SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended March 31, 2025 (Unaudited)

Contents

A Review Report of the Auditor to the shareholders of

Skyline Investments Inc.

Introduction

We have reviewed the accompanying financial information of **Skyline Investments Inc.** and the consolidated companies (hereafter- "the Company") which includes the condensed consolidated statement of financial position as of March 31, 2025 and the related condensed consolidated statements of income (loss), comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1b to the condensed interim consolidated financial statements, regarding Company's financial position including its obligations, developments related to VTB loans and management's and the board's plans. Based on the analysis of debt repayment dates conducted by the Company, the alternatives and available sources, the Company's board of directors and management are of the opinion that the company will be able to repay its liabilities when they come due.

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

Haifa May 22, 2025.

(in thousands of Canadian Dollars)

Condensed interim consolidated statements of financial position

Condensed interim consolidated statements of financial position as at	Note	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)	December 31, 2024 (Audited)
Assets:				
Current assets				
Cash and cash equivalents		17,619	38,886	24,622
Trade receivables, other receivables and prepayments		7,302	7,932	8,002
Inventories		454	458	491
Real estate inventory		-	10,172	-
Loans to purchasers		47,420	53,062	56,243
Financial derivative		-	1,921	-
Restricted bank deposits		4,912	8,532	5,520
Disposal group classified as held for sale	6	-	-	20,755
		77,707	**120,963**	**115,633**
Non-current assets				
Investment properties	5	14,600	13,997	14,609
Property, plant and equipment	6	276,343	441,762	276,639
Loans to purchasers		39,655	31,177	35,180
Other non-current assets		466	2,865	466
Restricted bank deposits		8,878	16,091	9,530
Deferred tax		7,863	-	6,718
		347,805	**505,892**	**343,142**
Total assets		**425,512**	**626,855**	**458,775**
Liabilities and equity:				
Current liabilities				
Loans and leases payable	7	53,573	9,714	54,825
Bonds		-	51,057	-
Trade payables		7,983	7,025	7,779
Other payables and accruals		15,264	24,417	19,705
Deferred revenue		6,838	1,860	6,303
Income taxes payable		7	1,786	7
Disposal group classified as held for sale	7	-	-	19,534
		83,665	**95,859**	**108,153**
Non-current liabilities				
Loans and leases payable	7	130,700	266,832	129,592
Other liabilities		12,346	6,111	13,210
Deferred tax		-	4,930	-
		143,046	**277,873**	**142,802**
Total liabilities		**226,711**	**373,732**	**250,955**
Equity				
Equity attributable to shareholders of the Company		172,841	221,784	180,016
Non-controlling interest		25,960	31,339	27,804
Total equity		**198,801**	**253,123**	**207,820**
Total liabilities and equity		**425,512**	**626,855**	**458,775**

On behalf of the board of directors:

"Amir Tamari"	"Neha Kapelus"	"Binu Mathai"	May 22, 2025
Amir Tamari Chairman	Neha Kapelus CEO	Binu Mathai VP Finance	Date

(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	Three months ended March 31, 2025 (Unaudited)	Three months ended March 31, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Revenue				
Income from hotels and resorts	8	16,879	21,882	111,889
Sale of residential real estate		-	-	9,502
Total revenue		**16,879**	**21,882**	**121,391**
Expenses and costs				
Operating expenses from hotels and resorts		(17,870)	(21,825)	(96,901)
Cost of sales of residential real estate		(14)	(10)	(12,470)
Total expenses and costs		**(17,884)**	**(21,835)**	**(109,371)**
Gross profit (loss)		**(1,005)**	**47**	**12,020**
Administrative and general expenses		(1,292)	(1,944)	(8,153)
Operating income (loss) before depreciation, valuation adjustments and other income		**(2,297)**	**(1,897)**	**3,867**
Impairment recovery (loss) from real estate properties		145	-	(2,201)
Depreciation		(4,353)	(3,412)	(20,457)
Loss on sale and other capital losses		(64)	-	(18,048)
Other income (expenses)		977	(144)	453
Net loss from operations		**(5,592)**	**(5,453)**	**(36,386)**
Financial expense	9	(8,627)	(8,635)	(40,393)
Financial income		1,463	1,744	5,789
Net loss before income taxes		**(12,756)**	**(12,344)**	**(70,990)**
Income tax recovery	10	1,432	2,285	12,454
Net loss for the year		**(11,324)**	**(10,059)**	**(58,536)**
Attributable to:				
Shareholders of the Company		(8,269)	(7,658)	(49,864)
Non-controlling interest		(3,055)	(2,401)	(8,672)
Net loss for the year		**(11,324)**	**(10,059)**	**(58,536)**
Net loss per share:				
Basic		(0.50)	(0.46)	(3.02)
Diluted		(0.50)	(0.46)	(3.02)

(in thousands of Canadian Dollars)

Condensed interim consolidated statements of comprehensive income

Condensed interim consolidated statements of comprehensive income (loss) for the	Three months ended March 31, 2025 (Unaudited)	Three months ended March 31, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Net loss for the year	**(11,324)**	**(10,059)**	**(58,536)**
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to net income (loss):			
Revaluation of property, plant and equipment, before income taxes	2,729	(11,701)	(20,604)
Income taxes gain (loss)	(347)	2,640	4,667
Net gain (loss) from revaluation of property, plant and equipment	**2,382**	**(9,061)**	**(15,937)**
Items that will or may be reclassified subsequently to net income (loss):			
Foreign exchange differences on translation of foreign operations	(77)	4,199	14,077
Other comprehensive income (loss) for the year net of income tax	**2,305**	**(4,862)**	**(1,860)**
Total comprehensive loss for the year, net of income tax	**(9,019)**	**(14,921)**	**(60,396)**
Attributable to:			
Shareholders of the Company	(7,175)	(13,175)	(55,115)
Non-controlling interest	(1,844)	(1,746)	(5,281)
Total comprehensive loss for the year, net of income tax	**(9,019)**	**(14,921)**	**(60,396)**

(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 three months ended March 31, 2025 (Unaudited):										
Balance at the beginning of the period	80,188	297	(433)	24,630	396	20,691	54,247	180,016	27,804	207,820
Net loss for the period	-	-	-	-	-	-	(8,269)	(8,269)	(3,055)	(11,324)
Other comprehensive income (loss) for the period	-	-	-	1,156	-	(62)	-	1,094	1,211	2.305
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**1,156**	**-**	**(62)**	**(8,269)**	**(7,175)**	**(1,844)**	**(9,019)**
Transfer upon recognition of depreciation	-	-	-	(106)	-	-	106	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-
Transfer upon sale	-	-	-	(3,238)	-	-	3,238	-	-	-
Balance at the end of the period	**80,188**	**297**	**(433)**	**22,442**	**396**	**20,629**	**49,322**	**172,841**	**25,960**	**198,801**
For the three months ended March 31, 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	-	-	-	-	-	-	(7,658)	(7,658)	(2,401)	(10,059)
Other comprehensive income (loss) for the period	-	-	-	(8,934)	-	3,417	-	(5,517)	655	(4,862)
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**(8,934)**	**-**	**3,417**	**(7,658)**	**(13,175)**	**(1,746)**	**(14,921)**
Transfer upon recognition of depreciation	-	-	-	(245)	-	-	245	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	1,349	1,349
Balance at the end of the period	**80,188**	**125**	**(433)**	**32,895**	**396**	**12,655**	**95,958**	**221,784**	**31,339**	**253,123**
For the year ended December 31, 2024 (audited):										
Balance at the beginning of the year	80,188	125	(433)	42,074	396	9,238	103,371	234,959	31,736	266,695
Net loss for the year	-	-	-	-	-	-	(49,864)	(49,864)	(8,672)	(58,536)
Other comprehensive loss for the year	-	-	-	(16,704)	-	11,453	-	(5,251)	3,391	(1,860)
Total comprehensive loss for the year	-	-	-	(16,704)	-	11,453	(49,864)	(55,115)	(5,281)	(60,396)
Transfer upon recognition of depreciation	-	-	-	(740)	-	-	740	-	-	-
Contribution from non-controlling shareholders	-		-	-	-	-	-		1,349	1,349
Contribution from shareholders	-	172	-	-	-	-	-	172	-	172
Balance at the end of the year	**80,188**	**297**	**(433)**	**24,630**	**396**	**20,691**	**54,247**	**180,016**	**27,804**	**207,820**

(in thousands of Canadian Dollars)

Condensed interim consolidated statements of cash flows

Condensed interim consolidated statements of cash flows	Three months ended March 31, 2025 (Unaudited)	Three months ended March 31, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Operating activities:			
Net income (loss) for the year	(11,324)	(10,059)	(58,536)
Adjustments for:			
Depreciation and amortization	4,751	3,937	27,917
Loss on sale of investment and other property	63	-	18,048
Financing costs from bonds including foreign exchange	-	722	1,038
Financing expense on financial derivative	-	574	1,938
Finance costs from shareholders' loan	(922)	-	4,252
Deferred tax, net	(1,498)	(2,398)	(12,102)
Changes in non-cash working capital:			
Trade receivables, other receivables, prepayments and others	4,996	(906)	(3,806)
Inventories	36	(43)	(47)
Real estate inventory	-	(186)	9,986
Trade and other payables and credit balances	(3,546)	167	8,786
Income taxes	40	(8)	(688)
Cash used in operating activities	**(7,404)**	**(8,200)**	**(3,214)**
Investing activities:			
Additions to investment properties	-	-	(22)
Release from (Investment in) restricted deposit	1,247	1,753	12,413
Additions to property, plant and equipment	(2,853)	(21,870)	(37,631)
Income taxes	-	-	(1,259)
Disposition (Purchase) of financial derivative	-	-	575
Proceeds from sale of property, plant and equipment	17,828	-	130,403
Cash provided by (used in) investing activities	**16,222**	**(20,117)**	**104,479**
Financing activities:			
Bank credit and other short-term loans	(16,943)	(436)	24,631
Repayment of bonds	-	(2,610)	(54,825)
Proceeds from long term loans	1,608	11,820	19,019
Repayments of long-term loans and capital leases	(270)	(223)	(154,416)
Capital contribution from shareholders	-	-	172
Proceeds on loans payable to related parties	-	-	30,018
Contribution from (Distribution to) non-controlling shareholders	-	1,349	1,349
Cash provided by (used in) financing activities	**(15,605)**	**9,900**	**(134,052)**
Foreign exchange translation of cash balances	(216)	164	270
Net decrease in cash and cash equivalents	**(7,003)**	**(18,253)**	**(32,517)**
Cash and cash equivalents at beginning of year	24,622	57,139	57,139
Cash and cash equivalents at end of year	**17,619**	**38,886**	**24,622**

(in thousands of Canadian Dollars)

Supplemental cash flow information for the period	Three months ended March 31, 2025 (Unaudited)	Three months ended March 31, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Interest paid	2,823	5,941	19,924
Interest received	8	207	881
Income taxes paid	-	33	1,582

Significant non-cash investing and financing activities for the period	Three months ended March 31, 2025 (Unaudited)	Three months ended March 31, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Right-of-use assets and lease liabilities	-	-	368

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 has hospitality real estate investments in the United States and financial assets related to real estate assets sold in Canada.

As at March 31, 2025, the Company is 52.75% owned by its controlling shareholder, Mishorim Real Estate Investments Ltd ("Mishorim") and 25.69% owned by Land Development of Nimrodi Group Ltd ("LDNG"). 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 March 31, 2025, the Company presents a negative working capital of approximately CAD 6 million. The Company has certain loans classified in short-term liabilities in the approximate amount of CAD 53 million, as below:

- Loans from the Company's major shareholders, Mishorim and LDNG, in the amount of approximately CAD 32 million (NIS 82 million), which were originally to be payable in April 1, 2025. On March 13, 2025, this date was extended to January 5, 2026 (refer to Note 11(e) for further detail).
- A recourse credit facility in the amount of CAD 12.3 million (USD 8.6 million) which is payable in September 2025. The credit facility is currently in default due to the default of the franchise agreement with Marriot and the Company is in discussions with the lender to either extend the maturity date or refinance (refer Note 11(b) for further detail).
- Loans related to the Port McNicoll assets (CAD 3.3 million) due on October 01, 2025, Company's Golf Cottages development (CAD 3.98 million) due in November 2025, and a bank line of credit of CAD 975 thousand. The Company is in discussions with the lender of the Golf Cottages development loan to extend the maturity date, and it plans to pay the loan related to Port McNicoll assets when it becomes due.
- A construction bridge loan in the amount of CAD 630 thousand (USD 438 thousand) 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 Autograph Hotel, prior to the loan maturity date.

The repayment of the loans from the Company's major shareholders is expected to be done by receiving payments on loans to purchasers (VTBs), and alternatively the Company is examining the potential sale of certain properties.

It should be noted that the Company's current assets include Freed VTBs in the amount of CAD 55 million in principal and accrued interest. These VTBs were expected to be repaid on March 31, 2025 (the "Freed Transaction" see Note 4 to the Company's annual consolidated financial statements for the year 2024 for further details) however as of the reporting date, Freed has not repaid these loans. Freed approached the Company before March 31, 2025, to request an extension of up to 90 days of the maturity date, but the Company, Freed and Freed's senior lender that holds the senior debt and a first mortgage on the properties of Resorts Communities Limited Partnership (the "Partnership") have not reached agreement on the extension period or terms.

The Company was informed that Freed is negotiating a transaction that may provide Freed with the necessary funds to repay the loans provided by the Company to Freed. Any transaction will require, *inter alia*, the approval of Freed's senior lender. As of this date no binding agreement has been signed with regard to such transaction, and neither the Company nor the senior lender has commenced enforcement proceedings for repayment of the loans. For details on the impact on the expected credit losses related to the Freed VTBs, see Note 11(g).

(in thousands of Canadian Dollars except where otherwise stated)

In the event that the Company's VTBs are not repaid before the due date of the Company's obligations maturity or no sales of certain properties materialize, there may be additional funding required for the repayment of the Company's obligations, as well as for certain capital expenditures including Property Improvement Plans that may be mandated by the Franchisor of some of the Company's hotels.

The Company holds the following collateral: a second lien on some of the Partnership's properties which are secured by a VTB loan (subject to the senior lender's priority), a first lien on Freed's interest in the Partnership, and a guarantee from Freed's parent company for the entire debt. If the Company decides to commence enforcement proceedings for immediate repayment and realization of the collateral, then under Canadian law and all the agreements, the proceedings will be commenced by notice served by the Company on the senior lender to start a-150 days notice period during which it cannot take enforcement measures and, thereafter, assuming the senior lender will not commence enforcement proceedings against Freed, the Company may issue notice of default to Freed, from which point the Company's enforcement proceedings will begin. If the senior lender commences enforcement proceedings, the Company may be a witness in such proceedings but may not conduct enforcement proceedings on its own. After the senior lender's enforcement proceedings are completed, the proceeds will be used first to repay the debt to the senior lender and then, to repay the debt to the Company. Moreover, if there are any properties of Freed or the Partnership against which enforcement measures are not taken by the senior lender, the Company will have an opportunity to do so if any portion of the debt owed to it is not paid.

The Company is a guarantor under certain existing loan agreements and it must maintain a minimum liquidity of CAD 12.5 million. The Company and its subsidiaries comply with the financial covenants undertaken towards financing parties with the exception of the Autograph loan for which the Company has received waivers (see Note 11(d) for details).

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, 2024.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 22, 2025.

(b) Significant estimates, assumptions, and judgements

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

(c) Foreign currency

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

Exchange rates - At balance sheet date as at	March 31, 2025	March 31, 2024	December 31, 2024
USD / CAD	1.438	1.355	1.439
CAD / NIS	2.589	2.712	2.535

Exchange rates - Average during the period ended	Three months ended March 31, 2025	Three months ended March 31, 2024	Year ended December 31, 2024
USD / CAD	1.435	1.349	1.370

(in thousands of Canadian Dollars except where otherwise stated)

Exchange rates - Average during the period ended	Three months ended March 31, 2025	Three months ended March 31, 2024	Year ended December 31, 2024
CAD / NIS	2.517	2.719	2.701

Change in rate - During the period ended	Three months ended March 31, 2025	Three months ended March 31, 2024	Year ended December 31, 2024
USD / CAD	(0.1)%	2.4%	8.8%
CAD / NIS	2.1%	(1.0%)	(7.4%)

3 Seasonality and other disclosures

The Company's hotels are all-season operations, though characterized by seasonality. These operations are 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 all the hotels. 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 March 31, 2025	Fair value as at March 31, 2024	Fair value as at Year ended December 31, 2024	Carrying amount as at March 31, 2025	Carrying amount as at March 31, 2024	Carrying amount as at Year ended December 31, 2024
Financial assets						
Loans to purchasers	84,869	83,997	90,062	87,075	84,239	91,423
Financial liabilities						
Loans and leases payable*	183,301	280,120	183,420	184,273	276,546	184,417
Bonds	-	51,720	-	-	51,900	-

* 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.

(in thousands of Canadian Dollars except where otherwise stated)

5 Investment properties

Investment properties movement	Three months ended March 31, 2025	Three months ended March 31, 2024	Year ended December 31, 2024
Balance as at the beginning of the period	14,609	13,769	13,769
Expenditures subsequent to acquisition	-	-	22
Foreign exchange translation and other	(9)	228	818
Balance as at the end of the period	**14,600**	**13,997**	**14,609**

6 Property, plant and equipment

Property, plant and equipment movement	Three months ended March 31, 2025	Three months ended March 31, 2024	Year ended December 31, 2024
Property, plant and equipment as at beginning of year	**276,639**	**436,878**	**436,878**
Expenditures subsequent to acquisitions, including payable amounts*	1,414	9,283	24,362
Adjustment to fair value through revaluation surplus	2,729	(11,701)	(20,604)
Transfers to disposal group	-	-	(20,755)
Right-of-use assets and lease liabilities	-	-	368
Depreciation	(4,353)	(3,412)	(20,457)
Impairment recovery (loss)	145	-	(3,135)
Disposals	(200)	-	(148,451)
Foreign exchange translation	(31)	10,714	28,433
Balance as at the end of the period	**276,343**	**441,762**	**276,639**

* The balance as of December 31, 2024 includes $1.4 million of vendor holdbacks from the renovations at the Company's hotels that have not yet been paid as of December 2024; and were subsequently paid in Q1 2025.

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, no assets were revalued by independent appraisers. For periods when an independent third-party valuation is not performed, the Company undertakes specific actions to determine if there is any change in the value of its PP&E, including discussions with independent, third-party experts, referencing market transactions and any non-binding offers received on its hotels, and a review of updated internal forecasts. The Company then uses the inputs mentioned above in a discounted cash flow analysis over ten years to determine if there is any required revaluation at the reporting date. This approach indicated that value did not have a material change from last quarter for any of the properties.

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 March 31, 2025 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 13.0%, terminal capitalization rates ranged between 8.50% and 10.50%.

(in thousands of Canadian Dollars except where otherwise stated)

As at March 31, 2025, 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 $4,169. As at March 31, 2025, 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 $3,738.

7 Loans and leases payable

Loans and leases payable properties movement	**Three months ended March 31, 2025**	**Three months ended March 31, 2024**	**Year ended December 31, 2024**
Balance as at the beginning of the period	184,417	258,791	258,791
Proceeds from long-term loans	1,608	11,820	19,019
Repayments of long-term loans	(270)	(223)	(154,416)
Net proceeds from short-term loans	(473)	(436)	54,649
Right-of-use assets and lease liabilities	-	-	368
Transfers to (from) other non-current assets and other	(454)	-	(1,191)
Interest expenses, linkage differences and exchange	(922)		4,252
Amortization of deferred financing charges	543	525	4,325
Transfers to disposal group classified as held for sale	-	-	(16,470)
Foreign exchange translation	(176)	6,069	15,090
Balance as at the end of the period	**184,273**	**276,546**	**184,417**

8 Income from hotels and resorts

For the period ended,	**Three months ended March 31, 2025**	**Three months ended March 31, 2024**	**Year ended December 31, 2024**
Room revenue	11,081	18,948	88,088
Food & beverage revenue	4,281	2,004	18,395
Other revenue	1,517	930	5,406
	16,879	**21,882**	**111,889**

(in thousands of Canadian Dollars except where otherwise stated)

9 Financial expense

For the period ended,	Three months ended March 31, 2025	Three months ended March 31, 2024	Year ended December 31, 2024
Interest on loans and leases	(3,170)	(5,681)	(23,577)
Interest and foreign exchange revaluation of bonds, including early repayment fee	-	(2,324)	(3,948)
Interest on shareholder loans*	922	-	(4,252)
Amortization of deferred financing charges	(543)	(525)	(4,325)
Provision for credit losses (see Note 11f)	(5,782)	-	(3,914)
Bank charges	(54)	(105)	(377)
	(8,627)	**(8,635)**	**40,393**

* Includes income from exchange rate differences and CPI index adjustment

10 Income taxes

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

For the year ended December 31,	Three months ended March 31, 2025	Three months ended March 31, 2024	Year ended December 31, 2024
Current income tax expense	(66)	(57)	21
Prior year income tax recovery (expense)	-	(56)	331
Deferred income tax recovery	1,498	2,398	12,102
Income tax recovery	**1,432**	**2,285**	**12,454**

11 Significant events during the period

(a) On January 15, 2025, the company announced that Mr. Blake Lyon, the Company's CEO, had submitted his resignation and his employment as the Company's CEO was terminated effective March 31, 2025. Mrs. Neha Kapelus, who until then served as the Company's CFO, was appointed CEO effective April 1, 2025, and Mr. Binu Mathai was appointed VP Finance. On April 09, 2025 the Company's Compensation Committee and Board of Directors approved an amendment to the Company's compensation policy, and an update to the terms of office and employment of the Company's CEO. Under the approved terms of office, the CEO is entitled to base salary and benefits, and bonus related to the sales of assets, cost reductions, and debt collection. On May 19, 2025, the Special General Meeting also approved the amendment of the compensation policy and the terms of office and employment of the Company's CEO.

(b) On January 22, 2025 an agreement was completed for the sale of the Courtyard Tucson Airport Hotel to a third party for a total of approximately USD 14.9 million (CAD 21.4 million). Refer to Note 30 (b) to the Consolidated financial statements as of December 31, 2024 for further details.

(c) With respect to the Company's Courtyard Hotel at Fort Myers, Marriott delivered a Notice of Red Zone 7 Default, dated February 21, 2025. The Hotel has been in Red Zone in different degrees since 2022; however previous notices provided that, as a result of discussions between Marriott and Skyline, Marriott would forbear from immediately terminating the Franchise Agreement. The Red Zone 7 Notice does not include such forbearance language, but, rather, states that Marriott has the right to terminate the Franchise Agreement and arrange for de-identification of the hotel and payment of liquidated damages, which as of this date the Company cannot estimate.

Nevertheless, Marriott and Skyline are currently engaged in discussions to reach an agreement concerning an appropriate remedy for the Red Zone status at the Hotel. Skyline anticipates that Marriott and Skyline will execute a forbearance agreement following Skyline's replacement of Aimbridge Hospitality as the manager of the Hotel. Crescent Hotel & Resorts is scheduled to assume management of the Hotel on July 15, 2025.

The recourse loan related to this property has a maturity date of September 30, 2025 and a balance as at March 31, 2025 of USD 8.6 million (CAD 12 million), and related restricted cash balance of USD 2.0 million (CAD 2.8 million) that would be released if the loan were to be repaid. The loan is currently in default due to the existence of the default in the franchise agreement, and therefore the lender have the rights to call for immediate repayment. Furthermore, Skyline expects that the forbearance agreement with Marriott will benefit Skyline in either extending the existing financing for the Hotel from its current lender, or obtaining refinancing.

(d) On February 28, 2025, the Company received waiver from its lender for the financial covenants under Autograph loan for the period ended March 31, 2025, and a change in the method of calculating the DSCR for the quarter ending June 30, 2025, from a calculation based on a trailing 12-month period to a calculation based on a trailing 3-month period, annualized. The calculation to be made thereafter shall continue to be made on a trailing 12-month basis. The loan amount as of March 31, 2025 is USD 45.5 million (CAD 65.3 million), including deferred costs of USD 1.6 million (CAD 2.3 million) and it is classified in the non-current liabilities (refer to Note 15 (f) to the Consolidated financial statements as of December 31, 2024 for further details).

(e) On March 03, 2025, Mr. Shimshon Marfogel ceased to serve as the Chairman of the Board (he continues to serve as a director of the Company), and Mr. Amir Tamari was appointed as Chairman of the Board.

(f) On March 13, 2025, the Company signed an addendum to the loan agreement with Mishorim to extend the payment date of the loan from April 1, 2025 to January 5, 2026. On the same date, the Company signed an addendum to the loan agreement with LDNG to extend the payment date of the loan from April 1, 2025 to the earlier of: January 5, 2026 or 7 days after the Company receives the full principal and interest accrued in respect of the VTB loans in the Freed Transaction (see Note 1). In case the Company receives partial payment from Freed before January 5, 2026, the Company plans to use the amounts received from Freed, after considering transaction fees and any amounts related to non-controlling interests, to repay the balance of LDNG loan (principal amount together with the interest and indexation accrued thereon) or part of it. The other terms of the loan remain the same. The loan will be repaid prior to any dividend distribution and has customary events of default, including distribution of dividends without the loan being repaid, delisting of the shares from the Tel Aviv Stock Exchange, or changes in controlling shareholders of the Company or of Mishorim. In case of an event of default, the lenders may, in addition to all other rights and remedies available to them, terminate the agreement by written notice to the Company and announce immediate repayment of any unpaid principal and accrued interest that have not yet been paid as well as any linkage differences accrued on the loan. The shareholder loans bear a 6% annual interest and are linked to Israel's consumer price index. The balance of the shareholder loans was CAD 31,704 (NIS 82,000) as of March 31, 2025, including adjustment to the consumer price index. The Company, with support from its external valuation specialist, concluded that on the date of the extension the outstanding balance of the loans reflected their fair value, mainly due to a decline in the interest rates in Canada, therefore the Company did not record any new contribution from shareholder within the equity.

(g) Further to Note 4, during Q1 2025, the Company recorded additional Expected Credit Losses (“ECL”) of CAD 5.78 million (as of March 31, 2025 the total provision is CAD 8.02 million) from the Freed VTBs, which as at March 31, 2025 had a principal balance of CAD 49 million and accrued interest of CAD 6.2 million.

Freed had failed to meet its obligation to pay the Company principal and accrued interest on the VTBs totaling CAD 55 million on the maturity date (March 31, 2025). For details regarding the collateral held by the Company against the Freed loans, see Note 1b.

The Freed VTBs are debt instruments carried on the balance sheet at amortized cost under IFRS 9. The loan is currently considered to be a financial asset impaired due to credit risk, therefore, the loan was classified as a Stage 3 asset. The Company engaged with an external appraiser in order to assist with the ECL calculation and certain assumptions changed since last ECL calculation mainly related to probability default that was increase from 36% to 100%, and incorporation of discounts to the value of the assets and a second scenario for repayment, as below.

In the ECL calculation the first scenario considered in the model is the liquidation of the collaterals. The Company first consider if the value of the collateral (based on March 31, 2025 unaudited and unreviewed financial information received) can cover the entire VTBs amounts, after applying 5% deductions for estimated liquidation and commission costs and 20%

discount to the value of the assets. After these deductions it was concluded that there is a potential collateral shortfall of 2.07% (CAD 7.4 million). The present value of this shortfall was included in the loss given default (LGD).

Additionally, the Company was informed that Freed is negotiating a transaction that may provide Freed with the necessary funds to repay the loans provided by the Company to Freed. Any transaction will require, *inter alia*, the approval of Freed's senior lender. As of this date no binding agreement has been signed with regard to such transaction, and neither the Company nor the senior lender has commenced enforcement proceedings for repayment of the loans. In the ECL calculation this was considered as a second possible scenario with the weight of 50%. In this scenario the Company considered that the VTBs would be paid in full and the loss given default it is a result of the delay on the time to receive the payments until the deal is closed.

Based on the Company's assessment and the work done by the external appraiser, management concluded that the ECL related to the Freed VTBs in the amount of CAD 8.02 million is sufficient.

12 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.

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 Autograph (Hotel Cleveland) assets located in Cleveland, Ohio, the 2 Hotels branded Marriott Courtyard located in 2 different states. The results in March 31, 2024 and December 31, 2024 include 14 Marriott Courtyards (of which 11 Courtyards were sold on September 30, 2024 and Tucson Courtyard was sold on January 22, 2025); and the results in March 31, 2025 include 3 Marriott Courtyards.

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. The Canadian segment also includes assets and liabilities of the Company's headquarters, including the shareholder loans.

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.

(in thousands of Canadian Dollars except where otherwise stated)

Segmented financial information is as follows:

For the three months ended March 31, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	16,859	20	-	16,879
Costs and expenses	(17,869)	(1)	(14)	(17,884)
	(1,010)	19	(14)	(1,005)
Administrative and general expenses				(1,292)
Impairment of real estate properties				145
Depreciation				(4,353)
Capital losses, net, and other gains (expenses), net				(64)
Other income, net				977*
Financial expense				(8,627)
Financial income				1,463
Loss before income taxes				**(12,756)**

(*) Other income includes CAD 853 from the Autograph tax credit that was transferred to income.

For the three months ended March 31, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	21,862	20	-	21,882
Costs and expenses	(21,824)	(1)	(10)	(21,835)
	38	19	(10)	47
Administrative and general expenses				(1,944)
Impairment of real estate properties				-
Depreciation				(3,412)
Other expense, net				(144)
Financial expense				(8,635)
Financial income				1,744
Loss before income taxes				**(12,344)**

For the Year ended December 31, 2024 (Audited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	111,809	80	9,502	121,391
Costs and expenses	(96,898)	(3)	(12,470)	(109,371)
	14,911	**77**	**(2,968)**	**12,020**
Administrative and general expenses				(8,153)
Impairment of real estate properties				(2,201)
Depreciation				(20,457)
Derecognition of investment costs and other capital losses, net				(18,048)
Other income, net (*)				453
Financial expense				(40,393)
Financial income				5,789
Loss before income taxes				(70,990)

(*) Other income: CAD 360 other income from decrease in donation provision related to the Keewatin as per new agreement; CAD 93 refers to recapturing of reserves from several completed development projects.

(in thousands of Canadian Dollars except where otherwise stated)

As at March 31, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets *	337,012	51,287	37,213	425,512
Liabilities	(179,581)	(40,276)	(6,854)	(226,711)
	157,431	**11,011**	**30,359**	**198,801**

As at March 31, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets *	495,111	82,158	49,586	626,855
Liabilities	(351,891)	(8,146)	(13,695)	(373,732)
	143,220	**74,012**	**35,891**	**253,123**

As at December 31, 2024 (Audited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets *	365,360	55,586	37,829	458,775
Liabilities	(199,771)	(43,437)	(7,747)	(250,955)
	165,589	**12,149**	**30,082**	**207,820**

* Includes loans to Freed.