SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended September 30, 2024 (Unaudited)

Contents

Deloitte.

A Review Report of the Independent Auditor to the shareholders of

Skyline Investments Inc.

Introduction

We have reviewed the accompanying financial information of **Skyline Investments Inc.** and consolidated companies (hereafter- "the Company") which includes the condensed consolidated statement of financial position as of September 30, 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of nine and three months ended on that date. The Board of Directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

Emphasis of matter

Without qualifying our conclusion above, we draw attention to Note 1b of the condensed consolidated financial statements which details, among other, Company's obligations and plans to repay the obligations when they become due, including the shareholder loans payable in April 2025 in the amount of approximately CAD 30 million payable in April 2025 and a credit facility in the amount of approximately CAD 27 million payable in September 2025. In the event that the Company's plans for the sale of its assets or VTBs repayments are delayed or unsuccessful, there may be additional funding required for the repayment of the Company's obligations, as well as certain capital expenditures including Property Improvement Plans that may be mandated by the Franchisor for some of the Company's hotels. Based on the Management and the Board of

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Directors analysis of the cash needs and available sources, the company's Board of Directors and Management are of the opinion that the Company will comply with its liabilities in the foreseeable future when they come due.

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

Haifa,
November 21, 2024.

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(in thousands of Canadian Dollars)

Condensed interim consolidated statements of financial position

Condensed interim consolidated statements of financial position as at	Note	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)	December 31, 2023 (Audited)
Assets:				
Current assets				
Cash and cash equivalents		16,507	16,880	57,139
Trade receivables, other receivables and prepayments		8,565	18,017	8,633
Inventories		480	416	405
Real estate inventory		4,992	9,124	9,986
Loans to purchasers		56,663	35,207	2,120
Financial derivative		560	-	2,435
Restricted bank deposits		14,446	12,380	9,959
Disposal group classified as held for sale			27,485	-
		102,213	**119,509**	**90,677**
Non-current assets				
Financial derivative		-	3,992	-
Investment properties	5	13,981	13,976	13,769
Property, plant and equipment	6	286,411	418,044	436,878
Loans to purchasers		31,568	44,442	80,863
Other non-current assets		889	2,823	2,801
Other investments measured at fair value through profit or loss		-	30,000	-
Restricted bank deposits		12,643	16,427	15,909
		345,492	**59,704**	**550,220**
Total assets		**447,705**	**649,213**	**640,897**
Liabilities and equity:				
Current liabilities				
Loans and leases payable	7	77,015	10,183	10,092
Bonds		-	52,877	52,037
Trade payables		7,724	5,402	6,620
Other payables and accruals		26,768	56,951	38,030
Deferred revenue		3,017	1,781	1,206
Income taxes payable		-	100	1,793
Disposal group classified as held for sale		-	8,583	-
		114,524	**135,877**	**109,778**
Non-current liabilities				
Loans and leases payable	7	118,420	216,721	248,699
Bonds		-	-	-
Other liabilities		6,100	2,540	5,966
Deferred tax		648	10,338	9,759
		125,168	**229,599**	**264,424**
Total liabilities		**239,692**	**365,476**	**374,202**
Equity				
Equity attributable to shareholders of the Company		180,150	250,360	234,959
Non-controlling interest		27,863	33,377	31,736
Total equity		**208,013**	**283,737**	**266,695**
Total liabilities and equity		**447,705**	**649,213**	**640,897**

On behalf of the board of directors:

"Shimshon Marfogel"	*"Blake Lyon"*	*"Neha Kapelus"*	November 21, 2024
Shimshon Marfogel	Blake Lyon	Neha Kapelus	Date
Chairman	CEO	CFO	

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

(in thousands of Canadian Dollars, except for per share amounts)

Condensed interim consolidated statements of income (loss)

Condensed interim consolidated statements of income (loss)	Note	Nine months ended September 30, 2024 (Unaudited)	Nine months ended September 30, 2023 (Unaudited)	Three months ended September 30, 2024 (Unaudited)	Three months ended September 30, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Revenue						
Income from hotels and resorts	8	91,721	96,566	36,427	29,719	121,335
Sale of residential real estate	11(i)	4,281	4	-	-	4
Total revenue		96,002	96,570	36,427	29,719	121,339
Expenses and costs						
Operating expenses from hotels and resorts		(78,981)	(82,204)	(30,680)	(25,726)	(107,278)
Cost of sales of residential real estate	11(i)	(6,192)	(24)	(747)	(2)	(28)
Total expenses and costs		(85,173)	(82,228)	(31,427)	(25,728)	(107,306)
Gross profit		**10,829**	**14,342**	**5,000**	**3,991**	**14,033**
Real estate selling and marketing expenses		-	-	-	-	-
Administrative and general expenses		(6,883)	(6,676)	(3,375)	(2,260)	(9,035)
Operating income (loss) before depreciation, valuation adjustments and other income		**3,946**	**7,666**	**1,625**	**1,731**	**4,998**
Impairment of real estate properties and other assets		(1,237)	(234)	(1,237)	666	(234)
Depreciation		(14,881)	(11,280)	(8,128)	(3,682)	(14,579)
Gain from fair value adjustments of investment properties		-	945	-	(68)	945
Gain (loss) from fair value adjustments of financial instruments, net		-	(6,880)	-	(2,700)	(6,880)
Gain (loss) on sale and other capital gains (losses), net		(17,364)	1,057	(17,364)	1,057	(282)
Other expenses		94	(3,140)	39	-	(3,141)
Net income (loss) from operations		**(29,442)**	**(11,866)**	**(25,065)**	**(2,996)**	**(19,173)**
Financial expense	9	(29,881)	(28,341)	(11,220)	(13,435)	(38,695)
Financial income		4,471	3,571	1,261	1,192	5,072
Net loss before income taxes		**(54,852)**	**(36,636)**	**(35,024)**	**(15,239)**	**(52,796)**
Income tax recovery	10	4,986	5,535	1,653	3,494	4,502
Net loss for the year		**(49,866)**	**(31,101)**	**(33,371)**	**(11,745)**	**(48,294)**
Attributable to:						
Shareholders of the Company		(43,914)	(25,618)	(30,922)	(9,588)	(40,303)
Non-controlling interest		(5,952)	(5,483)	(2,449)	(2,157)	(7,991)
Net loss for the year		(49,866)	(31,101)	(33,371)	(11,745)	(48,294)
Net loss per share:						
Basic		(2.66)	(1.55)	(1.87)	(0.58)	(2.44)
Diluted		(2.66)	(1.55)	(1.87)	(0.58)	(2.44)

(in thousands of Canadian Dollars)

Condensed interim consolidated statements of comprehensive income

Condensed interim consolidated statements of comprehensive income (loss) for the	Nine months ended September 30, 2024 (Unaudited)	Nine months ended September 30, 2023 (Unaudited)	Three months ended September 30, 2024 (Unaudited)	Three months ended September 30, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Net loss for the year	**(49,866)**	**(31,101)**	**(33,371)**	**(11,745)**	**(48,294)**
Other comprehensive income (loss):					
Items that will not be reclassified subsequently to net income (loss):					
Revaluation of property, plant and equipment, before income taxes	(17,047)	(12,883)	(260)	(9,095)	(8,927)
Income taxes	3,895	1,738	371	773	1,424
Net loss from revaluation of property, plant and equipment	(13,152)	(11,145)	111	(8,322)	(7,503)
Items that will or may be reclassified subsequently to net income (loss):					
Foreign exchange differences on translation of foreign operations	2,815	(168)	(3,042)	4,540	(3,832)
Other comprehensive loss for the year net of income tax	(10,337)	(11,313)	(2,931)	(3,782)	(11,335)
Total comprehensive loss for the year, net of income tax	**(60,203)**	**(42,414)**	**(36,302)**	**(15,527)**	**(59,629)**
Attributable to:					
Shareholders of the Company	(54,981)	(30,107)	(34,803)	(8,244)	(45,510)
Non-controlling interest	(5,222)	(12,307)	(1,499)	(7,283)	(14,119)
Total comprehensive income loss for the year, net of income tax	**(60,203)**	**(42,414)**	**(36,302)**	**(15,527)**	**(59,629)**

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

(in thousands of Canadian Dollars)

Condensed interim consolidated statements of changes in equity

Condensed interim consolidated statements of changes in equity	**Share capital and premium**	**Related party surplus**	**Treasury shares**	**Revaluation surplus**	**Share based compensation surplus**	**Foreign exchange translation**	**Retained earnings**	**Attributable to shareholders of the Company**	**Non-controlling interest**	**Total Equity**
For the nine months ended September 30, 2024 (Unaudited):										
Balance at the beginning of the period	80,188	125	(433)	42,074	396	9,238	103,371	234,959	31,736	266,695
Net loss for the period	-	-	-	-	-	-	(43,914)	(43,914)	(5,952)	(49,866)
Other comprehensive income (loss) for the period	-	-	-	(13,181)	-	2,114	-	(11,067)	730	(10,337)
Total comprehensive income (loss) for the period	-	-	-	(13,181)	-	2,114	(43,914)	(54,981)	(5,222)	(60,203)
Transfer upon recognition of depreciation	-	-	-	(579)	-	-	579	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	1,349	1,349
Receipt of a benefit from shareholders - see note 11(c)	-	172	-	-	-	-	-	172	-	172
Balance at the end of the period	**80,188**	**297**	**(433)**	**28,314**	**396**	**11,352**	**60,036**	**180,150**	**27,863**	**208,013**
For the nine months ended September 30, 2023 (Unaudited):										
Balance at the beginning of the period	79,867	125	(433)	45,166	706	12,453	142,574	280,458	35,508	315,966
Net loss for the period	-	-	-	-	-	-	(25,618)	(25,618)	(5,483)	(31,101)
Other comprehensive loss for the period	-	-	-	(4,374)	-	(115)	-	(4,489)	(6,824)	(11,313)
Total comprehensive loss for the period	-	-	-	(4,374)	-	(115)	(25,618)	(30,107)	(12,307)	(42,414)
Transfer upon recognition of depreciation	-	-	-	(876)	-	-	876	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	10,176	10,176
Recognition of share-based payment	-	-	-	-	9	-	-	9	-	9
Transfer upon expiration	321	-	-	-	(321)	-	-	-	-	-
Balance at the end of the period	**80,188**	**125**	**(433)**	**39,916**	**394**	**12,338**	**117,832**	**250,360**	**33,377**	**283,737**

Condensed interim consolidated statements of changes in equity
(in thousands of Canadian Dollars)

Condensed interim consolidated statements of changes in equity	Share capital and premium	Related party surplus	Treasury shares	Revaluation surplus	Share based compensation surplus	Foreign exchange translation	Retained earnings	Attributable to shareholders of the Company	Non-controlling interest	Total Equity
For the three months ended September 30, 2024 (Unaudited):										
Balance at the beginning of the period	80,188	297	(433)	29,722	396	13,977	90,806	214,953	29,362	244,315
Net loss for the period	-	-	-	-	-	-	(30,922)	(30,922)	(2,449)	(33,371)
Other comprehensive income (loss) for the period	-	-	-	(1,256)	-	(2,625)		(3,881)	950	(2,931)
Total comprehensive income (loss) for the period	-	-	-	(1,256)	-	(2,625)	(30,922)	(34,803)	(1,499)	(36,302)
Transfer upon recognition of depreciation	-	-	-	(152)	-	-	152	-	-	-
Balance at the end of the period	**80,188**	**297**	**(433)**	**28,314**	**396**	**11,352**	**60,036**	**180,150**	**27,863**	**208,013**
For the three months ended September 30, 2023 (Unaudited):										
Balance at the beginning of the period	80,188	125	(433)	42,782	391	8,377	127,171	258,601	36,468	295,069
Net loss for the period	-	-	-	-	-	-	(9,588)	(9,588)	(2,157)	(11,745)
Other comprehensive loss for the period	-	-	-	(2,617)	-	3,961	-	1,344	(5,126)	(3,782)
Total comprehensive loss for the period	-	-	-	(2,617)	-	3,961	(9,588)	(8,244)	(7,283)	(15,527)
Transfer upon recognition of depreciation	-	-	-	(249)	-	-	249	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	4,192	4,192
Recognition of share-based payment	-	-	-	-	3	-	-	3	-	3
Balance at the end of the period	**80,188**	**125**	**(433)**	**39,916**	**394**	**12,338**	**117,832**	**250,360**	**33,377**	**283,737**
For the year ended December 31, 2023 (Audited):										
Balance at the beginning of the year	79,867	125	(433)	45,166	706	12,453	142,574	280,458	35,508	315,966
Net loss for the year	-	-	-	-	-	-	(40,303)	(40,303)	(7,991)	(48,294)
Other comprehensive loss for the year	-	-	-	(1,992)	-	(3,215)	-	(5,207)	(6,128)	(11,335)
Total comprehensive loss for the year	-	-	-	(1,992)	-	(3,215)	(40,303)	(45,510)	(14,119)	(59,629)
Transfer upon recognition of depreciation	-	-	-	(1,100)	-	-	1,100	-	-	-
Distribution to non-controlling shareholders	-	-	-	-	-	-	-	-	10,347	10,347
Recognition of share-based payment	-	-	-	-	11	-	-	11	-	11
Transfer upon expiration	321	-	-	-	(321)	-	-	-	-	-
Balance at the end of the year	**80,188**	**125**	**(433)**	**42,074**	**396**	**9,238**	**103,371**	**234,959**	**31,736**	**266,695**

(in thousands of Canadian Dollars)

Condensed interim consolidated statements of cash flows

Condensed interim consolidated statements of cash flows	Nine months ended September 30, 2024 (Unaudited)	Nine months ended September 30, 2023 (Unaudited)	Three months ended September 30, 2024 (Unaudited)	Three months ended September 30, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Operating activities:					
Net loss for the year	(49,866)	(31,101)	(33,371)	(11,745)	(48,294)
Adjustments for:					
Depreciation and amortization	20,020	13,028	12,201	3,465	17,128
Gain from fair value adjustments on investment properties and financial instruments	-	5,935	-	2,768	5,935
Loss (gain) on sale of investment and other property	17,364	2,907	17,364	(1,057)	3,578
Financing costs from bonds including foreign exchange	1,038	(396)	-	502	(285)
Financing expense on (income from) financial derivative	1,938	178	592	519	1,649
Finance costs from shareholders' loan	1,189	-	973	-	-
Deferred tax, net	(5,432)	(5,228)	(1,706)	(3,314)	(5,962)
Share based compensation	-	9	-	3	11
Changes in non-cash working capital:					
Trade receivables, other receivables, prepayments and others	(2,158)	10,027	4,157	6,012	12,296
Inventories	(67)	418	135	56	420
Real estate inventory	4,994	(2,490)	228	(857)	(3,352)
Trade and other payables and credit balances	1,028	2,176	(5,280)	322	6,739
Income taxes	(440)	988	(287)	675	2,687
Cash used in operating activities	(10,392)	(3,549)	(4,994)	(2,651)	(7,450)
Investing activities:					
Additions to investment properties	(21)	-	-	-	-
Release from (Investment in) restricted deposit	(786)	(16,938)	(3,424)	(13,989)	(14,511)
Additions to property, plant and equipment	(31,774)	(35,718)	(4,911)	(17,474)	(82,351)
Income taxes paid	(1,724)	-	-	-	-
Proceeds of loans given to purchasers	-	-	-	-	41,489
Net proceeds from sale of disposal group	-	-	-	-	10,027
Proceeds from sale of property, plant and equipment	131,337	1,300	131,337	1,300	1,300
Cash used in investing activities	97,032	(51,356)	123,002	(30,163)	(44,046)
Financing activities:					
Bank credit and other short-term loans	25,791	7,596	27,166	5,994	7,507
Repayment of bonds	(54,825)	(4,035)	-	(1,996)	(4,033)
Issuance of bonds	-	10,464	-	10,464	10,464
Proceeds from long term loans	15,690	51,615	2,464	18,498	88,593
Repayments of long-term loans and capital leases	(144,320)	(23,556)	(143,842)	(1,299)	(23,785)
Receipt of a benefit from shareholders	172	-	-	-	-
Proceeds on loans payable to shareholders	30,018	-	-	-	-
Contribution from non-controlling shareholders, net	1,349	10,176	-	4,192	10,347
Cash provided by financing activities	(126,125)	52,260	(114,212)	35,853	89,093
Foreign exchange translation of cash balances	(1,147)	22	(1,384)	149	39
Net increase (decrease) in cash and cash equivalents	**(40,632)**	(2,623)	2,412	3,188	37,636
Cash and cash equivalents at beginning of year	57,139	19,503	14,095	13,692	19,503
Cash and cash equivalents at end of year	**16,507**	**16,880**	**16,507**	**16,880**	**57,139**

(in thousands of Canadian Dollars)

Supplemental cash flow information for the period	Nine months ended September 30, 2024 (Unaudited)	Nine months ended September 30, 2023 (Unaudited)	Three months ended September 30, 2024 (Unaudited)	Three months ended September 30, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Interest paid	17,054	14,688	4,569	4,379	19,523
Interest received	877	1,207	14	276	6,928
Income taxes paid	2,145	(1,278)	(10)	(833)	(981)

Significant non-cash investing and financing activities for the period	Nine months ended September 30, 2024 (Unaudited)	Nine months ended September 30, 2023 (Unaudited)	Three months ended September 30, 2024 (Unaudited)	Three months ended September 30, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Right-of-use assets and lease liabilities	-	149	-	149	149
Loans to purchasers	3,213	-	-	-	38,325
Share capital and premium increase	-	321	-	-	321

Notes to condensed interim consolidated financial statements

1 Nature of operations

(a) Nature of operations

Skyline Investments Inc. (the "Company", the "Group" or "Skyline") was incorporated on December 4, 1998 under the Ontario Business Corporations Act, and its registered office is located at 43 Colborne Street, Suite 300, Toronto, Ontario, Canada.

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada.

As at September 30, 2024, the Company is 52.75% owned by its controlling shareholder, Mishorim Real Estate Investments Ltd (“Mishorim”) and 25.69% owned by The Israel Land Development Co. Ltd (“ILDC”). Both are public companies whose shares are traded on the Tel-Aviv Stock Exchange ("TASE").

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

(b) The Company’s Financial Position

As of September 30, 2024, the Company presents a negative working capital of approximately CAD 12.1 million, mainly due certain loans classified in the short-term liabilities in the approximate amount of CAD 77 million, as below:

- Loans from the Company’s major shareholders, Mishorim Real Estate Investments Ltd. And The Israel Land Development Company Ltd., in the amount of approximately CAD 30 million (NIS 82 million), which are payable in April 2025 (Refer to Note 11(c) for further detail).
- A credit facility in the amount of CAD 27 million (USD 20 million) which is payable in September 2025 (Refer to Note 11(n) for further detail).
- A construction bridge loan in the amount of CAD 10.1 million (USD 7.5 million) which is payable in June 2025, related to the Company’s subsidiary Hotel Cleveland. This loan is expected to be repaid entirely from proceeds expected to be received from the Company’s Historic Tax Credit investor related to the renovation and rehabilitation of the Hotel Cleveland, prior to the loan maturity date.

Smaller loans related to the Company’s Golf Cottages development (CAD 4.6 million), and Port McNicoll assets (CAD 4.3 million, refer to Note 11(k) for further detail).

To fund repayment of these loans, the Company is pursuing several strategies, including receiving scheduled payment on its loans to purchasers, and selling certain properties such as its three remaining Courtyard hotels. For details on the agreement to sell Courtyard Tucson Airport, see Reference 14(b) for events after the balance sheet date.

The Company is scheduled to receive payment on the Freed VTBs in the amount of CAD 55 million in principal and accrued interest on March 31, 2025 (the “Freed Transaction”, see Note 4 in the Company’s Annual Consolidated Financial Statements as at December 31, 2023). As of this date the Company did not identify circumstances that may indicate this VTB will not be paid on time.

In the event that the Company’s plans for the sale of its assets or VTBs repayments are delayed or unsuccessful, there may be additional funding required for the repayment of the Company’s obligations, as well as certain capital expenditures including Property Improvement Plans that may be mandated by the Franchisor for some of the Company’s hotels.

The Company is a guarantor under certain existing loan agreements, where the related guarantor covenants require the Company to maintain a minimum liquidity of CAD 12.5 million.

Based on analyses of Management and the Company’s Board of Directors of the cash needs and available sources the Company expects to meet all of its financial obligations in the foreseeable future when they come due.

2 Material accounting policies

(a) Basis of presentation

The Company has prepared these condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. These policies have been consistently applied to all periods presented. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements. These condensed interim consolidated financial statements should therefore be read in conjunction with the Company's audited annual financial statements for the Year ended December 31, 2023.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on November 21, 2024.

(b) Significant estimates, assumptions, and judgements

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

(c) Amendments to standards and new standards

International Financial Reporting Standard 18 "Presentation and Disclosure in Financial Statements" ("IFRS 18")

On April 9, 2024, IFRS 18 was published, which replaces International Accounting Standard 1 "Presentation of Financial Statements" ("IAS 1"). The purpose of the standard is to improve the way information is communicated by entities to users in their financial statements. The standard focuses on the following areas:

(1) Structure of the profit or loss statement – presentation of defined sub-totals and categorization in the profit or loss statement.
(2) Requirements regarding the improvement of the grouping and disaggregation of information in financial statements and notes.
(3) Display of information regarding management-defined performance measures ("MPM") that are not based on accounting standards (non-GAAP) in the notes to the financial statements.

In addition, when IFRS 18 is implemented, amendments to additional IFRS will come into effect, including International Accounting Standard 7 " Statement of Cash Flows" designed to improve the comparability between entities. The changes mainly include:

- The use of an operating profit sub-total as a sole starting point in implementing the indirect method of reporting cash flows from operating activities

- The elimination of alternatives regarding the accounting policy choice for presenting interest and dividends. As a result, except in certain cases, interest and dividends received will be included within cash flows from investing activities, while interest paid and dividends paid will be included within financing activities.

The standard will take effect for annual reporting periods beginning on or after January 1, 2027. The standard is applied retrospectively, with specific transition provisions. Early adoption is permitted, but according to the decision of the Israel Securities Authority, early adoption will be allowed only for periods beginning on or after January 1, 2025 (for financial statements for the first quarter of 2025).

The Company is assessing the impact of IFRS 18, including the impact of amendments to additional IFRS resulting from its implementation, on the financial statements.

International Financial Reporting Standard 9 "Financial Instruments" ("IFRS 9") and International Financial Reporting Standard 7 "Financial Instruments: Disclosures" ("IFRS 7")

On April 9, 2024, amendments to IFRS 9 and IFRS 7 were published, mainly addressing changes related to the classification and measurement requirements of financial instruments and introducing additional disclosure requirements) ("IFRS 7").

Main amendments to IFRS 9:

(1) Introducing a derecognition option for a financial liability that is settled via an electronic payment system before the settlement date, provided that:
  - The entity has no practical ability to withdraw, stop or cancel the payment instruction;
  - The entity has no practical ability to access the cash to be used for settlement as a result of the payment instruction;
  - The settlement risk associated with the electronic payment system is insignificant.
  - An entity that elects to apply this derecognition option must apply it to all settlements made through the same electronic payment system.

(2) Providing application guidance and illustrative examples on how an entity can assess whether the expected contractual cash flows of a financial asset reflect solely payments of principal and interest for the outstanding principal amount, for classifying the financial asset.
(3) Clarifying that a financial asset has non-recourse features if the entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.
(4) Clarifying the characteristics of contractually linked instruments that distinguish them from other transactions.

Main amendments to IFRS 7:

(1) Updated disclosure requirements for investments in equity instruments designated at FVTOCI.

(in thousands of Canadian Dollars except where otherwise stated)

(2) Introducing additional disclosure requirements for financial instruments that include contractual terms that could change the timing or amount of contractual cash flows upon the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in risks and costs of a basic lending arrangement (such as the time value of money or credit risk).

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, and will be applied retrospectively. Early application is permitted if all the amendments are applied simultaneously or if the amendments applied are related only to the classification of financial assets. An entity is not required to restate prior periods to reflect the application of the amendments, but it may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

Annual improvements to IFRS Accounting Standards (Volume 11):

As part of the annual improvements process, the following amendments were published by the IASB in July 2024:

(1) Narrow-scope wording amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 10 “Consolidated Financial Statements” and IAS 7 “Statement of Cash Flows”.
(2) Amendments to IFRS 9 “Financial Instruments”, which clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9:3.3.3 and recognize any resulting gain or loss in profit or loss. It also clarifies that a receivable should be measured at initial recognition at an amount determined by applying IFRS 15, which might differ from the transaction price.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early application of the amendments is permitted, and if an entity applies the amendments early, it must disclose this fact. The amendment to IFRS 9 regarding extinguished lease liabilities will be applied from the beginning of the annual reporting period in which the entity first applies that amendment.

(d) Foreign currency

See further detail on the foreign currency exchange rates used during the period:

Exchange rates - At balance sheet date as at	September 30, 2024	September 30, 2023	June 30, 2024	June 30, 2023	December 31, 2023
USD / CAD	1.350	1.352	1.369	1.324	1.323
CAD / NIS	2.744	2.843	2.741	2.790	2.739

Exchange rates - Average during the period ended	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Three months ended September 30, 2024	Three months ended September 30, 2023	Year ended December 31, 2023
USD / CAD	1.360	1.346	1.364	1.341	1.350
CAD / NIS	2.721	2.708	2.723	2.790	2.733

Change in rate - During the period ended	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Three months ended September 30, 2024	Three months ended September 30, 2023	Year ended December 31, 2023
USD / CAD	2.1%	(0.2%)	(1.4%)	2.1%	(2.3%)
CAD / NIS	0.2%	9.5%	(0.1%)	1.9%	5.5%

3 Seasonality and other disclosures

The Company’s 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 Courtyard by Marriott hotels. Prior to selling the Bear Valley Ski Resort in November 2023, due to the seasonal nature of the resort, revenues of the resort were typically higher in the winter months, especially due to ski revenue. The operating expenses of these assets are evenly incurred throughout the year, with the exception of certain variable costs such as labor, food and beverage costs, and supplies, among others, which are typically higher during peak season. Please refer to Note 8 for details.

4 Fair value of financial assets and liabilities

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

Financial assets and liabilities at fair value through profit or loss	Fair value as at September 30, 2024	Fair value as at September 30, 2023	Fair value as at Year ended December 31, 2023	Carrying amount as at September 30, 2024	Carrying amount as at September 30, 2023	Carrying amount as at Year ended December 31, 2023
Financial assets						
Loans to purchasers	$87,183	76,759	81,485	88,231	79,649	82,983

(in thousands of Canadian Dollars except where otherwise stated)

Financial assets and liabilities at fair value through profit or loss	Fair value as at September 30, 2024	Fair value as at September 30, 2023	Fair value as at Year ended December 31, 2023	Carrying amount as at September 30, 2024	Carrying amount as at September 30, 2023	Carrying amount as at Year ended December 31, 2023
Financial liabilities						
Loans payable*	194,191	220,752	254,304	195,435	226,904	258,791
Bonds	-	52,562	53,536	-	53,675	53,787

* Fair value amounts include deferred finance costs.

(b) The fair value of financial assets includes loans to purchasers as vendor-take-back mortgages ("VTB"), including the VTBs as part of the Freed Transaction, sale of Port McNicoll and Bear Valley Resort. Loans to Purchasers are debt instruments carried on the balance sheet at amortized cost under IFRS 9.

(c) The fair value of long-term financial liabilities has been determined by calculating their present values as at the reporting date, using effective market interest rates available to the Company. The carrying amount of these loans approximate their fair values. The carrying amount presented in the statement of financial position is net of transaction costs, in addition with accrued interest.

(d) The fair value of bonds is based on the quoted price on the TASE (in New Israeli Shekels) as at the balance sheet date, translated to CAD using a NIS/CAD quote per the Bank of Israel web site. The carrying amount presented in the statement of financial position is net of financing costs. The Company's Series B debentures, that were due in July 2024, and were redeemed by way of a full early redemption on June 13, 2024.

(e) Fair value of other financial assets and liabilities:
The fair value of cash and cash equivalents approximate their carrying values. Amounts receivable, accounts payable and accrued liabilities are assumed to have a fair value that approximates their carrying values due to their short-term nature.

5 Investment properties

Investment properties movement	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Year ended December 31, 2023
Balance as at the beginning of the period	13,769	13,046	13,046
Expenditures subsequent to acquisition	21	-	-
Net gain (loss) from fair value adjustments	-	945	945
Foreign exchange translation and other	191	(15)	(222)
Balance as at the end of the period	**13,981**	**13,976**	**13,769**

6 Property, plant and equipment

Property, plant and equipment movement	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Year ended December 31, 2023
Property, plant and equipment as at beginning of year	**436,878**	401,506	401,506
Expenditures subsequent to acquisitions, including payable amounts*	22,382	70,899	98,488
Adjustment to fair value through revaluation surplus	(17,047)	(12,883)	(8,927)
Right-of-use assets and lease liabilities	-	149	149
Depreciation	(14,881)	(11,280)	(14,579)
Impairment	(1,237)	(234)	(234)
Disposals	(148,701)	(29,780)	(30,165)
Foreign exchange translation	9,017	(333)	(9,360)
Balance as at the end of the period	**286,411**	**418,044**	**436,878**

* The nine months ended September 30, 2024, includes $5.3 million related to Capital expenditures that were incurred and have not yet been paid as of September 30, 2024 (nine months ended September 30, 2023: $35.2 million; Year ended December 31, 2023: $14.7 million). $2.0 million was paid after the reporting period.

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

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

(in thousands of Canadian Dollars except where otherwise stated)

In the report's period, an external appraisal was performed for 1 of the remaining 5 properties. For the remaining 4 properties, discussions with independent appraisers indicated that property and market performance, as well as observations from market transactions, all indicated that the value did not have a material change from last quarter.

The value of the Company's PP&E is primarily determined using the DCF method. As a result, PP&E are classified as level 3 in the fair value hierarchy. Changes in level 3 fair values are analyzed at each reporting date as part of the discussion between the Company and its appraisers.

Significant unobservable (level 3) inputs used in the DCF method as at September30, 2024 are as follows:

(a) Forecast of the operating profit of the property for a period of up to 10 years;
(b) Specific terminal capitalization rate for each asset according to its condition, location and risks specific to the asset;
(c) Required timing and amount of investment in the property improvement plans;
(d) Estimations of the average occupancy as well as the average daily rate;
(e) Other factors such as building rights, planning and legal status.

Discount rates used in applying the DCF method ranged between 10.25% and 13.00% (as at December 31, 2023: 10.25% and 12.25%), terminal capitalization rates ranged between 8.50% and 10.50% (as at December 31, 2023: 8.50% and 9.75%).
As at September 30, 2024, a 25-basis point ("bps") decrease in both the discount and terminal capitalization rates would increase the fair value of the Company's PP&E by $3,621. As at September 30, 2024, a 25-bps increase in both the discount and terminal capitalization rates would decrease the estimated fair value of the Company's PP&E by $3,761.

7 Loans and leases payable

Loans and leases payable properties movement	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Year ended December 31, 2023
Balance as at the beginning of the period	258,791	194,188	194,188
Proceeds from long-term loans	15,690	51,615	88,593
Repayments of long-term loans	(144,320)	(23,556)	(27,777)
Net proceeds from short-term loans	25,791	7,596	7,507
Proceeds on loans payable to shareholders	30,018	-	-
Right-of-use assets and lease liabilities	-	149	149
Transfers to (from) other non-current assets and other	(710)	(482)	(483)
Interest expenses, linkage differences and exchange rate differences on loans from shareholders	1,188		-
Amortization of deferred financing charges	3,902	1,514	2,315
Transfers to disposal group classified as held for sale	-	(3,992)	-
Foreign exchange translation	5,085	(128)	(5,701)
Balance as at the end of the period	**195,435**	**226,904**	**258,791**

8 Income from hotels and resorts

For the period ended,	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Three months ended September 30, 2024	Three months ended September 30, 2023	Year ended December 31, 2023
Room revenue	74,842	73,544	29,317	24,661	93,077
Food & beverage revenue	12,873	9,702	5,432	3,564	13,546
Ski revenue	-	8,708	-	(1)	8,708
Other revenue	4,006	4,612	1,678	1,495	6,004
	91,721	**96,566**	**36,427**	**29,719**	**121,335**

9 Financial expense

For the period ended,	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Three months ended September 30, 2024	Three months ended September 30, 2023	Year ended December 31, 2023
Interest on loans and leases	(19,514)	(13,399)	(7,308)	(5,393)	(21,239)
Provision for credit losses	(1,027)	(10,984)	-	(5,753)	(12,500)
Interest and foreign exchange revaluation of bonds	(3,948)	(2,211)	-	(1,770)	(2,322)

(in thousands of Canadian Dollars except where otherwise stated)

For the period ended,	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Three months ended September 30, 2024	Three months ended September 30, 2023	Year ended December 31, 2023
Interest on shareholder loans	(1,189)	-	(973)	-	-
Amortization of deferred financing charges	(3,902)	(1,514)	(2,836)	(449)	(2,315)
Bank charges	(301)	(233)	(103)	(70)	(319)
	(29,881)	**(28,341)**	**(11,220)**	**(13,435)**	**(38,695)**

10 Income taxes

Income tax recovery (expense) included in the consolidated statements of income (loss):

For the year ended December 31,	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Three months ended September 30, 2024	Three months ended September 30, 2023	Year ended December 31, 2023
Current income tax expense	114	(73)	254	(239)	(1,802)
Prior year income tax recovery (expense)	(560)	380	(307)	419	342
Deferred income tax recovery	5,432	5,228	1706	3,314	5,962
Income tax recovery	**4,986**	**5,535**	**1,653**	**3,494**	**4,502**

11 Significant events during the period

(a) On February 20, 2024, the Company announced that its negotiations with the potential buyer for the sale of all of the Company's hotel properties in the US had not resulted in a binding agreement as provided for in the original non-binding Letter of Intent (LOI). For updates on the sale of 11 Courtyard assets, please refer to Note 11(n).

(b) On March 15, 2024, Mr. Shmuel Rosenblum, who served as the Internal Auditor of the Company, announced his resignation as the Company's Internal Auditor after 6.5 years in office, and in his place the Board of Directors, on recommendation of the Audit Committee, appointed Mr. Oren Grupi of KPMG firm, as the Company's Internal Auditor, effective March 25, 2024.

(c) On March 24, 2024, the Company's controlling shareholder, Mishorim Real Estate Investments Ltd. ("Mishorim"), undertook to provide an on-call loan to the Company of up to NIS 55 million. Similarly, Israel Land Development Corporation Ltd. ("ILDC"), a major shareholder of the Company, undertook to provide a loan of up to NIS 27 million on the same terms (so that the amounts from ILDC were provided pro rata to the loan from Mishorim). The loans provided to the Company were intended to bridge the cash flow gap created for the Company, inter alia due to the full and final repayment of the Series B Bonds expected in mid-July 2024. The loans will be repaid (pro rata between Mishorim and ILDC) (principal, interest and indexation) in one payment until April 1, 2025 and not before final and full repayment of the Company's Series B debentures. The repayment of the loans will precede any dividend distributions, and includes customary events of default. Among other things, having a dividend distribution without first repaying the loan, having the Company's shares no longer listed on the Tel Aviv Stock Exchange, or if there are changes in the controlling shareholders of the Company or of Mishorim. In the event of default, the lenders shall, in addition to all other rights and remedies available, be entitled by written notice to the Company to terminate this agreement and to declare any outstanding principal amount and all accrued and unpaid interest and the Indexation Difference accrued thereon, to become immediately due and payable. Mishorim and ILDC transferred NIS 55 million (approximately CAD 20 million) and NIS 27 million (approximately CAD 10 million), on May 12, 2024 and May 15, 2024 respectively, as shareholders loans bearing an annual interest rate of 6% and linked to the Israeli Consumer Price Index ("CPI"). As these are considered to be loans from related parties, the Company engaged an independent expert to assess the fair value of these loans at inception. The assessment included taking into consideration the Company's credit worthiness, and the rate it may have received from an arms' length lender with standard market conditions for a similar loan. The conclusion of this analysis is that the non-market component of the loan was NIS 468 thousand (approximately $172 thousand), which was booked as an adjustment to equity in Q2 2024 as a contribution from shareholders, which was recorded in the equity statements as an increase in the related party transaction reserve.

(d) On March 25, 2024 Ms. Neha Kapelus (who served as VP Finance) was appointed to Chief Financial Officer. Please refer to the Company's Annual Report for the period ended December 31, 2023, for further information.

(e) On April 10, 2024, the Renaissance Cleveland Hotel held by the Company's subsidiary successfully completed its rebranding to the Hotel Cleveland Autograph Collection. The Company entered into a renewed franchise agreement with the Marriott chain, for a period of 20 years from the brand opening date, i.e. until April 10, 2044, with no extension option. Similar to the prior agreement, the new agreement provides that the Marriott chain is entitled to franchise fees of 5% of gross rooms revenue as well as additional payments mainly for marketing and sales services and use of computer systems. The Company has completed the Property Improvement Plan ("PIP") renovation of all the conference space, common areas and rooms at the hotel. The agreement establishes conditions governing the relationship between the parties as is customary in such agreements, and similar to the terms in the previous franchise agreement with Marriott.

(f) Under the provisions of the loan agreement of the Company's subsidiary, related to 12 of the Company's Courtyard assets, the borrower obliged to maintain a Debt Yield (i.e., the ratio of Net Operating Income over the outstanding principal balance of the loan) of 8.0% during the period beginning on May 1, 2023, through April 30, 2024, tested each quarter. The Debt Yield for the April 1, 2024 test date was less than 8.0%. Failure to comply with the debt yield ratio does not constitute grounds for immediate repayment in accordance with the loan agreement, but the lender may, at its option, transfer the cash received from the hotels to a cash management account used only to pay the debt and to pay operating or capital expenses, in accordance with the terms and conditions the Cash Management Agreement that was entered into as part of the loan. Moreover, pursuant to the loan agreement, the borrower can regain control of the cash by achieving a Debt Yield of at least 9.5% for two consecutive calendar quarters. On a monthly basis, the lender transfers to an account controlled by the Company any net amounts after applying debt servicing and any reserves for taxes and capital expenditures. As at September 30, 2024, this loan was discharged along with the sale of 11 of the Company's Courtyard assets as elaborated in Note 11(n). Funds in the cash management account as at September 30, 2024, amounted to USD 3.9 million (CAD 5.3 million), and were classified as short-term restricted cash in the financial statements along with the other restricted deposits held by the lender. These deposits were returned to the Company in October, shortly after the date of these financial statements.

(g) In April and May 2024, the Company had approved and entered into agreements for the sale of 12 of its Courtyard hotels, of which one sale was cancelled prior to completion. Please see details in Note 11(n) for further information on the completed sale of the 11 Courtyard hotels.

(h) On May 23, 2024, the Company's Board of Directors decided on the full early redemption of the company's Series B debentures. The total redemption amount, which was executed on June 13, 2024, is NIS 144.55 million (approximately CAD 53.44 million), including principal and interest.

(i) During the second quarter of 2024, the Company completed a partial sale of 27 out of 56 lots of its real estate inventory in Golf Cottages for CAD 4.3 million to two unrelated parties. As part of the sale, which closed on June 2024, a VTB with a total of CAD 3.2 million was given to the purchasers. The VTBs are interest free until two years and thereafter bear interest at 4.0% per annum, and compounded monthly for the third and final year. As at September 30, 2024, the balance of the VTB classified as current receivable is CAD 0.2 million, while the remaining CAD 3.0 million, which is due in three years, is classified as non-current receivable. In Q2 2024, the Company recognized losses of CAD 0.5 million from the sale and CAD 0.6 million from the write-down to record the remaining Golf Cottages inventory at its net realizable value. In Q3 2024, the Company recorded an additional write down of CAD 0.7 million. After the reporting period, the Company completed the sale of two additional lots for CAD 0.3 million.

(j) Further to Note 12 of the Company's consolidated financial statements for the year 2023 which were attached to the annual report, during Q2 2024, the Company recorded Expected Credit Losses ("ECL") for a total of CAD 0.2 million from the Freed VTB, which as at September 30, 2024 were CAD 49 million, and total of CAD 2.3 million from Port McNicoll VTB (of which CAD 1.5 million had been previously recognized in Q4-2023). As of September 30, 2024, the balance of the Port McNicoll VTB was CAD 26.2 million, with the total provision for credit losses amounting to CAD 2.3 million. The Company continues to monitor the borrower's ability to meet the loan terms and will reevaluate the credit loss provisions as necessary.

In relation to the Freed loans, ECL has been determined in accordance with IFRS 9 instructions, for the financial asset as at the reporting date. The Company utilized for its analysis any information available to it in the capacity as a creditor, including but not limited to the Audited Consolidated Financial Statements of Resort Communities Limited Partnership ("RCLP") as at December 31, 2023. In the Company's assessment, there has been no adverse change in the counterparty risk of the underlying borrower; in the Audited Consolidated Financial Statements of RCLP as at December 31, 2023, a going concern note was not included. The Company considered the Freed loans as performing Stage 1 loans (i.e., there has been no significant increase in credit risk), and specifically looked at the loan to value ("LTV") on RCLP's total debt, which was noted as being under 60%. In the Company's conclusion, there is no significant ECL related to the Freed loans and the total ECL of CAD 0.2 million was considered sufficient.

In relation to the Port McNicoll loans, ECL has been determined in accordance with IFRS 9 instructions, for the financial asset as at the reporting date. The Company utilized for its analysis any information available to it in the capacity as a creditor, and taking into account a recent appraisal of the underlying land that was completed by an independent expert. The buyer of Port McNicoll is in default with the last payment received for November 2023. As of September 30, 2024, total unpaid principal is CAD 1.13 million and unpaid interest is CAD 0.4 million. The loan is currently considered to be a financial asset impaired due to credit risk; therefore, the loan was classified as Stage 3 asset. The Company considered the potential resale value of the underlying land, and the time and cost it would take to market and sell the land to recover its loan amount. In Q2 2024, the Company concluded that there was an increase in the exposure to expected credit losses on the Port McNicoll VTB, and recorded an additional provision CAD 0.8 million, for a total ECL amount of CAD 2.3 million. This provision was recorded in accordance with IFRS 9 requirements and results from the Company's assessment of the credit risk associated with the loan in Q2 2024, and in the company's assessment, there is no significant change in the current quarter and recorded ECL continues to be sufficient.

(k) On August 12, 2024, Skyline Investments Inc. and Skyline (Port McNicoll) Land Inc. signed a mortgage loan renewal for a loan that was initially obtained on September 19, 2023. The loan term was extended for a further period of one year from the original maturity date, to mature on October 01, 2025 after the renewal. The interest rate is floating at the greater of 9.90% per annum or the TD Canada Trust posted bank prime rate of interest plus 3.2% per annum. The loan principal balance as at the renewal date was CAD 4.3 million (CAD 6.0 million when initially obtained in September 2023). All other loan terms remain unchanged from the original loan.

(l) On August 22, 2024, the Company's Board of Directors approved, subject to the approval of the general meeting of the Company's shareholders, to enter into a settlement agreement with Mr. Gil Blutrich, the Company's former President and Chairman, in the lawsuit for employment related issues, which he filed against the Company in Ontario in December 2019 for CAD 2.4 million. Under the agreement, the Company will pay Mr. Blutrich a one-time and final compensation of CAD 750,000 (which has been recorded as a provision as at Q3 2024), which will be paid as follows: CAD 100,000 shortly after the approval of the general meeting (this amount has already been paid), and CAD 650,000 by January 30, 2025. The settlement agreement includes, among other things, mutual release from claims and demands. This settlement agreement received approval at the General Meeting of Shareholders of the Company on September 30, 2024.

(m) On August 22 2024, the Company reported that, in accordance with Section 1(b)(1) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000, the Company's Compensation Committee approved the engagement in a directors' and officers' liability insurance policy, including for officers who are among the controlling shareholders and/or their relatives, for a period of one year starting from August 14, 2024.

(n) On September 30, 2024, the sale of 11 of the Company's Courtyard Hotels (Chicago Arlington Heights, Chicago Deerfield, Chicago Rockford, Birmingham Hoover, Huntsville University Drive, Manassas Battlefield Park, Lexington North, Dayton Miamisburg, Little Rock, Oklahoma City, Toledo Holland) to third parties for USD 101 million was completed.

The Company has contracted with another lender for a USD 20 million credit facility, net of a USD 2.0 million interest reserve held by the lender, whereby the Company pledged its rights in the Courtyard Tucson and Ft. Myers hotels. The interest rate on the loan is at the rate of the Wall Street Journal Prime Interest (WSJP) (currently 8.50%) + 1.00% for the first USD 14 million, and WSJP+2.25% for the remaining USD 6 million. Interest will not be less than 7.50% for the first USD 14 million and 8.50% for the remaining USD 6 million. The loan will be for a period of 12 months and will be repaid at the end of the period. The Company will have the option to make early repayment of the loan without penalty.

On September 30, 2024, the Company fully repaid its two existing loans which were secured against the sold 11 hotels in the approximate amount of USD 106.7M from the proceeds of the completion of the sale of the hotels and the credit facility.

The net cash from the transactions listed above, including proceeds from the credit facility above and release of reserves and cash management, after settlement of all transaction costs and working capital amounts related to the 11 hotels sold, was approximately USD 16.9 million, of which USD 8.3 million was received during the quarter, and a further USD 8.6 million related to the release of reserves was received subsequent to the balance sheet date. The Company recorded a loss of USD 12.9 million in its financial statements.

As a result of the sale, the Company's CEO was entitled to a bonus of 0.5% of gross proceeds from the sale (USD 505 thousand; or CAD 683 thousand) for which a provision was made in these Financial Statements and paid after the reporting period. This is aligned with the change in Compensation Policy outlined in Note 16(d) of the Company's consolidated financial statements for the year 2023 which were attached to the annual report.

Following the completion of the transaction, the Company retained ownership of three Courtyard properties: Ft. Myers, Ithaca and Tucson. For details on an agreement to sell the Tucson Hotel, see note 14(b) for events after the balance sheet date.

(o) As of September 30, 2024, the Company did not comply with the Debt Service Coverage Ratio ("DSCR") covenant under its lending agreement with a financial institution with respect to Hotel Cleveland. The loan principal balance as at September 30, 2024, was $66,092 (including deferred cost of $2,425). The DSCR is a non-defaulting covenant. Under the loan agreement, the borrower has the right to cure a breach by making a principal repayment in the amount necessary to result in the imputed DSCR being restored to the required minimum ratio (the "Rebalancing Amount"). The rebalancing amount required to cure the breach is USD 1,695. It should be noted that as at the balance sheet date, the loan was classified as non-current liability, in light of the Company's right and ability to cure the failure to comply with this covenant. The Company has received waivers from its lender for all covenant requirements under this loan for the periods ended September 30, 2024 and December 31, 2024, and is in ongoing discussions with the lender to determine how the covenant will apply going forward.

(in thousands of Canadian Dollars except where otherwise stated)

As of September 30, 2024, the Company is in compliance with all other financial and non-financial covenants under its existing loan agreements.

12 Legal Claims

The Company has been served with claims totaling CAD 1.7 million in relation to certain construction projects. In agreement with the Company's legal counsel, 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.

(a) In December 2019, the Company was served a claim for CAD 2.4 million from the Company's former President and Chairman for employment related issues. The settlement outlined in Note 11(l) above received approval at the General Meeting of Shareholders of the Company on September 30, 2024.

(b) The Company has been served with several small claims. In agreement with the Company's legal counsel, Management concludes that it is not possible at this stage to estimate the Company's chances of success or the likely amount of settlement amount or recovery, if any.

13 Segmented information

US Hotels and Resorts

The chief operating decision maker reviews and analyzes the US hospitality operations as a separate segment, which includes the Hyatt Regency Arcade and the Hotel Cleveland assets located in Cleveland, Ohio, the 3 Hotels branded Marriott Courtyard located in 3 different states and until November 01, 2023, the Bear Valley Resort located in California. The results until September 30, 2024 include 14 Marriott Courtyards (with the sale of 11 Courtyards on September 30, 3 Courtyards remain).

Canadian Hotels and Resorts

The chief operating decision maker reviews and analyzes the Canadian hospitality operations as a separate segment, which mainly includes loans to purchases of the Canadian resorts that were sold in December 2021.

Development segment

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

Business segments are classified as follows:

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

The chief operating decision maker reviews the results of other investments measured at FV through profit or loss on an aggregated basis. These were sold as part of the Freed Agreement in November 2023, in exchange for a Note Receivable (see Note 4 in the Annual Consolidated Financial Statements as at December 31, 2023, for detail). After this date there are no other investments measured at FV through profit and loss.

Segmented financial information is as follows:

For the nine months ended September 30, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	91,661	60	4,281	96,002
Costs and expenses	(78,978)	(3)	(6,192)	(85,173)
	12,683	**57**	**(1,911)**	**10,829**
Administrative and general expenses				(6,883)
Impairment of real estate properties				(1,237)
Depreciation				(14,881)
Gain (loss) on sale and other capital gains (losses), net				(17,364)
Other expense, net				94
Financial expense				(29,881)
Financial income				4,471
Loss before income taxes				**(54,852)**

For the nine months ended September 30, 2023 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	96,507	59	4	96,570
Costs and expenses	(82,191)	(13)	(24)	(82,228)
	14,316	46	(20)	14,342
Administrative and general expenses				(6,676)
Impairment of real estate properties				(234)

(in thousands of Canadian Dollars except where otherwise stated)

For the nine months ended September 30, 2023 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Depreciation				(11,280)
Loss from fair value adjustments				(5,935)
Other capital gains (losses)				1,057
Other expense, net				(3,140)
Financial expense				(28,341)
Financial income				3,571
Loss before income taxes				**(36,636)**

For the three months ended September 30, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	36,407	20	-	36,427
Costs and expenses	(30,679)	(1)	(747)	(31,427)
	5,728	**19**	**(747)**	**5,000**
Administrative and general expenses				(3,375)
Impairment of real estate properties				(1,237)
Depreciation				(8,128)
Gain (loss) on sale and other capital gains (losses), net				(17,364)
Other expense, net				39
Financial expense				(11,220)
Financial income				1,261
Loss before income taxes				**(35,024)**

For the three months ended September 30, 2023 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	29,700	19		29,719
Costs and expenses	(25,725)	(1)	(2)	(25,728)
	3,975	18	(2)	3,991
Administrative and general expenses				(2,260)
Depreciation				(3,682)
Loss from fair value adjustments				(2,768)
Gain (loss) from fair value adjustments of financial instruments, net				
Other income and gains, net				1,723
Financial expense				(13,435)
Financial income				1,192
Loss before income taxes				**(15,239)**

For the Year ended December 31, 2023 (Audited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	121,256	79	4	121,339
Costs and expenses	(107,264)	(14)	(28)	(107,306)
	13,992	65	(24)	14,033
Administrative and general expenses				(9,035)
Impairment of real estate properties				(234)
Depreciation				(14,579)
Gain from fair value adjustments of investment properties				945
Loss from fair value adjustments of financial instruments				(6,880)
Derecognition of investment costs and other capital losses, net				(282)
Other expense, net[1]				(3,141)
Financial expense				(38,695)
Financial income				5,072
Loss before income taxes				**(52,796)**

[1] Other expense: $3.1 million other expense relates to the $3.9 million loss related to the donation of Keewatin; $1.0 million donation provision related to the Keewatin; partially offset by $1.8 million recapturing of reserves from several completed development projects.

(in thousands of Canadian Dollars except where otherwise stated)

As at September 30, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts[3]	Development	Total
Assets[1]	350,157	52,627	44,921	447,705
Liabilities	(190,146)	(37,760)	(11,786)	(239,692)
	160,011	**14,867**	**33,135**	**208,013**
As at September 30, 2023 (Unaudited)				
Assets[2]	499,164	89,410	60,639	649,213
Liabilities	(342,181)	(9,297)	(13,998)	(365,476)
	156,983	**80,113**	**46,641**	**283,737**
As at December 31, 2023 (Audited)				
Assets[1]	494,899	96,080	49,918	640,897
Liabilities	(349,455)	(10,602)	(14,145)	(374,202)
	145,444	**85,478**	**35,773**	**266,695**

[1] Includes loans to Freed
[2] Includes investment in Freed equity and loans, refer to Note 4 in the Annual Consolidated Financial Statements as at December 31, 2023, for further detail
[3] In Q2 2024, the Company received funds from a shareholder loan (see note 11(c)) and used the proceeds, together with cash that was in the Canadian Hotels and Resorts, in order to make the repayment of the Company's Bonds (see note (h)).

14 Subsequent events

(a) On November 4, 2024, the Company provided an update on its strategy as follows:

- The Company will not continue to develop or pursue new opportunities in its hotel and resort operations in North America.
- The Company will examine, from time to time, the most appropriate timing and price for the realization of existing assets.
- The Board of Directors, through the Strategy Committee, will continue to review the Company's strategy, including options for entering new areas of activity and/or territories.

(b) On November 6, 2024, the Company (after receiving approval from the Board of Directors and the Audit Committee), signed an agreement to sell the Courtyard Tucson Airport Hotel, to a third party not affiliated with the Company, for a total price of approximately USD 14.9 million. Completion of the sale is subject to the transfer of the franchise agreement and other licenses, and the fulfillment of conditions customary in such a transaction. The transaction is expected to be completed in the fourth quarter of 2024. The expected cash for the Company, after transaction expenses and repayment of a line of credit in connection with the asset, will be approximately USD 6 million. The fair value of the hotel was updated in these financial statements based on the sales price, and as result of this a loss of approximately USD 2.5 million was recorded in the other comprehensive income.