

SKYLINE INVESTMENTS INC.

Condensed interim consolidated
financial statements for the period
ended September 30, 2025
(Unaudited)

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**A Review Report of the Independent Auditor to the shareholders of
Skyline Investments Inc.**

Introduction

We have reviewed the accompanying financial information of **Skyline Investments Inc.** and consolidated companies (hereafter- "the Company") which includes the condensed consolidated statement of financial position as of September 30, 2025 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 above-mentioned 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 above-mentioned 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 and specifically to the negative working capital as of 30 September 2025, minimum equity loan covenant, developments related to Freed VTBs, cash needs for renovations of properties and the management's and Board's plans. Based on analysis 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.

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

Haifa,
November 21, 2025.

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Condensed interim consolidated statements of financial position

Condensed interim consolidated statements of financial position as at	Note	September 30, 2025 (Unaudited)	September 30, 2024 (Unaudited)	December 31, 2024 (Audited)
Assets:				
Current assets				
Cash and cash equivalents		12,572	16,507	24,622
Trade receivables, other receivables and prepayments		7,467	8,565	8,002
Inventories		404	480	491
Real estate inventory		-	4,992	-
Loans to purchasers		6,855	56,663	56,243
Financial derivative		-	560	-
Restricted bank deposits		1,915	14,446	5,520
Disposal group classified as held for sale		-	-	20,755
		29,213	102,213	115,633
Non-current assets				
Investment properties	5	14,295	13,981	14,609
Property, plant and equipment	6	250,105	286,411	276,639
Loans to purchasers		54,668	31,568	35,180
Other non-current assets		458	889	466
Restricted bank deposits		9,652	12,643	9,530
Deferred Tax		3,355	-	6,718
		332,533	345,492	343,142
Total assets		361,746	447,705	458,775
Liabilities and equity:				
Current liabilities				
Loans and leases payable	7	98,060	77,015	54,825
Trade payables		8,257	7,724	7,779
Other payables and accruals		15,527	26,768	19,705
Deferred revenue		6,748	3,017	6,303
Income taxes payable		4	-	7
Disposal group classified as held for sale		-	-	19,534
		128,596	114,524	108,153
Non-current liabilities				
Loans and leases payable	7	75,721	118,420	129,592
Other liabilities		11,327	6,100	13,210
Deferred tax		-	648	-
		87,048	125,168	142,802
Total liabilities		215,644	239,692	250,955
Equity				
Equity attributable to shareholders of the Company		116,187	180,150	180,016
Non-controlling interest		29,915	27,863	27,804
Total equity		146,102	208,013	207,820
Total liabilities and equity		361,746	447,705	458,775

On behalf of the board of directors:

"Amir Tamari"

Amir Tamari
Chairman

"Neha Kapelus"

Neha Kapelus
CEO

"Binu Mathai"

Binu Mathai
VP Finance

November 21, 2025

Date

Condensed interim consolidated statements of income (loss)

	Note	Nine months ended September 30, 2025 (Unaudited)	Nine months ended September 30, 2024 (Unaudited)	Three months ended September 30, 2025 (Unaudited)	Three months ended September 30, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Condensed interim consolidated statements of income (loss)						
<u>Revenue</u>						
Income from hotels and resorts	8	60,483	91,721	24,530	36,427	111,889
Sale of residential real estate		1	4,281	-	-	9,502
Total revenue		60,484	96,002	24,530	36,427	121,391
<u>Expenses and costs</u>						
Operating expenses from hotels and resorts		(53,831)	(78,981)	(18,908)	(30,680)	(96,901)
Cost of sales of residential real estate		(25)	(6,192)	(5)	(747)	(12,470)
Total expenses and costs		(53,856)	(85,173)	(18,913)	(31,427)	(109,371)
Gross profit		6,628	10,829	5,617	5,000	12,020
Administrative and general expenses		(3,886)	(6,883)	(1,372)	(3,375)	(8,153)
Operating income before depreciation, valuation adjustments and other income		2,742	3,946	4,245	1,625	3,867
Impairment of real estate properties		(4,037)	(1,237)	(3,710)	(1,237)	(2,201)
Depreciation		(12,461)	(14,881)	(3,974)	(8,128)	(20,457)
Gain (loss) on sale and other capital gains (losses), net		(64)	(17,364)	-	(17,364)	(18,048)
Other income (expense)		1,166	94	(649)	39	453
Net loss from operations		(12,654)	(29,442)	(4,088)	(25,065)	(36,386)
<u>Financial expenses</u>						
Provision for credit losses	9 / 11(g)	(32,168)	(1,027)	(22,172)	-	(3,914)
Other financial expenses	9	(14,654)	(28,854)	(5,069)	(11,220)	(36,479)
Total financial expenses		(46,822)	(29,881)	(27,241)	(11,220)	(40,393)
Financial income		4,818	4,471	1,664	1,261	5,789
Net loss before income taxes		(54,658)	(54,852)	(29,665)	(35,024)	(70,990)
Income tax recovery	10	(5,675)	4,986	83	1,653	12,454
Net loss for the period		(60,333)	(49,866)	(29,582)	(33,371)	(58,536)
<u>Attributable to:</u>						
Shareholders of the Company		(53,583)	(43,914)	(27,634)	(30,922)	(49,864)
Non-controlling interest		(6,750)	(5,952)	(1,948)	(2,449)	(8,672)
Net loss for the period		(60,333)	(49,866)	(29,582)	(33,371)	(58,536)
<u>Net loss per share:</u>						
Basic		(3.25)	(2.66)	(1.67)	(1.87)	(3.02)
Diluted		(3.25)	(2.66)	(1.67)	(1.87)	(3.02)

Condensed interim consolidated statements of comprehensive income

	Nine months ended September 30, 2025 (Unaudited)	Nine months ended September 30, 2024 (Unaudited)	Three months ended September 30, 2025 (Unaudited)	Three months ended September 30, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Condensed interim consolidated statements of comprehensive income (loss) for the					
Net loss for the period	(60,333)	(49,866)	(29,582)	(33,371)	(58,536)
Other comprehensive income (loss):					
<u>Items that will not be reclassified subsequently to net income (loss):</u>					
Revaluation of property, plant and equipment, before income taxes	(4,788)	(17,047)	3,203	(260)	(20,604)
Income taxes	1,991	3,895	(406)	371	4,667
Net income (loss) from revaluation of property, plant and equipment	(2,797)	(13,152)	2,797	111	(15,937)
<u>Items that will or may be reclassified subsequently to net income (loss):</u>					
Foreign exchange differences on translation of foreign operations	(4,546)	2,815	2,160	(3,042)	14,077
Other comprehensive income (loss) for the period net of income tax	(7,343)	(10,337)	4,957	(2,931)	(1,860)
Total comprehensive loss for the period, net of income tax	(67,676)	(60,203)	(24,625)	(36,302)	(60,396)
Attributable to:					
Shareholders of the Company	(63,829)	(54,981)	(24,694)	(34,803)	(55,115)
Non-controlling interest	(3,847)	(5,222)	69	(1,499)	(5,281)
Total comprehensive loss for the period, net of income tax	(67,676)	(60,203)	(24,625)	(36,302)	(60,396)

Condensed interim consolidated statements of changes in equity

Condensed interim consolidated statements of changes in equity	Share capital and premium	Treasury Shares	Related party surplus	Revaluation surplus	Share based compensation surplus	Foreign exchange translation	Retained earnings	Attributable to shareholders of the Company	Non-controlling interest	Total Equity
For the nine months ended September 30, 2025 (Unaudited):										
Balance at the beginning of the period	80,188	(433)	297	24,630	396	20,698	54,240	180,016	27,804	207,820
Net loss for the period	-	-	-	-	-	-	(53,583)	(53,583)	(6,750)	(60,333)
Other comprehensive income (loss) for the period	-	-	-	(6,620)	-	(3,626)	-	(10,246)	2,903	(7,343)
Total comprehensive income (loss) for the period	-	-	-	(6,620)	-	(3,626)	(53,583)	(63,829)	(3,847)	(67,676)
Transfer upon recognition of depreciation	-	-	-	(288)	-	-	288	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	5,958	5,958
Receipt of a benefit from shareholders	-	-	-	-	-	-	-	-	-	-
Transfer upon sale	-	-	-	(3,238)	-	-	3,238	-	-	-
Transfer upon expiration and exercise	396	-	-	-	(396)	-	-	-	-	-
Balance at the end of the period	80,584	(433)	297	14,484	-	17,072	4,183	116,187	29,915	146,102
For the nine months ended September 30, 2024 (Unaudited):										
Balance at the beginning of the period	80,188	(433)	125	42,074	396	9,245	103,364	234,959	31,736	266,695
Net loss for the period	-	-	-	-	-	-	(43,914)	(43,914)	(5,952)	(49,866)
Other comprehensive loss for the period	-	-	-	(13,181)	-	2,114	-	(11,067)	730	(10,337)
Total comprehensive 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	-	-	172	-	-	-	-	172	-	172
Transfer upon sale	-	-	-	-	-	-	-	-	-	-
Balance at the end of the period	80,188	(433)	297	28,314	396	11,359	60,029	180,150	27,863	208,013

SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended September 30, 2025 (Unaudited)

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	Treasury shares	Related party surplus	Revaluation surplus	Share based compensation surplus	Foreign exchange translation	Retained earnings	Attributable to shareholders of the Company	Non-controlling interest	Total Equity
For the three months ended September 30, 2025 (Unaudited):										
Balance at the beginning of the period	80,188	(433)	297	13,206	396	15,475	31,752	140,881	25,252	166,133
Net loss for the period	-	-	-	-	-	-	(27,634)	(27,634)	(1,948)	(29,582)
Other comprehensive income (loss) for the period	-	-	-	1,350	-	1,590	-	2,940	2,017	4,957
Total comprehensive income (loss) for the period	-	-	-	1,350	-	1,590	(27,634)	(24,694)	69	(24,625)
Transfer upon recognition of depreciation	-	-	-	(72)	-	-	72	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	4,594	4,594
Transfer upon expiration and exercise	396	-	-	-	(396)	-	-	-	-	-
Balance at the end of the period	80,584	(433)	297	14,484	-	17,065	4,190	116,187	29,915	146,102
For the three months ended September 30, 2024(Unaudited):										
Balance at the beginning of the period	80,188	(433)	297	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	(433)	297	28,314	396	11,352	60,036	180,150	27,863	208,013
For the year ended December 31, 2024 (audited):										
Balance at the beginning of the year	80,188	(433)	125	42,074	396	9,245	103,364	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	(433)	297	24,630	396	20,698	54,240	180,016	27,804	207,820
For the year ended December 31, 2024 (audited):										

Condensed interim consolidated statements of cash flows

	Nine months ended September 30, 2025 (Unaudited)	Nine months ended September 30, 2024 (Unaudited)	Three months ended September 30, 2025 (Unaudited)	Three months ended September 30, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Condensed interim consolidated statements of cash flows					
Operating activities:					
Net loss for the period	(60,333)	(49,866)	(29,582)	(33,371)	(58,536)
Adjustments for:					
Depreciation, amortization and impairment	17,798	20,020	8,064	12,201	27,917
Loss (gain) on sale of investment and other property	63	17,364	-	17,364	18,048
Financing costs from bonds including foreign exchange	-	1,038	-	-	1,038
Financing expense on (income from) financial derivative	-	1,938	-	592	1,938
Finance costs from shareholders' loan	3,438	1,189	2,192	973	4,252
Deferred tax, net	4,997	(5,432)	(21)	(1,706)	(12,102)
Changes in non-cash working capital:					
Trade receivables, other receivables, prepayments and others	29,176	(2,158)	21,300	4,157	(3,806)
Inventories	71	(67)	21	135	(47)
Real estate inventory	-	4,994	-	228	9,986
Trade and other payables and credit balances	(4,164)	1,028	1,431	(5,280)	8,786
Income taxes	157	(440)	(562)	(287)	(688)
Cash used in operating activities	(8,797)	(10,392)	2,843	(4,994)	(3,214)
Investing activities:					
Additions to investment properties	(15)	(21)	(15)	-	(22)
Release from (Investment in) restricted deposit	3,141	(786)	672	(3,424)	12,413
Additions to property, plant and equipment	(5,605)	(31,774)	(853)	(4,911)	(37,631)
Income taxes paid	-	(1,724)	-	-	(1,259)
Proceeds of loans given to purchasers	486	-	153	-	-
Proceeds from sale of property, plant and equipment	17,828	131,337	-	131,337	130,403
Disposition (Purchase) of financial derivative	-	-	-	-	575
Cash used in investing activities	15,835	97,032	(43)	123,002	104,479
Financing activities:					
Bank credit and other short-term loans	(20,267)	25,791	(1,470)	27,166	24,631
Repayment of bonds	-	(54,825)	-	-	(54,825)
Proceeds from long term loans	1,666	15,690	58	2,464	19,019
Repayments of long-term loans and capital leases	(10,687)	(144,320)	(9,315)	(143,842)	(154,416)
Receipt of a benefit from shareholders	-	172	-	-	172
Proceeds on loans payable to shareholders	4,029	30,018	-	-	30,018
Contribution from non-controlling shareholders, net	5,958	1,349	4,594	-	1,349
Cash provided by financing activities	(19,301)	(126,125)	(6,133)	(114,212)	(134,052)
Foreign exchange translation of cash balances	213	(1,147)	(174)	(1,384)	270
Net increase (decrease) in cash and cash equivalents	(12,050)	(40,632)	(3,507)	2,412	(32,517)
Cash and cash equivalents at beginning of year	24,622	57,139	16,079	14,095	57,139
Cash and cash equivalents at end of year	12,572	16,507	12,572	16,507	24,622

SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended September 30, 2025 (Unaudited)

Condensed interim consolidated statements of cash flows

(in thousands of Canadian Dollars)

Supplemental cash flow information for the period	Nine months ended September 30, 2025 (Unaudited)	Nine months ended September 30, 2024 (Unaudited)	Three months ended September 30, 2025 (Unaudited)	Three months ended September 30, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Interest paid	8,300	17,054	2,484	4,569	19,924
Interest received	18	877	3	14	881
Income taxes paid	518	2,145	500	(10)	1,582

Significant non-cash investing and financing activities for the period	Nine months ended September 30, 2025 (Unaudited)	Nine months ended September 30, 2024 (Unaudited)	Three months ended September 30, 2025 (Unaudited)	Three months ended September 30, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Right-of-use assets and lease liabilities	-	-	-	-	368
Loans to purchasers	-	3,213	-	-	-

Notes to condensed interim consolidated financial statements

1 Nature of operations

(a) Nature of operations

Skyline Investments Inc. (the "Company" 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, 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

- 1) As of September 30, 2025, the Company presents a negative working capital of approximately CAD 99.4 million, mainly due to the classification of Freed VTBs (approximately CAD 29.7 million net of ECL) from short to long term, and certain loans which are classified in the short-term liabilities, in the approximate amount of CAD 98 million, as follows:

- a) Due to the breach of the Debt Service Coverage Ratio as of 30 June 2025 related to Hotel Cleveland Autograph loans, these loans amounting to CAD 53.4 million (US 38.4 million) as of September 30, 2025 are classified as short-term liabilities. The fair value of the Hotel as of September 30, 2025, is CAD 162.9 million (USD 117 million).

During the reporting period, the Company reached an agreement with the lender, according to which: the Company made a principal repayment of the loan in the amount of CAD 9.2 million (USD 6.6 million); the bank waived the DSCR requirements for June 2025 and September 2025; a new DSCR requirement was implemented starting in December 2025; and the required minimum liquidity was reduced from CAD 12.5 million to CAD 7 million. See Note 11(d) for further details.

Because the Company received the aforesaid waiver after the actual breach of the Debt Service Coverage Ratio, and because the waiver was provided for a period that is less than 12 months, these loans are classified in short-term liabilities until the company presents actual or theoretical compliance with the most stringent standard that the company will have to meet by June 2026.

See also 1b2 below.

- b) Loans from the Company's major shareholders, Mishorim and LDNG, in the amount of approximately CAD 38.8 million (NIS 92 million), payable in August 2026. After the end of the reporting period, the Company entered into an amendment to the loan agreement whereby the maturity date was deferred to December 2027, all other terms of the agreement remained the same. (Refer to Note 11 (f) for further detail).

It is noted that the loans will continue to accrue interest until repayment or maturity in December 2027. The repayment of these loans is expected to be funded primarily through proceeds from impaired loans to purchasers (VTBs), see 1(b)3 below and 11(g) regarding VTBs - if collection of VTBs extends beyond the periods currently assumed and/or if amounts collected are less than expected, there is uncertainty as to whether the cash received from VTB repayments will be sufficient to meet the required shareholder loan repayments as they come due. In that case, the Company may need to consider alternative sources, including potential sale of certain properties.

- c) Other loans classified as short term liabilities: loans that finance Port McNicoll assets (CAD 1.2 million) due October 2025; the Company's Golf Cottages development (CAD 3.54 million) due in November 2025; and a bank line of credit of CAD 980 thousand. After the end of the reporting period, the Company has repaid the Port McNicoll loans in full and reached an agreement with the lender of the Golf Cottages development loan to extend the maturity date to November 2027 (Refer to Note 14(a) for further detail).

- 2) The Company is a guarantor under certain existing loan agreements and as of the reporting date, it must maintain a minimum liquidity of CAD 7 million and minimum equity of CAD 100 million. The Company and its subsidiaries comply with the financial covenants undertaken towards financing parties with the exception of the Hyatt loans (see Note 11(h)). As the balance sheet date, liquidity is CAD 12.6 million and the equity balance is CAD 116.2 million (see Note 11(d)). A breach of such covenants could trigger default events, potentially resulting in the acceleration of outstanding loans and a requirement for immediate repayment.
- 3) Company's assets include Freed VTBs which balance, net of Expected Credit Losses ("ECL") as of 30 September 2025 is CAD 29.7 million. During the nine months period ended 30 September 2025, the Company recorded a provision for expected credit losses in connection with these VTBs in the amount of CAD 26.24 million (as of September 30, 2025 total ECL is CAD 28.48 million). 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.

According to information provided to the Company after the end of the reporting period, the negotiations conducted by Freed regarding a transaction which, inter alia, was intended to provide it with the financing required for the repayment of its debt to the Company, have not materialized into a binding agreement, and Freed intends to conduct negotiations for a transaction under a different framework. As of this date, the Company has not commenced enforcement proceedings for the repayment of the loans, the Company holds collaterals (subject to the senior lender's priority). For details on the impact on the ECL related to the Freed VTBs, see Note 11(g).

- 4) The Company is required to do certain renovations in accordance with franchise requirements in the near future, with the total estimated cost being approximately CAD 7.6 million. Management plans to fund these renovations through an existing credit facility of approximately CAD 4 million and existing reserve of CAD 3.6 million. If renovation costs come higher than expected or the Company is unable to obtain extensions of the renovation timelines from the franchisor (if required), the Company may be at risk of defaulting under the franchise agreements. Such a default could also trigger cross-default provisions in related loan agreements.

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 November 21, 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	September 30, 2025	September 30, 2024	June 30, 2025	June 30, 2024	December 31, 2024
USD / CAD	1.392	1.350	1.364	1.369	1.439
CAD / NIS	2.375	2.744	2.467	2.741	2.535

	Nine months ended September 30, 2025	Nine months ended September 30, 2024	Three months ended September 30, 2025	Three months ended September 30, 2024	Year ended December 31, 2024
Exchange rates- Average during the period ended					
USD / CAD	1.399	1.360	1.376	1.364	1.370
CAD / NIS	2.515	2.721	2.443	2.723	2.701

	Nine months ended September 30, 2025	Nine months ended September 30, 2024	Three months ended September 30, 2025	Three months ended September 30, 2024	Year ended December 31, 2024
Change in rate- During the period ended					
USD / CAD	(3.3%)	2.1%	2.0%	(1.4%)	8.8%
CAD / NIS	(6.3%)	0.2%	(3.8%)	0.1%	(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. The third 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:

	Fair value as at September 30, 2025	Fair value as at September 30, 2024	Fair value as at Year ended December 31, 2024	Carrying amount as at September 30, 2025	Carrying amount as at September 30, 2024	Carrying amount as at Year ended December 31, 2024
Financial assets and liabilities at fair value through profit or loss						
Financial assets						
Loans to purchasers	58,699	87,183	90,062	61,523	88,231	91,423
Financial liabilities						
Loans payable*	172,855	194,191	183,420	173,781	195,435	184,417
Disposal group classified as held for sale		-	19,534	-	-	19,534

* 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 and sale of Port McNicoll. 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) 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

	Nine months ended September 30, 2025	Nine months ended September 30, 2024	Year ended December 31, 2024
Investment properties movement			
Balance as at the beginning of the period	14,609	13,769	13,769
Expenditures subsequent to acquisition	15	21	22
Foreign exchange translation and other	(329)	191	818
Balance as at the end of the period	14,295	13,981	14,609

6 Property, plant and equipment

	Nine months ended September 30, 2025	Nine months ended September 30, 2024	Year ended December 31, 2024
Property, plant and equipment movement			
Property, plant and equipment as at beginning of year	276,639	436,878	436,878
Expenditures subsequent to acquisitions, including payable amounts*	4,166	22,382	24,362
Adjustment to fair value through revaluation surplus	(4,788)	(17,047)	(20,604)
Transfer to disposal group	-	-	(20,755)
Right-of-use assets and lease liabilities	-	-	368
Depreciation	(12,461)	(14,881)	(20,457)
Impairment	(4,037)	(1,237)	(3,135)
Disposals	(200)	(148,701)	(148,451)
Foreign exchange translation	(9,214)	9,017	28,433
Balance as at the end of the period	250,105	286,411	276,639

* The balance as of December 31, 2024 included CAD 1.4 million of vendor holdbacks from the renovations at the Company's hotels that were subsequently paid in Q1 2025. The nine months ended September 30, 2025, includes CAD 0.5 million related to Capital expenditures that were incurred and have not yet been paid as of September 30, 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 valuers who hold recognized relevant professional qualifications and have recent experience in the location and category of similar properties. The Company discusses the valuation process and verifies all major inputs to the valuations and reviews the results with the external appraisers for all independent valuations.

In the current reporting period, certain asset was 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 the reporting period, an external appraisal was performed for 1 of the remaining 4 properties. For 3 of the remaining properties (which had appraisals performed in Q2 2025), 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 September 30, 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 12.50%, terminal capitalization rates ranged between 8.50% and 10.00%.

As at September 30, 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 CAD 3.6 million. As at September 30, 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 CAD 3.5 million.

Based on the appraisals completed in Q2 2025, most of the decreases in fair value related to the Hyatt and Fort Myers properties. The appraisal of the Company's Hyatt Regency Cleveland hotel shows a value of USD 45.5 million, a decrease of USD 7.7 million compared to the prior value of USD 53.2 million on December 31, 2024 and March 31, 2025. This is driven by lower expected food & beverage revenue and expected increases in operating expenses such as insurance, property tax, security, etc. The appraisal of the Company's Courtyard Ft Myers Cape Coral hotel shows a value of USD 15.8 million, a decrease of USD 1.7 million compared to the prior value of USD 17.5 million on December 31, 2024 and March 31, 2025. This is driven primarily by lower performance at the property and also the submarket as well as an increase in newer properties that have increased supply.

Based on the appraisal completed in Q3 2025, there was a decrease in fair value related to Courtyard Ithaca. The appraisal of the Company's hotel shows a value of CAD 11.5 million (USD 8.3 million), a decrease of CAD 3.5 million (USD 2.7 million) compared to CAD 15.0 million (USD 11.0 million) as of June 30, 2025. The decline in appraised value is driven by less attractive market conditions and limited opportunity for room-rate growth. Capitalization and discount rates were adjusted downward to reflect market expectations.

7 Loans and leases payable

	Nine months ended September 30, 2025	Nine months ended September 30, 2024	Year ended December 31, 2024
Loans and leases payable properties movement			
Balance as at the beginning of the period	184,417	258,791	258,791
Proceeds from long-term loans	1,666	15,690	19,019
Repayments of long-term loans	(10,687)	(144,320)	(154,416)
Net proceeds (repayment) from short-term loans	(3,797)	25,791	24,631
Proceeds on loans payable to shareholders	4,029	30,018	30,018
Right-of-use assets and lease liabilities	-	-	368
Linkage differences and exchange rate differences on loans from shareholders	3,437	1,188	4,252
Amortization of deferred financing charges	1,300	3,902	4,325
Transfers to disposal group classified as held for sale	-	-	(16,470)
Foreign exchange translation and other	(6,584)	4,375	13,899
Balance as at the end of the period	173,781	195,435	184,417

8 Income from hotels and resorts

	Nine months ended September 30, 2025	Nine months ended September 30, 2024	Three months ended September 30, 2025	Three months ended September 30, 2024	Year ended December 31, 2024
For the period ended,					
Room revenue	42,041	74,842	17,854	29,317	88,088
Food & beverage revenue	14,163	12,873	5,436	5,432	18,395
Other revenue	4,279	4,006	1,240	1,678	5,406
	60,483	91,721	24,530	36,427	111,889

9 Financial expenses

	Nine months ended September 30, 2025	Nine months ended September 30, 2024	Three months ended September 30, 2025	Three months ended September 30, 2024	Year ended December 31, 2024
For the period ended,					
Provision for credit losses*	(32,168)	(1,027)	(22,172)	-	(3,914)
<u>Other financial expenses</u>					
Interest on loans and leases	(9,668)	(19,514)	(2,418)	(7,308)	(23,577)
Interest and foreign exchange revaluation of bonds	-	(3,948)	-	-	(3,948)
Interest on shareholder loans**	(3,438)	(1,189)	(2,192)	(973)	(4,252)
Amortization of deferred financing charges	(1,300)	(3,902)	(380)	(2,836)	(4,325)
Bank charges	(248)	(301)	(79)	(103)	(377)
Other financial expenses	(14,654)	(28,854)	(5,069)	(11,220)	(36,479)
Total financial expenses	(46,822)	(29,881)	(27,241)	(11,220)	(40,393)

*In Q1 2025 and Q3 2025, additional ECL was booked for Freed VTB (see note 11 (g) for details), and in Q2 2025 and Q3 2025, additional ECL was booked related to the Port McNicoll VTB to account for changes observed in market conditions

**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):

	Nine months ended September 30, 2025	Nine months ended September 30, 2024	Three months ended September 30, 2025	Three months ended September 30, 2024	Year ended December 31, 2024
For the year ended December 31,					
Current income tax expense	(132)	114	1	254	21
Prior year income tax recovery (expense)	(546)	(560)	61	(307)	331

Deferred income tax recovery (expense)	*(4,997)	5,432	21	1,706	12,102
Income tax recovery	(5,675)	4,986	83	1,653	12,454

*The Company reduced the total recognized deferred tax asset, as it does not expect to utilize the full tax losses against future taxable income

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. On July 10, 2025, a special and annual general meeting of the Company's shareholders was held, at which a service agreement between the Company and its former CEO, Mr. Blake D. Lyon, was approved. Mr. Lyon will provide management services, and to the extent that his services result in the sale of the Company's assets, he will be entitled to a cash payment of 0.75% of the gross sales price. The Agreement shall remain in effect during the period from May 14, 2025 until terminated by either party. Each party shall have the right to terminate the Agreement at its discretion upon thirty (30) days prior written notice to the other party or immediately in the event of a breach of the provisions of the Agreement. In 2016, the Board of Directors approved a private placement of 200,000 shares to a company controlled by Mr. Blake Lyon, in return for an interest-bearing loan. In 2023, an amendment to Mr. Blake's Lyon's employment agreement was approved, including amendments to the loan. For further details, see Note 18 of the Company's annual consolidated financial statements as of December 31, 2024. The stock options have expired on September 30, 2025, the loan was not repaid, and based on the provisions of the agreement, the shares will be repurchased by the Company at market price and offset with the loan (with no cash events), with the remaining loan balance forgiven under the terms of the agreements.
- (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 did not include such forbearance language, but, rather, stated that Marriott had the right to terminate the Franchise Agreement and arrange for de-identification of the hotel and payment of liquidated damages.

In July 2025, Marriott and Skyline executed a forbearance agreement following Skyline's replacement of Aimbridge Hospitality as the manager of the Hotel. Marriott also required the Hotel's commitment to improving performance under the Accountability Program, for the period between July 2025 and December 2025, so that the hotel would no longer be in Red Zone. Further, the Property must complete certain renovations in accordance with the Franchise requirements on or before December 31, 2025 (as of this date the Company started these renovations and estimates that it will cost approximately CAD 1 million). Crescent Hotel & Resorts assumed management of the Hotel on July 15, 2025; the Crescent hotel management agreement has similar terms as the agreement with Aimbridge and may be terminated without penalty with 30 days' notice.

The recourse loan related to this property had a maturity date of September 30, 2025 and a balance as at June 30, 2025 of USD 8.6 million (CAD 12 million), and related restricted cash balance of USD 2.0 million (CAD 2.8 million).

In August 2025, a subsidiary of the Company executed a loan extension agreement, converting the facility into an 18-month term loan. As part of this extension, the Company made a principal repayment of USD 0.5 million (CAD 0.7 million), which was funded through a corresponding reduction of the restricted cash balance, thereby reducing both the loan balance and restricted cash by USD 0.5 million (CAD 0.7 million). The outstanding loan balance after repayment was USD 8.0 million (CAD 11.1 million) and the interest reserve was USD 1.5 million (CAD 2.1 million). The rate of interest on the outstanding principal balance of the loan is 8.50%, to be paid monthly. The Company's subsidiary has provided a capital expenditure reserve of USD 0.5 million (CAD 0.7 million), to be held by the lender for the purpose of completing the capital expenditure requirements under the franchise agreement.

In case there is any non-compliance with the conditions set by Marriott in the forbearance agreement, this will cause a default under the franchise agreement, and the lender will have the right to call the loan for immediate repayment under the terms of the loan extension agreement.

- (d) The Company's primarily loan related to Hotel Cleveland, Autograph Collection has a maturity date of June 16, 2029 and the loan amount as of September 30, 2025 is USD 38.4 million (CAD 53.4 million), including deferred costs of USD 1.4 million (CAD 2.0 million).

As of June 30, 2025, the Company was required to meet a DSCR of 1.4, which it failed to meet and consequently the loan was classified in current liabilities. The DSCR covenant was a non-defaulting covenant, and the Company had a contractual right to cure the breach; however, the Company did not have sufficient funds as of June 30th 2025 to cure the breach while also meeting its minimum liquidity requirement of CAD 12.5 million.

On August 13, 2025, the Company executed an amendment to the loan agreement with the Bank, which specified the following: a) The Company was required to make a principal payment of USD 6.6 million by August 29, 2025; b) the Bank waived the DSCR requirements for June 30, 2025 and September 30, 2025; c) the DSCR for December 31, 2025 will be calculated based on a trailing 6 month period; d) the DSCR for March 31, 2026 will be calculated based on a trailing 9 month period and the DSCR for June 30, 2026 onwards will be on a trailing 12 month basis; and (e) the Company, in its capacity as guarantor, is required maintain liquid assets equal to CAD 7 million in lieu of CAD 12.5 million previously required prior to the amendment. The principal repayment of CAD 9.2 million (USD 6.6 million) was made during the reporting period, and these loans will continue to be classified as short-term until the company shows actual or theoretical compliance with the most stringent standard that the company will have to meet by June 2026.

- (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 shall 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 original shareholder loans was CAD 34.5 million (NIS 82 million) as of September 30, 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.

On June 23, 2025 (following receipt of approvals from the Company's Board of Directors and Audit Committee in accordance with Section 1(5) of the Companies Regulations (Relaxations in Transactions with Interested Parties), 5760-2000), the Company entered into a supplement to the loan agreement with Mishorim Real Estate Investments Ltd. ("Mishorim"), pursuant to which Mishorim provided an additional amount of CAD 2.7 million (NIS 6.67 million) as a shareholders' loan (i.e. the total principal of Mishorim's loan will amount to CAD 25 million (NIS 61.67 million)), under the same terms as the existing shareholders' loan: annual interest at a rate of 6%, linked to the Consumer Price Index and repayable by January 5, 2026. On the same date, the Company also entered into a supplement to the loan agreement relating the loan provided to the Company by Land Development of Nimrod Group Ltd. ("LDNG"), pursuant to which LDNG increased the loan amount by CAD 1.3 million (NIS 3.33 million) (i.e., the total principal of the LDNG loan will amount to CAD 12.3 million (NIS 30.33 million)), under the same terms as the original LDNG loan. The purpose of said additional amounts was to allow the Company to meet its obligations to maintain liquid cash undertaken in its capacity as a guarantor of some of the Company's subsidiaries. The Board of Directors and the Audit Committee approved the increase in Mishorim's loan in accordance with Section 1(5) of the Companies Regulations (Relaxations in Transactions with Interested Parties), 5760-2000, as an arm's length transaction entered into in the ordinary course of the Company's business for the benefit of the Company.

On August 21, 2025, the Company signed an amendment to the agreements with both shareholders to extend the maturity date of the loans to August 31, 2026; all other terms of the agreement remained the same.

On November 20, 2025, the Company signed an amendment to the agreements with both shareholders to extend the maturity date of the loans to December 31, 2027; all other terms of the agreement remained the same.

The balance of the total shareholder loans was CAD 38.8 million (NIS 92 million) as of September 30, 2025.

(g) **VTBs**

(1) Freed VTB

The VTBs balance including accrued interest (gross of ECL) as of 30 September 2025 is CAD 58.2 million (CAD 49 million principal and CAD 9.2 million accrued interest).

Freed failed to meet its obligation to pay the Company principal and accrued interest on the VTBs on the maturity date (March 31, 2025).

During the nine months period ended on 30 September 2025, the Company recorded a provision for ECL of CAD 26.24 million of which, CAD 20.46 million were recorded in the third quarter of 2025. As of September 30, 2025 the total provision is CAD 28.48 million).

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 trigger 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 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 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 Q3 2025 in order to assist with the ECL calculation and certain assumptions changed since the Q1 ECL calculation mainly related to changes in scenario probability weighting and discount to the value of Freed assets, as below.

In the ECL calculation in Q1 2025, the first scenario considered in the model is the liquidation of the collateral with a weight of 50%. The Company first considered 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% deduction for estimated liquidation and commission costs and 20% discount to the value of the Freed 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).

In the ECL calculation in Q3 2025, the first scenario considered in the model is the liquidation of the collateral with a weight of 60%. The Company first considered if the value of the collateral (based on September 30, 2025 unaudited and unreviewed financial information received) can cover the entire VTBs amounts, after applying a 5% deduction for estimated liquidation and commission costs and a 25% discount to the value of the Freed assets. After these deductions it was concluded that there is a potential collateral shortfall of 9.84% (CAD 38.4 million). The present value of this shortfall was included in the loss given default (LGD).

As previously reported 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. As of the reporting date no binding agreement has been signed, and neither the Company nor the senior lender has commenced enforcement proceedings for repayment of the loans. According to information provided to the Company after the end of the reporting period, the negotiations conducted by Freed regarding a transaction, have not materialized into a binding agreement, and Freed intends to conduct negotiations for a transaction under a different framework. Any transaction will require, *inter alia*, the approval of Freed's senior lender. In the ECL calculation in Q3 2025, potential transaction was considered as a second possible scenario with a weight of 40%. In this scenario the Company considered that the VTBs would be paid in full and the loss given default is a result of the delay on the time to receive the payments until the deal is closed.

The following summarizes the sensitivity of ECL to the key assumptions of scenario weighting and discount on Freed assets. The ECL reflected as of September 30, 2025 incorporates a 40% weight on the "Collect" scenario and a 60% weight on the "Default" scenario, and a 25% discount on Freed assets:

- i. Impact on ECL of changing discount on Freed assets, while holding scenario weights constant:

Scenario Weighting		Discount	ECL midpoint
Collect	Default	on Freed assets	in CAD Million
40%	60%	20%	\$12.69
40%	60%	25%	\$28.48
40%	60%	30%	\$44.28
40%	60%	35%	\$44.95

- ii. Impact on ECL of changing scenario weights while holding discount on assets constant:

Scenario Weighting		Discount	ECL midpoint
Collect	Default	on assets	in CAD Million
40%	60%	25%	\$28.48
30%	70%	25%	\$32.79
20%	80%	25%	\$37.11
10%	90%	25%	\$41.42
0%	100%	25%	\$45.73

Based on the Company's assessment and the work done by the external appraiser in current period, management concluded that the ECL related to the Freed VTBs in the amount of CAD 28.48 million is adequate.

(2) Port McNicoll VTB

The Port McNicoll VTB had a principal balance of CAD 26.1 million and accrued interest of CAD 1 million as at September 30, 2025 (gross of ECL).

During the nine months period ended on 30 September 2025, the Company recorded a provision for ECL of CAD 6 million (CAD 4.3 million in Q2 2025 and CAD 1.7 million in Q3 2025). The total ECL provision as of 30 September 2025 is CAD 9 million.

The buyer of Port McNicoll is in default with the last payment received for November 2023. The Company provided notice to the borrower in July 2024 and commenced the power of sale process due to the loan being in default in November 2024. 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 Port McNicoll VTB has first place security over the underlying collateral. The Company has been marketing the property and has received non binding and non-exclusive offers, however, to date none have materialized into definitive agreements. Additional ECL was booked in Q2 2025 and Q3 2025 to account for changes observed in market conditions.

Based on the Company's assessment in current period, management concluded that the ECL related to the Port McNicoll VTB in the amount of CAD 9 million is adequate.

- (h) The loan agreement for the Company's Hyatt Regency Cleveland hotel requires a DSCR of 1.4, which the hotel did not meet in Q2 2025 or Q3 2025. Failure to maintain the required Debt Service Coverage Ratio does not constitute an Event of Default under the Loan Agreement, but, rather, initiates a Cash Trap Event Period, during which the cash management provisions of the Loan Agreement take effect. As long as the Company's hotel is managed by Hyatt, the Cash Trap provisions apply only to (i) revenue generated by the retail portion of the property, and (ii) distributions of excess cash, if any, made by the Hyatt Regency Cleveland hotel to the Company. Accordingly, the Company does not expect the implementation of a Cash Trap Period to impair normal hotel operations. Reporting with respect to quarterly earnings will be provided to the lender in accordance with the regular schedule, after the issuance of the Company's quarterly results. The loan principal balance as of September 30, 2025 was USD 25 million (CAD 34.8 million), with maturity date of May 01, 2028, and classified in non-current liabilities.
- (i) On August 1, 2025, following the approval of the Compensation Committee, the Company's Board of Directors approved the Company's engagement in the renewal of its Directors' and Officers' Liability Insurance policy for a period of one year effective August 14, 2025.

- (j) On August 1, 2025, Crescent Hotel & Resorts assumed management of the Company's Courtyard Ithaca Airport/University hotel. The Crescent hotel management agreement is substantially similar to the agreement with HHM LP, and may be terminated without penalty with 30 days notice.

12 Claims

The Company has been served several 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, 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, and the 2 Hotels branded Marriott Courtyard located in 2 different states. The results in September 30, 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); the results for the nine months ended in September 30, 2025 include 3 Marriott Courtyards, and for the three months ended in September 30, 2025 include 2 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.

Segmented financial information is as follows:

For the nine months ended September 30, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	60,955	(472)	1	60,484
Costs and expenses	(53,829)	(2)	(25)	(53,856)
	7,126	(474)	(24)	6,628
Administrative and general expenses				(3,886)
Impairment of real estate properties				(4,037)
Depreciation				(12,461)
Derecognition of investment costs and other capital losses, net				(64)
Other income, net				1,166
Financial expense				(46,822)
Financial income				4,818
Loss before income taxes				(54,658)

*Other income includes CAD 2.8 million from the Autograph tax credit that was transferred to income. This was partially offset by CAD 1.7 million loss related to deferred consideration settlement for Bear Valley VTB based on amended agreement.

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 income, net				94
Financial expense				(29,881)
Financial income				4,471
Loss before income taxes				(54,852)

SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended September 30, 2025 (Unaudited)

Notes to condensed interim consolidated financial statements

(in thousands of Canadian Dollars except where otherwise stated)

For the three months ended September 30, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	25,043	(513)	-	24,530
Costs and expenses	(18,908)	-	(5)	(18,913)
	6,135	(513)	(5)	5,617
Administrative and general expenses				(1,372)
Impairment of real estate properties				(3,710)
Depreciation				(3,974)
Gain (loss) on sale and other capital gains (losses), net				
Other expense, net				(649)
Financial expense				(27,241)
Financial income				1,664
Loss before income taxes				(29,665)

*Other income includes CAD 1.1 million from the Autograph tax credit that was transferred to income. This was partially offset by CAD 1.7 million loss related to deferred consideration settlement for Bear Valley VTB based on amended agreement.

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 income, net				39
Financial expense				(11,220)
Financial income				1,261
Loss before income taxes				(35,024)

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.

As at September 30, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets ¹	298,656	36,647	26,443	361,746
Liabilities	(162,986)	(46,439)	(6,219)	(215,644)
	135,670	(9,792)	20,224	146,102
As at September 30, 2024 (Unaudited)				
Assets	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 December 31, 2024 (Audited)				
Assets ¹	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

¹ Includes loans to Freed and Port McNicoll VTBs

14 Subsequent events

- (a) In October 2025, the Company entered into an agreement with the lender of the Golf Cottages loan to extend the loan's maturity date from November 30, 2025 to November 30, 2027. Under the terms of the amendment, CAD 0.96 million is due by November 2026, an additional CAD 1.4 million is due and payable in June 2027, and the remaining balance is due by November 2027. The outstanding loan balance as at reporting date was CAD 3.5 million.
- (b) With respect to the agreement for the sale of the Company's property in Bear Valley for a total consideration of USD 19.5 million (CAD 27.15 million), under which it was agreed that a deferred consideration of USD 6 million (CAD 8.35 million), plus interest as stipulated in the agreement, would be payable on November 2, 2026, and as disclosed in Note 10 (c) (1) of the Company's annual consolidated financial statements as of December 31, 2023: following discussions between the Company and the purchaser regarding the parties' respective claims concerning the purchase agreement, the parties entered into a settlement and release agreement, under which the deferred consideration of USD 6 million (CAD 8.35 million) was reduced to USD 4.75 million (CAD 6.61 million) retroactively effective as of November 1, 2023 (the "Deferred Consideration") and shall become fully due and payable on December 29, 2025 (the "Final Maturity Date"). An initial payment of USD 2 million (CAD 2.78 million) from the Deferred Consideration balance was made to the Company upon execution of the agreement in October 2025, and an additional payment of USD 2.75 million (CAD 3.83 million) will be made to the Company on the Final Maturity Date. It was further agreed that, if the purchaser makes the principal payments as required, the Company shall waive the interest on the Deferred Consideration. Considering that the loss from the settlement and release agreement it relates to buyer's claims, as at September 30, 2025, the CAD 1.74 million (USD 1.25 million) difference was recorded in Other income (loss) and the VTB value was reduced in the same amount.
- (c) According to information provided to the Company after the end of the reporting period, the negotiations conducted by Freed regarding a transaction which, inter alia, was intended to provide it with the financing required for the repayment of its debt to the Company (see Freed VTB on note 11(g)), have not materialized into a binding agreement, and Freed intends to conduct negotiations for a transaction under a different framework. The Company has not commenced enforcement proceedings for the repayment of the loans and is considering the options available to it.
- (d) On November 20, 2025, the Company signed an amendment to the agreements with both shareholders to extend the maturity date of the loans to December 31, 2027; all other terms of the agreement remained the same.