

**CHC Student Housing Corp.**  
**Condensed Consolidated Interim Financial Statements**  
*June 30, 2017*  
*(Unaudited)*

**MANAGEMENT'S COMMENTS ON  
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of CHC Student Housing Corp. (the "Company"), have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity's auditor.

**CHC Student Housing Corp.**  
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*June 30, 2017*  
*(Unaudited)*

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**CHC Student Housing Corp.**  
**Condensed Consolidated Interim Statements of Financial Position**  
*(Unaudited)*

As at	June 30, 2017	December 31, 2016
<b>Assets</b>		
<b>Non-Current</b>		
Investment properties (Note 4)	\$64,795,000	\$64,895,000
Furniture and equipment (Note 5)	354,282	354,957
	<b>65,149,282</b>	<b>65,249,957</b>
<b>Current</b>		
Cash	238,218	357,292
Deposits and prepaid expenses (Note 6)	106,751	148,325
Accounts receivable (Note 7)	96,277	45,405
	<b>441,246</b>	<b>551,022</b>
<b>Total Assets</b>	<b>\$65,590,528</b>	<b>\$65,800,979</b>
<b>Liabilities</b>		
<b>Non-Current</b>		
Mortgages payable (Note 8)	\$5,064,023	\$5,064,000
	<b>5,064,023</b>	<b>5,064,000</b>
<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	3,785,991	4,286,153
Mortgages payable (Note 8)	49,576,642	49,605,028
	<b>53,362,633</b>	<b>53,891,181</b>
<b>Total Liabilities</b>	<b>58,426,656</b>	<b>58,955,181</b>
<b>Shareholders' Equity</b>		
Share Capital (Note 10)	20,191,771	19,527,459
Contributed Surplus	909,597	909,597
Deficit	(13,937,496)	(13,591,258)
<b>Total Shareholders' Equity</b>	<b>7,163,872</b>	<b>6,845,798</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$65,590,528</b>	<b>\$65,800,979</b>

Approved on behalf of the Board

(signed) "Philip Gillin" \_\_\_\_\_

**Phillip Gillan**  
**Director**

(signed) "Ronald Schwarz" \_\_\_\_\_

**Ronald Schwarz**  
**Director**

The accompanying notes are an integral part of these financial statements

**CHC Student Housing Corp.**  
**Condensed Consolidated Interim Statements of Net Income (Loss) and Comprehensive Income (Loss)**  
*(Unaudited)*

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
<b>Revenue</b>				
Property revenues (Note 11)	\$1,307,789	\$1,261,010	\$2,697,825	\$2,550,721
Interest income	-	10	-	40
	<b>1,307,789</b>	<b>1,261,020</b>	<b>2,697,825</b>	<b>2,550,761</b>
<b>Expenses</b>				
Property operating expenses (Note 12)	580,805	714,565	1,225,212	1,379,870
General and administrative expenses (Note 13)	354,398	252,881	636,833	544,704
Interest and other financing charges (Note 14)	724,738	679,665	1,431,803	1,354,956
Transaction costs (concessions) (Note 15)	-	11,390		(753,654)
Gain on sale of investment	-		(37,785)	-
Stock based compensation (Note 10)	(72,000)	(16,000)	(212,000)	(34,000)
	<b>1,587,941</b>	<b>1,642,501</b>	<b>3,044,063</b>	<b>2,491,876</b>
<b>Net Income (Loss) and Comprehensive Income (Loss)</b>	<b>(\$280,152)</b>	<b>(\$381,481)</b>	<b>(\$346,238)</b>	<b>\$58,885</b>
<b>Income (Loss) per share</b>				
Basic and diluted	(\$0.12)	(\$0.16)	(\$0.14)	\$0.03
<b>Weighted average number of outstanding common shares</b>				
Basic and diluted (Note 10)	2,434,188	2,335,181	2,434,188	2,335,181

*The accompanying notes are an integral part of these financial statements*

**CHC Student Housing Corp.**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
*(Unaudited)*

	Common Shares	Contributed Surplus	Deficit	Total Shareholders' Equity
<b>Balance, December 31, 2015</b>	<b>\$19,527,459</b>	<b>\$969,597</b>	<b>(\$12,940,368)</b>	<b>\$7,556,688</b>
Issuance of shares, net	-	-	-	-
Stock options	-	(60,000)	-	(60,000)
Net income and comprehensive income for the period	-	-	58,885	58,885
<b>Balance, June 30, 2016</b>	<b>\$19,527,459</b>	<b>\$909,597</b>	<b>(\$12,881,483)</b>	<b>\$7,555,573</b>
<b>Balance, December 31, 2016</b>	<b>\$19,527,459</b>	<b>\$909,597</b>	<b>(\$13,591,258)</b>	<b>\$6,845,798</b>
Issuance of shares, net	664,312	-	-	664,312
Net (loss) and comprehensive (loss) for the period	-	-	(346,238)	(346,238)
<b>Balance, June 30, 2017</b>	<b>\$20,191,771</b>	<b>\$909,597</b>	<b>(\$13,937,496)</b>	<b>\$7,163,872</b>

*The accompanying notes are an integral part of these financial statements*

**CHC Student Housing Corp.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
*(Unaudited)*

**Cash provided by the following activities**

	For the three month ended June 30, 2017	For the three month ended June 30, 2016	For the six month ended June 30, 2017	For the six month ended June 30, 2016
<b>Operating activities</b>				
Net income (loss)	(\$280,152)	(\$381,481)	(\$346,238)	\$58,885
Transaction costs (concessions)	-	11,390	-	(753,654)
Stock-based compensation (Note 10)	(72,000)	(16,000)	(212,000)	(34,000)
Amortization of financing transaction costs (Note 14)	30,782	29,227	46,572	58,453
Depreciation (Note 5)	8,893	2,753	17,747	6,288
Straight line rent	-	(2,178)	-	(851)
Interest expense on mortgages payable (Note 14)	693,956	650,438	1,385,231	1,296,503
Cash interest paid	(694,311)	(652,055)	(1,383,751)	(1,215,234)
Gain on sale of investment	-	-	(37,785)	-
Net change in working capital	(547,021)	(162,618)	(348,940)	122,396
<b>Net cash changes from operating activities</b>	<b>(\$859,853)</b>	<b>(\$520,524)</b>	<b>(\$879,164)</b>	<b>(\$461,214)</b>
<b>Investing activities</b>				
Capital expenditures	-	(30,914)	-	(99,578)
Additions to furniture and equipment	(17,072)	(26,855)	(17,072)	(27,857)
Disposals of furniture and equipment	-	-	-	3,231
Proceeds from sale of investment	-	-	137,785	-
Deposits, net	50,000	-	50,000	20,000
<b>Net cash changes from investing activities</b>	<b>32,928</b>	<b>(57,769)</b>	<b>170,713</b>	<b>(104,204)</b>
<b>Financing activities</b>				
Equity issuance costs, net of costs	664,312	-	664,312	-
Mortgage principal repayments	(37,595)	(36,240)	(74,935)	(72,321)
<b>Net cash changes from financing activities</b>	<b>626,717</b>	<b>(36,240)</b>	<b>589,377</b>	<b>(72,321)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(200,208)</b>	<b>(614,533)</b>	<b>(119,074)</b>	<b>(637,739)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>438,426</b>	<b>819,602</b>	<b>357,292</b>	<b>842,808</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$238,218</b>	<b>\$205,069</b>	<b>\$238,218</b>	<b>\$205,069</b>

The accompanying notes are an integral part of these financial statements

**CHC Student Housing Corp.**  
**Notes to the Condensed Consolidated Interim Statements**  
*(Unaudited)*

**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, 5<sup>th</sup> 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 \$346,238 for the six months ended June 30, 2017 (six months ended June 30, 2016 - net profit of \$58,886) and as at June 30, 2017 had a working capital deficit of \$52,921,387 including current portion of long-term debt (June 30, 2016 - \$19,483,167).

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.

Subsequent to period 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 firm agreement with a third party for the sale of the Windsor property for \$5,500,000. The sale of the property closed on August 21, 2017 which, after closing adjustments, will net the Company approximately \$1,730,000 in proceeds that the Company will use to reduce liabilities and fund ongoing operations.

On May 15, 2017 the Company closed on aggregate proceeds of \$667,247 under a non-brokered private placement (the "Private Placement"). The Company used 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 condensed consolidated interim 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 Condensed Consolidated Interim Statements**  
*(Unaudited)*

**2. Summary of significant accounting policies**

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board, have been omitted or condensed.

The condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2016. These condensed consolidated interim financial statements have been presented in Canadian dollars and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2016.

**3. Critical accounting estimates, assumptions, and judgments**

The preparation of the condensed consolidated interim financial statements in accordance with IAS 34 requires the use of certain accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The critical accounting estimates and judgments applied in the preparation of these interim financial statements are the same as those set out in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2016.

**4. 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 June 30, 2017 was 5.2% (December 2016 - 5.2%).

<i>As at</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Income producing property	<b>\$64,500,000</b>	<b>\$64,500,000</b>
Development	<b>295,000</b>	<b>395,000</b>
<b>Total</b>	<b>\$64,795,000</b>	<b>\$64,895,000</b>

	<b>For the period ended June 30, 2017</b>	<b>For the year ended December 31, 2016</b>
Balance at the beginning of the period	<b>\$64,895,000</b>	<b>\$64,895,000</b>
Sale of Investment	<b>(100,000)</b>	<b>-</b>
<b>Balance at the end of the period</b>	<b>\$64,795,000</b>	<b>\$64,895,000</b>

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.

During the period ended June 30, 2017, the Company received proceeds of \$137,785 in a sale of the investment in the 45 Mann student housing development property. The original cost of this investment was \$100,000.

**CHC Student Housing Corp.**  
**Notes to the Condensed Consolidated Interim Statements**  
*(Unaudited)*

**4. 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

**5. Furniture and equipment**

<i>As at</i>	June 30, 2017	December 31, 2016
<b>Balance at the beginning of the period</b>	<b>\$377,227</b>	<b>\$150,583</b>
Additions	17,072	226,644
Less: Accumulated depreciation	(40,017)	(22,270)
Balance at the end of the period	<b>\$354,282</b>	<b>\$354,957</b>

**6. Deposits and prepaid expenses**

<i>As at</i>	June 30, 2017	December 31, 2016
Prepaid property taxes	\$53,849	\$10,432
Non-refundable deposit on property	-	50,000
Other	52,902	87,893
Total	<b>\$106,751</b>	<b>\$148,325</b>

*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 agreed to release the remaining deposit back to the Company which was received on May 18, 2017.

**CHC Student Housing Corp.**  
**Notes to the Condensed Consolidated Interim Statements**  
*(Unaudited)*

**7. Accounts receivable**

<i>As at</i>	June 30, 2017	December 31, 2016
Rent and other receivables	\$141,555	\$88,391
Allowance for doubtful accounts	(45,278)	(42,986)
Accounts receivable	<b>\$96,277</b>	<b>\$45,405</b>

**8. Mortgages payable**

As at June 30, 2017, mortgages payable bear interest at a weighted average interest rate of 5.04% (December 31, 2016 – 5.04%) and a weighted average term to maturity of 0.5 years (December 31, 2016 – 0.9 years). The Company has four fixed rate mortgages in the aggregate amount of \$21,687,972 and one floating rate mortgages in the aggregate amount of \$33,000,000 (December 31, 2016 - \$21,762,906 and \$33,000,000), representing approximately 40% and 60%, respectively, of total mortgages payable. The fair value of the mortgages payable is lower than their carrying value by (\$70,489) (December 31, 2016 - \$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 June 30, 2017</i>	Principal Amount	% of Total Principal
Remainder of 2017	\$49,603,330	90.7%
2018	156,324	0.3%
2019	4,928,317	9.0%
Subsequent to 2019	-	-
Unamortized deferred financing costs	54,687,971 (47,306)	100%
Total	<b>54,640,665</b>	
Less: non-current portion	<b>(5,064,023)</b>	
Current portion	<b>\$49,576,642</b>	

Mortgages include 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 Condensed Consolidated Interim Statements**  
*(Unaudited)*

**9. Accounts payable and accrued liabilities**

As at June 30, 2017, accounts payable and accrued liabilities were comprised of the following:

<i>As at</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Trade payables	<b>\$3,162,301</b>	<b>\$3,597,197</b>
Accrued interest payable	<b>221,604</b>	<b>220,124</b>
Security deposits	<b>402,086</b>	<b>468,832</b>
<b>Total</b>	<b>\$3,785,991</b>	<b>\$4,286,153</b>

**10. 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, 2017	2,335,181	\$20,784,517	(\$1,257,058)	\$19,527,459
Change during the period	381,284	667,247	(2,935)	664,312
<b>Closing balance at June 30, 2017</b>	<b>2,716,465</b>	<b>\$21,451,764</b>	<b>(\$1,259,993)</b>	<b>\$20,191,771</b>

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.

On May 15, 2017 the Company closed on aggregate proceeds of \$667,247 under a non-brokered private placement (the "Private Placement").

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 June 30, 2017, are as follows:

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

The fair value of the financial liability related to these options was \$8,000 at June 30, 2017, included in accounts payables and accrued liabilities, and a recovery of \$54,000 has been recognized in stock based compensation (recovery) for the period ended June 30, 2017, comprising the mark to market adjustment on the options.

**CHC Student Housing Corp.**  
**Notes to the Condensed Consolidated Interim Statements**  
*(Unaudited)*

**10. 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 June 30, 2017 was \$110,000, included in accounts payables and accrued liabilities, and a recovery of \$158,000 has been recognized in stock based compensation (recovery) for the quarter ended June 30, 2017, comprising the mark to market adjustment on the unit, accordingly, the stock based compensation recovery recognized in the condensed consolidated statements of net loss and comprehensive loss for the period ended June 30, 2017 is \$212,000 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.

**11. Property revenues**

Property revenues consist of the following:

	<b>For the three months ended June 30, 2017</b>	<b>For the three months ended June 30, 2016</b>	<b>For the six months ended June 30, 2017</b>	<b>For the six months ended June 30, 2016</b>
Residential rent	<b>\$1,153,218</b>	<b>\$1,127,002</b>	<b>\$2,428,153</b>	<b>\$2,298,243</b>
Commercial rent	<b>69,752</b>	<b>64,488</b>	<b>140,090</b>	<b>125,617</b>
Recoveries and other income	<b>84,819</b>	<b>69,520</b>	<b>129,582</b>	<b>126,861</b>
<b>Total</b>	<b>\$1,307,789</b>	<b>\$1,261,010</b>	<b>\$2,697,825</b>	<b>\$2,550,721</b>

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. Approximately 87% of the Company's rental revenue is earned in the province of Ontario, of which 68% is derived from a single property in London, Ontario for the period ended June 30, 2017.

**CHC Student Housing Corp.**  
**Notes to the Condensed Consolidated Interim Statements**  
*(Unaudited)*

**12. Property operating expenses**

Property operating expenses consist of the following:

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Realty taxes	\$209,481	\$209,542	\$421,832	\$412,967
Utilities	97,282	184,633	281,078	353,889
Wages and benefits	66,739	86,130	150,726	185,279
Repairs & maintenance	121,561	114,617	200,383	182,687
Management fees	14,690	16,723	32,149	65,233
General & marketing	17,921	19,290	39,845	52,130
Insurance	29,887	31,773	60,704	62,857
Bad debt expense	14,101	48,854	20,248	58,573
Other	9,143	3,003	18,247	6,255
<b>Property operating expenses</b>	<b>\$580,805</b>	<b>\$714,565</b>	<b>\$1,225,212</b>	<b>\$1,379,870</b>

**13. General and administrative expenses**

General and administrative expenses consist of the following:

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Legal and other professional	\$28,862	\$43,585	\$61,599	\$90,971
Audit and accounting	80,935	33,900	105,935	73,450
Wages and benefits	141,528	136,764	331,462	274,680
Rent	14,643	11,616	26,116	25,018
Marketing	1,207	3,622	2,640	21,543
Other	87,223	23,394	109,081	59,042
<b>General and administrative expenses</b>	<b>\$354,398</b>	<b>\$252,881</b>	<b>\$636,833</b>	<b>\$544,704</b>

**14. Interest expense and other financing charges**

Interest expense consist of the following:

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Interest on mortgages payable	\$693,956	\$650,438	\$1,385,231	\$1,296,503
Amortization of financing transaction costs	30,782	29,227	46,572	58,453
<b>Interest and other financing charges</b>	<b>\$724,738</b>	<b>\$679,665</b>	<b>\$1,431,803</b>	<b>\$1,354,956</b>

**CHC Student Housing Corp.**  
**Notes to the Condensed Consolidated Interim Statements**  
*(Unaudited)*

**15. Transaction costs/(concessions)**

Transaction costs/(concessions) consist of the following:

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Concessions	-	11,390	-	(753,654)
<b>Transaction costs/(concessions)</b>	<b>-</b>	<b>\$11,390</b>	<b>-</b>	<b>(\$753,654)</b>

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.

**16. Income taxes**

The Company is subject to income taxes at the Canadian statutory income tax rate of 39.5%.

No income taxes are charged to other comprehensive income or equity for the period.

Reconciliations of tax expense and accounting income for the period ended June 30, 2017 is set out below:

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Net income (loss)	(\$280,152)	(\$381,481)	(\$346,328)	\$58,885
Expected income tax recovery at statutory income tax rates	(110,660)	(150,685)	(136,800)	23,260
Permanent differences	(28,440)	(6,320)	(83,740)	(13,430)
Utilization of previously unrecognized tax losses	-	-	-	(9,830)
Non-recognition of the benefit of current year's tax losses	139,100	157,005	220,540	-
<b>Income tax expense</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

Deferred income tax assets and liabilities as at June 30, 2017 relate to the following:

	June 30, 2017	December 31, 2016
Non-capital losses (Canada)	\$3,483,711	\$3,263,171
Difference in basis	1,121,549	1,121,549
Non-recognition of deferred tax assets	(4,605,260)	(4,384,720)
<b>Deferred tax asset</b>	<b>\$ -</b>	<b>\$ -</b>

The future benefit of these losses and deductible temporary differences has not been recognized in the condensed consolidated interim 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 June 30, 2017, the unrecognized deductible temporary difference related to Investment Properties was \$1 million (December 31, 2016 - \$1 million).

As at June 30, 2017, the expiry dates of the unrecognized deferred tax assets are 2033 to 2036.

**CHC Student Housing Corp.**  
**Notes to the Condensed Consolidated Interim Statements**  
*(Unaudited)*

**17. 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 during the quarter and \$489,577 is included in accounts payable at June 30, 2017 (December 31, 2016 - \$401,496).

**18. Subsequent events**

Subsequent to period end, and as a result of the strategic review process of the Company's Special Committee which is currently ongoing, the Company entered into a firm agreement with a third party for the sale of the Windsor property for \$5,500,000. The sale of the property closed on August 21, 2017 which, after closing adjustments, netted the Company approximately \$1,730,000 in proceeds that the Company will use to reduce liabilities and fund ongoing operations.

**19. Approval of financial statements**

The consolidated interim financial statements were approved by the Company's Board of Directors and authorized for issue on August 29, 2017.