

CHC Student Housing Corp.
Audited Consolidated Financial Statements
December 31, 2016

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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, 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. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.



Chartered Professional Accountants
Licensed Public Accountants
June 15, 2017

	Page
Consolidated Financial Statements	
Consolidated Statements of Financial Position	1
Consolidated Statements of Net Loss and Comprehensive Loss	2
Consolidated Statements of Changes in Shareholders' Equity	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5

CHC Student Housing Corp.
Consolidated Statements of Financial Position

As at	December 31, 2016	December 31, 2015
Assets		
Non-Current		
Investment properties (Note 5)	\$64,895,000	\$64,895,000
Furniture and equipment (Note 6)	354,957	138,969
	65,249,957	65,033,969
Current		
Cash	357,292	842,808
Deposits and prepaid expenses (Note 7)	148,325	363,393
Accounts receivable (Note 8)	45,405	112,852
	\$65,800,979	\$66,353,022
Liabilities		
Non-Current		
Mortgages payable (Note 9)	\$5,064,000	\$38,155,301
	5,064,000	38,155,301
Current		
Accounts payable and accrued liabilities (Note 10)	4,286,153	4,090,081
Mortgages payable (Note 9)	49,605,028	16,550,952
	58,955,181	58,796,334
Shareholders' Equity		
Share Capital (Note 11)	19,527,459	19,527,459
Contributed Surplus	909,597	969,597
Deficit	(13,591,258)	(12,940,368)
	6,845,798	7,556,688
	\$65,800,979	\$66,353,022

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

For the year ended	December 31, 2016	December 31, 2015
Revenue		
Property revenues (Note 12)	\$5,301,521	\$5,194,800
Interest income	40	2,475
	5,301,561	5,197,275
Expenses		
Property operating expenses (Note 13)	2,683,249	2,915,965
General and administrative expenses (Note 14)	1,068,317	1,479,927
Interest and other financing charges (Note 15)	2,738,473	2,850,268
Transaction costs (concessions) (Note 16)	(686,588)	2,538,019
Fair value adjustment on investment properties (Notes 5, 21)	-	4,176,166
Forfeiture of deposit	-	750,000
Stock based compensation (Note 11)	149,000	432,726
	5,952,451	15,143,071
Net loss and comprehensive loss	(\$650,890)	(\$9,945,796)
Loss per share		
Basic and diluted	(\$0.28)	(\$4.26)
Weighted average number of outstanding common shares		
Basic and diluted (Note 11)	2,335,181	2,335,181

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, 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
Stock options	-	(60,000)	-	(60,000)
Net loss and comprehensive loss for the year	-	-	(650,890)	(650,890)
Balance, December 31, 2016	\$19,527,459	\$909,597	(\$13,591,258)	\$6,845,798

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, 2016 and 2015

Cash provided by (used in) the following activities:

For the year ended	December 31, 2016	December 31, 2015
Operating activities		
Net loss	(\$650,890)	(\$9,945,796)
Transaction costs (concessions)	(686,588)	-
Stock-based compensation (Note 11)	149,000	432,726
Amortization of financing transaction costs (Note 15)	108,229	237,727
Forfeiture of deposit on property	-	750,000
Depreciation (Note 6)	10,656	7,914
Interest expense on mortgages payable (Note 15)	2,630,244	2,612,541
Cash interest paid	(2,549,518)	(2,410,514)
Straight line rent	5,579	3,505
Fair value adjustment on investment properties (Note 5)	-	4,176,166
Net change in working capital	649,870	3,307,958
Net decrease in cash from operating activities	(\$333,418)	(\$827,773)
Investing activities		
Additions to furniture and equipment (Note 6)	(\$226,644)	(\$376,636)
Disposals of furniture and equipment (Note 6)	-	(132,082)
Refunds from deposits related to property acquisitions (Note 7)	220,000	130,000
Net decrease in cash from investing activities	(\$6,644)	(\$378,718)
Financing activities		
Equity issuance, net of costs	\$-	(\$843)
Principal repayments	(145,454)	(140,319)
Financing transaction costs paid	-	(41,651)
Net decrease in cash from financing activities	(\$145,454)	(\$182,813)
Net decrease in cash and cash equivalents	(\$485,516)	(\$1,389,304)
Cash, beginning of year	842,808	2,232,112
Cash, end of year	\$357,292	\$842,808

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, 2016 and 2015

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 and it has relied upon financing to fund its operations and acquisitions, primarily through debt and private equity placements. The uncertainties below cast a significant doubt about the Company's ability to continue as a going concern.

The Company incurred a net loss of \$650,890 for the year ended December 31, 2016 (year ended December 31, 2015 - net loss of \$9,945,796) and as at December 31, 2016 had a working capital deficit of \$58,404,159, including current portion of long-term debt (December 31, 2015 - \$57,477,281).

The Company's ability to continue operations in the normal course of business is dependent on several factors, including its ability to secure additional funding. At present, the Company has obtained indefinite extensions on existing terms from its lenders in respect of the \$2.75 million mortgage due on its Trois-Rivieres property and the \$13.75 million mortgage due on its London property while the Company works through its strategic review process (see below) but the mortgages remain payable on demand. In addition, the Company has completed a private placement offering (see below), and is exploring all available options to secure additional funding, including new strategic partnerships given the failed transaction with Dundee Acquisition Ltd., as well as the sale of the Company or all or a portion of its assets.

In the event the Company is unable to arrange appropriate financing or strategic alternatives, the carrying value of the Company's assets and liabilities could be subject to material adjustment. Furthermore, these conditions indicate the existence of a material uncertainty that raises substantial doubt on the Company's ability to continue as a going concern.

In light of the Company's failed transaction with Dundee Acquisition Ltd. and its current financial position, the Company's Board formed a special committee of independent directors to identify, examine and consider strategic and financial alternatives potentially available to the Company, as announced by the Company on April 11, 2017. These alternatives may include, but are not limited to, a sale of the Company or all or a portion of its assets.

While this strategic review process is underway, the Company has undertaken a non-brokered private placement (the "Private Placement") to raise a minimum of \$600,000 and a maximum of \$1,000,000 through the issuance of a minimum of 342,857 common shares and a maximum of 571,429 common shares at a price of \$1.75 per share, as announced by the Company on May 2, 2017. On May 15, 2017 the Company closed on aggregate proceeds of \$667,247 under the Private Placement. The Company intends to use the proceeds of the Private Placement to address its current working capital position including to satisfy certain current trade payables and to fund the Company's operations while its special committee pursues the Company's strategic review process.

These consolidated financial statements do not include any additional adjustments to the recoverability and classification of recorded asset amounts, classification of liabilities and changes to the statements of loss and comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

CHC Student Housing Corp.

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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.

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.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

2. Summary of significant accounting policies (continued)

Stock Options

Compensation expense for option grants is based on the fair value of the options at the grant date and is recognized over the period from the grant date to the date the award is vested. During the period in which options are outstanding, the liability is adjusted for changes in the fair value with such adjustments being recognized as compensation expense in stock based compensation expense in the period in which they occur. The liability balance is reduced as options are exercised and recorded in equity as common shares along with the proceeds received on exercise.

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.

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 year 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 year.

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, 2016:

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.

CHC Student Housing Corp.

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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, re-measurement 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:

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 21.

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.

CHC Student Housing Corp.

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

4. Future accounting changes (continued)

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.

5. Investment properties

Fair values are determined by generally using the overall capitalization rate method. Under this method, capitalization rates are applied to a stabilized net operating income 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 Corporation measures its investment properties using valuations prepared by management. The Corporation obtains valuations prepared by external appraisers as data points, together with other market and property specific information accumulated by management, in arriving at its own conclusions on values. Management uses valuation assumptions such as the overall capitalization rate applied in external appraisals to arrive at its estimates of fair value. The weighted average capitalization rate at December 31, 2016 was 5.2% (2015 - 5.3%).

<i>As at</i>	December 31, 2016	December 31, 2015
Income producing property	\$64,500,000	\$64,500,000
Development	395,000	395,000
Total	\$64,895,000	\$64,895,000
	December 31, 2016	December 31, 2015
Balance at the beginning of the year	\$64,895,000	\$68,694,530
Acquisitions	-	-
Investment in development properties	-	-
Capital expenditures	-	376,636
Fair value adjustment on investment properties	-	(4,176,166)
Balance at the end of the year	\$64,895,000	\$64,895,000

One of the Company's investment properties having a fair value of \$4 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.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

5. Investment properties (continued)

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	\$59,197,514	(\$5,697,486)
+ 25 basis points	61,913,999	(2,981,001)
Base rate	64,895,000	-
- 25 basis points	68,181,327	3,286,327
- 50 basis points	71,822,677	6,927,677

6. Furniture and equipment

	December 31, 2016	December 31, 2015
Balance at the beginning of the year	\$150,583	\$18,501
Additions	226,644	132,082
Less: Accumulated depreciation	(22,270)	(11,614)
Balance at the end of the year	\$354,957	\$138,969

7. Deposits and prepaid expenses

As at	December 31, 2016	December 31, 2015
Non-refundable deposits on properties	\$50,000	\$50,000
Refundable deposits on properties	-	220,000
Prepaid property taxes	10,432	10,736
Other	87,893	82,657
Total	\$148,325	\$363,393

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 one of the acquisition properties 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 in 2015.

As at May 2017, the Vendor has been unable to obtain the Record of Site Condition and as such, the Company has notified the Vendor that they will not be proceeding with the transaction. The Vendor has agreed to release the remaining deposit back to the Company which has been received subsequent to December 31, 2016.

Refundable deposits on properties

As at December 31, 2016, the Company did not pay any additional deposits to unrelated parties, in respect of a number of possible property acquisitions for which the Company was conducting due diligence. Of the deposits held, \$220,000 was returned to the Company during the year.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

8. Accounts receivable

<i>As at</i>	December 31, 2016	December 31, 2015
Rent and other receivables	\$88,391	\$160,446
Allowance for doubtful accounts	(42,986)	(47,594)
Accounts receivable	\$45,405	\$112,852

9. Mortgages payable

As at December 31, 2016, mortgages payable bear interest at a weighted average interest rate of 5.04% (2015 - 4.77%) and have a weighted average term to maturity of 0.9 years (2015 - 1.8 years). The Company has four fixed rate mortgages in the aggregate amount of \$21,762,906 and one floating rate mortgage in the amount of \$33,000,000 as of December 31, 2016, representing 40% and 60%, respectively of total mortgages payable. The fair value of the mortgages payable exceeds their carrying value by \$9,159. The mortgages payable are secured by the Company's investment properties. The Company has also guaranteed up to \$52,000,000 of mortgages payable.

<i>As at December 31, 2016</i>	Principal Amount	% of Total Principal
2017	\$49,678,265	90.7%
2018	156,324	0.3%
2019	4,928,317	9.0%
2020	-	0.0%
Subsequent to 2020	-	0.0%
	\$54,762,906	100%
Unamortized financing transaction costs	(93,878)	
Total	\$54,669,028	
Less: non-current portion	5,064,000	
Current portion	\$49,605,028	

Mortgages that matured during the year consisted of a second mortgage in the amount of \$13,750,000 on a property located in London, Ontario, which matured in October 2016, and a mortgage of \$2,750,000 on a property located in Trois-Rivières, Québec, which matured in October 2016. The Company obtained an extension for the \$13,750,000 loan on the London Property until March 31, 2017 at a fixed interest rate of 9.5% per annum, at the current terms and conditions. As of March 2017, the lender has further agreed to extend the mortgage to the Company on the same terms and conditions as it works through its strategic alternatives but the mortgage remains payable on demand. The remainder of the first mortgage on the London Property has an outstanding balance of \$33,000,000 and matures in November 2017.

The Company replaced the existing \$2,750,000 mortgage on the Trois-Rivières Property with a new vendor loan for \$2,777,500 at a fixed interest rate of 10% per annum maturing on April 9, 2017, and is open to repayment. As of April 2017, the lender has further agreed to extend the mortgage to the Company on the same terms and conditions as it works through its strategic alternatives but the mortgage remains payable on demand. The Company is also in discussions with a variety of lenders regarding the refinancing of the existing debt.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

10. Accounts payable and accrued liabilities

As at December 31, 2016, accounts payable and accrued liabilities were comprised of the following:

<i>As at</i>	December 31, 2016	December 31, 2015
Trade payables	\$3,597,197	\$3,537,830
Accrued interest payable	220,124	129,650
Security deposits	468,832	422,601
Total	\$4,286,153	\$4,090,081

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, 2016	2,335,181	\$20,784,517	(\$1,257,058)	\$19,527,459
Issuance of common shares, net	-	-	-	-
Closing balance at December 31, 2016	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.

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, October 7, 2015, April 7, 2016, and October 7, 2016. The final release was completed as scheduled on April 7, 2017.

c) Stock options and Deferred share units

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.

The options outstanding at December 31, 2016, are as follows:

Stock options awarded in	Number	Exercise Price	Expiry date	Fair Value at Grant Date
November 2013	48,529	\$8.50	Dec-18	\$309,000

The fair value of the financial liability related to these options was \$62,000 at December 31, 2016, included in accounts payables and accrued liabilities, and an expense of \$2,000 has been recognized in stock based compensation (recovery) for the year ended December 31, 2016, comprising the mark to market adjustment on the options.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

11. Share capital (continued)

On September 13, 2016, the Company's board adopted a deferred share unit plan (the "DSU Plan") and approved the grant of 63,070 deferred share units (the "DSUs") to the directors in settlement of directors' fees accrued and unpaid during 2015 and the first two quarters of 2016, for an aggregated fair value amount of \$304,000. Included in the aggregate fair value at the time of the grant was \$121,000 of board compensation expenses already accrued in 2015 and \$183,000 of board compensation incurred in the first two quarters of 2016. The DSUs are currently to be settled in cash when a director ceases to be a director of the Company. The fair value of the financial liability related to DSUs as at December 31, 2016 was \$268,000, included in accounts payables and accrued liabilities, and a recovery of \$36,000 has been recognized in stock based compensation (recovery) for the year ended December 31, 2016, comprising the mark to market adjustment on the unit, accordingly, the stock based compensation expense recognized in the Consolidated Statements of Net Loss and Comprehensive Loss for the year ended December 31, 2016 is \$147,000 from the recognition of the DSUs.

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.

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, 2016 were comprised of the following:

For the year ended	December 31, 2016	December 31, 2015
Residential rent	\$4,783,232	\$4,681,726
Commercial rent	248,757	245,777
Recoveries and other income	269,532	267,297
Total	\$5,301,521	\$5,194,800

All of the Company's residential leases are for a term of one year or less. Residential leases account for approximately 90% of the Company's rental revenue. For the year ended December 31, 2016, approximately 86% of the Company's rental revenue were earned in the province of Ontario and 66% of total revenue is derived from the London Property.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

13. Property operating expenses

Property operating expenses consist of the following:

For the year ended	December 31, 2016	December 31, 2015
Realty taxes	\$822,169	\$810,469
Utilities	583,851	629,005
Wages and benefits	364,593	485,262
Repairs and maintenance	431,906	458,385
Management fees	99,727	180,010
General and marketing	94,593	159,295
Insurance	127,380	138,188
Bad debt expense	134,556	42,176
Other	24,474	13,175
Property Operating expenses	\$2,683,249	\$2,915,965

14. General and administrative expenses

General and administrative expenses are comprised of the following:

For the year ended	December 31, 2016	December 31, 2015
Legal and other professional	\$242,079	\$231,605
Audit and accounting	270,635	426,114
Wages and benefits	411,587	619,860
Rent	46,913	41,080
Marketing	24,684	35,255
Other	72,419	126,013
General and administrative expenses	\$1,068,317	\$1,479,927

15. Interest expense

Interest expense for the year ended December 31, 2016 was comprised of the following:

For the year ended	December 31, 2016	December 31, 2015
Interest on mortgages payable	\$2,630,244	\$2,612,541
Amortization of financing transaction costs	108,229	237,727
Total	\$2,738,473	\$2,850,268

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

16. Transaction costs/(concessions)

Transaction costs/(concessions) are comprised of the following:

For the year ended	December 31, 2016	December 31, 2015
Legal and other professional	\$78,456	\$1,204,237
Audit and accounting	-	1,060,505
Marketing and other	-	273,277
Concessions	(765,044)	-
Transaction costs/(concessions)	(\$686,588)	\$2,538,019

In 2016, the Company engaged in discussions with certain key vendors regarding their past fees associated with the failed equity offering which was terminated in the second quarter of 2015. These vendors agreed to take combined concessions of \$765,044 from their fees which was realized during the year ended December 31, 2016.

17. Income taxes

No income taxes are charged to other comprehensive income or equity for the years ended December 31, 2016 and December 31, 2015.

The Company's statutory income tax rate has remained consistent at 39.5% in 2016.

Reconciliation of tax expense and accounting income for the year ended December 31, 2016 are set out below:

For the year ended	December 31, 2016	December 31, 2015
Net loss for the year	\$(650,890)	\$(9,945,796)
Expected income recovery	(257,102)	(3,928,589)
Permanent differences	58,065	1,820,512
Non-recognition of the benefit of current year's tax losses	199,037	2,108,077
Income tax expense	\$ -	\$ -

Deferred income tax assets and liabilities as at December 31, 2016, relate to the following:

As at	December 31, 2016	December 31, 2015
Non-capital losses	\$3,263,171	\$2,668,898
Difference in basis	1,121,549	1,516,785
Non-recognition of deferred tax assets	(4,384,720)	(4,185,683)
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, 2016, the unrecognized deductible temporary difference related to Investment Properties was \$1 million (2015 - \$1 million).

As at December 31, 2016, the expiry dates of the unrecognized deferred tax assets are 2033 to 2036.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

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 corporate expenses on behalf of the Company and \$401,496 is included in accounts payable at December 31, 2016 (2015 - \$182,689).

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.

The Company is not in compliance with the delivery of financial reports within the required time frame related to the \$33,000,000 mortgage on the London property as at December 31, 2016.

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 are satisfied through a variety of sources including cash, net operating income and capital markets, 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 assets could be sold.

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

Payments due by year						
As at December 31, 2016	Total	2017	2018	2019	2020	Thereafter
Mortgages payable (1)	\$56,188,539	\$50,784,852	\$337,752	\$5,065,935	\$-	\$-
Accounts payable & accrued liabilities	4,286,153	4,286,153	-	-	-	-
	\$60,474,692	\$55,071,005	\$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.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

20. Financial risk management (continued)

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 or on the fair value of other financial instruments. 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 term 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.

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, 2016, 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. Mortgages payable are measured at amortized cost and the fair value measurement in the table below is presented for disclosure purposes only.

Recurring measurements or disclosures	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 (disclosures)	\$-	\$54,772,065	\$-	\$54,772,065

22. Comparative figures

Certain comparative figures have been reclassified in order to present information on a basis consistent with the current year. In Note 7, prepaid property taxes of \$10,736 were reclassified from the "other" category to be separately presented consistent with the current period. In Note 17, the amounts presented in the table as at December 31, 2015 for non-capital losses, difference in basis, and non-recognition of deferred tax assets increased by \$309,376, \$1,147,029, and \$837,653, respectively, and the amount presented as unrecognized deductible temporary differences related to investment properties decreased by \$3,000,000, all in respect to correct for the appropriate treatment of capital gains and losses in respect of the Company's status as a mutual fund corporation.

CHC Student Housing Corp.

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

23. Subsequent events

On April 3, 2017, the Company had announced that the arrangement agreement with Dundee Acquisition Ltd. ("DAQ") in respect of the proposed business combination between CHC and DAQ has been terminated. As a result, the Company's board of directors has initiated a process to identify, examine and consider strategic and financial alternatives potentially available to the Company with a view to enhancing shareholder value. Such alternatives may include, but are not limited to, a sale of the Company or all or a portion of its assets, a merger or other business combination, a recapitalization or any combination thereof. The board of directors has established a special committee comprised of independent directors to oversee the process. The board of directors and management are committed to acting in the best interests of the Company and its stakeholders.

The Company has also closed on a private placement of \$667,247 as of May 15, 2017 to assist in reducing certain payables and providing the Company with additional operating funds as it works through its strategic options with its Board and special committee.

Subsequent to year end, and as a result of the strategic review process of the Company's Special Committee which is currently ongoing, the Company has entered into a conditional agreement with a third party for the sale of certain properties owned by the Company. The transaction is subject to due diligence which is currently ongoing and has not yet been satisfied or waived, and various other customary closing conditions. If the transaction is consummated, it is expected that it would close in the third quarter of 2017. There can be no assurance that the transaction will proceed or that it will proceed on the contemplated terms unless and until the conditions to the completion of the transaction, and in particular due diligence, are satisfied or waived.

Subsequent to year end, the Company failed to file its audited annual financial statements, management's discussion and analysis and related certifications for the fiscal year ended December 31, 2016 (the "Annual Filings") on or before May 1, 2017, as required under applicable securities laws. As a result, on May 5, 2017, the Ontario Securities Commission granted a management cease trade order ("MCTO") against certain management of the Company. The MCTO restricts trading in securities of the Company by certain insiders of the Company until such time as the Annual Filings have been filed by the Company and the MCTO is no longer in effect. The MCTO does not affect the ability of shareholders who are not insiders of the Company to trade their securities.

24. Approval of financial statements

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on June 15, 2017.