

CHC Student Housing Corp.
Audited Consolidated Financial Statements
December 31, 2015

Independent Auditor's Report

To the Shareholders of
CHC Student Housing Corp.

We have audited the accompanying financial statements of CHC Student Housing Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of CHC Student Housing Corp. at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company incurred net losses and used significant cash resources in its operating activities since incorporation. It has relied upon financing to fund its operations and acquisitions, primarily through debt and private equity placements. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



Chartered Professional Accountants
Licensed Public Accountants
April 28, 2016

CHC Student Housing Corp.
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As at December 31, 2015

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CHC Student Housing Corp.
Consolidated Statements of Financial Position

As at	December 31, 2015	December 31, 2014
Assets		
Non-Current		
Investment properties (Note 5)	\$64,895,000	\$68,694,530
Furniture and equipment (Note 6)	138,969	14,801
	65,033,969	68,709,331
Current		
Cash and cash equivalents	842,808	2,232,112
Deposits and prepaid expenses (Note 7)	363,393	1,636,823
Accounts receivable (Note 8)	112,852	136,739
	\$66,353,022	\$72,715,005
Liabilities		
Non-Current		
Mortgages payable (Note 9)	\$38,155,301	\$40,919,892
	38,155,301	40,919,892
Current		
Accounts payable and accrued liabilities (Note 10)	4,090,081	993,908
Mortgages payable (Note 9)	16,550,952	13,730,604
	58,796,334	55,644,404
Shareholders' Equity		
Share Capital (Note 11)	19,527,459	19,528,302
Contributed Surplus	969,597	536,871
Deficit	(12,940,368)	(2,994,572)
	7,556,688	17,070,601
	\$66,353,022	\$72,715,005

Approved on behalf of the Board

Louis Forbes
Director

Ronald Schwarz
Director

The accompanying notes are an integral part of these financial statements

CHC Student Housing Corp.
Consolidated Statements of Net Loss and Comprehensive Loss

	December 31, 2015	December 31, 2014
Revenue		
Property revenues (Note 12)	\$5,194,800	\$993,831
Interest income	2,475	20,096
	5,197,275	1,013,927
Expenses		
Property operating expenses (Note 13)	2,915,965	460,904
General and administrative expenses (Note 14)	1,479,927	594,792
Interest expense (Note 15)	2,850,268	743,416
Transaction costs (Note 16)	2,538,019	1,710,354
Fair value adjustment on investment properties (Notes 5, 21)	4,176,166	-
Forfeiture of deposit (Note 7)	750,000	-
Stock based compensation (Note 11)	432,726	174,871
	15,143,071	3,684,337
Net loss and comprehensive loss	(\$9,945,796)	(\$2,670,410)
Loss per share		
Basic and diluted	(\$4.26)	(\$2.66)
Weighted average number of outstanding common shares		
Basic and diluted (Note 11)	2,335,181	1,004,656

The accompanying notes are an integral part of these financial statements

CHC Student Housing Corp.
Consolidated Statements of Changes in Shareholders' Equity

	Common Shares	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, December 31, 2013	\$4,713,716	\$362,000	(\$324,162)	\$4,751,554
Issuance of shares, net	14,814,586	-	-	14,814,586
Stock options	-	174,871	-	174,871
Net loss and comprehensive loss for the year	-	-	(2,670,410)	(2,670,410)
Balance, December 31, 2014	\$19,528,302	\$536,871	(\$2,994,572)	\$17,070,601
Issuance of shares, net of costs	(843)	-	-	(843)
Stock options	-	432,726	-	432,726
Net loss and comprehensive loss for the year	-	-	(9,945,796)	(9,945,796)
Balance, December 31, 2015	\$19,527,459	\$969,597	(\$12,940,368)	\$7,556,688

The accompanying notes are an integral part of these financial statements

CHC Student Housing Corp. Consolidated Statements of Cash Flows

Cash provided by (used in) the following activities:

For the year ended	December 31, 2015	December 31, 2014
Operating activities		
Net loss	(\$9,945,796)	(\$2,670,410)
Stock-based compensation (Note 11)	432,726	174,871
Amortization of financing transaction costs (Note 15)	237,727	319,900
Forfeiture of property deposit (Note 7)	750,000	-
Depreciation (Note 6)	7,914	4,355
Interest expense on mortgages payable (Note 15)	2,612,541	423,516
Cash interest paid	(2,410,514)	(279,976)
Straight line rent	3,505	(7,026)
Fair value adjustment on investment properties (Note 5)	4,176,166	-
Net change in working capital	3,307,958	231,233
Net cash changes from operating activities	(\$827,773)	(\$1,803,537)
Investing activities		
Acquisitions of investment property, net	\$-	(\$32,837,390)
Capital expenditures (Note 5)	(376,636)	(40,768)
Purchase of furniture and equipment (Note 6)	(132,082)	(18,501)
Deposits, net (Note 7)	130,000	(1,150,000)
Net cash changes from investing activities	(\$378,718)	(\$34,046,659)
Financing activities		
Equity issuance, net of costs (Note 11)	(\$843)	\$14,814,586
Proceeds from mortgages payable	-	53,800,000
Principal repayments	(140,319)	(28,822)
Discharge of mortgages	-	(34,560,000)
Financing transaction costs paid	(41,651)	(690,583)
Net cash changes from financing activities	(\$182,813)	\$33,335,181
Net decrease in cash and cash equivalents	(\$1,389,304)	(\$2,515,015)
Cash and cash equivalents, beginning of year	2,232,112	4,747,127
Cash and cash equivalents, end of year	\$842,808	\$2,232,112

The accompanying notes are an integral part of these financial statements

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

1. Nature of the organization

CHC Student Housing Corp. (the “Company”) was incorporated under the *Business Corporations Act* (Ontario) on April 12, 2013 with the intent to being classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “TSXV”) corporate finance manual. The Company completed an initial public offering as a Capital Pool Company on November 19, 2013. As a Capital Pool Company, the Company proposed to identify and evaluate potential properties, assets or businesses as a potential Qualifying Transaction, and once identified and evaluated, to negotiate an acquisition or participation therein subject to regulatory approval and, if required, shareholders’ approval. On April 3, 2014, the Company announced it had completed its Qualifying Transaction. The Company submitted final documentation with respect to the Qualifying Transaction to the TSXV and was granted Tier 2 status on the TSXV.

On October 30, 2014, the Company filed an amendment to its articles of incorporation as approved by its shareholders. The amendment added retraction rights to the share conditions attaching to the common shares of the Company so that it will be able to qualify as a “mutual fund corporation” as defined in the Income Tax Act (Canada) and the regulations thereunder. The Company’s shares are listed on the Toronto Venture Stock Exchange under the symbol “CHC”. The registered office of the Company and its head office operations are located at 53 Yonge Street, 5th Floor, Toronto, Ontario, M5E 3J1.

The Company owns student housing properties in close proximity to universities and colleges in primary and well understood secondary markets, with a focus on contemporary, purpose-built student housing properties.

The Company’s consolidated financial statements are prepared on a going concern basis.

The Company’s ability to continue as a going concern is subject to a number of risks and uncertainties. The Company has incurred net losses and used significant cash resources in its operating activities since incorporation. It has relied upon financing to fund its operations and acquisitions, primarily through debt and private equity placements.

If the Company is otherwise unable to satisfy its current liabilities through suitable agreements for debt refinancing, equity financing or other measures, planned operations could be scaled back and a portion of the Company’s asset could be sold. Additionally, the going concern assumption may no longer be appropriate for these consolidated financial statements and adjustments may be necessary to the carrying values of the assets and liabilities, the reported net loss and the classifications used in the statements of financial position.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applied on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. See note 1.

The following are the significant accounting policies used in the preparation of these financial statements:

Investment Properties

The Company accounts for its investment properties in accordance with International Accounting Standard (“IAS”) 40 Investment Property (“IAS 40”). For acquired investment properties that meet the definition of a business, the acquisition is accounted for as a business combination; otherwise they are initially measured at cost including directly attributable expenses. Subsequent to acquisition, investment properties are carried at fair value, which is the amount at which the individual properties could be sold between willing parties in an arm’s length transaction, based on current prices in an active market for similar properties in the same location, considering the highest and best use of the asset. Gains and losses arising from changes in fair value are recognized in net income in the period of change.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition. Purchased software that is integral to the functionality of related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as a separate item of property, plant and equipment.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
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2. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds on disposal to the carrying amount of the property, plant and equipment, and are recognized in earnings. Depreciation is recognized using the straight-line method for each component. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives. The Company reviews the depreciation methods, useful lives and residual values at each reporting date.

Furniture and fixtures	Straight-line over 5-10 years
Computer equipment	Straight-line over 3-10 years

Revenue Recognition

The Company has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset.

Rental revenue from investment properties includes rents, parking and other sundry revenues. All residential leases are for one year terms or less and commercial revenue is recognized on a straight-line basis over the term of the lease.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with banks, money market accounts, and other short-term investments with original maturities of 90 days or less.

Deferred Income Taxes

Deferred income taxes are calculated using the asset and liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the statement of financial position are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a deferred tax asset will be recovered, it provides a valuation allowance against the amount.

Equity Issuance Costs

These costs relate directly to the issuance of share capital by the Company. These costs are accounted for as a deduction from equity when shares are issued by the Company.

Stock Options

The Company accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted to employees is measured at fair value at the grant date using the Black Scholes option pricing model and recognized over the vesting period of the options granted.

Compensation expense for stock options granted to non-employees is measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share based payment transaction is measured at the fair value of the stock options granted at the date the Company received the goods or the services using the Black Scholes option pricing model.

Earnings Per Share

Earnings per share is calculated using the weighted average number of shares outstanding during the period. The treasury stock method of calculating diluted earnings per share is used, which assumes that all outstanding stock options granted with an exercise price below the average market price for the period are exercised. The difference between the number of shares that would have been issued on exercise of the options and the number of shares that could be purchased with the option proceeds is then included in the denominator of the diluted earnings per share computation. Diluted loss per share has not been recorded for the year as the effect would have been anti-dilutive.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
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2. Summary of significant accounting policies (continued)

Comprehensive Loss

Comprehensive loss includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive loss is the total of net loss and other comprehensive loss. Other comprehensive loss comprises expenses and losses that, in accordance with IFRS, require recognition, but are excluded from net loss. The Company does not have any items giving rise to other comprehensive loss in the period, nor is there any accumulated balance of other comprehensive loss. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net loss for the period.

Financial Instruments

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding at December 31, 2015:

Cash	Loans and receivables
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Mortgages payable	Other financial liabilities

The Company initially measures all of its financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

- a) Loans and receivables are measured at amortized cost using the effective interest method.
- b) Held-for trading financial assets are measured at fair value at the statement of financial position date with any gain or loss recognized immediately in net income. Interest and dividends earned from held-for-trading are also included in income for the period.
- c) Other financial liabilities are measured at amortized cost using the effective interest method.

Financing transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception, and are recognized over the term of the assets or liabilities using the effective interest method.

3. Critical Accounting Estimates, Assumptions, and Judgments

The preparation of consolidated annual financial statements in accordance with IFRS requires the use of estimates, assumptions, and judgments that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the consolidated annual financial statements and accompanying notes. Areas of such estimation include, but are not limited to: valuation of investment properties, remeasurement at fair value of financial instruments, valuation of accounts receivable, capitalization of costs, accounting accruals, the amortization of certain assets, the valuation of stock options and accounting for deferred income taxes. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated annual financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could also differ from those estimates under different assumptions and conditions.

The estimates deemed to be more significant, due to subjectivity and the potential risk of causing a material adjustment within the next financial year to the carrying amounts of assets and liabilities include:

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3. Critical Accounting Estimates, Assumptions, and Judgments (continued)

Valuation of Investment Properties

Investment properties are measured at fair value in the consolidated statement of financial position at each reporting date. Fair values are determined by independent external valuations or detailed internal valuations, generally using the overall capitalization rate (“OCR”) method. Under this method, capitalization rates are applied to a stabilized net operating income (“NOI”) for each property, determined as property revenues less property operating expenses adjusted for market-based assumptions such as rent increases, long-term vacancy rates, repair and maintenance costs and other forecasted cash flows. Capitalization rates are based on recently closed transactions for similar properties, where available, or investment survey data, taking into account the location, size and quality of the property. The most significant assumption is the capitalization rate as it magnifies the effect of a change in stabilized NOI. An increase in the capitalization rate will result in a decrease to the fair value of an investment property and vice versa. Fair values for investment properties are classified as Level 3 in the fair value hierarchy as disclosed in Note 20.

4. Future accounting changes

Financial instruments

IFRS 9, which will eventually replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”), in its entirety, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. While determination is made at initial recognition, classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The most significant change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement. IFRS 9 has a mandatory effective date for annual periods beginning on or after January 1, 2018, with earlier application permitted.

Revenue recognition

IFRS 15 provides a single comprehensive model to account for revenue arising from contracts with customers. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of the standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018, with earlier application permitted.

Leases

In January 2016, the IASB issued IFRS 16 which replaces IAS 17, “Leases” and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

Materiality

On December 18, 2014, the IASB issued Disclosure Initiative (Amendments to IAS 1) as part of its major initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 relates to (i) materiality; (ii) order of the notes; (iii) subtotals; (iv) accounting policies; and (v) disaggregation and are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments is effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

Management is currently evaluating the impact of these four future standards on the Company.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

5. Investment properties

For the year ended December 31, 2015, all properties were valued by a qualified independent valuator, and the Company relied on these professional appraisals to determine the fair value of investment properties. The weighted average capitalization rate at December 31, 2015 was 5.3% (2014 - 6.0%).

<i>As at</i>	December 31, 2015	December 31, 2014
Income producing property	\$64,500,000	\$68,299,530
Development	395,000	395,000
Total	\$64,895,000	\$68,694,530

	December 31, 2015	December 31, 2014
Balance at the beginning of the period	\$68,694,530	\$-
Acquisitions	-	68,553,762
Investment in development properties	-	100,000
Capital expenditures	376,636	40,768
Fair value adjustment on investment properties	(4,176,166)	-
Balance at the end of the period	\$64,895,000	\$68,694,530

One of the Company's investment properties having a fair value of \$5.5 million is situated on land subject to a long term lease. The annual lease payment is \$1,000 and the term expires in 2047. The fair value of investment property was determined using the income approach whereby stabilized net operating income is capitalized. Valuations determined on this basis are most sensitive to changes in capitalization rates.

The following table summarizes the sensitivity of fair value of investment properties to changes in the capitalization rate:

Rate sensitivity	Fair value	Changes in fair value
+ 50 basis points	\$59,283,918	(\$5,611,082)
+ 25 basis points	61,960,659	(2,934,341)
Base rate	64,895,000	-
- 25 basis points	68,126,367	3,231,367
- 50 basis points	71,702,731	6,807,731

6. Furniture and equipment

	December 31, 2015	December 31, 2014
Balance at the beginning of the period	\$18,501	\$-
Additions	132,082	18,501
Less: Accumulated depreciation	(11,614)	(3,700)
Balance at the end of the period	\$138,969	\$14,801

CHC Student Housing Corp.
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7. Deposits and prepaid expenses

<i>As at</i>	December 31, 2015	December 31, 2014
Non-refundable deposits on properties	\$50,000	\$500,000
Refundable deposits on properties	220,000	650,000
Debt service reserves	-	436,918
Other	93,393	49,905
Total	\$363,393	\$1,636,823

Non-refundable deposits on properties

During 2014, the Company assumed, from an entity owned by two directors of the Company, for no payment or other consideration, an agreement to acquire a student housing property located in Sudbury, Ontario (the "Sudbury Property") from an arm's length party to the Company. At December 31, 2014, the Company had made deposits of \$500,000 which were non-refundable unless a record of site condition for the Sudbury property was not received and the transaction could therefore not close.

During 2015, the Company was informed by the vendor that the record of site condition would not be received until sometime in 2016. It was agreed that the required condition of providing the record of site condition to complete the transaction would be extended until December 31, 2016 in exchange for \$450,000 of the \$500,000 non-refundable deposit being returned to the Company.

Refundable deposits on properties

As at December 31, 2015, the Company paid additional deposits of \$945,000 (2014 - \$650,000) to unrelated parties, in respect of a number of possible property acquisitions for which the Company was conducting due diligence. Of the additional deposits paid during the year, \$625,000 was returned to the Company. The Company also decided not to close on a property, and as a result, the deposit of \$750,000 was written off during the year. Of the total deposit of \$750,000, \$200,000 was paid in prior years and \$550,000 was paid during 2015.

8. Accounts receivable

<i>As at</i>	December 31, 2015	December 31, 2014
Rent and other receivables	\$160,446	\$139,945
Allowance for doubtful accounts	(47,594)	(3,206)
Accounts receivable	\$112,852	\$136,739

9. Mortgages payable

As at December 31, 2015, mortgages payable bear interest at a weighted average interest rate of 4.77% (2014 - 4.97%) and have a weighted average term to maturity of 1.8 years (2014 - 2.5 years). The Company has four fixed rate mortgages in the aggregate amount of \$21,880,860 and one floating rate mortgage in the amount of \$33,000,000 as of December 31, 2015, representing 40% and 60%, respectively of total mortgages payable. The fair value of the mortgages payable exceeds their carrying value by \$189,616. The mortgages payable are secured by the Company's investment properties. The Company has also guaranteed up to \$52,100,000 of mortgages payable.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
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9. Mortgages payable (continued)

<i>As at December 31, 2015</i>	Principal Amount	% of Total Principal
2016	\$16,645,431	30.3%
2017	33,150,788	60.4%
2018	156,324	0.3%
2019	4,928,317	9.0%
Subsequent to 2019	-	0.0%
	\$54,880,860	100%
Unamortized financing transaction costs	(174,607)	
Total	\$54,706,253	
Less: current portion	16,550,952	
Non-current portion	\$38,155,301	

Mortgages that matured during the year consisted of the B tranche of a first mortgage in the amount of \$5,500,000 secured by a property located in London, Ontario (the "London Property"), which matured in November 2015, and the second mortgage of \$8,250,000 on the same property which matured in June 2015. The Company completed a refinancing of the two expired mortgages in the fourth quarter of 2015; the new combined mortgage will mature on October 1, 2016 and the interest rate is fixed at 9.5% for the first 12 months increasing to 14% beginning in the 13th and final month of the loan term. The remainder of the first mortgage on the London Property has an outstanding balance of \$33,000,000 and matures in November 2017.

10. Accounts payable and accrued liabilities

As at December 31, 2015, accounts payable and accrued liabilities were comprised of the following:

<i>As at</i>	December 31, 2015	December 31, 2014
Trade payables (Note 23)	\$3,537,830	\$401,279
Accrued interest payable	129,650	143,540
Security deposits	422,601	449,089
Total	\$4,090,081	\$993,908

11. Share capital

a) Authorized and issued

The Company is authorized to issue an unlimited number of common shares.

Issued and outstanding common shares	Number of Shares	Amount	Equity Issuance Costs	Net Equity
Opening balance at January 1, 2015	2,335,181	\$20,784,517	(\$1,256,215)	\$19,528,302
Issuance of common shares, net	-	-	(843)	(843)
Closing balance at December 31, 2015	2,335,181	\$20,784,517	(\$1,257,058)	\$19,527,459

The shares of the Company are redeemable at the option of the holder and therefore are required to be accounted for as financial liabilities, except where certain exemption conditions are met, in which case redeemable instruments may be classified as equity. The attributes of the Company's shares meet the exemption conditions set out in IAS 32, Financial Instruments: Presentation and are therefore presented as equity for purposes of that standard.

On February 19, 2015, the Company completed a share consolidation on an 85 for 1 basis. All comparative figures for the number of shares and per share amounts have been restated on a post consolidation basis.

CHC Student Housing Corp.
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11. Share capital (continued)

b) Escrowed Shares

In connection with the Company's initial public offering and listing on the TSXV, 150,535 common shares of the Company issued in prior periods were placed and held in escrow under a TSXV CPC escrow agreement. Ten percent (10%) of these common shares were released from escrow on April 7, 2014 and an additional fifteen percent (15%) of these common shares were released from escrow on October 7, 2014, April 7, 2015, and October 7, 2015, and will continue to be released every six months thereafter until all common shares have been released from escrow.

c) Stock Options

During 2013, the Company implemented a stock option plan that entitles directors, officers and employees of the Company to be awarded options. The options are granted and approved by the Board of Directors and have a strike price based on the preceding 5-day volume weighted average trading price from the grant date. To date, three tranches of stock options have been granted under the plan as follows:

Options awarded in	Number	Expiry date	Fair Value at Grant Date
Nov-13	48,529	Dec-18	\$309,000
Dec-14	37,812	Jan-20	\$286,048
Jan-15	42,505	Feb-20	\$321,548
	128,845		\$916,596

The initial cost of the options is determined as the fair value of the options on the grant date.

The stock options awarded in November 2013 vested immediately and were expensed in 2013.

The stock options awarded in December 2014 and January 2015, were to vest 1/3rd immediately and 1/3rd each on the following two anniversaries from the grant date. The cost of the options was to be expensed over the vesting period as follows:

- All of the 1/3rd that vests immediately is recognized in the current year.
- One half of the 1/3rd that vests on the first anniversary is recognized evenly in each of years 1 and 2.
- One third of the 1/3rd that vests on the second anniversary is recognized evenly in each of years 1, 2 and 3.

In January 2015, all 80,317 of the options granted in December 2014 and January 2015 were voluntarily cancelled by the Company, which resulted in accelerated vesting of these options.

For the year ended December 31, 2015, total costs of \$432,726 (2014 - \$174,871) were recognized in compensation expense related to director fees and employee compensation.

The options outstanding at December 31, 2015, are as follows:

Options awarded in	Number	Exercise Price	Expiry date	Fair Value at Grant Date
Nov-13	48,529	\$8.50	Dec-18	\$309,000
	48,529			\$309,000

d) Agent's options

As part of the compensation to the agent of the Company's initial public offering, the Company issued 11,764 options exercisable for 24 months from the date of issue at an exercise price of \$8.50. These options vested immediately and were expensed in 2013. All agent's options expired in November 2015.

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11. Share capital (continued)

e) Warrants

As part of an equity financing completed on November 19, 2014, the Company issued 871,822 warrants. The warrants have a term of 36 months from the date of issue. Each warrant entitles the holder to purchase one share for each warrant held at an exercise price of \$11.05 per share.

None of the stock options issued to the directors and officers of the Company or the agent's options or the warrants were included in the calculation of diluted loss per share as the effect would be anti-dilutive.

12. Property revenues

Property revenues for the year ended December 31, 2015 were comprised of the following:

For the year ended	December 31, 2015	December 31, 2014
Residential rent	\$4,681,726	\$913,860
Commercial rent	245,777	47,479
Recoveries and other income	267,297	32,492
Total	\$5,194,800	\$993,831

All of the Company's residential leases are for a term of one year or less. Residential leases account for approximately 95% of the Company's rental revenue. For the year ended December 31, 2015, approximately 86% of the Company's rental revenue were earned in the province of Ontario and 68% of total revenue is derived from the London Property.

13. Property operating expenses

Property operating expenses consist of the following:

For the year ended	December 31, 2015	December 31, 2014
Realty taxes	\$810,469	\$157,387
Utilities	629,005	76,315
Wages and benefits	485,262	62,013
Repairs and maintenance	458,385	42,591
Management fees	180,010	44,584
General and marketing	159,295	57,238
Insurance	138,188	16,311
Bad debt expense	42,176	2,016
Other	13,175	2,450
Property Operating expenses	\$2,915,965	\$460,904

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14. General and administrative expenses

General and administrative expenses are comprised of the following:

For the year ended	December 31, 2015	December 31, 2014
Legal and other professional	\$231,605	\$39,759
Audit and accounting	426,114	51,000
Wages and benefits	619,860	147,308
Rent	41,080	28,737
Marketing	35,255	142,152
Other	126,013	185,837
General and administrative expenses	\$1,479,927	\$594,792

Included in audit and accounting for the year ended December 31, 2015 is \$90,400 in connection with security filings related to property acquisitions.

15. Interest expense

Interest expense for the year ended December 31, 2015 was comprised of the following:

For the year ended	December 31, 2015	December 31, 2014
Interest on mortgages payable	\$2,612,541	\$423,516
Amortization of financing transaction costs	237,727	319,900
Total	\$2,850,268	\$743,416

16. Transaction costs

Transaction costs are comprised of the following:

For the year ended	December 31, 2015	December 31, 2014
Legal and other professional	\$1,204,237	\$1,530,289
Audit and accounting	1,060,505	161,872
Marketing and other	273,277	18,193
Transaction costs	\$2,538,019	\$1,710,354

Transaction costs for the year ended December 31, 2015 relate almost entirely to the failed equity offering.

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17. Income taxes

No income taxes are charged to other comprehensive income or equity for the years ended December 31, 2015 and December 31, 2014.

The Company's statutory income tax rate has remained consistent at 39.5% in 2015.

Reconciliation of tax expense and accounting income for the year ended December 31, 2015 are set out below:

For the year ended	December 31, 2015	December 31, 2014
Net loss for the year	\$(9,945,796)	\$(2,670,410)
Expected income recovery	(3,928,589)	(707,659)
Permanent differences	1,820,512	48,368
Non-recognition of the benefit of current year's tax losses	2,108,077	659,291
Income tax expense	\$ -	\$ -

Deferred income tax assets and liabilities as at December 31, 2015, relate to the following:

As at	December 31, 2015	December 31, 2014
Non-capital losses	\$2,978,274	\$540,395
Difference in basis	369,756	287,673
Non-recognition of deferred tax assets	(3,348,030)	(828,068)
Total net deferred tax asset	\$ -	\$ -

The future benefit of these losses and deductible temporary differences has not been recognized in the financial statements.

The Company is a "mutual fund corporation" for income tax purposes. As such, the Company can manage, and intends to manage, its affairs such that capital gains will ultimately not be taxed within the Company, but rather in the hands of its shareholders. Accordingly, deferred taxes are not recognized in respect of temporary differences on capital account, specifically, temporary differences on capital account related to Investment Properties. As at December 31, 2015, the unrecognized deductible temporary difference related to Investment Properties was \$4 million (2014- \$0.2 million).

As at December 31, 2015, the expiry dates of the unrecognized deferred tax assets are 2033 to 2035.

18. Related party transactions

The Company obtains certain management services from an entity owned by certain officers and a director of the Company, for which no management fees have been charged. This entity also paid for some officer salaries and other expenses on behalf of the Company and \$182,689 is included in accounts payable at December 31, 2015 (2014 - \$nil).

The compensation of the Company's executives and independent directors for the year ended December 31, 2015 was \$218,500 (2014 - \$232,371), comprising \$nil (2014 - \$174,871) in share based payments, \$34,250 (2014 - \$57,500) in cash compensation and accrued fees of \$184,250 (2014 - \$nil).

19. Capital management

The Company manages its mortgages, common shares and stock options as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash it holds.

Key financial covenants are reviewed on an ongoing basis by management to monitor compliance with the agreements. The key financial covenant applicable to the Company is a specified minimum debt service coverage ratio.

CHC Student Housing Corp.
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19. Capital management (continued)

The Company is in compliance with all of its debt and financial covenants as it relates to its mortgages at December 31, 2015.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

20. Financial risk management

In the normal course of business, the Company is exposed to financial risk and manages that risk, as follows:

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which is used to fund additional operating and other expenses and retire debt obligations, if any, at their maturity.

If the Company is otherwise unable to satisfy its current liabilities through suitable agreements for debt refinancing, equity financing or other measures, planned operations could be scaled back and a portion of the Company's asset could be sold.

The contractual maturities of the Company's financial liabilities are summarized by year below:

As at December 31, 2015	Payments due by year					
	Total	2016	2017	2018	2019	Thereafter
Mortgages payable (1)	\$58,789,357	\$19,094,669	\$34,336,002	\$337,752	\$5,065,935	\$-
Accounts payable & accrued liabilities	4,090,081	4,090,081	-	-	-	-
	\$62,879,438	\$23,184,750	\$34,336,002	\$337,752	\$5,065,935	\$-

(1) Includes both principal and interest.

Refer to note 1 for a discussion regarding the Company's ability to carry on its operations through the next operating period.

Credit Risk

Credit risk rises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, the stated amount is typically the gross carrying amount, net of any amounts offset and any impairment losses. As of the date of these financial statements, the Company's principal debtors are the Company's residents who may experience financial difficulty and be unable to meet their rental obligations. The Company mitigates its risk of credit loss with respect to residents by evaluating credit worthiness of new tenants, obtaining security deposits wherever permitted by legislation and obtaining parental guarantees of resident leases.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company has both fixed and floating rate mortgages. The fixed rate mortgages range in term from nine months to 4 years. The floating rate mortgage has a terms of two years. The impact of a 50 basis point change in floating rate debt would be an increase or decrease in interest expense of \$165,000 on an annual basis. The impact of a 50 basis point change on fixed rate debt maturing in the next 12 months would be an increase or decrease in interest expense of \$109,404 on an annual basis.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company does not have any material transactions denominated in foreign currency and is not exposed to foreign currency risk.

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20. Financial risk management (continued)

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Company are not exposed to other price risk.

21. Fair value measurements

The Company has classified and disclosed each fair value measurement based on the fair value hierarchy in accordance with IFRS 13 – Fair Value Measurement. The fair value hierarchy distinguishes between market value data obtained from independent sources and the Company's own assumptions about market value. The hierarchy levels are defined as below:

Level 1 – Inputs based on quoted prices in active market for identical assets or liabilities;

Level 2 – Inputs based on factors other than quoted prices included in Level 1 and may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3 - Inputs which are unobservable for the asset or liability, and are typically based on the Company's own assumptions, as there is little, if any, related market activity.

Financial instruments include cash, accounts receivable, deposits, and mortgages payable, accounts payable and accrued liabilities. Except for the mortgages payable, the carrying values of these financial instruments approximate fair value due to their short term nature.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents the Company's estimates of assets and liabilities measured at fair value on a recurring basis based on information available to management as at December 31, 2015, and aggregated by level in the fair value hierarchy within which those measurements fall. These estimates are not necessarily indicative of the amounts the Company could ultimately realize.

Recurring measurements	Level 1 Quoted prices in active markets for identical assets and liabilities	Level 2 Significant other observable inputs	Level 3 Significant other unobservable inputs	Total
Assets				
Investment properties	\$-	\$-	\$64,895,000	\$64,895,000
Liabilities				
Mortgages payable	-	\$55,070,476	-	\$55,070,476

22. Comparative figures

Certain comparative figures have been reclassified in order to present information on a basis consistent with the current year.

23. Subsequent events

Prior to the financial statements being authorized for issue, the Company engaged in discussions with certain key vendors regarding their past fees associated with the proposed equity offering by the Company which was terminated in the second quarter of 2015. At this time, these vendors have agreed to take combined concessions of \$765,000 from their fees which will be realized in future periods.

The Company internalized property management of two properties located in London and Windsor, Ontario and terminated the existing management agreements on these properties effective April 1, 2016.

24. Approval of financial statements

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on April 28, 2016.