SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended June 30, 2026 (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 consolidated companies (hereafter- *"the Company"*) which includes the condensed *consolidated* statement of financial position as of *June 30, 2026* and the related condensed *consolidated* statements of *profit or loss, comprehensive income*, changes in equity and cash flows for the periods of *six* and three months then ended. The Board of Directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1(b) of the condensed consolidated financial statements including to the negative working capital as of June 30, 2026, breach of financial covenant related to Autograph Loan for which the Company received a waiver for the current quarter and term sheet signed entered by the Company for refinancing of the loan, the tax audit of the Canada Revenue Agency (CRA), and the plans of management and the Board of Directors. Based on an analysis of the Company's cash requirements and the alternatives available to it, management and the Board of Directors estimate that the Company will be able to meet all of its obligations in the foreseeable future as they fall due.

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

Haifa August 25, 2026

(in thousands of Canadian Dollars)

1 Condensed interim consolidated statements of financial position

Condensed interim consolidated statements of financial position as at	Note	June 30, 2026 (Unaudited)	June 30, 2025 (Unaudited)	December 31, 2025 (Audited)
Assets:				
Current assets				
Cash and cash equivalents		12,838	16,079	13,716
Trade receivables, other receivables and prepayments		6,522	6,025*	4,856*
Inventories		372	417	366
Loans to purchasers		2,581	48,907	-
Restricted bank deposits		1,603	3,434	1,671
Disposal group classified as held for sale	4	21,706	-	-
,		**45,622**	**74,862**	**20,609**
Non-current assets				
Investment properties	6	14,335	14,083	13,943
Property, plant and equipment	7	223,210	248,855	235,113
Loans to purchasers		31,561	34,857	40,435
Other non-current assets		242	453	452
Restricted bank deposits		10,198	8,596	10,206
Deferred tax		4,632	3,649	4,821
		284,178	**310,493**	**304,970**
Total assets		**329,800**	**385,355**	**325,579**
Liabilities and equity:				
Current liabilities				
Loans and leases payable	8	62,193	116,732	54,219
Trade payables		8,558	7,137	6,426
Other payables and accruals		12,952	15,455*	11,392*
Deferred revenue		6,722	6,475	6,394
Income taxes payable		-	566	-
Disposal group classified as held for sale	4	19,971	-	-
		110,396	**146,365**	**78,431**
Non-current liabilities				
Loans and leases payable	8	68,461	63,211	90,531
Other liabilities		11,110	10,907	11,669
		79,571	**74,118**	**102,200**
Total liabilities		**189,967**	**220,483**	**180,631**
Equity				
Equity attributable to shareholders of the Company		108,741	140,257*	116,900*
Non-controlling interest		31,092	24,615*	28,048*
Total equity		**139,833**	**164,872**	**144,948**
Total liabilities and equity		**329,800**	**385,355**	**325,579**

* Comparative figures have been adjusted to reflect the correction of non-material misstatements identified during Q1 2026 in respect of prior periods. As a result, the Company's total equity was reduced by about CAD 1.2 million.

On behalf of the board of directors:

"Amir Tamari"	"Neha Kapelus"	"Chanda Kuber"	August 25, 2026
Amir Tamari	Neha Kapelus	Chanda Kuber	Date
Chairman	CEO	VP Finance	

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

2 Condensed interim consolidated statements of profit or loss

Condensed interim consolidated statements of income (loss)	Note	Six months ended June 30, 2026 (Unaudited)	Six months ended June 30, 2025 (Unaudited)	Three months ended June 30, 2026 (Unaudited)	Three months ended June 30, 2025 (Unaudited)	Year ended December 31, 2025 (Audited)
Revenue						
Income from hotels and resorts	9	42,291	35,953	25,006	19,074	81,732
Sale of residential real estate		-	1	-	1	1
Total revenue		**42,291**	**35,954**	**25,006**	**19,075**	**81,733**
Expenses and costs						
Operating expenses from hotels and resorts		(36,367)	(34,923)	(19,673)	(17,053)	(72,024)
Cost of sales of residential real estate		-	(20)	7	(6)	(76)
Total expenses and costs		**(36,367)**	**(34,943)**	**(19,666)**	**(17,059)**	**(72,100)**
Gross profit		**5,924**	**1,011**	**5,340**	**2,016**	**9,633**
Administrative and general expenses		(2,364)	(2,514)	(1,221)	(1,222)	(4,917)
Operating income (loss) before depreciation, valuation adjustments and other income		**3,560**	**(1,503)**	**4,119**	**794**	**4,716**
Impairment loss of real estate properties		(1,589)	(327)	(1,664)	(472)	(8,584)
Depreciation		(8,082)	(8,487)	(4,090)	(4,134)	(16,453)
Loss from fair value adjustments of investment properties		-	-	-	-	(200)
Loss on sale and other capital losses		-	(64)	-	-	(64)
Other income		1,778	1,815	1,110	838	2,033
Net loss from operations		**(4,333)**	**(8,566)**	**(525)**	**(2,974)**	**(18,552)**
Financial expense	10					
Provision for credit losses		(6,924)	(9,996)	(6,924)	(4,214)	(47,287)
Other financial expenses		(7,708)	(9,585)	(4,428)	(6,740)	(21,095)
Total Financial expenses		**(14,632)**	**(19,581)**	**(11,352)**	**(10,954)**	**(68,382)**
Financial income		637	3,154	341	1,691	5,724
Net loss before income taxes		**(18,328)**	**(24,993)**	**(11,536)**	**(12,237)**	**(81,210)**
Income tax (expense) recovery	11	467	(5,758)	447	(7,190)	(4,411)
Net loss for the year		**(17,861)**	**(30,751)**	**(11,089)**	**(19,427)**	**(85,621)**
Attributable to:						
Shareholders of the Company		(15,029)	(25,949)	(10,306)	(17,680)	(76,791)
Non-controlling interest		(2,832)	(4,802)	(783)	(1,747)	(8,830)
Net loss for the year		**(17,861)**	**(30,751)**	**(11,089)**	**(19,427)**	**(85,621)**
Net loss per share:						
Basic		(0.91)	(1.57)	(0.62)	(1.07)	(4.65)
Diluted		(0.91)	(1.57)	(0.62)	(1.07)	(4.65)

(in thousands of Canadian Dollars)

3 Condensed interim consolidated statements of comprehensive income

Condensed interim consolidated statements of comprehensive income (loss) for the	Six months ended June 30, 2026 (Unaudited)	Six months ended June 30, 2025 (Unaudited)	Three months ended June 30, 2026 (Unaudited)	Three months ended June 30, 2025 (Unaudited)	Year ended December 31, 2025 (Audited)
Net loss for the year	**(17,861)**	**(30,751)**	**(11,089)**	**(19,427)**	**(85,621)**
Other comprehensive income (loss):					
Items that will not be reclassified subsequently to net income (loss):					
Revaluation of property, plant and equipment, before income taxes	9,713	(7,991)	6,345	(10,720)	(8,598)
Income taxes gain (loss)	(1,148)	2,397	(745)	2,744	2,786
Net income (loss) from revaluation of property, plant and equipment	8,565	(5,594)	5,600	(7,976)	(5,812)
Items that will or may be reclassified subsequently to net income (loss):					
Foreign exchange differences on translation of foreign operations	4,181	(6,706)	2,264	(6,629)	(6,241)
Other comprehensive income (loss) for the year net of income tax	**12,746**	**(12,300)**	**7,864**	**(14,605)**	**(12,053)**
Total comprehensive loss for the year, net of income tax	**(5,115)**	**(43,051)**	**(3,225)**	**(34,032)**	**(97,674)**
Attributable to:					
Shareholders of the Company	(8,159)	(39,135)	(6,169)	(31,960)	(92,597)
Non-controlling interest	3,044	(3,916)	2,944	(2,072)	(5,077)
Total comprehensive loss for the year, net of income tax	**(5,115)**	**(43,051)**	**(3,225)**	**(34,032)**	**(97,674)**

(in thousands of Canadian Dollars)

4 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	Share capital - Shareholder loan	Attributable to shareholders of the Company	Non-controlling interest	Total Equity
For the six months ended June 30, 2026 (Unaudited):											
Balance at the beginning of the period	80,584	(433)	297	10,017	-	15,891	(19,561)*	30,105	116,900*	28,048*	144,948*
Net loss for the period	-	-	-	-	-	-	(15,029)	-	(15,029)	(2,832)	(17,861)
Other comprehensive income (loss) for the period	-	-	-	3,849	-	3,021	-	-	6,870	5,876	12,746
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**3,849**	**-**	**3,021**	**(15,029)**	**-**	**(8,159)**	**3,044**	**(5,115)**
Transfer upon recognition of depreciation	-	-	-	(213)	-	-	213	-	-	-	-
Interest, linkage differences and exchange rate differences on equity loans	-	-	-	-	-	-	(4,639)	4,639	-	-	-
Treasury shares cancellation	(433)	433	-	-	-	-	-	-	-	-	-
Balance at the end of the period	80,151	-	297	13,653	-	18,912	(39,016)	34,744	108,741	31,092	139,833
For the six months ended June 30, 2025 (Unaudited):											
Balance at the beginning of the period	80,188	(433)	297	24,630	396	20,698*	53,616*	-	179,392*	27,167*	206,559*
Net loss for the period	-	-	-	-	-	-	(25,949)	-	(25,949)	(4,802)	(30,751)
Other comprehensive income (loss) for the period	-	-	-	(7,970)	-	(5,216)	-	-	(13,186)	886	(12,300)
Total comprehensive loss for the period	**-**	**-**	**-**	(7,970)	-	(5,216)	(25,949)	-	(39,135)	(3,916)	(43,051)
Transfer upon recognition of depreciation	-	-	-	(216)	-	-	216	-	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	1,364	1,364
Transfer upon sale	-	-	-	(3,238)	-	-	3,238	-	-	-	-
Balance at the end of the period	**80,188**	**(433)**	**297**	**13,206**	**396**	**15,482**	**31,121***	**-**	**140,257***	**24,615***	**164,872***

(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	Share capital - Shareholder loan	Attributable to shareholders of the Company	Non-controlling interest	Total Equity
For the three months ended June 30, 2026 (Unaudited):											
Balance at the beginning of the period	80,584	(433)	297	11,270	-	17,273	(25,298)	31,217	114,910	28,148	143,058
Net loss for the period	-	-	-	-	-	-	(10,306)	-	(10,306)	(783)	(11,089)
Other comprehensive income (loss) for the period	-	-	-	2,498	-	1,639	-	-	4,137	3,727	7,864
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**2,498**	**-**	**1,639**	**(10,306)**	**-**	**(6,169)**	**2,944**	**(3,225)**
Transfer upon recognition of depreciation	-	-	-	(115)	-	-	115	-	-	-	-
Interest, linkage differences and exchange rate differences on equity loans	-	-	-	-	-	-	(3,527)	3,527	-	-	-
Treasury shares cancellation	(433)	433	-	-	-	-	-	-	-	-	-
Balance at the end of the period	**80,151**	**-**	**297**	**13,653**	**-**	**18,912**	**(39,016)**	**34,744**	**108,741**	**31,092**	**139,833**
For the three months ended June 30, 2025 (Unaudited):											
Balance at the beginning of the period	80,188	(433)	297	22,442	396	20,636	48,691*	-	172,217*	25,323*	197,540*
Net loss for the period	-	-	-	-	-	-	(17,680)	-	(17,680)	(1,747)	(19,427)
Other comprehensive loss for the period	-	-	-	(9,126)	-	(5,154)	-	-	(14,280)	(325)	(14,605)
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**(9,126)**	**-**	**(5,154)**	**(17,680)**	**-**	**(31,960)**	**(2,072)**	**(34,032)**
Transfer upon recognition of depreciation	-	-	-	(110)	-	-	110	-	-	-	-
Contribution from shareholders	-	-	-	-	-	-	-	-	-	1,364	1,364
Balance at the end of the period	**80,188**	**(433)**	**297**	**13,206**	**396**	**15,482**	**31,121***	**-**	**140,257***	**24,615***	**164,872***
For the year ended December 31, 2025 (audited):											
Balance at the beginning of the year	80,188	(433)	297	24,630	396	20,698	53,616*	-	179,392*	27,167*	206,559*
Net loss for the year	-	-	-	-	-	-	(76,791)	-	(76,791)	(8,830)	(85,621)
Other comprehensive loss for the year	-	-	-	(10,999)	-	(4,807)	-	-	(15,806)	3,753	(12,053)
Total comprehensive loss for the year	**-**	**-**	**-**	**(10,999)**	**-**	**(4,807)**	**(76,791)**	**-**	**(92,597)**	**(5,077)**	**(97,674)**
Transfer upon recognition of depreciation	-	-	-	(376)	-	-	376	-	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	5,958	5,958
Contribution from shareholders (see note 12(j) to the consolidated financial statements as of December 31, 2025)	-	-	-	-	-	-	-	30,105	30,105	-	30,105
Transfer upon sale	-	-	-	(3,238)	-	-	3,238	-	-	-	-

(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	Share capital - Shareholder loan	Attributable to shareholders of the Company	Non-controlling interest	Total Equity
Transfer upon expiration	396	-	-	-	(396)	-	-	-	-	-	-
Balance at the end of the year	**80,584**	**(433)**	**297**	**10,017**	**-**	**15,891**	**(19,561)***	**30,105**	**116,900***	**28,048***	**144,948***

* Comparative figures have been adjusted to reflect the correction of non-material misstatements identified during Q1 2026 in respect of prior periods. As a result, the Company's total equity was reduced by about CAD 1.2 million

(in thousands of Canadian Dollars)

5 Condensed interim consolidated statements of cash flows

Condensed interim consolidated statements of cash flows	Six months ended June 30, 2026 (Unaudited)	Six months ended June 30, 2025 (Unaudited)	Three months ended June 30, 2026 (Unaudited)	Three months ended June 30, 2025 (Unaudited)	Year ended December 31, 2025 (Audited)
Operating activities:					
Net loss for the year	(17,861)	(30,751)	(11,089)	(19,427)	(85,621)
Adjustments for:					
Depreciation, amortization and impairment	10,314	9,734	6,078	4,983	26,654
Loss on sale of investment and other property	-	63	-	-	64
Loss from fair value adjustments on investment properties and financial instruments	-	-	-	-	200
Finance costs from shareholders' loan	2,245	1,246	1,721	2,168	6,522
Deferred tax, net	(761)	5,018	(744)	6,516	4,262
Changes in non-cash working capital:					
Trade receivables, other receivables, prepayments and others	4,455	7,876	5,158	2,880	46,081
Inventories	5	50	(53)	14	103
Trade and other payables and credit balances	2,096	(5,595)	92	(2,049)	(9,124)
Income taxes	277	719	279	679	(132)
Cash provided (used) in operating activities	**770**	**(11,640)**	**1,442**	**(4,236)**	**(10,991)**
Investing activities:					
Additions to investment properties	(36)	-	(16)	-	(15)
Release from (Investment in) restricted deposit	454	2,469	(707)	1,222	2,667
Additions to property, plant and equipment	(1,083)	(4,752)	(540)	(1,899)	(6,621)
Proceeds of loans given to purchasers	-	333	-	333	7,257
Proceeds from sale of property, plant and equipment, net of income tax	-	17,828	-	-	17,628
Cash provided (used) in investing activities	**(665)**	**15,878**	**(1,263)**	**(344)**	**20,916**
Financing activities:					
Repayment of bank credit and other short-term loans	(985)	(18,797)	-	(1,854)	(21,693)
Proceeds from long term loans	990	1,608	-	-	1,666
Repayments of long-term loans and capital leases	(1,328)	(1,372)	(815)	(1,102)	(11,335)
Proceeds on loans payable to shareholders	-	4,029	-	4,029	4,029
Contribution from non-controlling shareholders, net	-	1,364	-	1,364	5,958
Cash provided (used) by financing activities	**(1,323)**	**(13,168)**	**(815)**	**2,437**	**(21,375)**
Foreign exchange translation of cash balances	340	387	268	603	544
Net decrease in cash and cash equivalents	**(878)**	**(8,543)**	**(368)**	**(1,540)**	**(10,906)**
Cash and cash equivalents at beginning of period	13,716	24,622	13,206	17,619	24,622
Cash and cash equivalents at end of period	**12,838**	**16,079**	**12,838**	**16,079**	**13,716**

(in thousands of Canadian Dollars)

Supplemental cash flow information for the period	Six months ended June 30, 2026 (Unaudited)	Six months ended June 30, 2025 (Unaudited)	Three months ended June 30, 2026 (Unaudited)	Three months ended June 30, 2025 (Unaudited)	Year ended December 31, 2025 (Audited)
Interest paid	4,906	5,816	2,702	2,993	11,172
Interest received	-	15	(2)	7	20
Income taxes paid and refunded*	19	18	19	18	277

* Income taxes paid for the year ended December 31, 2025 of CAD 277 is related to investing activities.

Significant non-cash investing and financing activities for the period	Six months ended June 30, 2026 (Unaudited)	Six months ended June 30, 2025 (Unaudited)	Three months ended June 30, 2026 (Unaudited)	Three months ended June 30, 2025 (Unaudited)	Year ended December 31, 2025 (Audited)
Right-of-use assets and lease liabilities	185	-	-	-	-
Share capital and premium increase and share capital shareholder loan	-	-	-	-	30,105

6 Notes to condensed interim consolidated financial statements

1 Nature of operations

(a) **Nature of operations**

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

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

As at June 30, 2026, the Company is 53.39% owned by its controlling shareholder, Mishorim Real Estate Investments Ltd (“Mishorim”) and 26% owned by Land Development of Nimrodi Group Ltd (“ILDC”). Both are public companies whose shares are traded on the Tel-Aviv Stock Exchange ("TASE").

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

(b) **The Company’s Financial Position**

1) As of June 30, 2026, the Company presents a negative working capital of approximately CAD 64.77 million (as of 31 December 2025, negative working capital of CAD 57.82 million). Compared to the year ended December 31, 2025, the decrease in working capital was primarily due to the classification of Autograph’s OWDA loan and Cuyahoga County loans (refer to note 1(b)2) as current.

2) Hotel Cleveland Autograph loans
Loans of approximately CAD 53.84 million (USD 37.89 million) related to the Hotel Cleveland Autograph (“Autograph Loans”) are classified to short term liabilities.

As of March 31, 2026, the Company's subsidiary did not comply with DSCR requirement of 1.40:1.00, calculated on a trailing nine-month annualized basis as the DSCR was 0.83:1.00. On May 30, 2026, the Company’s subsidiary holding the Autograph Hotel in Cleveland received a waiver letter from the lender with respect to compliance with the DSCR required as of March 31, 2026. In consideration thereof, the subsidiary has deposited an amount of USD 0.5 million (CAD 0.71 million) in a restricted account, and increased Skyline's liquidity requirement as guarantor to CAD 10 million (instead of CAD 7 million).

As of June 30, 2026, the actual DSCR was 1.09:1.00 below the required threshold of 1.40:1.00 calculated on a trailing twelve-month annualized basis. Accordingly, the Company’s subsidiary did not meet the DSCR requirement. The Company’s subsidiary holding the Autograph Hotel in Cleveland received a waiver letter from the lender with respect to compliance with the DSCR required as of June 30, 2026.

Under the loan agreement, the Company may cure this failure by making a principal payment sufficient to restore compliance with the required DSCR within the prescribed cure period following delivery of the related compliance certificate. Once the said compliance certificate is delivered and the contractual cure period expires, the lender will have the right to declare an event of default and exercise available remedies, including acceleration of the indebtedness, imposition of default interest, enforcement of guarantees and security, foreclosure-related remedies, and/or seeking the appointment of a receiver. As of the date of approval of these financial statements, the lender has not delivered a notice of event of default.

On August 14, 2026, the Company’s subsidiary entered into a term sheet with a financing entity specializing in real estate lending for refinancing at primary loan at Hotel Cleveland. Refer to note 15(d) for further details. If the refinancing is not completed, and should the Company’s subsidiary require additional funding with a DSCR shortfall in the third quarter of 2026, subject to the bank not granting a waiver of the applicable ratio, the Company's controlling shareholder, Mishorim Real Estate Investments Ltd., has undertaken to provide the Company with an amount of up to USD 4 million (less any amount made available to the Company by the subsidiary’s partner in the asset), solely for the purpose of curing the breach (if any), refer to note 12(k) for further details.

In addition, failure to satisfy the DSCR requirement under the Hotel Cleveland Autograph loan will trigger cross-default provisions under the CAD 2.39 million (USD 1.68 million) loan from the Ohio Water Development Authority and the CAD 2.68 million (USD 1.89 million) loan from the County of Cuyahoga, Ohio. As of June 30, 2026 these loans are classified as short term. The Company is a guarantor of some of the subsidiary’s loans referred to above.

The Company is a guarantor under Autograph loan agreements and as of the reporting date, it must maintain a minimum liquidity of CAD 10 million and minimum equity of CAD 100 million. As at the balance sheet date, liquidity is CAD 12.8 million and the equity balance is CAD 109 million. A breach of such covenants could trigger default events, potentially resulting in the acceleration of outstanding loans and a requirement for immediate repayment in the approximate amount of CAD 58.92 million.

3) Freed VTB
The Company's non-current assets include Freed VTBs which, as of June 30, 2026, amounted to CAD 9.5 million, net of Expected Credit Losses ("ECL") of CAD 49.9 million. These VTBs were expected to be repaid on March 31, 2025, however, as of the reporting date, Freed has not repaid these loans. The Company holds collateral in respect to these loans, subject to the senior lender's priority. See Note 12(a) for further information.

4) Canada Revenue Agency (CRA) audit
The Canada Revenue Agency ("CRA") completed its audit of the Company and one of its subsidiaries' corporate income tax returns for the years 2021 to 2023 and, on April 13, 2026, issued proposed adjustments to previously reported income. On an estimated basis, these adjustments could result in additional taxes of approximately CAD 14 million, plus interest.

The Company disagrees with the proposed adjustments and has responded to the CRA. Management, supported by its legal advisors, believes it is more likely than not that the Company's tax treatment will be accepted and, accordingly, no provision has been recognized in these financial statements. If the CRA ultimately does not accept the Company's position, the Company may pursue available appeal rights; however, under the applicable process, the Company may be required to deposit 50% of the assessed amount before proceeding with an appeal. No correspondences were received from the CRA following the submission of the response letter to CRA.

5) Hyatt loan cash trap period
The Hyatt-related financing includes a CAD 34.5 million (USD 24.3 million) real estate loan to Skyline Cleveland Acquisitions, LLC. Under the loan agreement, the Company's subsidiary that holds the hotel is required to maintain a DSCR of at least 1.40:1.00. The subsidiary did not satisfy this requirement for the period ended December 31, 2025 and March 31, 2026. This failure does not constitute an event of default under the applicable loan agreement; however, it triggered a Cash Trap Event Period.

On April 24, 2026, the lender notified the subsidiary that a Cash Trap Event Period had commenced and requested, among other items, execution of documents to establish the required cash management account, submission of a monthly operating budget for the remainder of calendar 2026, and delivery of financial information. The subsidiary has provided the requested information and completed the required documentation.

During the Cash Trap Event Period, cash management provisions apply to revenue from the retail portion of the property and to excess cash distributions, if any, made by Hyatt to the subsidiary under the hotel management agreement.

Under the loan agreement, the Cash Trap Event Period ends after the borrower achieves a DSCR of at least 1.45:1.00 for one calendar quarter. As of June 30, 2026, this covenant requirement was met, with a DSCR of 1.49:1.00. Accordingly, the Cash Trap Event Period ended upon compliance.

6) The Company has loans related to the Courtyard Fort Myers in the amount of CAD 11.3 million (USD 7.9 million) with an original maturity date of March 30, 2027, and Courtyard Ithaca in the amount of CAD 8.7 million (USD 6.1 million), comprised of CAD 7.0 million (USD 5.0 million) maturing July 15, 2027, and CAD 1.8 million (USD 1.2 million) maturing July 1,2071. These loans have been classified as liabilities associated with assets held for sale as of June 30, 2026. Refer to Note 4 for further detail.

7) The Company is required to do certain renovations in Courtyard hotels (Courtyard Fort Myers and Courtyard Ithaca) in accordance with the requirements of the franchise agreements in the near future, with the total estimated cost being approximately CAD 6.5 million. On February 6, 2026, the Company entered into separate and independent agreements for the sale of these hotels, subject to completion of closing conditions, the transactions are expected to close during the third quarter of 2026, see details in note 12 (b). In the event these sales do not materialize, management plans to fund these renovations through an existing credit facility of approximately CAD 5.6 million, with the remaining amount of CAD 0.9 million to be covered by the existing reserve. 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 in the amount of approximately CAD 18 million.

(in thousands of Canadian Dollars except where otherwise stated)

The Company's management and the Board of Directors have reviewed the Company's cash needs and the alternatives available to it. Based on the actions taken by the Company to reach agreements with the current lender in respect of the Autograph Loans or to refinance those loans, the commitment letter received from the Parent Company, management's assessment that the Company's tax position is likely to be accepted, and the execution of the sales agreements described above, management and the Board of Directors have concluded that the Company will be able to meet its obligations as they fall due for the foreseeable future.

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, 2025.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on August 25, 2026.

(b) Significant estimates, assumptions, and judgements

For information regarding Management's significant assumptions and estimates, please refer to Note 7 and Note 12(l).

(c) Foreign currency

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

Exchange rates- At balance sheet date as at	June 30, 2026	June 30, 2025	March 31, 2026	March 31, 2025	December 31, 2025
USD / CAD	1.421	1.364	1.394	1.438	1.371
CAD / NIS	2.092	2.467	2.272	2.589	2.328

Exchange rates- Average during the period ended	Six months ended June 30, 2026	Six months ended June 30, 2025	Three months ended June 30, 2026	Three months ended June 30, 2025	Year ended December 31, 2025
USD / CAD	1.378	1.409	1.384	1.384	1.398
CAD / NIS	2.205	2.551	2.129	2.586	2.469

Change in rate- During the period ended	Six months ended June 30, 2026	Six months ended June 30, 2025	Three months ended June 30, 2026	Three months ended June 30, 2025	Year ended December 31, 2025
USD / CAD	3.7%	(5.2%)	1.9%	(5.1%)	(4.7%)
CAD / NIS	(10.1%)	(2.7%)	(7.9%)	(4.7%)	(8.2%)

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 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 9 for details.

4 Disposal group classified as held for sale

On February 6, 2026, the Company entered into separate and independent agreements for the sale of the following properties: the sale of Courtyard Ithaca for a consideration of USD 7.25 million (CAD 10.30 million), and the sale of Courtyard Ft. Myers for a consideration of USD 9.25 million (CAD 13.14 million). In July 2026, the Company executed amendments revising the net sale price to USD 7.05 million (CAD 10.02 million) for Ithaca (see note 15(a)) and USD 9.05 million (CAD 12.86 million) for Ft. Myers (see note 15(b)). As part of the transaction, the Company will utilize the sale proceeds to discharge loans payable associated with both properties, including the lease liability in Courtyard Ithaca. Please refer to Note **Error! Reference source not found.**, 15(a) and (b) for further details.

The Company has treated both Courtyard properties as a disposal group as at June 30, 2026, wherein all assets are current and measured at fair value less cost to sell. All liabilities are treated as current.

(in thousands of Canadian Dollars except where otherwise stated)

The assets and liabilities forming the disposal group related to both Courtyards as at June 30, 2026, are as follows:

	US Hotels and resorts	Total
Assets		
Property, plant and equipment	21,706	21,706
Liabilities		
Loans Payable excluding lease liability	(18,261)	(18,261)
Lease Liability	(1,710)	(1,710)
Total Loans Payable	(19,971)	(19,971)

5 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 June 30, 2026	Fair value as at June 30, 2025	Fair value as at Year ended December 31, 2025	Carrying amount as at June 30, 2026	Carrying amount as at June 30, 2025	Carrying amount as at Year ended December 31, 2025
Financial assets						
Loans to purchasers	32,538	80,341	39,453	34,142	83,764	40,435
Financial liabilities						
Loans payable*	129,854	179,052	143,877	130,654	179,943	144,750

* 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.

6 Investment properties

Investment properties movement	Six months ended June 30, 2026	Six months ended June 30, 2025	Year ended December 31, 2025
Balance as at the beginning of the period	13,943	14,609	14,609
Expenditures subsequent to acquisition	36	-	15
Net loss from fair value adjustments	-	-	(200)
Foreign exchange translation	356	(526)	(481)
Balance as at the end of the period	14,335	14,083	13,943

7 Property, plant and equipment

Property, plant and equipment movement	Six months ended June 30, 2026	Six months ended June 30, 2025	Year ended December 31, 2025
Property, plant and equipment as at beginning of year	235,113	276,639	276,639

(in thousands of Canadian Dollars except where otherwise stated)

Property, plant and equipment movement	Six months ended June 30, 2026	Six months ended June 30, 2025	Year ended December 31, 2025
Expenditures subsequent to acquisitions, including payable amounts	1,083	3,313	5,182
Adjustment to fair value through revaluation surplus	9,713	(7,991)	(8,598)
Right-of-use assets and lease liabilities	185	-	-
Depreciation	(8,082)	(8,487)	(16,453)
Impairment recovery (loss)	(1,589)	(327)	(8,584)
Disposals	-	(200)	-
Transfers to disposal group	(21,706)	-	-
Foreign exchange translation	8,493	(14,092)	(13,073)
Balance as at the end of the period	**223,210**	**248,855**	**235,113**

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.

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.

In the report's period, an external appraisal was performed for 2 of the remaining 4 properties. The other 2 properties were assessed based on the sales price less cost to sell (see note 4).

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 June 30, 2026 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 11%, terminal capitalization rates ranged between 8.50% and 9%.

As at June 30, 2026, 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 3.69 million. As at June 30, 2026, 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 3.55 million.

The appraisal of the Company’s Hyatt Regency Cleveland hotel shows a value of USD 45.0 million (CAD 64.0 million), consistent with the value as of the June 2025 prior valuation date. The property has generally performed in line with the appraiser's forecast from the previous appraisal in terms of RevPAR, while exceeding occupancy projections and falling short of ADR projections.

The appraisal of the Company’s Hotel Cleveland shows a value of USD 119.0 million (CAD 169.09 Million) as at June 30, 2026 an increase from USD $116.9 million (CAD 166.11 million) at the June 30, 2025 prior valuation date. The increase was primarily driven by local lodging market performance exceeding prior projections, along with occupancy and food and beverage revenue outperformance, partially offset by lower-than-forecast ADR resulting from intentional rate discounting to drive occupancy.

In June 2026, the Company adjusted the carrying amounts of the Courtyard Fort Myers and Courtyard Ithaca hotels under the revaluation model to reflect fair value based on the most recent market evidence, including expected transaction pricing and related terms. Accordingly, the properties were carried at USD 9.05 million (CAD 12.86 million) (Courtyard Fort Myers) and USD 7.05 million (CAD 10.02 million) (Courtyard Ithaca). As of June 30, 2026, following the amendment to the Purchase and Sale Agreements (see notes 15 (a) and (b)), USD 15.3 million (CAD 21.7 million) were classified as held for sale, net of expected transaction costs.

(in thousands of Canadian Dollars except where otherwise stated)

8 Loans and leases payable

Loans and leases payable movement	Six months ended June 30, 2026	Six months ended June 30, 2025	Year ended December 31, 2025
Balance as at the beginning of the period	144,750	184,417	184,417
Proceeds from long-term loans	990	1,608	1,666
Repayments of long-term loans	(1,328)	(1,372)	(11,335)
Net proceeds (repayments) from short-term loans	(985)	(2,327)	(21,693)
Proceeds from shareholders loans	-	4,029	4,029
Right-of-use assets and lease liabilities	185	-	-
Transfers to (from) other non-current assets and other	-	(1,069)	(30,105)
Linkage differences and exchange rate differences on loans from shareholders	1,703	209	4,230
Amortization of deferred financing charges	643	920	1,617
Transfers to disposal group classified as held for sale	(19,971)	-	16,470
Foreign exchange translation	4,667	(6,472)	(4,546)
Balance as at the end of the period	130,654	179,943	**144,750**

9 Income from hotels and resorts

For the period ended,	Six months ended June 30, 2026	Six months ended June 30, 2025	Three months ended June 30, 2026	Three months ended June 30, 2025	Year ended December 31, 2025
Room revenue	29,518	24,187	17,094	13,106	54,686
Food & beverage revenue	9,345	8,727	6,026	4,446	20,390
Other revenue	3,428	3,039	1,886	1,522	6,656
	42,291	35,953	25,006	19,074	81,732

10 Financial expense

For the period ended,	Six months ended June 30, 2026	Six months ended June 30, 2025	Three months ended June 30, 2026	Three months ended June 30, 2025	Year ended December 31, 2025
Provision for credit losses	(6,924)	(9,996)	(6,924)	(4,214)	(47,287)
Other financial expenses					
Interest on loans and leases	(4,690)	(7,250)	(2,313)	(4,080)	(12,651)
Interest on shareholder loans*	(2,246)	(1,246)	(1,723)	(2,168)	(6,522)
Amortization of deferred financing charges	(643)	(920)	(324)	(377)	(1,617)
Bank Charges	(129)	(169)	(68)	(115)	(305)
Other financial expenses	(7,708)	(9,585)	(4,428)	(6,740)	(21,095)
Total Financial expenses	(14,632)	(19,581)	(11,352)	(10,954)	(68,382)

* Includes gain or loss from exchange rate differences and CPI index adjustment

11 Income taxes

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

For the year ended December 31,	Six months ended June 30, 2026	Six months ended June 30, 2025	Three months ended June 30, 2026	Three months ended June 30, 2025	Year ended December 31, 2025
Current income tax expense	3	(133)	-	(67)	390
Prior year income tax recovery (expense)	(297)	(607)	(297)	(607)	(539)
Deferred income tax recovery (expense)	761	(5,018)	744	(6,516)	(4,262)*
Income tax recovery (expense)	467	(5,758)	447	(7,190)	**(4,411)**

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

12 Significant events during the period

a) In connection with Freed's VTB, on February 9, 2026, the Company provided a Standstill Notice to Freed's senior lender in accordance with the provisions of the agreement between the Company and the senior lender. Pursuant to the Standstill Notice, the Company reserves its right to call the entire indebtedness for immediate repayment as well as its right to initiate enforcement action upon the expiration of the standstill period, which was for a period of up to 150 days. The standstill period ended on July 9, 2026. Following the expiration of the standstill period, if the Company elects to exercise its rights to call the indebtedness and enforce collection, it is required to provide the borrower with 10 days' prior notice before commencing enforcement proceedings. During this 10-day notice period, if the senior lender elects to enforce its rights, any enforcement process would be led and managed by the senior lender, rather than by the Company, in accordance with the senior lender's priority rights. As of the date of approval of these financial statements, while the borrower evaluates potential funding opportunities, neither the Company nor the senior lender has commenced enforcement proceedings in respect of the repayment of the loans and the Company continues to hold the related collaterals (subject to the senior lender's priority).

b) On February 6, 2026, the Company entered into separate and independent agreements for the sale of the following properties: the sale of Courtyard Ithaca for a consideration of USD 7.25 million (CAD 10.30 million), and the sale of Courtyard Ft. Myers for a consideration of USD 9.25 million (CAD 13.14 million). As of June 30, 2026, the company received non-refundable deposit of USD 0.17 million (CAD 0.24 million) per property, totalling USD 0.33 million (CAD 0.47 million).

Based on second amendment entered on April 23, 2026, the parties have agreed to extend the timelines for completion of the agreements to facilitate the submission of the franchise documents required by Marriott. The franchise fees were fully settled, with Marriott acknowledging the receipt on May 27, 2026. The buyer has exercised the extension option set forth in this agreement, such that the closing date was deferred by an additional 45 days, to July 3, 2026.

In July 2026, the Company signed new amendments where the net sales price was revised to USD 7.05 million (CAD 10.02 million) for Ithaca (see note 15(a)) and USD 9.05 million (CAD 12.86 million) for Ft. Myers (see note 15(b)). The assets and liabilities forming the disposal group related to the Courtyards are classified as held for sale as at June 30, 2026. Refer to Note 4 for further details regarding the classification of the Disposal group as held for sale. For additional information refer to Note 15(a) and (b) to the financial statements.

c) On February 9, 2026, the Company repurchased 200,000 of its shares from a private company owned by the Company's former CEO, which had been issued to him in consideration for an interest-bearing loan. As the loan had not been repaid, the repurchase was made against the loan balance (principal and interest) and the shares were subsequently cancelled. Refer to Note 13(b) and Note15(a) and Note 27(c) to the Audited Consolidated Financial Statements for the year ended December 31, 2025.

d) With respect to the Company's Courtyard hotel in Ithaca, Marriott delivered a Notice of Red Zone 3 Default dated February 27, 2026. Under Marriott's policies, a Red Zone 5 or higher triggers default in the franchise agreement, therefore consideration of a forbearance agreement is not initiated until a property reaches Red Zone 5 Default status or higher.

e) With respect to the Hyatt loan, the Hotel needs to perform a quarterly assessment of DSCR, to not be less than 1.4:1. Up until the first quarter of 2026, the Hotel did not comply with this requirement since the second quarter of 2025. Failure to comply with this ratio does not constitute an event of default, but rather results in the commencement of a lender cash management period. On April 24, 2026, the Company was notified by its lender of the enforcement of cash management provisions. As long as the hotel is managed by Hyatt, the cash management provisions applied only to: (1) revenues from the retail portion of the property; and (2) distributions of surplus cash, if any, from the Hyatt hotel, to the Company. Accordingly, the implementation of the cash management period did not adversely affect the Hotel's ongoing operations. See Note 1(b)(5) for further details. As of June 30, 2026, this covenant requirement was met, with a DSCR of 1.49:1.00. Accordingly, the Cash Trap Event Period ended upon compliance.

f) In February 2026, one of the Company's subsidiaries entered into an agreement with a bank to settle its existing revolving line of credit and replace it with a non-revolving term loan. The new loan has a principal amount of CAD 990, a term of 36 months, and bears fixed interest at 4.39% for the first year.

g) On April 1, 2026, the Company's subsidiary that holds the hotel entered into a management five-year management agreement with Coury Hospitality, LLC for the management of the Company's Hotel Cleveland Autograph hotel. After the initial term, the agreement is automatically extended for one additional 60-month period (another 5 years), unless either party gives written notice at least 60 days before the end of the initial term to terminate. Coury shall be entitled to a monthly management fee based on a percentage of gross receipts (ranging from 2% to 2.5%), subject to a minimum payment of USD 0.015 million (CAD 0.021 million) per month, and an annual incentive fee contingent on achieving specified performance metrics. The terms of the agreement are not materially different from the prior hotel management agreement.

h) The Canada Revenue Agency ("CRA") completed its audit of the Company and one of its subsidiaries' corporate income tax returns for the years 2021 to 2023 and, on April 13, 2026, issued proposed adjustments to previously reported income. The Company disagrees with the proposed adjustments and has responded to the CRA. Management, supported by its legal advisors, believes it is more likely than not that the Company's tax treatment will be accepted and, accordingly, no provision has been recognized in these financial statements. On an estimated basis, these adjustments could result in additional taxes of approximately CAD 14 million, plus interest. If the CRA ultimately does not accept the Company's position, the Company may pursue available appeal rights; however, under the applicable process, the Company may be required to deposit 50% of the assessed amount before proceeding with an appeal, which could place additional pressure on liquidity. No correspondences received from the CRA following the submission of the response letter to CRA.

i) The Hotel Cleveland Autograph loan required a DSCR of 1.40:1.00, calculated on a trailing nine-month annualized basis as at March 31, 2026, and on a twelve-month annualized basis as at June 30, 2026. The Company's subsidiary that holds the hotel did not comply with this requirement, as the DSCR obtained in Q1 2026 was 0.83:1.00 and in Q2 2026 it was 1:09:1.00. Under the loan agreement, the subsidiary may cure this failure by making a principal payment sufficient to restore compliance with the required DSCR within the prescribed cure period following delivery of the related compliance certificate to the lender.

Accordingly, once the said compliance certificate is delivered and the contractual cure period expires, the lender may have the right to declare an event of default and exercise available remedies, including acceleration of the indebtedness, imposition of default interest, enforcement of guarantees and security, foreclosure-related remedies, and/or seeking the appointment of a receiver. As of the date of approval of these financial statements, the lender has not delivered a notice of event of default.

In addition, failure to satisfy the DSCR requirement under the Hotel Cleveland Autograph loan may trigger cross-default provisions under the CAD 2.39 million (USD 1.68 million) loan from the Ohio Water Development Authority and the CAD 2.68 million (USD 1.89 million) loan from the County of Cuyahoga, Ohio. In Q1 2026, these loans have been classified as short term and remained classified as current as of Q2 2026. The Company is a guarantor of some of the subsidiary's loans referred to above.

On May 30, 2026, the Company's subsidiary holding the Autograph Hotel in Cleveland received a waiver letter from the lender with respect to compliance with the DSCR required as of March 31, 2026. In consideration thereof, the subsidiary undertook to maintain an amount of USD 0.5 million (CAD 0.71 million) in a restricted account, and it was also agreed to increase Skyline's liquidity requirement as guarantor to CAD 10 million (instead of CAD 7 million).

As of June 30, 2026, the actual DSCR was 1.09:1.00 below the required threshold of 1.40:1.00 calculated on a trailing twelve-month annualized basis. Accordingly, the Company's subsidiary did not meet the DSCR requirement. Under the loan agreement, the Company may cure this failure by making a principal payment sufficient to restore compliance with the required DSCR within the prescribed cure period following delivery of the related compliance certificate. Once the said compliance certificate is delivered and the contractual cure period expires, the lender will have the right to declare an event of default and exercise available remedies, including acceleration of the indebtedness, imposition of default interest, enforcement of guarantees and security, foreclosure-related remedies, and/or seeking the appointment of a receiver. As of the date of approval of these financial statements, the lender has not delivered a notice of event of default.

The Company's subsidiary holding the Autograph Hotel in Cleveland received a waiver letter from the lender with respect to compliance with the DSCR required as of June 30, 2026.

On August 14, 2026, after the reporting period, the Company's subsidiary entered into a term sheet with a financing entity specializing in real estate lending for refinancing at primary loan at Hotel Cleveland. Refer to section 15(d) for further details. If the refinancing is not completed, and should the Company's subsidiary require additional funding with a DSCR shortfall in the third quarter of 2026, subject to the bank not granting a waiver of the applicable ratio, the Company's controlling shareholder, Mishorim Real Estate Investments Ltd., has undertaken to provide the Company with funding, less any amount made available to the Company by the subsidiary's partner in the asset, solely for the purpose of addressing such shortfall.

j) On May 6, 2026, the Company announced the change in the number of issued securities and in the register of the Company's securities (including rights to purchase) as a result of the cancellation of the treasury shares. Following the cancellation, the Company's issued and paid-up capital decreased by 44,747 shares.

k) On May 30, 2026, the Company's Board of Directors and Audit Committee approved the receipt of an irrevocable undertaking letter from Mishorim Real Estate Investments Ltd., the controlling shareholder of the Company ("Mishorim"), pursuant to which, if by the end of 2026: (a) Skyline does not complete the refinancing of the Cleveland Autograph Hotel's current loan; (b) Skyline fails to comply with the debt service coverage ratio under the existing Autograph Hotel loan and the current lender requires the breach to be cured by way of a partial repayment of the loan; and (c) Skyline does not have sufficient funds from its own sources to cure the breach, then Mishorim shall provide the Company with a shareholder loan of up to USD 4 million (CAD 5.68 million), solely for the purpose of curing such breach vis-à-vis the current lender (such amount shall be reduced by any amount provided to the subsidiary by the Company's partner in the hotel (49.5%)). Such amounts shall be advanced by Mishorim by way of a shareholder loan on the same terms as the loan granted to the Company by Land Development of Nimrodi Group Ltd. ("ILDC") (namely: 6% interest, principal linked to the Consumer Price Index, and a maturity date no later than December 31, 2027). The decision to draw such shareholder loan from Mishorim shall be made by the Company's external directors.

(in thousands of Canadian Dollars except where otherwise stated)

l) VTBs

(1) Freed VTBs

The Company engaged an external appraiser in Q2 2026 to assist with the ECL calculation. Certain assumptions changed since the Q4 2025 ECL calculation, mainly relating to Freed’s value of collateral (based on unaudited and unreviewed financial information received as of June 30, 2026)

In the Q2 2026 ECL calculation, the first scenario considered in the model is liquidation of the collateral (“Default” scenario), with a weight of 70%. The Company first considered whether the value of the collateral can cover the entire amount of the VTBs, 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, to cover senior debt and debt to Skyline, of 25.06% (CAD 100.9 million). The present value of this shortfall was included in the loss given default (LGD). A potential collection was considered as a second scenario (“Collect” scenario), with a weight of 30%. In this scenario, the Company considered that the VTBs would be paid in full, with the loss given default resulting from the delay in the timing of receipt of payments until the deal closes.

The following summarizes the sensitivity of the ECL to the key assumptions — scenario weighting and the discount applied to Freed assets. The ECL reflected as of June 30, 2026 incorporates a 30% weight on the "Collect" scenario and a 70% 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**
30%	70%	20%	$49.91
30%	70%	25%	$49.91
30%	70%	30%	$49.91
30%	70%	35%	$49.91

* It is to be noted that the ECL is not sensitive to the collateral haircut beyond 20%. At a 20% haircut, the haircut adjusted asset value is already insufficient to cover Freed's total obligations.

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

Scenario Weighting		Discount	ECL midpoint
Collect	**Default**	**on Freed assets**	**in CAD Million**
40%	60%	25%	$43.39
30%	70%	25%	$49.91
20%	80%	25%	$56.44
10%	90%	25%	$62.96
0%	100%	25%	$69.49

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 49.9 million (CAD 43.2 million as of December 31, 2025) is adequate. The VTBs balance including accrued interest (gross of ECL) as of June 30, 2026 is CAD 59.4 million (CAD 49.0 million principal and CAD 10.4 million accrued interest).

(in thousands of Canadian Dollars except where otherwise stated)

(2) Port McNicoll VTB

The Company engaged an external appraiser in Q2 2026 to assist with the ECL calculation. Based on information available at June 30, 2026, management concluded that there were no significant changes in the overall valuation methodology or key assumptions used in the assessment compared with December 31, 2025.

The Port McNicoll VTB had a principal balance of CAD 26.1 million and accrued interest of CAD 1.4 million as at June 30, 2026 (gross of ECL). During the quarter ended June 30, 2026, the Company recorded an additional ECL provision of CAD 0.3 million.

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 9.7 million is adequate.

13 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.

Included in the above is a claim for commissions owing under an agreement related to the sale of properties, with an exposure of CAD 0.5 million, for which a provision has already been recorded. The Company has filed a defence denying the allegations, and the amount remains in dispute.

14 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 June 30, 2025 and December 31, 2025 include 3 Marriott Courtyards (of which Tucson Courtyard was sold on January 22, 2025); the results for the three and six months ended in June 30, 2026 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 six months ended June 30, 2026 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	42,276	15	-	42,291
Costs and expenses	(36,365)	(2)	-	(36,367)
	5,911	13	-	5,924
Administrative and general expenses				(2,364)
Impairment recovery of real estate properties				(1,589)
Depreciation				(8,082)
Other income, net				1,778*
Financial expense				(14,632)
Financial income				637
Loss before income taxes				**(18,328)**
(*) Other income includes CAD 1.97 million from the Autograph tax credit that was transferred to income.				

For the six months ended June 30, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	35,912	41	1	35,954

(in thousands of Canadian Dollars except where otherwise stated)

For the six months ended June 30, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Costs and expenses	(34,921)	(2)	(20)	(34,943)
	991	39	(19)	1,011
Administrative and general expenses				(2,514)
Impairment loss of real estate properties				(327)
Depreciation				(8,487)
Derecognition of investment costs and other capital losses, net				(64)
Other income, net				1,815
Financial expense				(19,581)
Financial income				3,154
Loss before income taxes				**(24,993)**

For the three months ended June 30, 2026 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	24,998	8	-	25,006
Costs and expenses	(19,672)	(1)	7	(19,666)
	5,326	7	7	5,340
Administrative and general expenses				(1,221)
Impairment recovery of real estate properties				(1,664)
Depreciation				(4,090)
Other income, net				1,110*
Financial expense				(11,352)
Financial income				341
Loss before income taxes				(11,536)

(*) Other income includes CAD 1,084 from the Autograph tax credit that was transferred to income.

For the three months ended June 30, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	19,054	20	1	19,075
Costs and expenses	(17,052)	(1)	(6)	(17,059)
	2,002	19	(5)	2,016
Administrative and general expenses				(1,222)
Impairment of real estate properties				(472)
Depreciation				(4,134)
Other income, net				838
Financial expense				(10,954)
Financial income				1,691
Loss before income taxes				**(12,237)**

For the Year ended December 31, 2025 (Audited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	81,706	26	1	81,733
Costs and expenses	(72,021)	(3)	(76)	(72,100)
	9,685	23	(75)	9,633
Administrative and general expenses				(4,917)
Impairment of real estate properties				(8,584)
Depreciation				(16,453)
Loss from fair value adjustments of investment properties				(200)
Derecognition of investment costs and other capital losses, net				(64)

(in thousands of Canadian Dollars except where otherwise stated)

For the Year ended December 31, 2025 (Audited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Other income, net (*)				2,033
Financial expense				(68,382)
Financial income				5,724
Loss before income taxes				**(81,210)**

(*) Other income includes CAD 3.5 million from the Autograph tax credit that was transferred to income (refer to Note 12(f)) to the consolidated financial statements as of December 31, 2025, and CAD 0.54 million other income related to the reversal of Bear Valley accruals. This was partially offset by CAD 1.7 million loss related to deferred consideration settlement for Bear Valley VTB based on amended agreement and CAD 0.49 million reversal of previously accrued interest income related to the loan provided to the former CEO upon expiration of eligibility period.

As at June 30, 2026 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets[a]	289,920	19,112	20,768	329,800
Liabilities	(164,734)	(20,221)	(5,012)	(189,967)
	125,186	(1,109)	15,756	139,833
As at June 30, 2025 (Unaudited)				
Assets[a]	297,245 [b]	54,819	33,291	385,355 [b]
Liabilities	(168,806) [b]	(44,688)	(6,989)	(220,483) [b]
	128,439[b]	**10,131**	**26,302**	**164,872 [b]**
As at December 31, 2025 (Audited)				
Assets[a]	278,805 [b]	24,194	22,580	325,579 [b]
Liabilities	(156,686) [b]	(18,373)	(5,572)	(180,631) [b]
	122,119 [b]	**5,821**	**17,008**	**144,948 [b]**

[a] Includes loans to Freed
[b] Comparative figures have been adjusted to reflect the correction of non-material misstatements identified during Q1 2026 in respect of prior periods

15 Subsequent events

(a) On July 27, 2026, the Purchase and Sale Agreement to sell Courtyard Ithaca was updated and amended to reflect a revised net selling price of USD 7.05 million (CAD 10.02 million). The estimated net cash proceeds will be finalized after consideration of transaction costs, debt repayment, and working capital adjustments. As at June 30, 2026, the aggregate outstanding loan balance related to the property is USD 6.1 million (CAD 8.7 million). Refer to Note 4 and 12(b) for details of the sale transaction.

(b) On July 30, 2026, the Purchase and Sale Agreement to sell Courtyard Fort Myers was updated and amended to reflect a revised net selling price of USD 9.05 million (CAD 12.86 million). The estimated net cash proceeds will be finalized after consideration of transaction costs, debt repayment, and working capital adjustments. As at June 30, 2026, the aggregate outstanding loan balance related to the property is USD 7.9 million (CAD 11.3 million). Refer to Note 4 and 12(b) for details of the sale transaction.

(c) On August 13, 2026, 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, 2026.

(d) On August 14, 2026, the Company’s subsidiary entered into a term sheet with a financing entity specializing in real estate lending for refinancing at primary loan at Hotel Cleveland with a maximum principal amount of USD 46 million (CAD 65.4 million). The proposed loan is expected to have an initial term of three years, with a potential for extension for an additional one-year term, subject to satisfaction of the conditions set forth in the term sheet. The loan is expected to bear monthly floating interest based on SOFR plus a margin of 4.25% with principal payable at the end of the loan term. Expected closing and funding of the loan, subject to customary conditions and final approvals, must occur within 75 days from the date of term sheet. Upon execution of term sheet on August 14, 2026, the Company’s subsidiary has placed an irrevocable deposit of USD 0.5 million (CAD 0.71 million).