ended September 30,		Year Ended December 31,
	2023	2022	2023	2022	2022
Room revenue	73,544	71,184	24,661	28,110	95,595
Food & beverage revenue	9,702	12,266	3,564	4,508	16,471
Ski revenue	8,708	7,830	(1)	4	10,299
Other hospitality revenue	4,612	6,094	1,495	1,903	9,765
	96,566	97,374	29,719	34,525	132,130

11 - Financial expense

	Nine Months Ended September 30,		Three Months Ended September 30,		Year Ended December 31,
	2023	2022	2023	2022	2022
Interest on loans and leases	(13,399)	(7,265)	(5,393)	(3,097)	(11,517)
Interest on bonds	(2,338)	(2,177)	(917)	(775)	(2,915)
Foreign exchange revaluation of bonds gain (loss)	127	(3,263)	(853)	(2,595)	(2,863)
Amortization of deferred financing charges	(1,514)	(637)	(449)	(272)	(944)
Provision for credit losses	(10,984)	—	(5,753)	—	—
Bank charges	(233)	(268)	(70)	(84)	(344)
	(28,341)	(13,610)	(13,435)	(6,823)	(18,583)

12 - Income tax recovery (expenses)

	Nine Months Ended September 30,		Three Months Ended September 30,		Year Ended December 31,
	2023	2022	2023	2022	2022
Current income tax expense	(73)	(233)	(239)	(89)	(28)
Prior year income tax recovery (expenses)	380	(1,942)	419	11	(2,280)
Deferred income tax recovery	5,228	1,085	3,314	77	353
	5,535	(1,090)	3,494	(1)	(1,955)

13 - Significant events during the period

(a) On February 8, 2023, the Company completed the donation of the Keewatin passenger ship to a local charity under a special Canadian federal government gifting program. The resulting donation will allow Skyline to receive a donation receipt for an amount to be determined by a Canadian government authority, that will provide the company with a deferred tax benefit. The carrying value of the Keewatin, as at December 31, 2022, was approximatively $3.9 million ($2.2 million in Property, Plant and Equipment; 1.7 million in Other Receivables), the asset was fully derecognized as of March 31, 2023. As part of the donation, the company may have to provide up to $1 million of cash donation on December 31, 2023 in accordance with the transaction terms (if there will be no other donor), and this amount has been accrued as a contingent donation liability. In October 2023, the Company received the final determination from the Canadian government authority responsible for such determination. The amount was for a donation receipt of $1.4

million. The Company believes this amount to be very low, and that errors were made in such determination, and is in the process of appealing this decision to a Canadian tax court. As well, given that the Company's $1 million contingent cash donation was predicated on a much larger donation receipt determination, the Company has informed the charity that it is reconsidering this amount pending the appeal outcome to the Canadian tax court. At this time the Company has not accrued any benefit for the donation receipt.

(b) On April 20, 2023, a subsidiary of the Company entered into a new loan agreement with a banking corporation in connection with the financing and renovation of the Hyatt Regency Arcade Hotel in Cleveland. The new loan is a CMBS (commercial mortgage-backed security) loan that replaces a previous loan that was extended until June 15, 2023 and the balance of which is approximately US$ 15.8 million. The previous loan carried interest at BSBY plus 3.5% (i.e, an annual interest rate of approximately 8.44%), and for the extension period of approximately one month, an interest rate of BSBY plus 4.5% (i.e., an annual interest rate of approximately 9.44%). The new loan is in the amount of US$ 25.0 million for a period of 5 years at the end of which the loan principal will be repaid, at a fixed interest rate of 7.99%. A total of US $1.8 million of the new loan will be used to finance the Hotel's renovation, a total of US$ 15.8 million was used to repay the previous loan, US$ 2.3 million will be used for expenses of the transaction and tax and interest reserves related to the new loan, and the balance of approximately US$ 5.1 million will be used by the Company for general working capital purposes. The loan is paid in monthly interest payments. The principal will be paid at the end of the loan term.

There are no defaulting financial covenants, and no cross-default provisions. The subsidiary needs to perform a quarterly assessment of debt service coverage ratio ("DSCR"), to be not be less than 1.40 to 1.00 – at closing based on the 12 months ending February 2023 the debt service coverage ratio was 1.75; violations of this financial obligation would result in the lender controlling the cash from the Hotel's operation to ensure all operating costs are paid including debt service until the ratio was back above 1.45 to 1.00. The DSCR based on the 12 months ending September 30, 2023 was 1.60.

(c) As of March 30, 2023 a subsidiary of the company did not meet a debt service coverage ratio ("DSCR") loan covenant for a loan that finances the Renaissance Hotel. The Renaissance Hotel is under renovations, with approximately 50% of the rooms taken offline for all of 2023. The fair value of the property is US$ 70 million. The total outstanding value of the loan as at September 30, 2023 is US $20.02 million. The subsidiary has the contractual right to cure the breach by depositing approximately US$ 2 million (of which 50% is payable by minority interests) into a restricted cash account with the lender. After the reporting period, the lender removed all DSCR covenant requirements from this loan until the third quarter of 2024 (See note (j) for more details about the amendment to the loan agreement signed on August 15, 2023).

(d) On May 31, 2023, following discussions with the Debentures (Series B) Trustee, and pursuant to Section 5.4 of the Deed of Trust for the Debentures (Series B) of the Company dated September 24, 2017 (the "Deed of Trust"), the Company announced as follows: Based on the Company's reviewed financial statements as of March 31, 2023, published on May 14, 2023 (the "Deviation Date"), the Operating EBITDA (as defined in Section 1.5.31 of the Deed of Trust) for the last four quarters preceding the date of the last financial statements, was CA$ 13.58 million.

Pursuant to Section 5.4 of the Deed of Trust, if Operating EBITDA during the last four quarters preceding the review date falls below CA $18.0 million, the stated interest rate will increase by 0.25% per year. The exact annual interest rate borne by principal of the Debentures for the current interest period, from January 16, 2023 and until the Deviation Date, is 5.65% (the "Original Interest"). The annual interest rate to be paid for the balance of the principal of the Debentures for the period commencing on the Deviation Date and ending on the next interest payment date (July 15, 2023) (the "upcoming interest payment date") is 5.9%. The weighted interest rate to be paid on the next interest payment date is 2.87%. The annual interest rate reflected by the weighted interest rate is 5.74%. The annual and semi-annual interest rates to be paid for the Debentures for the next periods (from and after July 16, 2023) will be 5.9% and 2.95%, respectively. As at September 30, 2023, the total unpaid principal balance of the bonds is CA$ 53.5 million; the four-quarter trailing Operating EBITDA is $10.39 million. The Company's also has a requirement to have Consolidated Equity (excluding minority interests) of not less than CA$130 million, as at September 30, 2023, the balance is CA $255 million and the Company is in compliance with this covenant.

(e) On June 5, 2023, the General Meeting of Shareholders of the Company approved an amendment to the Compensation Policy of the Company and an update to the terms of office and employment of the Company's CEO. There was a reduction to the CEO's base salary, and bonus for the 2023 fiscal year will be based on Board approved sales and purchases of assets rather than operating results. The CEO is entitled to certain provisions for departure benefits available after March 31, 2024. The financial statements have appropriate accruals for any liabilities related to all employee compensation and benefits.

(f) On July 2, 2023, the Company announced that it had conducted negotiations on the sale of its interests in Courtyard Huntsville University Drive and Courtyard Birmingham Hoover hotels in Alabama, USA, and was negotiating the sale of its interest in the Bear Valley Ski Resort hotel in California, USA. The Company has decided not to pursue the sale of its Alabama Courtyard properties, due to the potential sale discussed below in Note (n).

(g) The sale of Bear Valley was concluded on November 01, 2023, please refer to Note 16(a) for further detail.

(h) On July 11, 2023, Midroog Ltd. changed the rating outlook on the Company's Series B Bonds from "Stable" to "Negative".

(i) On July 16 2023, the Company completed a private bonds placement to institutional investors. The Company issued 29,600,000 bond units by extending the original debentures (Series B) at a determined interest rate of 7.39% (fixed) and raised 29,008,000 New Israeli Shekels (raise with a discount), net of fees (approximately CA$ 10.4 million). The bonds issued are subject to the same covenants as the originally issued Series B and it will be repaid accordingly. In addition, an amendment to the Deed of Trust for the Series B Bonds was signed, in which the Company undertook not to make a Distribution (within the meaning of the Companies Law, 5759-1999), until the Series B Bonds have been fully repaid. Notwithstanding the foregoing, the Company may make a Distribution if, prior to the Distribution, it deposits an amount equal to the total amount necessary to repay the Bonds on the original due date, and provides the trustee with a confirmation of such deposit from the senior finance officer of the Company, together with the relevant calculation, subject to compliance with the terms set forth in Section 6.2(I) of the Deed of Trust.

(j) On July 25, 2023, the Company opened a US $3 million line of credit with a banking corporation, secured directly by the Company's Courtyard Deerfield hotel, and guaranteed by the Company. The line may be drawn as needed, and is intended for general working capital purposes. The loan term is 24 months when funded, with an interest rate of Wall Street Journal Prime rate + 1.00% (as at September 30th, this has been 8.50%+1.00% for a total rate of 9.50%), and a non-usage fee of 0.25% on the unadvanced portion of the line of credit, paid annually. The loan has a funded balance debt service covenant ratio ("DSCR") of 1.30:1, to be tested annually commencing as of December 31, 2023. The drawn balance as of September 30, 2023 was US $500k, and the undrawn balance was US $2.5 million.

(k) On August 4, 2023, the Company received audited financial statements of Resort Communities LP Partnership (the "Partnership") as of December 31, 2022, in which the Company holds a 29% limited partner interest together with Freed Corporation ("Freed") which holds 71% in the Partnership and also serves as the general partner, and in these reports the auditors included drawing attention to what is stated in the Note to the Partnership's financial statements regarding the existence of material uncertainty that may indicate significant doubt on the Partnership's ability to continue operating as a going concern. For additional information, see Notes 1(c) and 4.

(l) The Company's Compensation Committee approved on August 11, 2023 a transaction to purchase D&O insurance policy, including officers who are the controlling shareholder and/or their relatives, for a period of one year commencing on August 14, 2023. Such a policy is regularly purchased each year, and this transaction represents a renewal of the policy that expired at the end of its annual term. The terms of the policy are as follows: insurance coverage in the amount of up to US $20 million per case and for period; the annual premium amount paid by the Company is a total of approximately US $244,000 including Tax as will be required; and the Company's deductible for claims filed against it in all the world will be US $35,000, except claims filed against it in the US in which the deductible will be US $75,000. The deductibles in claims against the Company anywhere in the world, regarding violation of securities laws (except in the USA) will be US $100,000 and no coverage for USA. Officers will have no deductibles.

(m) On August 15, 2023, an amendment was signed to the loan agreement for the renovation and upgrade of the Renaissance Hotel so that the amount of the renovation loan will be US $27.37 million (US $16.62 million original amount, and an additional US $10.75 million) to be drawn as needed. The interest rate for the renovation loan will be an annual SOFR interest rate (which as of August 15, 2023, is 5.30%) plus 4.30%, which will be reduced to an additional 3.50% if the borrower meets a coverage ratio not less than 1.4%. Repayment for the existing loans remains unchanged, whereas the additional loan of US 10.75 million will commence amortization in November 2025 based on a 10-year period. The Company's subsidiary undertook to make a deposit of US 5 million as a debt servicing reserve, and USD 1.5 million as an operating expense reserve. The company owns half of the Renaissance Hotel and as such its 50% investment partner and Skyline each contributed 50% of these amounts. In addition, all previous Debt Service Coverage Ratio ("DSCR") requirements were deleted, to be replaced by new requirements, with the covenant test starting on September 30, 2024 for the two quarters ending September 30, 2024.

(n) On September 8, 2023 the Company signed a non-binding Letter of Intent (LOI) with a potential purchaser, a third party unrelated to the Company, for the sale of all of its hotel assets in the United States (excludes Bear Valley Resort) for a total of US $255 million for 100% of these assets. In addition, the potential buyer will increase the price for any investments the Company makes, in relation to the ongoing renovations at the Renaissance Cleveland, and four Courtyard by Marriott Hotels (as at September 30, 2023, this amounted to around US $25 million of renovation costs that were not yet paid, which were largely paid by the date of this report). The potential buyer will also be assuming all existing and any new renovation-related debts. The total bank debt outstanding against these hotel assets as of September 30, 2023 was US $167 million. The total expected consideration reflects an average discount of approximately 11% on the value of the assets in the Company's financial statements as of September 30, 2023 (Courtyard by Marriott hotel portfolio US $170.6 million; Hyatt Regency Arcade US $53.3 million; Renaissance Cleveland US $100.6 million, of which 50% is held by non-controlling interests). The Company considered this discount acceptable, given the portfolio purchase of all assets in one transaction, as well as the assumption of the Company's associated debts. The Company engaged an independent valuation expert, whose report concluded that this discount is well within the expected 10%-15% range of a portfolio discount on the sale of such diverse assets. Further, this discount is attributable to only a portfolio sale, and does not reflect on the individual fair value of any of the underlying assets. The potential purchaser was given a period of 70 days from September 8, 2023 to complete due diligence and sign a binding agreement. This transaction is non-binding and it remains uncertain whether it will close – if it proceeds as planned, final closing is expected to be in Q1 2024, and will be subject to the transfer of franchise agreement and other licenses, and the fulfillment of the customary conditions in such transactions. Although the initial 70 day period has passed, the due diligence process is well under way, and the Potential Buyer and the Company continue to be in negotiations. The signing of a binding agreement is subject to the approval of the Board of Directors.

(o) On September 14, 2023, Skyline Cleveland Renaissance, LLC, a subsidiary of the Company (50%), received a net funding of US $9.979 million from the relevant authorities in Ohio for the restoration and rehabilitation of the Cleveland Renaissance Hotel. The funding was provided through a Tax Increment Financing transaction, wherein the authorities issued bonds bearing interest at a fixed rate of 6.50% per annum, maturing on May 15, 2048. The net proceeds of the bonds, amounting to US $9.980 million, were made available to Skyline Renaissance to finance the costs of restoring and rehabilitating the Cleveland Renaissance Hotel. The Tax Increment Financing is recorded as a liability on the Company's balance sheet. Although it is repaid through property taxes, this transaction represents an obligation of the Company to repay.

(p) On September 19, 2023, Skyline Investments Inc. and Skyline (Port McNicoll) Land Inc. signed a mortgage loan agreement for CAD $6 million. The loan term is 1 year from the interest adjustment date, which is October 01, 2023. The interest rate is floating at the greater of 10.15% per annum or the TD Canada Trust posted bank prime rate of interest plus 3.2% per annum (as of September 30, 2023 the rate applicable to the loan was 10.4%). The loan is secured by an assignment of an existing mortgage (the "VTB"), and a registered assignment of rents and leases.

14 - Legal 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.

15 - 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 14 Hotels branded Marriott Courtyard located in 10 different states and the Bear Valley Resort located in California. The Company continues to review potential acquisitions for Canadian properties that meet its investment criteria. while also considering sales of non-core assets including its seasonal resorts and full-service hotels.

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

(in thousands of Canadian Dollars)

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 an aggregated basis.

(b) Segmented financial information:

	US hotels and resorts	Canadian hotels and resorts	Development	Total
For the nine months ended September 30, 2023 (Unaudited)				
Revenue	96,507	59	4	96,570
Costs and expenses	(82,191)	(13)	(24)	(82,228)
	14,316	46	(20)	14,342
Administrative and general expenses				(6,676)
Impairment of real estate properties				(234)
Depreciation				(11,280)
Loss from fair value adjustments				(5,935)
Capital losses, net, and other gains (expenses), net				(2,083)
Financial expense				(28,341)
Financial income				3,571
Net loss before income taxes				(36,636)
For the nine months ended September 30, 2022 (Unaudited)				
Revenue	96,822	552	1,566	98,940
Costs and expenses	(77,263)	494	(1,424)	(78,193)
	19,559	1,046	142	20,747
Selling and marketing expenses				(80)
Administrative and general expenses				(5,796)
Depreciation				(10,536)
Loss from fair value adjustments				(2,367)
Capital losses, net, and other gains (expenses), net				(461)
Financial expense				(13,610)
Financial income				3,741
Net loss before income taxes				(8,362)
For the three months ended September 30, 2023 (Unaudited)				
Revenue	29,700	19	—	29,719
Costs and expenses	(25,725)	(1)	(2)	(25,728)
	3,975	18	(2)	3,991
Administrative and general expenses				(2,260)
Impairment of real estate properties				666
Depreciation				(3,682)
Loss from fair value adjustments				(2,768)
Capital losses, net, and other gains (expenses), net				1,057
Financial expense				(13,435)
Financial income				1,192
Net loss before income taxes				(15,239)

(in thousands of Canadian Dollars)

	US hotels and resorts	Canadian hotels and resorts	Development	Total
For the three months ended September 30, 2022 (Unaudited)				
Revenue	34,443	82	245	34,770
Costs and expenses	(27,942)	526	(10)	(27,426)
	6,501	608	235	7,344
Selling and marketing expenses				(2)
Administrative and general expenses				(2,064)
Depreciation				(3,653)
Loss from fair value adjustments				(342)
Capital losses, net, and other gains (expenses), net				(67)
Financial expense				(6,823)
Financial income				1,243
Net loss before income taxes				(4,364)
For the year ended December 31, 2022 (Audited)				
Revenue	130,204	1,926	1,570	133,700
Costs and expenses	(105,083)	488	(1,033)	(105,628)
	25,121	2,414	537	28,072
Selling and marketing expenses				(80)
Administrative and general expenses				(8,265)
Depreciation				(14,409)
Gain from fair value adjustments				497
Gain from fair value adjustments of financial instruments				8,261
Capital losses, net, and other gains (expenses), net				(526)
Financial expense				(18,583)
Financial income				4,963
Net loss before income taxes				(70)

	US hotels and resorts	Canadian hotels and resorts*	Development	Total
As at September 30, 2023 (Unaudited)				
Assets *	499,164	89,410	60,639	649,213
Liabilities	(342,181)	(9,297)	(13,998)	(365,476)
	156,983	80,113	46,641	283,737
As at September 30, 2022 (Unaudited)				
Assets *	445,666	95,020	72,715	613,401
Liabilities	(278,994)	(1,769)	(13,089)	(293,852)
	166,672	93,251	59,626	319,549
As at December 31, 2022 (Audited)				
Assets *	438,523	101,716	69,108	609,347
Liabilities	(274,628)	(4,269)	(14,484)	(293,381)
	163,895	97,447	54,624	315,966

* Includes investment in Freed equity and loans, refer to Note 4 for further detail.

16 - Subsequent events

(a) On November 01, 2023, the Company signed an agreement with a third party unrelated to the Company (the "Purchaser") for the sale of the Bear Valley resort for a total of USD 19.5 million, which will be paid as follows: USD 13.5 million to be paid in cash (subject to various deductions relating to, inter alia, working capital, lease liabilities related to ski lifts and other equipment, income from ski passes sold in advance, restoration works of weather damages incurred during the ski season, which are the subject of an insurance claim, and other liabilities). The net cash receivable on closing, after such adjustments but before taxes, is approx. USD 4.3 million. Deferred consideration in the amount of $6.0 million (principal and interest) is receivable on November 2, 2026. This amount will bear interest at the short-term interest annual AFR (Applicable Federal Rate, which, as of the date of the report is 5.3%), but not exceeding 5.0%, secured by a first lien on the real estate assets (if the EBITDA of the resort exceeds a threshold set in the agreement, principal repayments will be accelerated).

In addition, the Company expects to receive approximately USD 1.5 million in insurance receipts for repairing property damage due to multiple heavy snowstorms that occurred at the resort during the 2022- 2023 ski season, which has only been included on the Company's balance sheet as at September 30th 2023 to the extent confirmations or payments had already been received from the various insurance claims. The Company demanded an additional sum of approximately USD 1.5 million from the insurance company as compensation for loss of revenue from the ski resort that was closed as a result of the physical damage to the resort, which has not been recorded as a receivable on the financial statements as at September 30 2023, due to the uncertain outcome of the insurance claim.

(b) On November 24, 2023, the Company has completed the sale of its equity holdings in Resorts Communities Limited Partnership, modified the terms of the VTB loans, and received full repayment on the Bridge loan. Please refer to Note 4 for further detail on this transaction.