SKYLINE
INVESTMENTS

Management's Discussion and Analysis

For the three months and nine months ended September 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 24, 2023

Introduction

This Management's Discussion and Analysis (this "MD&A") of the operating results and financial condition of Skyline Investments Inc. ("Skyline", "the Company", "we", "us" or "our") constitutes management's ("Management") review of the factors that affected the Company's operating performance for the three and nine months ended September 30, 2023 and its financial position as at September 30, 2023. This MD&A is dated and has been prepared with information available as of September 30, 2023.

This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 and accompanying notes (the "Financial Statements").

The Financial Statements have been prepared in accordance with International Financial Reporting Standards, using accounting policies adopted by the Company. These accounting policies are based on the International Accounting Standards, International Financial Reporting Standards and IFRS Interpretations Committee interpretations (collectively, "IFRS") that are applicable to the Company. Amounts discussed below are based on our consolidated financial statements for the three and nine months ended September 30, 2023 and are presented in thousands of Canadian dollars, unless otherwise stated.

Additional information relating to the Company is available under our SEDAR profile at www.sedarplus.ca.

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

Forward-Looking Information

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the Company's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving the Company. In particular, statements regarding the Company's future operating results and economic performance are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Examples of such statements include the statements with respect to the Company's strategy, objectives and intentions disclosed in the section entitled "*Overview*", "*Strategy & Outlook*", "*Liquidity and Financial Position*" and "*The Company's Properties*", including: the Company's intention to complete future acquisitions and/or dispositions, and the expected benefits from any such acquisitions or dispositions; and the introduction of value-added leasing and operational revenue streams and increased management efficiencies.

Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what the Company currently expects. These factors include the ability of the Company to complete future acquisitions, obtain necessary equity and debt financing and grow its business; overall indebtedness levels, which could be impacted by the level of acquisition activity Skyline is able to achieve and future financing opportunities; general economic and market conditions and factors; local real estate conditions; competition; interest rates; changes in government regulation; and reliance on key personnel. For more information on these risks and uncertainties readers should refer to the risks disclosed in the section entitled "*Risk Factors*", as well as the risks disclosed in Skyline's materials filed with Canadian securities regulatory authorities from time to time, including the Annual Information Form of the Company dated March 23, 2023, which are available under the Company's profile on SEDAR at www.sedarplus.ca.

Forward-looking information contained in this MD&A is based on the Company's current estimates, expectations and projections, which the Company believes are reasonable as of the date hereof. Readers should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Company may elect to, it is under no obligation and does not undertake to update this information at any particular time except as may be required by applicable securities laws.

Under Israeli law the Company is obligated to disclose an unconsolidated stand-alone financial statement of the parent public entity. These statements are unconsolidated and as a result have none of the operating activity or cash flow that takes place in the Company's subsidiaries. The parent public entity has minimal revenue but does have head office expenses and interest from the unsecured debt (which is funded from operating activity in the Company's subsidiaries). In section Cash Flows from Operating Activities a translation of this disclosure under Israeli law is presented, and if not for the dual reporting requirements would not be included in this MD&A.

Non-IFRS Performance Measures

All financial information has been prepared in accordance with IFRS. However, Skyline uses certain non-IFRS measures as key performance indicators, including net operating income ("NOI"), funds from operations ("FFO"), FFO per share, and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). Skyline believes these non-IFRS measures provide useful supplemental information to both Management and investors in measuring the financial performance of the Company.

These are key measures commonly used by entities in our industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and should not be construed as alternatives to net income/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. NOI, FFO and Adjusted EBITDA may differ from similar measures as reported by other companies in similar or different industries. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. Please see "*Performance Measures that are not based on IFRS*" for the reconciliations of these non-IFRS performance measures.

Skyline also uses certain supplementary financial measures as key performance indicators, including same asset NOI. Supplementary financial measures are financial measures that are intended to be disclosed on a periodic basis to depict the historical or expected future financial performance, financial position, or cash flow, that are not disclosed directly in the financial statements and are not non-IFRS measures.

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Overview

Skyline is a Canadian investment company listed on the Tel-Aviv Stock Exchange under the symbol SKLN and is a reporting issuer in Canada.

The Company is a reporting issuer in the Province of Ontario, Canada (following the filing and receipt of a non-offering long form prospectus in 2014) but, as of September 30, 2023, does not have any of its securities listed or quoted on any marketplace in Canada.

Unless otherwise expressly stated, all data set forth herein is presented in thousands of Canadian dollars and refers to the Company's consolidated information.

1. General

The Company has three operating segments: (1) hotels and resorts in the United States; (2) hotels and resorts in Canada; (3) development.

As of the date of the Report, the Company does not directly own hotels or resorts in Canada[1], and only holds development real estate properties of an insignificant value.

The geographical areas in which the Company operates are Canada and the United States.

As at September 30, 2023, the Company's assets are located in southern Ontario, Canada and in 11 US States.

2. The Company's Properties

As at September 30, 2023, Skyline owned 17 hotels and resort assets with 2,856 rooms and 7,919 sqm. of commercial space.

Property	Location	Number of Rooms	Commercial Space in Square Meters
Courtyard Marriott	Birmingham Hoover, AL	153	
Courtyard Marriott	Huntsville, AL	149	
Courtyard Marriott	Little Rock, AR	149	
Courtyard Marriott	Tucson, AZ	149	

[1] As noted in Section 1.5 of the "Description of the Company's Business" chapter of the Annual Report for 2022 published by the Company in an amended report dated March 30, 2023 (Reference No. 2023-01-305028) (the "**Annual Report**"), on December 6, 2021 the Company closed a transaction with Freed Corporation, a third party unrelated to the Company ("**Freed**"), for the sale of a 100% interest in the resort assets and surrounding development lands at the resorts ("**Freed Transaction**"). As of September 30, 2023, the Company owns a 29% interest (jointly with the Third Party as defined in Section 18.1 of Chapter A "Description of the Company's Business" of the Annual Report) in the partnership through which Freed acquired the Freed Transaction Assets (and to which Freed's interest in the Muskoka Bay resort were transferred). On November 24, 2023 the Company sold its holdings in the Partnership For details on the agreements with Freed to sell all of the Company's holdings in the Partnership and for agreements regarding bridge loans and VTB loans, see Notes 1(c) and 4 to the Consolidated Financial Statements.

Property	Location	Number of Rooms	Commercial Space in Square Meters
Courtyard Marriott	Fort Myers, FL	149	
Courtyard Marriott	Arlington Heights, IL	147	
Courtyard Marriott	Deerfield, IL	131	
Courtyard Marriott	Rockford, IL	147	
Courtyard Marriott	Lexington. KY	146	
Courtyard Marriott	Miamisburg, OH	146	
Courtyard Marriott	Holland, OH	149	
Courtyard Marriott	Oklahoma City, OK	149	
Courtyard Marriott	Battlefield (Manassas), VA	149	
Courtyard Marriott	Ithaca, NY	107	
Total Select Service Hotels		***2,020***	
Hyatt Hotel	Cleveland, Ohio	293	5,054
Renaissance Hotel	Cleveland, Ohio	491	2,865
Total Full-Service Hotels		***784***	***7,919***
Bear Valley Ski Resort		52	
Total Resorts		***52***	
Total		***2,856***	***7,919***

In addition to the above, following the closing of the Freed Transaction, the Company only holds development real estate properties of an insignificant value.

The following table summarizes the Company's expected net cash flows from its VTBs, Bridge loan and Notes Receivable as of the date of the report:

VTB Loans, Bridge Loan and Notes Receivable	Q4 2023	2024	2025 and thereafter	Total
Port McNicoll VTB	600	2,400	23,529	26,529

VTB Loans, Bridge Loan and Notes Receivable	Q4 2023	2024	2025 and thereafter	Total
Vetta Spa VTB	8	34	773	815
Total – Development VTBs	***608***	***2,434***	***24,302***	***27,344***
Freed VTBs	33,876	-	21,147	55,023
Freed Bridge Loan	9,888	-	-	9,888
Equity Notes Receivable (against the sale of the rights in the Partnership)	-	-	33,418	33,418
Total – Freed [2]	***43,764***	-	***54,564***	***98,329***
Bear Valley Notes Receivable	-	-	***9,329***	***9,329***
Total Inflows	***44,373***	***2,434***	***88,195***	***135,002***

The table below provides comparable data on the Company's operating segments for the three and nine months ended September 30, 2023, and 2022:

TOTAL INFORMATION

Three Months Ended September 30,	2023	2022
Number of rooms	2,856	2,856
Number of hotel properties	17	17
Occupancy rate	55%	65%
Average daily room rate (in CAD dollars)	$171.13	$173.24
Revenue per available room (in CAD dollars)	$94.86	$107

Nine Months Ended September 30,	2023	2022
Number of rooms	2,856	2,856
Number of hotel properties	17	17

[2] For information about the agreements reached with Freed in connection with the VTB loan, bridge loan and equity notes receivable, see Section 7 below as well as Notes 1 (c) and 4 to the Consolidated Interim Financial Statements.

Nine Months Ended September 30,	2023	2022
Occupancy rate	54%	63%
Average daily room rate (in CAD dollars)	$174.88	$159.19
Revenue per available room (in CAD dollars)	$94.53	$83.83

HOSPITALITY

Three Months Ended September 30,	2023	2022
Revenue	$29,719	$34,525
Net Operating Income	$3,993	$7,109

Nine Months Ended September 30,	2023	2022
Revenue	$96,566	$97,374
Net Operating Income	$14,362	$20,605

DEVELOPMENT

Three Months Ended September 30,	2023	2022
Revenue	$-	$245
Net Operating Income (NOI) [3]	($2)	$235

Nine Months Ended September 30,	2023	2022
Revenue	$4	$1,566
Net Operating Income (NOI) [3]	($20)	$142

CONSOLIDATED

Three Months Ended September 30,	2023	2022
Same Asset NOI[3]	$3,338	$5,783

[3] NOI, Adjusted EBITDA, FFO, and FFO per share are non-IFRS performance measures. See "Non-IFRS Performance Measures" for additional information.

Three Months Ended September 30,	2023	2022
Adjusted EBITDA[3]	$1,731	$5,278

Nine Months Ended September 30,	2023	2022
Same Asset NOI[3]	$13,385	$19,182
Adjusted EBITDA[3]	$7,666	$14,871

FUNDS FROM OPERATIONS (FFO) Error! Bookmark not defined.

Three Months Ended September 30,	2023	2022
Funds from operations	($1,779)	($488)
FFO per share (in CAD dollars)	($0.11)	($0.03)

Nine Months Ended September 30,	2023	2022
Funds from operations	($1,163)	$4,649
FFO per share (in CAD dollars)	($0.07)	$0.28

CAPITALIZATION AND LEVERAGE

As at September 30,	2023	2022
Equity to Total Assets	44%	52%
Unrestricted Cash	$16,880	$29,674
Net Debt to Net Cap	48%	40%
Loan to Value (only Hospitality)	51%	47%
Weighted average debt face interest rate	8.68%	6.93%
Weighted average debt term to maturity (in years)	4.73	3.27

The Company is a reporting issuer in accordance with the securities laws of Ontario, Canada, and therefore its Management Discussion and Analysis (MD&A) Report, is prepared in accordance with the applicable laws of Ontario, Canada, and for convenience is also reported separately in Israel. The Company also publishes its financial statements on Canada's SEDAR system. The Company's set of reports is available on www.sedarplus.ca.

The Company examines, on a regular basis, business opportunities in its operating segments and conducts various negotiations relating thereto, according to its needs, inter alia in connection with the expansion or sale of its property portfolio. Within the framework of the negotiations for the sale and/or purchase of property, it is generally customary to sign letters of intent (LOI) that include, inter alia, customary provisions relating to confidentiality, due diligence, no-shop period, deposit of small amounts in trust (which, under certain circumstances, are non-recoverable), determination of the period for conducting negotiations and signing a binding agreement, the cases where the Company may withdraw from the transaction, conditions precedent, etc.

For information about the Company's strategic focus for the coming year, see the immediate report published by the Company on June 14, 2023 (Reference No. 2023-01-05591). 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 the Bear Valley sale transaction and selling the Company's holdings in the Partnership to Freed and modifying the loans terms that have already closed, no other definitive transactions have yet been approved by the Company's Board of Directors regarding the selection of any of the alternatives.

3. Material Events that Occurred during the Period ended September 30, 2023, and After the Balance Sheet Date

For information on events that occurred during the period preceding the date of the report for the second quarter of 2023 ("**Q2 2023 Report**"), see the Q2 2023 Report published on September 06, 2023 (Reference No. 2023-01-084757) and for the first quarter of 2023, see the Q1 2023 Report published on May 14, 2023 (Reference No. 2023-01-050988).

Listed below are material events that occurred during the reporting period and the period subsequent to the Q3 2023 Report, and material events that occurred after the balance sheet date:

3.1. On September 10, 2023, the Company announced, inter alia, that it 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 (the "**Potential Buyer**"). For details see an immediate report dated September 10, 2023 (Reference No. 2023-01-085216) and Note 13(n) to the Company's consolidated financial statements. It should be noted that in 2022, the Company received an offer to purchase the Company's assets in the US from another unrelated third party, and the Company's Board of Directors rejected it. In July 2023, a non-binding unsolicited offer was submitted to the Company from the Potential Buyer, who followed up with another improved offer in August 2023. The Board of Directors examined the improved offer against the background of all the circumstances and the Company's financial condition and decided to proceed with negotiations for the purpose of signing a non-binding LOI for the sale of most of the Company's assets. 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.

3.2. On September 20, 2023, the Company announced that Skyline Cleveland Renaissance, LLC, a subsidiary of the Company (50%), has received a net funding of US $9.979 million for resorting and rehabilitating the Cleveland Renaissance Hotel from the relevant authorities in Ohio. For details, see an immediate report dated September 20, 2023 (Reference No. 2023-01-088201) and Note 13(o) to the Company's Consolidated Financial Statements.

3.3. 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 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 the VTB loan, and a registered assignment of rents and leases.

3.4. For details on the deferred tax benefit received by the Company in connection with the passenger ship Keewatin donated by the Company and the Company's appeal against this determination, see Note 13(a) to the Company's Consolidated Financial Statements.

3.5. On November 2, 2023, the Company announced that an agreement was signed and closed for the sale of the Bear Valley resort in California, for a consideration of US $19.5 million. For details, see an immediate report dated November 2, 2023 (Reference No. 2023-01-100561).

3.6. 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 of the Bridge loan. For details, see Notes 1(c) and 4 to the consolidated financial statements.

3.7. On November 24, 2023, the Board of directors approved to convene for an annual meeting whose agenda is: (1) presentation and discussion of the financial statements and the report of the Board of Directors for 2022; (2) the reappointment of the accounting firm, Brightman Almagor Zohar &Co. (Deloitte), to serve as the Company's auditors and the authority of the Company's Board of Directors to determine their salaries; (3) the reappointment of directors of the Company who are not external directors for an additional term, until the end of the next annual general meeting; (4) Appointment of the Company's external directors for a period commencing from the date of approval of the appointment by the General Meeting and ending in accordance with the Company's Articles of Incorporation and subject to applicable law;

The information contained herein is forward-looking information, as defined in the Securities Law, 5728-1968, which is beyond the full control of the Company and whose actual realization is uncertain. The information is based on information available to the Company as of the date of publication of the Report and includes the Company’s estimates and plans that may not materialize or may differ materially from the Company’s plans, as a result of various factors beyond the Company’s control, mainly adverse changes in the economy and/or the real estate market in general, and particularly in the jurisdictions where the Company operates, as well as realization of all or part of the risk factors set out in the Company's Annual Report.

4. Attention in the review report of the external auditor

It should be noted that in the Review Report of the Company’s External Auditor, without qualifying their conclusion, as of the date of the report, attention was drawn to Note 1(b) to the Company’s Consolidated Financial Statements which details, among other, Company’s obligation and cash flow needs, including obligation to repay bonds (series B) in July 2024 in the amount of $ 53.68 million Canadian dollar, and management's and the board's plans. Based on the analysis of debt repayment dates made by the Company, the available alternatives and funds, the Company's board of directors and management are of the opinion that the Company will meet its plans.

5. Operating Results

Key Performance Evaluation Indicators

The Company uses several key performance indicators ("**KPIs**") to measure its business activity. One of the key performance indicators in the hotel industry is Revenue Per Available Room ("**RevPAR**"). RevPAR is a function of both occupancy rate and average daily room rate ("**ADR**"). The Company monitors all three above indicators for all of its hotel properties.

The third quarter of 2023 saw a year over year decrease in occupancy rate for the Company's select service hotels, and a slightly increase in RevPAR due to increase in ADR compared to the corresponding quarter of the previous year. Full-service hotel RevPAR declined over prior year, driven by lower occupancy due to ongoing renovations at the Renaissance, partially offset by increases in ADR.

The Company has not experienced material impacts from inflation, but has experienced significant increases in interest expense resulting from rising interest rates. The Company has a variety of financial strategies to protect against rising interest rates and inflationary pressures, including entering into interest rate swaps, interest rate caps and other hedging measures – the Company entered into one such interest rate cap on its largest USD denominated loan in November 2022. The Company's hospitality portfolio and strong, stable business base provide the ability to be flexible to navigate these volatile economic conditions. However, there can be no assurance regarding the impact of a significant economic contraction or recession on the business, results of operations and financial position of the Company.

US select service Hotels and a California Ski Resort in USD[4]	Q4-2022	Q4-2021	Q1-2023	Q1-2022	Q2-2023	Q2-2022	Q3-2023	Q3-2022
RevPAR	$64.97	$53.16	$69.54	$62.03	$77.95	$70.15	$72.51	$71.33
ADR	$115.54	$96.93	$129.94	$109.05	$117.33	$106.83	$114.58	$110.09
Occ.	56%	55%	54%	57%	66%	66%	63%	65%

US full-service Hotels in USD	Q4-2022	Q4-2021	Q1-2023	Q1-2022	Q2-2023	Q2-2022	Q3-2023	Q3-2022
RevPAR	$76.81	$70.39	$48.60	$61.79	$69.90	$82.13	$63.96	$107
ADR	$169.24	$158.67	$157.64	$145.99	$172	$153.10	$184.36	$173.24

[4] Figures include the Ithaca hotel that was acquired in July 2022.

US full-service Hotels in USD	Q4-2022	Q4-2021	Q1-2023	Q1-2022	Q2-2023	Q2-2022	Q3-2023	Q3-2022
Occ.	45%	44%	31%	42%	41%	54%	34%	62%

Non-IFRS Performance Indicators

The Company also uses certain performance indicators that are not defined in International Finance Reporting Standards (IFRS) as Key Performance Indicators (KPIs). These indicators include net operating income (NOI), adjusted EBITDA and funds from operations (FFO). For the definitions of these indicators and the tabular discloser, see hereinafter in this report.

Same Asset Analysis

Same Asset Revenue for Three Months Ended September 30,	2023	2022
USA	$27,882	$32,827
Canada	$21	$114
Total	**$27,903**	**$32,941**

Same Asset Revenue for Nine Months Ended September 30,	2023	2022
USA	$92,399	$95,203
Canada	$60	$434
Total	**$92,459**	**$95,637**

Same Asset NOI for Three Months Ended September 30,	2023	2022
USA	$3,318	$5,675
Canada	$20	$108
Total	**$3,338**	**$5,783**

Same Asset NOI for Nine Months Ended September 30,	2023	2022
USA	$13,339	$18,764
Canada	$46	$418
Total	**$13,385**	**$19,182**

The same asset analysis incorporates results of operations of assets that the Company has held for at least two full years ending September 30, 2023.

The combined revenue from same assets in the hotels and resorts (USA and Canada) segments recorded during the three and nine months ended September 30, 2023, was $27,903 and $92,459, compared to $32,941 and $95,637 during the three and nine months ended September 30, 2022. The decrease is a result of lower revenue from hotels and resorts due to lower RevPAR driven by a decrease in occupancy rate, and partially offset by an increase in ADR.

During the three and nine months ended September 30, 2023, same asset NOI was $3,338 and $13,385 compared to $5,783 and $19,182 for the three and nine months ended September 30, 2022. The decrease is mainly due to hotel renovations.

6. Fair Value

The Company recognizes the fair value of certain real estate assets on its consolidated statements of financial position. These assets represent 67% of the total assets of Skyline as at September 30, 2023. The Company receives independent, third-party appraisals of all its hotels and resorts on an annual basis. The appraisals include a comprehensive analysis of market conditions, including any impacts of changes in market interest rates, risk premiums, economic uncertainties and comparable transactions, among other factors. As for its total assets (including fixed assets), the Company takes certain actions on a quarterly basis, to determine if there was any change in value, including discussion with independent, third-party experts, referencing market transactions and non-binding purchase offers, and review of internal forecasts. The Company then uses these inputs in a discounted cash flow analysis over ten years to determine if there is any required revaluation at each reporting date. The following table summarizes the Company's investment properties and property, plant and equipment ("PP&E") for the year ended December 31, 2022, and the period ended September 30, 2023 (data in CAD thousand):

	Nine Months Ended September 30, 2023	Twelve Months Ended December 31, 2022
Balance as at January 1	**$414,552**	**$340,361**
Capital expenditures and acquisitions	$35,718	$56,070
Depreciation and value decrease	($11,514)	($14,409)
Dispositions	$5,401	($16)

	Nine Months Ended September 30, 2023	Twelve Months Ended December 31, 2022
Allocation of right of use asset and lease liability	$149	$1,447
Changes in fair value	($11,938)	$5,984
Foreign exchange rates	($348)	$25,115
Balance, end of period	**$432,020**	**$414,552**

Net Asset Value

The Company, as most real estate companies do, measures value creation for its shareholders through growth in Net Asset Value ("NAV"), which is equivalent to Equity as presented in the Company's condensed consolidated statement of financial position). An increase in net asset value is primarily achieved by:

- Using strict acquisition criteria, with the intent of acquiring assets at or below replacement cost;
- Generating operational efficiencies; and
- Taking advantage of value-add opportunities

Each of these items may lead to valuation increases in its assets and, as a result, the Company's NAV. The Company calculates its NAV using fair values as disclosed on its balance sheet. Increases in the fair value of the Company's real estate assets is the primary driver of NAV growth.

The Company's NAV is summarized as follows (in thousands CAD):

As at September 30, 2023	Balance Sheet Value	Outstanding Secured Liabilities[5]	LTV[6]	Net Asset Value
US select service hotels	$230,638	$143,081	62%	$87,557
US full-service hotels	$195,852	$73,044	37%	$122,808
Development lands	$13,599	$9,642	71%	$3,957
Disposal group classified as held for sale	$27,485	$-	0%	$27,485
Total real estate and other	**$467,574**	**$225,767**	**48%**	**$241,807**
Cash	$16,880			

[5] Includes secured capital leases.
[6] Loan to Value ratio.

As at September 30, 2023	Balance Sheet Value	Outstanding Secured Liabilities[5]	LTV[6]	Net Asset Value
Other assets	$164,759			
Total assets	**$649,213**			**$649,213**
Total debt	$279,781			
Disposal group classified as held for sale	$8,583			
Other liabilities	$77,112			
Total liabilities	**$365,476**	**$225,767**	**62%**	**$365,476**
Non-controlling interest	$33,377			
Total NAV	**$283,737**			**$283,737**
NAV per share[7] (CAD)	$14.99			
NAV per share**Error! Bookmark not defined.** (NIS)	$42.61			

7. 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) of the Company's consolidated financial statements.

The company has negative working capital of $16 million. The Company is in the process of renovating several of its hotels (the Cleveland Renaissance Hotel and four of its Courtyard by Marriott Hotels). Renovations are in progress and the Company is engaged with contractors. For their completion, the renovations require significant investment of cash in the upcoming year, while as at this date such investment is substantially but not fully funded[8]. It is noted that the Company is a guarantor under certain existing loan agreements and the related guarantor covenants set in under the guarantor agreements require the company to maintain liquidity of CA$ 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) of the Company's consolidated financial statements.

[7] Excluding non-controlling interest.

[8] See Note 13(m) to the Consolidated Interim Financial Statements 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.

2) Sale of all the Company’s equity holdings in Resort Communities LP (the “Partnership”) 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 of the Company’s Consolidated Financial Statements 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 bond 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.

The above-mentioned information contains a forward-looking information, as defined in the Securities Law, 5728-1968, which is beyond the full control of the Company and whose actual realization is uncertain. The information is based on information available to the Company as of the date of publication of the Report and includes the Company’s estimates and plans that may not materialize or may differ materially from the Company’s plans, as a result of various factors beyond the Company’s control, mainly adverse changes in the economy and/or the real estate market in

general, and particularly in the jurisdictions where the Company operates, as well as realization of all or part of the risk factors set out in the Company's Annual Report.

8. Liquidity

The following table summarizes the Company's cash flow report (in CAD thousand):

Three Months Ended September 30,	2023	2022
Net income (loss) for the period	($11,745)	($4,365)
Net cash provided by (used by) operating activities	($2,651)	$9,215
Net cash provided by (used by) investing activities	($30,163)	($26,856)
Net cash provided by (used by) financing activities	$35,853	$5,883
Impact of foreign activity balance translation on cash balances	$149	$826
Increase (decrease) in cash and cash equivalents	**$3,188**	**($10,932)**
Cash and cash equivalents, beginning of the period	$13,692	$40,606
Cash and cash equivalents, end of the period	**$16,880**	**$29,674**

Nine Months Ended September 30,	2023	2022
Net income (loss) for the period	($31,101)	($9,452)
Net cash provided by (used by) operating activities	($3,549)	$7,866
Net cash provided by (used by) investing activities	($51,356)	($40,618)
Net cash provided by (used by) financing activities	$52,260	$15
Impact of foreign activity balance translation on cash balances	$22	$922
Increase (decrease) in cash and cash equivalents	**($2,623)**	**($31,815)**
Cash and cash equivalents, beginning of the period	$19,503	$61,489
Cash and cash equivalents, end of the period	**$16,880**	**$29,674**

The following table summarizes the Company's financial expenses and interest expenses paid in cash (in CAD thousand):

Three Months Ended September 30,	2023	2022
Financing expenses	$13,435	$6,823
Cash Interest paid	$4,379	$5,068

Nine Months Ended September 30,	2023	2022
Financing expenses	$28,341	$13,610
Cash Interest paid	$14,688	$10,255

Debts – The Company's long-term debts (loans, mortgages and debentures) principal repayments as of September 30, 2023 are as follows:

As at September 30, 2023	Principal Amount (loans and bonds) (In CAD thousands)	% of the total principal amount (excluding non-capitalized financing costs)
By September 30, 2024	$65,532	22.64%
By September 30, 2025	$823	0.28%
By September 30, 2026	$1,103	0.38%
By September 30, 2027 and thereafter	$222,043	76.70%
Deferred financing costs[9]	($9,720)	
Total	$279,781	100%

Loans, mortgages and bonds have fixed rates that range from 1% to 10.86%. The variable rate loans and mortgages range from 8.07% to 10.75%. Maturity dates range from July 2024 to May 2048.

Series B Bonds

The Series B Bonds are redeemable (principal) in payments that shall be made semi-annually on January 15 and July 15 from 2019 to 2024 (inclusive). Each payment shall redeem 3.25% of the par value of the principal of the Series B Bonds except the final payment, which is set for July 15, 2024,

[9] As at September 30, 2023, deferred financing costs related to bonds were $602.

and includes the total balance of the principal to be redeemed, at the rate of 64.25% of the par value of the principal of the Series B Bonds.

The interest on the Series B Bonds is paid in semi-annual payments on January 15 and on July 15 of each of the years 2018 to 2024, with the first payment of interest to be made on January 15, 2018, and the last payment of interest to be made on July 15, 2024. For discussion on the Company's Financial Position and ability to pay all its obligations as they come due, please refer to Section 7 above.

The information contained herein is forward-looking information, as defined in the Securities Law, 5728-1968, which is beyond the full control of the Company and whose actual realization is uncertain. The information is based on information available to the Company as of the date of publication of the Report and includes the Company's estimates and plans that may not materialize or may differ materially from the Company's plans, as a result of various factors beyond the Company's control, mainly adverse changes in the economy and/or the real estate market in general, and particularly in the jurisdictions where the Company operates, as well as realization of all or part of the risk factors set out in Section 21 of Chapter A of the Annual Report.

9. Board of Directors' explanations for the state of the Company's affairs, operating results, equity and cash flows

9.1. Financial Position – in CAD thousands

Assets	09.30.2023	12.31.2022	Increase (Decrease)	%	Explanation
Cash and cash equivalents	$16,880	$19,503	($2,623)	(13.45%)	The decrease is primarily attributable to capital expenditures, and net debt payments, partially offset by the issuance of bonds, TIF funding received for the renovation of the Renaissance Hotel, and the funds received from the $6m mortgage loan agreement.
Trade receivables and other receivables	$18,017	$20,695	($2,678)	(12.94%)	Decrease was due to the receipt of business tax refunds from the government.
Real Estate Inventory and Inventories	$9,540	$7,796	$1,744	22.37%	The increase is mainly due to the increase in development inventory.
Disposal group classified as held for sale	$27,485	$-	$27,485	100%	This is due to the reclassification of Bear Valley resort from PPE to asset held for sale.
Loans to purchasers (short and long-term)	$79,649	$90,932	($11,283)	(12.41%)	The decrease is primarily due to booking credit losses under IFRS 9 against the Freed VTB loans for the reduction of the principal balance of the VTB loan as a result of the Freed settlement agreement as described in Note 8 of this report.
Bank deposits with limited use (short and long-term)	$28,807	$11,591	$17,216	148.53%	The change is primarily due to cash collateral deposits held in trust related to the Company's US properties and debt service reserve in connection with the TIF obligation.
Financial derivative	$3,992	$4,160	($168)	(4.04%)	The change is due to a decrease in the fair value of the 2-year interest rate cap on the Courtyards loan, purchased in November 2022, partially offset by foreign exchange.

Assets	09.30.2023	12.31.2022	Increase (Decrease)	%	Explanation
Investment properties	$13,976	$13,046	$930	7.13%	The change is primarily due to fair value adjustments.
Property Plant and Equipment	$418,044	$401,506	$16,538	4.12%	The increase is due to additions to PP&E as a result of renovations at the Renaissance and Courtyard, partially offset by the reclassification of Bear Valley Resort to Disposal group (see Note 5 to financial statements), increase in the accumulated amortization, net revaluation loss, and derecognition of the Keewatin related to its donation.
Other investments measured at fair value	$30,000	$36,880	($6,880)	(18.66%)	The decrease is due to a change in the value of the Company's investment in the Partnership; see September 30, 2023 Financial Statements Note 4 for further detail.
Other non-current assets	$2,823	$3,238	($415)	(12.82%)	The decrease is primarily due to the decrease in deferred financing expenses.
Total Assets	**$649,213**	**$609,347**	**$39,866**	**6.54%**	**The increase in total assets is a result of the above changes.**

Liabilities and Equity	09.30.2023	12.31.2022	Increase (Decrease)	%	Explanation
Bonds	$52,877	$46,302	$6,575	14.20%	The increase is mainly the result of the issuance of bond units by way of series expansion of the Series B Bonds.
Loans	$226,904	$194,188	$32,716	16.85%	The increase is primarily due to the Tax Increment Funding loan in the amount of 13M USD (17.6M CAD) which was recognized from the funding received for the renovation of the Renaissance Hotel, the one-year mortgage loan agreement entered during Q3 2023 and

Liabilities and Equity	09.30.2023	12.31.2022	Increase (Decrease)	%	Explanation
					refinancing and increasing the loan in connection with Hyatt Hotel renovation.
Disposal group classified as held for sale	$8,583	$-	$8,583	100%	The increase is due to the reclassification of Bear Valley resort liabilities to disposal group classified as held for sale.
Suppliers, deferred income and other payables	$66,774	$35,533	$31,241	87.92%	The increase in payable balances is mainly due to the unpaid renovation costs at the Renaissance and Courtyard.
Deferred tax	$10,338	$17,358	($7,020)	(40.44%)	The decrease is primarily due to taxes recognized on fair value changes of Property Plant and Equipment.
Equity	$283,737	$315,966	($32,229)	(10.20%)	The decrease in equity is attributable mainly to the net loss attributable during the period.
Total Liabilities and Equity	**$649,213**	**$609,347**	**$39,866**	**6.54%**	**The decrease in total liabilities and equity is a result of the above changes.**

The Company's shareholders' equity, excluding minority interests was $250,360 or $14.99 per share (42.61 NIS based on the NIS/CAD exchange rate as at September 30, 2023). The Company's Common Shares closed on September 30, 2023 at 20.38 NIS per share, a discount of 52% to the Company's shareholders' equity per share.

9.2. Results of Operations for the Period Ended – in CAD thousands

The Company's revenue is generated by three operating segments: US hotels and resorts, Canadian hotels and resorts, and Development. Hospitality operations include hotel operations, ski facilities, and other businesses including food and beverage, spa, retail and rental operations, and other related or ancillary activities. The US Hotels and resorts segment contributed approximately 100% of revenue to the Company's hospitality operations during the nine months ended September 30, 2023. Development revenue includes the sale of serviced lots and condominiums.

Revenue from the hotels and resorts segments depends on the volume of customers and their spending, as well as competitive pricing. The volume of customers is impacted by a number of factors, including the customer experience, economic conditions, geo-political factors, weather and accessibility of the hotels and resorts. Revenue from the Development segment is variable. Project timing and revenue recognition can vary from quarter to quarter as a result of the circumstances surrounding individual projects. Skyline has a number of ongoing projects with various timelines that are expected to provide some regular revenue on an annual basis in an attempt to smooth revenue from this segment. The selected financial information set out below is based on and derived from the Financial Statements:

Income Statement	09.30.2023	09.30.2022	Increase (Decrease)	%	Explanation
Revenue	$96,570	$98,940	($2,370)	(2.40%)	The decrease is a result of lower revenue from hotels and resorts due to lower RevPAR driven by a decrease in occupancy rate mainly due to the hotel renovations, and partially offset by an increase in ADR, coupled with the decrease from F&B revenue.
Expense and Costs	($82,228)	($78,193)	($4,035)	5.16%	The increase in costs is attributable to increasing staff levels, higher repairs and maintenance costs and other variable operating costs.
Administrative and General and Marketing expenses	($6,676)	($5,876)	($800)	13.61%	Increase is due to increase in management compensation provision, office rent, and professional services costs.
Depreciation and Impairment	($11,514)	($10,536)	($978)	9.28%	The increase is primarily due to the increase in PPE balances and impairment loss at Bear Valley.
Gain (loss) from change in fair value	($5,935)	($2,367)	($3,568)	150.74%	The increase of loss is due to change in value of Skyline's investment in RCLP.
Capital losses, net, and other expenses, net	($2,083)	($461)	($1,622)	351.84%	The net loss is due to the derecognition of the Keewatin due to its donation and was partially offset by the recapturing of remaining cost reserves from several completed development projects into income and sale of a capital asset.

Income Statement	09.30.2023	09.30.2022	Increase (Decrease)	%	Explanation
Net Financial Income (Expense)	($24,770)	($9,869)	($14,901)	150.99%	The increase of expense was primarily due to higher interest rates, more loans and booking a provision for credit losses under IFRS 9 against Freed VTB loans.
Income Tax Recovery (Expense)	$5,535	($1,090)	$6,625	(607.80%)	The current period income is due to a decrease in deferred taxes and a decrease in previous year taxes and current period taxes.
Profit (loss) for the year	**($31,101)**	**($9,452)**	**($21,649)**	**229.04%**	**The change in the net results is due to the reasons mentioned above.**
Net income (loss) (after tax) per share (basic and diluted)	**(1.55)**	**(0.53)**	**(1.02)**	**190.66%**	
Weighted avg. shares outstanding	**16,500,487**	**16,725,521**	**(24,764)**	**(0.15%)**	

9.3. Operating Segments – in CAD thousands

9.3.1.Hotels and Resorts in the United States

	09.30.2023	09.30.2022	Increase (Decrease)	%	Explanation
Revenue	$96,507	$96,822	($315)	(0.33%)	The decrease is a result of lower revenue from hotels and resorts due to lower RevPAR driven by a decrease in occupancy rate mainly due to the hotel renovations, and partially offset by an increase in ADR, coupled with the decrease from F&B revenue.

	09.30.2023	09.30.2022	Increase (Decrease)	%	Explanation
Cost of revenue (excluding depreciation)	($82,191)	($77,263)	($4,928)	6.38%	The increase in costs is attributable to increasing staff levels, higher repairs and maintenance costs and other variable operating costs.
Segment Results	**$14,316**	**$19,559**	**($5,243)**	**(26.81%)**	**Net segment results decreased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.**

9.3.2.Development Property

	09.30.2023	09.30.2022	Increase (Decrease)	%	Explanation
Revenue	$4	$1,566	($1,562)	(99.74%)	The Company currently has only one active Development project with insignificant activity in current earnings, whereas the prior year included the sale of some development property.
Cost of revenue	($24)	($1,424)	$1,400	(98.31%)	The Company currently has only one active Development project with insignificant activity in current earnings, whereas the prior year included the sale of some development property
Segment Results	**($20)**	**$142**	**($162)**	**(114.08%)**	**Net segment results increased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.**

9.3.3.Same Asset Analysis

	09.30.2023	09.30.2022	Increase (Decrease)	%	Explanation
Revenue	$92,459	$95,637	($3,178)	(3.32%)	The decrease is a result of lower revenue from hotels and resorts due to lower RevPAR driven by a decrease in occupancy rate mainly due to the hotel renovations, and partially offset by an increase in ADR.
Cost of revenue (excluding depreciation)	($79,074)	($76,455)	($2,619)	3.43%	The increase in costs is attributable to increasing staff levels, higher repairs and maintenance costs and other variable operating costs.
NOI	**$13,385**	**$19,182**	**($5,797)**	**(30.22%)**	**Net results decreased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.**
NOI Profitability rate	**14.48%**	**20.06%**	**(5.58%)**	**(27.82%)**	**NOI Profitability has decreased as a result of the above.**

10. Performance Measures that are not based on IFRS

All financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). However, Skyline uses certain non-IFRS measures as key performance indicators including net operating income ("**NOI**"), funds from operations ("**FFO**"), and adjusted earnings before interest, taxes, depreciation and amortization ("**Adjusted EBITDA**"). Skyline believes these non-IFRS measures provide useful supplemental information to both Management and investors in measuring the financial performance of the Company.

These are key measures commonly used by entities in our industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded real estate entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

10.1. NOI

Skyline defines NOI as property revenues less property operating expenses. Management believes that NOI is a useful key performance indicator on an unlevered basis as it represents a measure over which Management of property operations has control. NOI is also a key input in determining the value of the Properties. NOI is used by industry analysts, investors and Management to measure operating performance of Canadian companies. NOI represents revenue from cash generating properties less property operating expenses excluding depreciation as presented in the consolidated statements of income and comprehensive income prepared in accordance with IFRS.

Given the seasonality of its hospitality operations, NOI for a fiscal year (or trailing four quarters) is considered by Management as a more accurate measure of the Company's performance.

Skyline calculates NOI as operating income before depreciation, valuation adjustments and other income, adjusted for:

i) Segmented results from Development Segment

ii) Selling and Marketing expenses

iii) Administrative and General expenses

Alternatively, the same result is arrived at by adding segmented results (per Note 15 in the condensed interim consolidated financial statements) of the Company's hotels and resorts.

NOI for the Three Months Ended September 30,	2023	2022
Operating income before depreciation, valuation adjustments and other income	$1,731	$5,278
Segmented results from Development Segment	$2	($235)
Selling and Marketing expenses	$-	$2

NOI for the Three Months Ended September 30,	2023	2022
Administrative and General Expenses	$2,260	$2,064
NOI from income producing assets	**$3,993**	**$7,109**
Income from hotels and resorts	$29,719	$34,525
Operating expenses of income producing assets	($25,726)	($27,416)
NOI from income producing assets	**$3,993**	**$7,109**
Change in % compared to corresponding period	**(43.83%)**	

NOI for the Nine Months Ended September 30,	2023	2022
Operating income before depreciation, valuation adjustments and other income	$7,666	$14,871
Segmented results from Development Segment	$20	($142)
Selling and Marketing expenses	$-	$80
Administrative and General Expenses	$6,676	$5,796
NOI from income producing assets	**$14,362**	**$20,605**
Income from hotels and resorts	$96,566	$97,374
Operating expenses of income producing assets	($82,204)	($76,769)
NOI from income producing assets	**$14,362**	**$20,605**
Change in % compared to corresponding period	**(30.30%)**	

10.2. <u>FFO</u>

FFO is a non-IFRS financial measure of operating performance widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO is not an alternative to net income determined in accordance with IFRS. Skyline calculates the financial measure in accordance with the Real Property Association of Canada White Paper issued in January 2022, except for (i) changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting, (ii) non-controlling interest, and (iii) operational revenue and expenses from right-of-use assets. The use of FFO, combined with the data required under IFRS, has been included for the purpose of improving the understanding of the operating results of Skyline.

Management believes that FFO provides an operating performance measure that, when compared period-over- period, reflects the impact on operations of trends in occupancy, room rates, operating costs and realty taxes and interest costs, and provides a perspective of the Company's financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO excludes from net income items that do not arise from operating activities, such as fair value adjustments, purchase transaction costs, and deferred income taxes, if any. FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for recurring capital expenditures necessary to sustain the Company's existing earnings stream.

It should be emphasized that the method of calculation of this indicator by the Company may differ from the method of calculation applied by other companies.

FFO for the Three Months Ended September 30,	2023	2022
Net income (loss) attributable to shareholders of the Company	($9,588)	($4,297)
(Gain) loss from fair value adjustments	$3,922	$320
Provision for credit losses	$5,262	$-
Depreciation	$2,607	$3,238
Deferred tax	($3,181)	($72)
Derecognition of investment costs and other capital losses (gains)	($1,057)	$67
Revaluation component included in cost of sale, that was previously recognized in gain on fair value adjustments of investment property prior to its transfer to inventory	$256	$256
FFO per Real Property Association of Canada Guidance	**($1,779)**	**($488)**
Adjustment for:		
Fair value component included in purchase costs, which was previously recognized to profit (loss) from changes in fair value of investment real estate before reclassified to inventory	($256)	($256)
FFO according to the ISA approach	**($2,035)**	**($744)**

FFO for the Nine Months Ended September 30,	2023	2022
Net income (loss) attributable to shareholders of the Company	($25,618)	($8,827)
(Gain) loss from fair value adjustments	$5,436	$2,126
Provision for credit losses	$10,046	$-

FFO for the Nine Months Ended September 30,	2023	2022
Depreciation	$10,222	$9,337
Deferred tax	($4,924)	($1,038)
Derecognition of investment costs and other capital losses (gains)	$2,907	$461
Tax on gain from disposal of a property	$-	$1,822
Revaluation component included in cost of sale, that was previously recognized in gain on fair value adjustments of investment property prior to its transfer to inventory	$768	$768
FFO per Real Property Association of Canada Guidance	**($1,163)**	**$4,649**
Adjustment for:		
Fair value component included in purchase costs, which was previously recognized to profit (loss) from changes in fair value of investment real estate before reclassified to inventory	($768)	($768)
FFO according to the ISA approach	**($1,931)**	**$3,881**

FFO for the three and nine months ended September 30, 2023 was ($2,035) and ($1,931) compared to ($744) and $3,881, for the three and nine months ended September 30, 2022. The decrease is mainly due to hotel renovations.

10.3. *Adjusted EBITDA*

The Company's operations include income from producing assets and revenue from the sale of developed real estate. As such, Management believes Adjusted EBITDA (as defined below) is a useful supplemental measure of its operating performance for investors and debt holders.

EBITDA is defined as Earnings Before Interest, Taxes, Depreciation, and Amortization. The Company calculates Adjusted EBITDA as follows:

- Income from hotels and resorts;
- Sale of residential real estate;

Less:

- Operating expenses from hotels and resorts;
- Cost of sales of residential real estate;
- Selling and marketing expenses;
- Administration and general expenses

Adjusted EBITDA does not include fair value gains, gains on sale or other expenses, and is presented in the Company's consolidated statement of profit and loss for the Three and nine months ended September 30, 2023 as operating income before depreciation, valuation adjustments and other income.

Adjusted EBITDA for the Three Months Ended September 30,	2023	2022
ADJUSTED EBITDA from operations	**$1,731**	**$5,278**
Change in % compared to corresponding period	**(67.20%)**	

Adjusted EBITDA for the Nine Months Ended September 30,	2023	2022
ADJUSTED EBITDA from operations	**$7,666**	**$14,871**
Change in % compared to corresponding period	**(48.45%)**	

NOI, FFO, and Adjusted EBITDA are not measures defined by IFRS, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net income/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. NOI, FFO, and Adjusted EBITDA, as computed by the Company, may differ from similar measures as reported by other companies in similar or different industries.

10.4. Linkage Base Report as of September 30, 2023 (in CAD thousands)

Assets	Financial items			Non-financial items			
	CAD	USD	NIS	CAD	USD	NIS	Total
Cash and cash equivalents	$9,572	$6,981	$327	$-	$-	$-	$16,880
Customers and receivables	$9,762	$5,325	$-	$515	$2,415	$-	$18,017
Loans to purchasers	$79,649	$-	$-	$-	$-	$-	$79,649
Inventory	$-	$-	$-	$9,124	$416	$-	$9,540
Financial derivative	$-	$3,992	$-	$-	$-	$-	$3,992
Disposal group classified as held for sale	$-	$617	$-	$-	$26,868	$-	$27,485
Investment real estate	$-	$-	$-	$4,475	$9,501	$-	$13,976
Fixed assets	$-	$-	$-	$1,056	$416,988	$-	$418,044
Other investments measured at FVTPL	$30,000	$-	$-	$-	$-	$-	$30,000
Other assets	$373	$-	$-	$214	$2,236	$-	$2,823
Restricted deposits	$4,529	$24,051	$227	$-	$-	$-	$28,807
Total	**$133,885**	**$40,966**	**$554**	**$15,384**	**$458,424**	**$-**	**$649,213**

Liabilities	Financial items			Non-financial items			
	CAD	USD	NIS	CAD	USD	NIS	Total
Loans	$10,670	$216,234	$-	$-	$-	$-	$226,904

Liabilities	Financial items			Non-financial items			
	CAD	USD	NIS	CAD	USD	NIS	Total
Disposal group classified as held for sale	$-	$5,527	$-	$-	$3,056	$-	$8,583
Suppliers	$412	$4,990	$-	$-	$-	$-	$5,402
Payables and credit balances	$9,130	$50,361	$-	$164	$1,788	($71)	$61,372
Debentures	$-	$52,877	$-	$-	$-	$-	$52,877
Deferred tax	$-	$-	$-	$2,923	$7,415	$-	$10,338
Total	**$20,212**	**$329,989**	**$-**	**$3,087**	**$12,259**	**($71)**	**$365,476**

Excess (Shortage) of assets over liabilities	Financial items			Non-financial items			
	CAD	USD	NIS	CAD	USD	NIS	Total
Total	**$113,673**	**($289,023)**	**$554**	**$12,297**	**$446,165**	**$71**	**$283,737**

11. Cash Flows

11.1. Cash Flows from Operating Activities

During the three and nine months ended September 30, 2023, the Company had a consolidated negative cash flow from operating activities of ($2,651) and ($3,549). This compares to a positive cash flow from operating activities of $9,215 and $7,866 for the corresponding periods of the previous year. For further details, see the statement of cash flow for the period ended September 30, 2023.

The Company presents in its solo statements a negative cash flow from operating activities of approximately ($4,605) for the three months ended September 30, 2023, and a negative cash flow from operating activities of approximately ($5,383) for the nine months ended September 30, 2023, compared to a positive flow from operating activities of approximately $3,393 and a negative cash flow for operating activities of ($8,109) for the corresponding periods of the previous year. The Company anticipates that in the future it could present a negative cash flow from operations in its solo reports as the majority of the Company's activity is carried out through its subsidiaries.

In light of the Company's upcoming debt maturities in the coming year, the Company performed an examination of its financial condition, operating results, liquidity, financial strength and flexibility, and its ability to meet its liabilities, including loans provided to it, and it believes that, as of the date of the Report, it has sufficient liquidity to meet its liabilities as they become due.

The foregoing constitutes forward-looking information. The Company's assumptions and estimates of the predicted cash flow and sources for repayment of its current and future liabilities are based on data and work plans possessed by the Company as of the date of publication of this Report, and assuming its continued operations in the ordinary course of business. There is no assurance that these assumptions and estimates will fully or partially materialize, as they are dependent on external macroeconomic factors over which the Company has no influence or has only a slight influence on them.

11.2. Working Capital

As at September 30, 2023, the Company had negative working capital of ($16,368) in its consolidated statements, compared to a negative working capital of ($31,432) for the corresponding period of the previous year. The increase in working capital was due to reclassification of the Freed VTB from long term to short term as discussed in section 8 of this report, offset by the tax payments, net debt repayments and capital expenditures. In addition, the Company has around $3,500 in available undrawn lines of credit. Management believes that it has sufficient working capital to meet its obligations as they come due.

In its solo statements, the Company had positive working capital of $10,955 as of September 30, 2023, compared to a positive working capital of $26,722 as of September 30, 2022. The decrease was primarily due to the reclassification of Bonds B from long term to short term, partially offset by the reclassification of Freed VTBs from long term to short term.

11.3. Cash Flows Used for Investment Activities

For the three and nine months ended September 30, 2023, the Company had a negative cash flow from investing activities of approximately ($30,163) and ($51,356), which is primarily due to tax payments coupled with capital additions in line with the hotel renovations. In the corresponding period of last year, the Company recorded a negative cash flow of approximately ($26,856) and ($40,618), primarily due to the additions of capital expenditures the Company's hotels and resorts, accompanied by income tax payments made.

11.4. Cash Flows Used for Financing Activities

During the three and nine months ended September 30, 2023, the Company had a positive cash flow from financing activities of approximately $35,853 and $52,260. During the corresponding period of the previous year, the Company had a positive cash flow from financing activities of approximately $5,883 and $15. The cash inflow from financing activities for the three and nine months ended September 30, 2023, was driven primarily by refinancing and increasing the Hyatt's loan, bank credit, receipt of TIF funding for Renaissance renovation, bond extension, and from investment by the Company's Partner at the Renaissance for the hotel's renovation.

12. Financing Sources

12.1. On September 25, 2017, the Company issued to the public Series B Debentures of NIS 164,464,000 par value pursuant to a shelf offering prospectus dated September 24, 2017 (Reference No. 2017-01-036994).

12.2. On July 16, 2023, the Company closed a private bonds placement to classified investors of Series B Debentures of NIS 29,600,000 par value.

12.3. On July 25, 2023, a subsidiary of the Company received a $3 million line of credit from a banking corporation against the lien of Courtyard Deerfield Hotel, intended for general working capital purposes.

12.4. On September 14, 2023 hereby reports that Skyline Cleveland Renaissance, LLC, a subsidiary of the Company (50%), has received a net funding of US $9.979 million for resorting and rehabilitating the Cleveland Renaissance Hotel from the relevant authorities in Northeast, Ohio.

12.5. On September 19, 2023, Skyline Investments Inc. and Skyline (Port McNicoll) Land Inc. signed a one-year mortgage loan agreement for CAD $6 million.

12.6. Trade receivables, other receivables and prepaid expenses as of September 30, 2023, stood at approximately $18,017, compared to approximately $20,695 as of December 31, 2022.

12.7. Trade payables balance as of September 30, 2023 amounted to approximately $5,402, compared to approximately $5,832 as December 31, 2022. The decrease is largely due to operational fluctuations from seasonality.

12.8. As of September 30, 2023, the Company has unused credit facilities of approximately $3.5 million and has assets without financial liabilities of approximately $16.5 million.

13. Report of Liabilities by Repayment Dates

For information about the Company's liabilities by repayment dates, see the Company's immediate report published simultaneously with this Quarterly Report.

14. Compliance with Financial Covenants

As of the date of publication of the Report, the Company and its subsidiaries comply with the financial covenants undertaken towards financing parties and the debenture holders, with the exception of the EBITDA covenant in respect of which the interest rate of the Series B Bonds was adjusted as set forth below.

Set out below is information regarding the Company's compliance with financial covenants undertaken by the Company and its subsidiaries under material loan agreements to which it is a party (which are valid as of the date of the report):

14.1. The terms of the US$ 129,625 thousand loan provided to finance the 12 Courtyard hotels do not include financial covenants. See Section 7.3.4 of Part A of the Annual Report.

14.2. With respect to a loan of US$ 20.7 million taken by a subsidiary of the Company in October 2022 related to the Renaissance hotel (see also Section 7.3.3 of part A of the Annual Report), the Company did not meet its DSCR requirement as at March 31, 2023. On August 15, 2023 an amendment was signed to the loan agreement, 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). 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.

14.2.1. The guarantor (the Company) must hold, in its own name, liquid assets with a value not less than $12,500 thousand. As of September 30, 2023, total liquid assets amounted to $20,380 thousand.

14.2.2. The guarantor (the Company) must have a net equity of not less than $100,000 thousand. As of September 30, 2023, the Company's net equity amounted to $255,036 thousand.

14.3. With respect to the loan of US$ 4.6 million closed on July 8th, 2022 for the Courtyard Ithaca property in Ithaca, NY (see Section 7.3.5 of Part A of the Annual Report), Skyline shall maintain a tangible net worth of no lower than $100 million as of September 30, 2023 the amount is $250,360 thousand. Debt-service coverage ratio (DSCR) will be first examined at the end of 2023.

14.4. The terms of the US$ 25 million loan taken by a subsidiary of the Company on April 20, 2023 in connection with the financing and renovation of the Hyatt Regency Arcade Hotel in Cleveland, as described in the Company's immediate report dated April 22, 2023 (Reference No. 2023-01-037846), do not include defaulting financial covenants. The subsidiary needs to perform a quarterly assessment of debt service coverage ratio ("DSCR"), to be not be less than 1.4:1 – 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 1.45:1. The DSCR based on the 12 months ending September 30, 2023 was 1.60.

15. Disclosure to Debenture Holders

15.1. For information about the Company's outstanding Debentures (Series B), see Section 15 of the Board of Directors' Report as of December 31, 2022 and Note 13 to the audited consolidated financial statements as of December 31, 2022, which were attached to the Annual Report. Except as provided below, as of the date of publication of this Report, there have been no material changes in the data relating to the Company's outstanding Debentures.

15.2. Below are additional details of the Company's Debentures:

15.2.1. Debentures (Series B)

On June 1, 2023, the Company announced that due to its non-compliance with the financial covenant relating to Operating EBITDA (as defined in Section 1.5.31 of the Deed of Trust for the Series B Bonds), as described in its financial statements as of March 31, 2023, the interest rate of the Series B Bonds increased by 0.25% in accordance with Section 5.4 of Deed of Trust for the Series B Bonds, and therefore, the interest rate borne by the Series B Bonds is 5.9%. For further details, see an amended immediate report of the same date (Reference No. 2023-01-051646). The Company's Operating EBITDA (as defined in Section 1.5.31 of the Deed of Trust for the Series B Bonds), remains below the required threshold of $18 million, at $10.39 million for the period ended September 30, 2023.

On July 11, 2023, Midroog Ltd. changed the rating outlook on the Series B Bonds from "Stable" to "Negative". For details, see the rating report of the same date (Reference No. 2023-01-065647).

As described above, on July 16, 2023, the Company closed a private placement of Series B Bonds by way of a series expansion to five institutional investors classified as such under the First Schedule of Law, in which the investors acquired NIS 29,600,000 par value of the Company's Series B Bonds for a (gross) consideration of NIS 29,008,000.

Financial Covenant	Calculation Results as of September 30, 2023
The Company's consolidated equity (excluding minority interests) shall not be less than $180 million (which will not be linked to any Linkage Base)	$250 million
The Company's Consolidated Equity (including minority interests) to Total Assets Ratio shall not be less than 28.5%	44%
The Company's Operating EBITDA (as defined in Section 1.5.31 of the Deed of Trust) for the trailing four quarters preceding the review date shall not fall below $18 million.	CA $10.39 million

Hereinafter are details regarding the financial stipulations with which the Company has undertaken to comply, pursuant to Section 6.2 (Financial undertakings) of the Series B Deed of Trust.

Financial Covenant	Calculation Results as of September 30, 2023
The Company's consolidated equity (excluding minority interests) shall not be less than $130 million (which will not be linked to any linkage Base)	$250 million
The Company's Consolidated Equity (including minority interests) to Total Assets Ratio shall not be less than 26%	44%

Below are details of the financial covenants undertaken by the Company pursuant to Section 8.1.27 (Grounds for Calling for Immediate Repayment) of the Series B Debentures Deed of Trust:

Pursuant to Section 8.1.27 of the Series B Deed of Trust, the Company confirms that there has been no change to its principal activity, furthermore, the scope of the Company's entrepreneurial residential and real estate project, on a consolidated basis, does not exceed 30% of the Company's consolidated total assets.

Restrictions on Dividend Distribution:

The Company shall be permitted to carry out distributions as this term is defined in the Companies Law (including by way of independent purchase of the Company's shares) (in this section: "Distribution"), subject to compliance with the provisions of the Companies Law for the purpose of Distribution and on condition that the following accumulated conditions are met:

a. The Company's total consolidated equity capital (not including minority rights), pursuant to the Company's consolidated financial reports, after Distribution as aforementioned, shall be no less than a total of 200 million Canadian dollars and, the ratio of the Company's consolidated capital (including minority rights) to the total balance sheet pursuant to the annual or quarterly financial reports that were published prior to the date of passing the resolution as to the Distribution, after execution of the Distribution, shall be no less than 28.5%;

b. The scope of the Distribution that the Company shall be permitted to make to its shareholders shall not exceed 50% of "the current net profit" for every calendar year, starting from January 1, 2016;

c. The Company is complying and shall comply after the Distribution with the financial criteria pursuant to Section 6.2a of the Series B Deed of Trust; and

d. The Company has transferred to the trustee approval by the senior officer in the field of finance in the Company pursuant to Section 6.2(i)(d) of the Series B Deed of Trust.

For this purpose, "**current net profit**" means profit for the period pursuant to the accepted rules of accounting pursuant to the Company's latest quarterly or annual consolidated financial reports, accordingly, less revenues and plus costs and expenses which are not cash flow based, which were recognized in the profit for the period. Without derogating from the generality of the aforementioned: revenues that are not cash flow based could include, for example, an increase in the fair value of real estate for investment and profit from purchase at an incidental price. Expenses and costs which are not cash flow based could include, for example: decreases in the fair value of real estate for investment, depreciation and deductions and expenses due to share-based payment. Notwithstanding the aforementioned, the Company shall be permitted to distribute a dividend during the realization of assets (including by way of adding a partner), at a scope of up to 50% of the cash flow profit derived from realization of the asset, and this due to the share of the cash flow profit, which was not included in the current net profit, as defined above.

For this purpose, "**cash flow profit**" means net consideration derived to the Company from sale of the asset, whether this sale was recognized as current net profit or whether its results were recognized as the other inclusive profit, less the following components: cost of the original purchase, capital investments (CAPEX) executed in the period in which the Company held the asset, transaction costs and taxes. Furthermore, the cash flow profit shall include any other sum which as a result of realization, pursuant to the accepted rules of accounting, shall be transferred from the capital fund to the accumulated losses. It shall be emphasized that if the sale of the asset was carried out in instalments, it shall be possible to distribute the dividend in instalments, subject to the aforementioned, relatively, pursuant to the payment table of the sale. It shall be stated that in the event that the Company did not distribute a dividend for a certain calendar year, the right to distribute shall accrue for it, and it shall be entitled to distribute it in the coming years, subject to the provisions of the law. See above, calculation of the current net profit as of September 30, 2023.

As noted above, on July 16, 2023, 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. See an immediate report of the same date (Reference No. 2023-01-067084).

As of the date of the report and during the reported period, the Company is compliant with all the terms and undertakings pursuant to the Series B Deed of Trust, including compliance with the financial covenants set forth in this section above, and including compliance with the negative pledge undertaking under Series B Deed of Trust, and no conditions establishing grounds for acceleration of the Series B bonds have been fulfilled.

16. Equity

Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares. A detailed description of the rights, privileges, restrictions and conditions attached to the common shares is included in our Annual Information Form. As of September 30, 2023 (and the date of this MD&A), the Company had 16,700,490 common shares issued and outstanding.

The Company's capital resources include amounts raised from the sale of its common shares. The Company's common shares are listed for trading on the Tel Aviv Stock Exchange.

	As at September 30, 2023
Total outstanding at the beginning of the period[1]	16,700,480
Repurchased during the period	0
Total outstanding at the end of the period	**16,700,480**

Other Issued Securities

The Company has also issued Stock Options as outlined in the table below.

[1] Including 200,000 shares held in trust for the Company's CEO.

	Number of Employee Stock Options As at September 30, 2023	Weighted average exercise Price
Total stock options outstanding at the beginning and the end of the period	**200,000**	**27.35 NIS**

17. Strategy & Outlook

The following section contains forward-looking information and users are cautioned that actual results may vary. See "*Forward Looking Information*" for additional information.

The Company has updated its strategic focus for the coming year, as follows:

1. Focusing on operating its "select-service" hotels in the U.S. and improving its financial and operating results from these properties;

2. The Company will examine and consider certain opportunities and the possibility of selling certain assets, among others:

a) selling of seasonal resorts and resort land development, thereby reducing its exposure in volatile and seasonal assets;

b) reduce its exposure to "full service" hotels, inter alia since both full-service hotels currently owned, The Renaissance and The Hyatt Arcade are in the same city;

3. The Company will still consider the possibility of expanding its assets, in the selected service category only (depending on the interest rate and market conditions);

4. Focusing on completing the planned renovation of the Renaissance Hotel and the Courtyard by Marriott hotels that have not yet been renovated according to its commitment to Marriott;

5. Completion of the Company's last remaining development projects; and

6. Reduction of expenses at the Company's headquarters consistent with the near-term strategy

18. Factors Affecting Performance

The Company's performance is affected by a number of industry and economic factors as well as exposure to certain environmental factors, including those further discussed below. These factors represent opportunities but also challenges and risks that the Company must successfully address in order to continue to grow the business and improve its results of operations.

Canadian Hotels and Resorts segment

The Company continues to explore acquisition opportunities in the Canadian hotel space that align with its acquisition criteria.

Competitive Conditions

The Ontario marketplace relies significantly on inter-provincial travel, for both leisure and group business. Competitors for leisure guest visits include locally owned independent resorts in rural locations known for their natural beauty as well as larger hotel and resort experiences in Ontario's key tourism destinations. Competitors for group travel include all branded hotel chains with conference facilities or branded hotels in major cities within proximity to convention centers.

The Company will seek to gain a competitive advantage on future Canadian acquisitions by investing in quality properties located in geographic areas with multiple demand generators.

Accessibility from major metropolitan areas

The Greater Toronto Area (GTA) is the most populous metropolitan area in Canada. The Greater Golden Horseshoe, with a population of approximately 9 million, encompasses the GTA and is expected to grow to 13.5 million by 2041. Proximity to the GTA, including Pearson International Airport, is considered a key competitive advantage in the Canadian hotel marketplace.

Seasonality

The Hospitality segment in Canada is impacted by seasonality. Resort operations are highly seasonal in nature, with a typical winter/ski season beginning in early December and running through the end of March, and typical summer seasons beginning late in June and ending in early September. Traditional hotel operations with proximity to metropolitan centres are less impacted by seasonality. The Company will seek to position future investments in the Canadian hotel sector to be less susceptible to seasonality trends.

USA Hotels and Resorts segment

Competitive Conditions

Competition in the US hotel industry is generally based on quality and consistency of rooms, restaurant and meeting facilities and services, attractiveness of locations, availability of a global distribution system, and price among other factors. The Company's properties compete within their geographic markets with hotels and resorts that include locally owned independent hotels as well as facilities owned or managed by national and international chains, including such brands as Marriott, Hilton, IHG, and Hyatt. The Company's properties also compete for convention and conference business across the national market. The Company seeks to gain a competitive advantage in the market by upgrading the quality of accommodations and amenities available at the hotels through capital improvements.

In the US, the Company's hotels and resorts are well-positioned within the competitive marketplace. The Cleveland hotels maintain a competitive share of the leisure market due to their central downtown location and affiliation with leading international brands Marriott and Hyatt. The Bear Valley Resort in California is a well-known ski resort with proximity to significant population centers such as San Francisco and Sacramento. Skyline's Select-Service Courtyard by Marriott hotels offer geographical diversity with strong locations in key Midwest, Southeast and Southwest markets, and benefit from the industry-leading Marriott loyalty program and worldwide distribution system. The Company seeks to gain a competitive advantage in the market by upgrading the quality of accommodations and amenities available at its hotels through capital improvements. Recently completed projects include guestroom renovations at the Hyatt Regency Arcade in Cleveland, Ohio, (114 of which were renovated during 2014 and the balance 180 rooms were renovated during the first nine months of 2017) and an investment in Bear Valley resort by installing a new high-speed lift and modernization of its equipment. In October 2015, the Company (together with a 50% partner) acquired Renaissance Hotel in Cleveland, Ohio (a 65,000 square foot event and meeting space, which includes 491 rooms, 34 meeting rooms, a number of restaurants and a 304-vehicle parking garage).

The Company intends to complete the renovation and improvement of all the conference space, common areas and rooms at the Renaissance by the end of 2023.

On November 14, 2017, the Company acquired 13 Marriott Courtyard hotels in the US for US $135 million. The 13 hotels acquired include, in aggregate, 1,913 rooms. The hotels are spread over 9 US states and are geographically diverse with strong locations in key Midwest, Southeast and Southwest markets. On July 11, 2022, the Company acquired the "Courtyard by Marriott" hotel in Ithaca, New York, for US $11.25 million. The hotel added New York state to the Company's portfolio.

Accessibility from major metropolitan areas – Cleveland, Ohio Properties

Northeast Ohio lies along the southern shores of Lake Erie. The major cities of this area are Cleveland and Akron. These two cities are roughly 39 miles apart and are highly interconnected. The region is also part of the Great Lakes Megalopolis, which contains an estimated 59.1 million people.

The Cleveland core-based statistical area (CSA) is one of the largest in Ohio with nearly 2.1 million residents. The region is served by two international airports. It is home to numerous fortune 500 firms and several of the area's largest employers are in the healthcare industry. The Cleveland Clinic is the area's largest employer and is a high-ranking hospital according to US News & World Report. University Hospitals, another well-recognized facility, is the second largest employer in the CSA. In 2019, approximately 19.6 million people visited Cleveland.

The Company's hotels in the CSA maintain excellent vehicular and pedestrian access that is considered superior to some of its nearby competitors within walking distance to the primary attractions like the Jack Cleveland Casino, professional sports arenas, the Rock and Roll Hall of Fame, playhouse district, and a new convention center and medical mart.

Seasonality

Bear Valley Resort in California has strong seasonality patterns having its high season in the winter and low season during the remainder of the year. The resort is also subject to volatile snow conditions. The urban hotels are all-season operations, though stronger during June through October and slower during December through February, and therefore maintain a balanced level of income throughout the year. The second quarter is historically the strongest and the first quarter is historically the weakest for the 13 Marriott by Courtyard hotels, with similar trend expectations for the Ithaca Courtyard.

Real Estate, Development segment ("Development")

As part of the Freed Transaction, the Company sold the majority of its development properties.

The development segment's remaining principal activities include the marketing and selling of lots that are available for sale, Golf Cottages at Deerhurst.

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

The scope of development by the Company is insubstantial compared to the total market. Thus, the Company is unable to significantly impact competition in the market. However, the Company believes that it currently has a competitive advantage in its remaining development projects at Deerhurst, due to the Company's proximity to hospitality amenities and outdoor activities.

Seasonality

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

19. Financial Instruments and Off-Balance Sheet Arrangements

There are no financial instruments or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

Company Distributions

The Company does not currently have a dividend distribution policy.

20. Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements requires Management to make judgments and estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Estimates are based upon historical experience and on various other assumptions that are reasonable under the circumstances. The result of ongoing evaluation of these estimates forms the basis for applying judgment with regards to the carrying values of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from estimates. The Company's significant accounting policies are described in note 2 to the consolidated financial statements.

Estimates

Investment property and property, plant and equipment assets

Investment properties are measured at fair value in the consolidated statement of financial position. Fair values are determined by independent external valuations or detailed internal valuations, generally using the overall capitalization rate ("OCR") method. Under this method, capitalization rates are applied to a stabilized NOI for each property, adjusted for market-based assumptions such as rent increases, long-term vacancy rates, repair and maintenance costs and other forecasted cash flows. Capitalization rates are based on recently closed transactions for similar properties, where available, or investment survey data, taking into account the location, size and quality of the property. The most significant assumption is the capitalization rate as it magnifies the effect of a change in stabilized NOI. An increase in the capitalization rate will result in a decrease to the fair value of an investment property and vice versa. During the three and nine months ended September 30, 2023, the Company recorded a fair value gain on its Investment Properties of $(68) and $945 compared to a fair value gain on its Investment Properties of ($83) and $450 during the three and nine months ended September 30, 2022.

The Company has selected the revaluation model to account for its PP&E under IAS 16, "Property, Plant and Equipment" ("IAS 16"). Under the revaluation model, the Company's hotel assets that are classified as PP&E, are presented in the statement of financial position at their revalued amounts, which is the fair value at the most recent date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed by independent, third-party appraisers, or internally with reference to external market data with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values as at the reporting date. During the three and nine months ended September 30, 2023, the Company recorded an adjustment to fair value through revaluation surplus of its PP&E in the amount of $(9,095) and ($12,883), compared to an adjustment of ($1,911) and $17,412 for the corresponding previous period.

Contingencies and lawsuits

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

In December 2019, the Company was served a claim from the Company's former President and Chairman for employment related issues. In addition, the Company has been served with several smaller claims. In agreement with the Company's legal advisors, Management concludes that it is not possible, at this stage to estimate the Company's chances of success or the likely amount of recovery.

The Company has been served with legal claims totaling $1.7 million in relation to certain construction projects. In agreement with the Company's legal advisors, Management concludes that it is not possible, at this stage to estimate the Company's chances of success or the likely amount of settlement, if any.

21. Internal Control over Financial Reporting and Disclosure Controls and Procedures

Our Chief Executive Officer and VP Finance are responsible for establishing and maintaining the Company's internal control over financial reporting and other financial disclosure and our disclosure controls and procedures. The Company could be adversely impacted if there are deficiencies in disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While Management continues to review the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting, the Company cannot assure the reader that the disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time.

Deficiencies, particularly material weaknesses, in internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our share price, or otherwise materially adversely affect our business, reputation, results of operation, financial condition or liquidity.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and directors of the Company; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the Company’s financial statements. Internal control over other financial disclosure is a process designed to ensure that other financial information included in this MD&A, fairly represents in all material respects the financial condition, results of operations and cash flows of the Company for the periods presented in this MD&A.

The Company’s disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to Management by others, particularly during the period in which the filings are being prepared and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Company’s disclosure controls and procedures includes controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company’s Management, as appropriate to allow timely decisions regarding required disclosure.

Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may change.

For the three and nine months ended September 30, 2023, there has been no change in the Company’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting. Management has concluded that there are no material weaknesses in the Company’s internal controls over financial reporting as at September 30, 2023.

22. Exposure to Market Risks and Ways of Managing Them

Currency risk: The Company's performance is impacted by foreign currency fluctuations, notably of the Canadian dollar relative to the United States dollar. The Company faces large exposure to the Canadian/US dollar exchange rate since the Company has significant operations and assets in the United States and reports its results in Canadian dollars (see below). As of September 30, 2023 (compared to September 30, 2022), the Canadian dollar appreciated by 1.38% compared to the US dollar. For more information regarding the influence of the foreign exchange rate on Company's equity, see notes 2(c) in the consolidated financial statements for the period ended September 30, 2023.

In September 2017, the Company issued Series B Bonds denominated in USD, which provides a natural hedge to the Company's equity investment in the acquisition of 13 Marriott Courtyard hotels in the United States. For more information, see note 13 to the consolidated annual financial statements for the year ended December 31, 2022.

Management holds regular discussions on the exposure to various market risks, including changes in exchange rates. The Company's policy is to maintain a correlation between the currency in which the assets are acquired and the currency of the loans the Company takes to finance those assets, in order to maintain equity in that currency. For the nine months ended September 30, 2023, the Company's US operations contributed approximately 100% of consolidated revenue. The Company does not purchase financial instruments that hedge the USD/CAD currency rate risk. Exchange rate risk is minimized by borrowing in US dollars for properties in the United States.

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

23. Risk Factors

Our hospitality operations, real estate development projects, vacation club, and financial results are subject to various risks and uncertainties that could adversely affect our prospects, financial results, financial condition and cash flow. In addition to the other information presented in this MD&A, the following risks should be given special consideration as part of any investment decision in the Company's securities.

Investors should carefully consider all of the information disclosed in this MD&A prior to investing in the securities of the Company. There are certain risks inherent in an investment in the securities of Skyline and in the activities of Skyline, including our hospitality operations, real estate development projects, vacation club, and those set out below and in Skyline's materials filed with Israeli and Canadian securities regulatory authorities from time to time, including Skyline's most recently filed Annual Information Form, which are available under the Company's profile on MAGNA at www.magna.isa.gov.il and/or SEDAR at www.sedarplus.ca. Current and prospective holders of securities of Skyline should carefully consider such risk factors.

If any of the following or other risks occurs, Skyline's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the trading price of the securities of Skyline could decline and investors could lose all or part of their investment in such securities, and the future ability of Skyline to make distributions to shareholders could be adversely affected. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

Our industry is sensitive to weakness in general economic conditions and risks associated with the overall travel, leisure, and recreational community industries.

Weak economic conditions in Canada and the United States, including high unemployment, erosion of consumer confidence, and the availability and cost of debt, may potentially have negative effects on the travel and leisure industry, the recreational community development industry, and on our results of operations. An economic downturn could negatively impact consumer spending on vacation real estate and at our hospitality outlets. We cannot predict how economic trends will worsen or improve our future operating results. The actual or perceived fear of weakness in the economy could also lead to decreased spending by our guests. We may not be able to increase the price of our offerings commensurate with our costs.

Variations in the timing of peak periods, holidays and weekends may affect the comparability of our results of operations.

Depending on how peak periods, school breaks, holidays and weekends fall on the calendar year, in any given year we may have more or less peak periods, holidays and weekends in each fiscal quarter compared to prior years, with a corresponding difference in adjacent fiscal quarters. These differences can result in material differences in our quarterly results of operations and affect the comparability of our results of operations.

We are vulnerable to the risk of unfavorable weather conditions and the impact of natural disasters.

Our ability to attract guests to our resorts is influenced by weather conditions such as rain in the summer and the amount and timing of snowfall during the ski season. Unfavorable weather conditions can adversely affect visits and our revenue and profits. Unseasonably cold or warm weather may influence the momentum and success of the high seasons at our resorts. Unfavorable weather conditions can adversely affect our resorts and lodging properties as guests tend to delay or postpone vacations if conditions differ from those that typically prevail at such resorts for a given season. There is no way for us to predict future weather patterns or the impact that weather patterns may have on our results of operations or visitation.

Climate change may adversely impact our results of operations.

There is a growing political and scientific consensus that emissions of greenhouse gases continue to alter the composition of the global atmosphere in ways that are affecting and are expected to continue affecting the global climate. The effects of climate change, including any impact of global warming, could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Warmer overall temperatures and other effects of climate change may adversely affect skier and summer visits and our revenue and profits. In addition, a steady increase in global temperatures could shorten the ski season. Changes to the amount of snowfall and differences in weather patterns may increase our snowmaking expense, inhibit our snowmaking capabilities and negatively impact skier perceptions of the ski season.

The high fixed cost structure of our business can result in significantly lower margins if visitation to our hotels and resorts declines.

Our profitability is highly dependent on visitation. However, the cost structure of our business has significant components that cannot be eliminated when visits decline, including costs related to utilities, information technology, insurance, year-round employees and equipment. The occurrence of other risk factors discussed herein could adversely affect visitation at our resorts and we may not be able to reduce fixed costs at the same rate as declining revenues.

We face significant competition.

The hotel, resort, lodging, and real estate development industries are highly competitive. Our competitors may have access to greater financial, marketing and other resources and may have access to financing on more attractive terms than us. As a result, they may be able to devote more resources to improving and marketing their offerings or more readily take advantage of acquisitions or other opportunities.

Our real estate development projects rely on municipal approvals and adequate infrastructure.

Our real estate development projects require adequate municipal services for sewage treatment, potable water supply, fire flow, and road access. There are risks associated with insufficient capacities, particularly in rural areas, resulting in costly delays and expensive upgrades to sewage treatment plants, pumping stations, water wells, water storage towers, and road intersection improvements.

Timely municipal approvals for Official Plan Amendments, Zoning By-law Amendments, Plans of Subdivisions, Consents for Severance, Site Plan Approvals, Minor Variances to the Zoning By-law, and Building Permits not only depend on adequate municipal services but also on political support. There are considerable risks in being subjected to lengthy appeals procedures initiated either by us, in the absence of required approvals, or by existing residents opposed to our developments.

Our business is capital intensive and dependent on the availability of cash flows and credit facilities.

We must regularly expend capital to construct, maintain and renovate our properties in order to remain competitive, maintain the value and brand standards of our properties and comply with applicable laws and regulations. We cannot always predict where capital will need to be expended in any fiscal year and capital expenditures can increase due to forces beyond our control. Further, we cannot be certain that we will have enough capital or that we will be able to raise capital by issuing equity or debt securities or through other financing methods on reasonable terms, if at all, to execute our business plan. A lack of available funds for capital expenditures could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Our ability to fund expenditures will depend on our ability to generate sufficient cash flow from operations and/or to borrow from third parties. We cannot provide assurances that our operations will be able to generate sufficient cash flow to fund such costs, or that we will be able to obtain sufficient financing on adequate terms, or at all. In addition, there can be no assurances that future real estate development projects can be self-funded with cash available on hand, through advance pre-sale deposits or through third party real estate financing. Our ability to generate cash flow and to obtain third-party financing will depend upon many factors, including: our future operating performance; general economic conditions and economic conditions affecting the resort industry, the general capital markets; competition; legislative and regulatory matters affecting our operations and business; and our ability to meet our presales targets on our vertical real estate development projects. Any inability to generate sufficient cash flows from operations or to obtain adequate third-party financing could cause us to delay or abandon certain projects and/or plans.

Further, the ability to enter into a revolving corporate credit facility on reasonable economic terms, may adversely affect our ability to obtain the additional financing necessary to acquire additional vacation ownership inventory. The ability to provide consumer financing for vacation ownership customers may impact the results from operations and cash flow.

Our operations and development activities are subject to extensive laws, rules, regulations and policies administered by various federal, provincial, state, regional, municipal and other governmental authorities.

Our operations are subject to a variety of federal, state, provincial, regional and local laws and regulations, including those relating to lift operations, emissions to the air, discharges to water, storage, treatment and disposal of fuel and wastes, land use, remediation of contaminated sites and protection of the environment, natural resources and wildlife. We are also subject to worker health and safety laws and regulations. From time to time our operations are subject to inspections by environmental regulators and other regulatory agencies. While regulatory approvals provide a significant barrier to new entrants in our industry, such approvals may be time consuming and consume considerable capital and manpower resources. Our efforts to comply with applicable laws and regulations do not eliminate the risk that we may be held liable for breaches of these laws and regulations, which may result in fines and penalties or subject us to claims for damages. Liability for any fines, penalties, damages or remediation costs, or changes in applicable laws or regulations, could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

We are subject to environmental laws and regulations in the ordinary course of business.

Our operations are subject to a variety of federal, provincial, state and local environmental laws and regulations including those relating to emissions to the air, discharges to water, storage, treatment and disposal of wastes, land use, remediation of contaminated sites and protection of natural resources such as wetlands. Our facilities are subject to risks associated with mold and other indoor building contaminants. From time to time our operations are subject to inspections by environmental regulators and other regulatory agencies. We are also subject to worker health and safety requirements. We believe our operations are in substantial compliance with applicable material environmental, health and safety requirements. We believe our operations are in substantial compliance with applicable material environmental, health and safety requirements. However, our efforts to comply do not eliminate the risk that we may be held liable, incur fines or be subject to claims for damages, and that the amount of any liability, fines, damages or remediation costs may be material for, among other things, the presence or release of regulated materials at, on or emanating from properties we now or formerly owned or operated, newly discovered environmental impacts or contamination at or from any of our properties, or changes in environmental laws and regulations or their enforcement.

We rely on information technology to operate our businesses and maintain our competitiveness, and any failure to adapt to technological developments or industry trends could harm our business.

We depend on the use of sophisticated information technology and systems, including technology and systems used for central reservations, point of sale, procurement, administration and technologies we make available to our guests. We must continuously improve and upgrade our systems and infrastructure to offer enhanced products, services, features and functionality, while maintaining the reliability and integrity of our systems and infrastructure. Our future success also depends on our ability to adapt our infrastructure to meet rapidly evolving consumer trends and demands and to respond to competitive service and product offerings.

In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner. Delays or difficulties in implementing new or enhanced systems may keep us from achieving the desired results in a timely manner, to the extent anticipated, or at all. Any interruptions, outages or delays in our systems, or deterioration in their performance, could impair our ability to process transactions and could decrease our quality of service that we offer to our guests. Also, we may be unable to devote financial resources to new technologies and systems in the future. If any of these events occur, our business and financial performance could suffer.

We are subject to litigation in the ordinary course of business.

We are, from time to time, subject to various asserted or un-asserted legal proceedings and claims. Any such claims, regardless of merit, could be time consuming and expensive to defend and could divert Management’s attention and resources. While we believe we have adequate insurance coverage and/or accrue for loss contingencies for all known matters that are probable and can be reasonably estimated, we cannot assure that the outcome of all current or future litigation will not have a material adverse effect on us and our results of operations.

Our business depends on the quality and reputation of our brands, and any deterioration in the quality or reputation of these brands could have an adverse impact on our business.

A negative public image or other adverse events could affect the reputation of one or more of our ski resorts, other destination resorts, hotel properties and other businesses or more generally impact the reputation of our brands. If the reputation or perceived quality of our brands declines, our market share, reputation, business, financial condition or results of operations could be adversely impacted. The unauthorized use of our trademarks could also diminish the value of our brands and their market acceptance, competitive advantages or goodwill, which could adversely affect our business.

If we do not retain our key personnel, our business may suffer.

The success of our business is heavily dependent on the leadership of key management personnel, including our senior executive officers. If any of these persons were to leave, it could be difficult to replace them, and our business could be harmed.

We are subject to risks associated with our workforce.

We are subject to various federal, state and provincial laws governing matters such as minimum wage requirements, overtime compensation and other working conditions, citizenship requirements, discrimination and family and medical leave. Our operations in Canada are also subject to laws that may require us to make severance or other payments to employees upon their termination. Immigration law reform could also impact our workforce because we recruit and hire foreign nationals as part of our seasonal workforce. We have a significant workforce due to our vast operations and if our labor-related expenses increase, our operating expenses could increase and our business, financial condition and results of operations could be harmed.

From time to time, we have also experienced non-union employees attempting to unionize. While only a small portion of our employees are unionized at present, we may experience additional union activity in the future. In addition, future legislation could make it easier for unions to organize and obtain collectively bargained benefits, which could increase our operating expenses and negatively affect our business, prospects, financial condition, results of operations and cash flows.

Our acquisitions or future acquisitions might not be successful.

We have acquired certain resorts, hotel properties and destination resort community development assets. Acquisitions are complex to evaluate, execute and integrate. We cannot assure you that we will be able to accurately evaluate or successfully integrate and manage acquired ski resorts, properties and businesses and increase our profits from these operations. We continually evaluate potential acquisitions and intend to actively pursue acquisition opportunities, some of which could be significant. As a result, we face various risks from acquisitions, including: our evaluation of the synergies and/or long-term benefits of an acquired business; our inability to integrate acquired businesses into our operations as planned; diversion of our management's attention; potential increased debt leverage; litigation arising from acquisition activity; and unanticipated problems or liabilities.

In addition, we run the risk that any new acquisitions may fail to perform in accordance with expectations, and that estimates of the costs of improvements for such properties may prove inaccurate.

We are subject to risks related to currency fluctuations.

We present our financial statements in Canadian dollars. To create a natural hedge, we have sourced debt in United States dollars for the Hyatt Regency Cleveland hotel, the Renaissance Hotel in Cleveland Ohio, and the Marriot Hotels. However, a significant fluctuation in the Canada/US exchange rate could impact our net income after tax that is reported in Canadian dollars. Currency variations can also contribute to variations in sales at our hotels and resorts from Canadian residents travelling to the United States.

We borrowed through the capital markets in Israel, denominated in Israeli Shekels, with a linkage on cap $62 million dollars of our Series B Bonds to US dollars. For further information, see Bonds B above.

Certain circumstances may exist whereby our insurance coverage may not cover all possible losses and we may not be able to renew our insurance policies on favorable terms, or at all.

Although we maintain various property and casualty insurance policies and undertake safety and loss prevention programs to address certain risks, our insurance policies do not cover all types of losses and liabilities and in some cases may not be sufficient to cover the ultimate cost of claims which exceed policy limits. If we are held liable for amounts exceeding the limits of our insurance coverage or for claims outside the scope of our coverage, our business, prospects, financial condition, results of operations and cash flows could be materially adversely affected.

In addition, we may not be able to renew our current insurance policies on favorable terms, or at all. Our ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected if we or other companies within or outside our industry sustain significant losses or make significant insurance claims.

We are subject to accounting regulations and use certain accounting estimates and judgments that may differ significantly from actual results.

Implementation of existing and future legislation, rulings, standards and interpretations from the International Accounting Standards Board or other regulatory bodies could affect the presentation of our financial statements and related disclosures. Future regulatory requirements could significantly change our current accounting practices and disclosures. Such changes in the presentation of our financial statements and related disclosures could change an investor's interpretation or perception of our financial position and results of operations.

We may not be able to fully utilize our tax loss carry-forwards.

As at September 30, 2023, we believe we will have non-capital loss carry-forwards of approximately $91 million for Canadian and US federal, provincial and state income tax purposes. To the extent available, we intend to use these net operating loss carry-forwards to offset future taxable income associated with our operations, as well as the Freed Transaction. There can be no assurance that we will generate sufficient taxable income in the carry-forward period to utilize any remaining loss carry-forwards before they expire.

Our stock price can be volatile.

The market price of our stock is highly volatile and subject to wide fluctuations in response to factors such as quarterly variations in our operating results, which is beyond our control. We are listed on the Stock Exchange and are subject to the capital markets in the State of Israel. Events beyond our control that take place in the State of Israel may negatively affect our stock price.

An active trading market for our common shares may not be sustained.

Although our common shares are listed on the Stock Exchange, an active trading market for our common shares may not be sustained. Accordingly, if an active trading market for our common shares is not maintained, the liquidity of our common shares, your ability to sell your common shares when desired and the prices that you may obtain for your common shares will be adversely affected.

We cannot provide assurance that we will pay dividends.

Any declaration and payment of future dividends to holders of our common stock will be at the discretion of our Board in accordance with applicable law after taking into account various factors, including our financial condition, our operating results, our current and anticipated cash needs, the impact on our effective tax rate, our indebtedness, legal requirements and other factors that our Board deems relevant. Our debt agreements limit our ability to pay dividends.

Because we are a holding company, our ability to pay cash dividends on our common shares will depend on the receipt of dividends or other distributions from our subsidiaries. Until such time that we pay a dividend, our investors must rely on sales of their common shares after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

Our indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations.

Our level of indebtedness could have important consequences. For example, it could: make it more difficult for us to satisfy our obligations; increase our vulnerability to general adverse economic and industry conditions; require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, real estate developments, marketing efforts and other general corporate purposes; limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; place us at a competitive disadvantage compared to our competitors that have less debt; and limit our ability to borrow additional funds.

Fluctuations in interest rates could negatively affect our business.

Fluctuations to available interest rates as a result of changes to the inflation rate or other factors may negatively impact the business, results of operations and financial position of the Company, as interest rate expense represents a significant cost in the ownership of real estate properties. As well, in a rising interest rate environment, the cost of acquiring, financing, developing and renovating properties also increases. Upward pressure on capitalization rates impacts the availability of accretive target acquisitions and may also have a potential adverse impact on the value of the Company's assets. In an attempt to combat recent inflation through cooling demand, the Federal Reserve began increasing the Federal Funds Effective Rate in the first quarter of 2022, with its most recent increase announced on July 26, 2023; rates were held constant at the November 01, 2023 meeting of the Federal Reserve. A continued increase in interest rates may also result in a significant increase in the amount paid by the Company to service debt, which could in turn adversely affect the Company's financial condition and results of operations. The Company has available a variety of financial strategies to protect against rising interest rates and inflationary pressures. Specifically, the Company may enter into interest rate swaps, interest rate caps and other hedging measures – the Company entered into one such interest rate cap on its largest USD denominated loan in November 2022. While the Company's portfolio and strong and stable hospitality business base provide the Company with an ability to be flexible to navigate these volatile economic conditions, there can be no assurance regarding the impact of a significant economic contraction or recession on the business, results of operations and financial position of the Company.

Our business is sensitive to rising travel costs.

Many of our guests travel by vehicle and higher gasoline prices may make travel more expensive and impact the number of guests that visit our properties. As a result, occupancy rates of our hotels and resorts may be negatively impacted, which would impact the Company's revenues.

Our business is sensitive to changes in the real estate industry.

Decreased demand for retail space, decreased rental fees, decreased ability for tenants to meet payment obligations, increased financing costs and improvements at competitive resorts may negatively impact the Company's operations.

The cost of contractors may impact our future projects.

The cost of employing contractors for the Company's projects impacts the Company's profitability. The Company could also be impacted by changes in the cost of raw materials and labour, shortages of raw materials and labour and strikes for unionized labour.

We are subject to certain legal and regulatory matters in Israel that may affect the Company.

The Company is subject to the regulations and requirements of Israeli Securities Law and Israeli Companies Law. It is possible that the Company will be subject to any changes in Israeli law and regulatory requirements and the possible imposition of requirements from time to time by regulators and Stock Exchange authorities in Israel.

The Company is subject to maintaining certain financial conditions.

The Deed of Trust that governs the outstanding bonds (Series B) requires the Company to maintain certain financial conditions which may limit the Company's ability to incur additional indebtedness or raise additional equity. These restrictions may limit the Company's ability to take advantage of business opportunities as they arise. More importantly, the Company's ability to comply with the covenants may be affected by changes in economic or business conditions or other events beyond its control. A breach of these covenants by the Company and a corresponding default under the deed of trust in circumstances may result in the aggregate amount of the principal and interest on the Series B Bonds becoming due and payable by the Company or the exercise of collateral. The Company's ability to make accelerated payments will be dependent upon its cash resources at the time, its ability to generate sufficient revenue and its access to alternative sources of funds. Accordingly, the Company's inability to comply with the financial conditions could have a materially adverse effect on the Company's financial condition.

Additional issuance of securities by the Company may dilute existing security holders, reduce some or all of the Company's financial measures on a per share basis, reduce the trading price of the Common Shares or other the Company securities or impede the Company's ability to raise future capital.

The Company may issue additional securities in the future in connection with acquisitions, strategic transactions, financing or for other purposes. To the extent additional securities are issued, the Company's existing security holders could be diluted and some or all of the Company's financial measures could be reduced on a per share basis. Additionally, the Company's securities issued in connection with a transaction may not be subject to resale restrictions and, as such, the market price of the Company's securities may decline if certain large holders of the Company's securities or recipients of the Company's securities in connection with an acquisition, sell all or a significant portion of such securities or are perceived by the market as intending to sell such securities. In addition, such issuances of securities may impede the Company's ability to raise capital through the sale of additional equity securities in the future.

The Company's business is subject to evolving corporate governance and public disclosure regulations that have increased both the Company's compliance costs and the risk of noncompliance, which could have an adverse effect on the price of the Company's securities.

The Company is subject to changing rules and regulations promulgated by a number of Israeli and Canadian governmental and self-regulated organizations, including the Stock Exchange and the Canadian Securities Administrators. These rules and regulations continue to evolve in scope and complexity, making compliance more difficult and uncertain. Further, the Company's efforts to comply with such rules and regulations, and other new rules and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of Management time and attention from revenue-generating activities to compliance activities.

Certain of the Company's directors and officers serve in similar positions with other public companies, which could put them in a conflict position from time to time.

Certain of the directors and officers of the Company also serve as directors or officers of, or have significant shareholdings in, other companies, and, to the extent that such other companies may engage in transactions or participate in the same ventures in which the Company participates, or in transactions or ventures in which the Company may seek to participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such conflicts of the directors and officers may result in a material and adverse effect on the Company's profitability, results of operations, financial condition and the trading price of the Company's securities.

For further information about the Company, please visit the Company's website at www.skylineinvestments.com or SEDAR at www.sedarplus.ca or Israeli Securities regulators www.magna.isa.gov.il.

November 24, 2023