

CHC Student Housing Corp.
Condensed Consolidated Interim Financial Statements
March 31, 2016
(Unaudited)

CHC Student Housing Corp.
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(Unaudited)

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

As at	March 31, 2016	December 31, 2015
Assets		
Non-Current		
Investment properties (Note 4)	\$64,963,664	\$64,895,000
Furniture and equipment (Note 5)	\$133,204	138,969
	\$65,096,868	\$65,033,969
Current		
Cash	\$819,602	842,808
Deposits and prepaid expenses (Note 6)	405,242	363,393
Accounts receivable (Note 7)	117,859	112,852
	1,342,703	1,319,053
Total Assets	\$66,439,571	\$66,353,022
Liabilities		
Non-Current		
Mortgages payable (Note 8)	\$38,133,682	\$38,155,301
	\$38,133,682	38,155,301
Current		
Accounts payable and accrued liabilities (Note 9)	3,803,118	4,090,081
Mortgages payable (Note 8)	16,565,717	16,550,952
	20,368,835	20,641,033
Total Liabilities	58,502,517	58,796,334
Shareholders' Equity		
Share Capital (Note 10)	19,527,459	19,527,459
Contributed Surplus	909,597	969,597
Deficit	(12,500,002)	(12,940,368)
Total Shareholders' Equity	7,937,054	7,556,688
Total Liabilities and Shareholders' Equity	\$66,439,571	\$66,353,022

Approved on behalf of the Board

(signed) "Louis Forbes"

Louis Forbes
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 March 31, 2016	For the three months ended March 31, 2015
Revenue		
Property revenues (Note 11)	\$1,289,711	\$1,363,719
Interest income	30	427
	1,289,741	1,364,146
Expenses		
Property operating expenses (Note 12)	665,305	709,732
General and administrative expenses (Note 13)	291,823	301,918
Transaction costs (Note 15)	(765,044)	120,080
Interest expense (Note 14)	675,291	769,946
Stock based compensation (Note 10)	(18,000)	432,726
	849,375	2,334,402
Net Income (Loss) and Comprehensive Income (Loss)	\$440,366	(\$970,256)
Income (Loss) per share		
Basic and diluted	\$0.19	(\$0.42)
Weighted average number of outstanding common shares		
Basic and diluted	2,335,181	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
Balance, December 31, 2014	\$19,528,302	\$536,871	(\$2,994,572)	\$17,070,601
Issuance of shares, net	(745)	-	-	(745)
Stock options	-	432,726	-	432,726
Net loss and comprehensive loss for the period	-	-	(970,256)	(970,256)
Balance, March 31, 2015	\$19,527,557	\$969,597	(\$3,964,828)	\$16,532,326
Balance, December 31, 2015	\$19,527,459	\$969,597	(\$12,940,368)	\$7,556,688
Issuance of shares, net	-	-	-	-
Stock options (Note 10)	-	(60,000)	-	(60,000)
Net income and comprehensive income for the period	-	-	440,366	440,366
Balance, March 31, 2016	\$19,527,459	\$909,597	(\$12,500,002)	\$7,937,054

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

Cash provided by (used in) the following activities:

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
Operating activities		
Net income (loss)	\$440,366	(\$970,256)
Transaction cost concession	(765,044)	-
Stock-based compensation (Note 10)	(18,000)	432,726
Amortization of financing transaction costs (Note 14)	29,227	94,504
Depreciation (Note 5)	3,535	899
Straight line rent	1,326	(1,545)
Interest expense on mortgages payable (Note 14)	646,064	675,442
Cash interest paid	(563,179)	(369,255)
Net change in working capital	285,014	112,980
Net cash changes from operating activities	59,309	(24,505)
Investing activities		
Capital expenditures (Note 4)	(68,664)	(136,137)
Additions to furniture and equipment (Note 5)	(1,001)	(47,796)
Disposals of furniture and equipment (Note 5)	3,231	-
Deposits, net (Note 6)	20,000	(650,000)
Net cash changes from investing activities	(46,434)	(833,933)
Financing activities		
Equity issuance, net of costs	-	(745)
Principal repayments	(36,081)	(35,249)
Net cash changes from financing activities	(36,081)	(35,994)
Net decrease in cash and cash equivalents	(23,206)	(894,432)
Cash and cash equivalents, beginning of period	842,808	2,232,112
Cash and cash equivalents, end of period	\$819,602	\$1,337,680

The accompanying notes are an integral part of these financial statements

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

1. Description of the business

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 interim 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. The Company's ability to continue as a going concern is dependent on its ability to satisfy its obligations and achieve profitable operations. 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 interim financial statements and adjustments would 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

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, 2015. These 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, 2015.

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, 2015.

CHC Student Housing Corp.
Notes to the Condensed Consolidated Interim Statements
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4. Investment properties

Independent valuations are obtained on all investment properties on an annual basis. At each reporting period, internal valuations are prepared by management to assess the fair value assumptions on investment properties. The fair value of the Company's investment properties reflects a weighted average capitalization rate of 5.3% (December 31, 2015 – 5.3%). A 25 basis point change in the utilized capitalization rate would cause the estimated fair value of investment properties to change by approximately \$3 million.

<i>As at</i>	March 31, 2016	December 31, 2015
Income producing property	\$64,568,664	\$64,500,000
Development	395,000	395,000
Total	\$64,963,664	\$64,895,000

	For the three months ended March 31, 2016	For the year ended December 31,
<u>2015</u>		
Balance at the beginning of the period	\$64,895,000	\$68,694,530
Capital expenditures	68,664	376,636
Fair value adjustment on investment properties	-	(4,176,166)
Balance at the end of the period	\$64,963,664	\$64,895,000

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.

5. Furniture and equipment

<i>As at</i>	March 31, 2016	December 31, 2015
Balance at the beginning of the period	\$150,583	\$18,501
Additions	1,001	132,082
Disposals	(3,231)	-
Less: Accumulated depreciation	(15,149)	(11,614)
Balance at the end of the period	\$133,204	\$138,969

6. Deposits and prepaid expenses

<i>As at</i>	March 31, 2016	December 31, 2015
Non-refundable deposit on property	\$50,000	\$50,000
Refundable deposits on properties	200,000	220,000
Other	155,242	93,393
Total	\$405,242	\$363,393

Refundable deposits on properties

The Company decided not to close on a property during 2015 and the remaining \$20,000 financing deposit was returned to the company during the first quarter of 2016.

CHC Student Housing Corp.
Notes to the Condensed Consolidated Interim Statements
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7. Accounts receivable

<i>As at</i>	March 31, 2016	December 31, 2015
Rent and other receivables	\$175,172	\$160,446
Allowance for doubtful accounts	(57,313)	(47,594)
Accounts receivable	\$117,859	\$112,852

8. Mortgages payable

As at March 31, 2016, mortgages payable bear interest at a weighted average interest rate of 4.75% (December 31, 2015 - 4.77%) and a weighted average term to maturity of 1.5 years (December 31, 2015 - 1.8 years). The Company has four fixed rate mortgages in the aggregate amount of \$21,844,779 and two floating rate mortgages in the aggregate amount of \$33,000,000 (December 31, 2015 - \$21,880,860 and \$33,000,000), representing 40% and 60%, respectively, of total mortgages payable. The fair value of the mortgages payable exceeds their carrying value by \$214,806 (December 31, 2015 - \$189,616). The mortgages payable are secured by the Company's investment properties. The Company has also guaranteed up to \$52.1 million of mortgages payable.

<i>As at March 31, 2016</i>	Principal Amount	% of Total Principal
Remainder of 2016	\$16,609,350	30.3%
2017	33,150,788	60.4%
2018	156,324	0.3%
2019	4,928,317	9.0%
Subsequent to 2019	-	-
	54,844,779	100%
Unamortized deferred financing costs	(145,380)	
Total	54,699,399	
Less: current portion	(16,565,717)	
Non-current portion	\$38,133,682	

9. Accounts payable and accrued liabilities

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

<i>As at</i>	March 31, 2016	December 31, 2015
Trade payables	\$3,108,042	\$3,537,830
Accrued interest payable	212,535	129,650
Security deposits	481,916	422,601
Total	\$3,802,493	\$4,090,081

10. Share capital

a) Authorized and issued

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

<i>Issued and outstanding common shares</i>	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
Change during the period	-	-	-	-
Closing balance at March 31, 2016	2,335,181	\$20,784,517	(\$1,257,058)	\$19,527,459

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10. Share capital (continued)

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.

a. 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. 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.

b. Stock options

During 2013, the Company implemented a stock option plan that entitles directors and officers 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 March 31, 2016, 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

The fair value of the financial liability related to these options is \$60,000 at March 31, 2016, and \$18,000 recovery has been recognized in stock based compensation comprising the mark to market adjustment for the three months ended March 31, 2016.

c. Agent's options

As part of the compensation to the agent of the Company's initial public offering on November 19, 2013, 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 December 2015.

d. Warrants

As part of the 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, the agent's options or warrants were included in the calculation of diluted loss per share as the effect would be anti-dilutive.

11. Property revenues

Property revenues were comprised of the following:

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
Residential rent	\$1,171,241	\$1,226,717
Commercial rent	61,129	58,914
Recoveries and other income	57,341	78,088
Total	\$1,289,711	\$1,363,719

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. Approximately 84% of the Company's rental revenue is earned in the province of Ontario, of which 65% is derived from a single property in London, Ontario.

CHC Student Housing Corp.
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12. Property operating expenses

Property operating expenses consist of the following:

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
Realty taxes	203,425	\$198,700
Utilities	169,257	228,688
Wages and benefits	99,149	109,574
Repairs and maintenance	68,069	64,041
Management fees	48,510	47,509
General and marketing	32,840	35,421
Insurance	31,084	29,139
Bad debt expense (recovery)	9,719	(4,170)
Other	3,252	830
Property operating expenses	\$665,305	\$709,732

13. General and administrative expenses

General and administrative expenses are comprised of the following:

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
Legal and other professional	\$47,385	\$74,815
Audit and accounting	39,550	29,300
Wages and benefits	137,916	119,957
Rent	13,402	10,625
Marketing	17,922	11,861
Other	35,648	55,360
General and administrative expenses	\$291,823	\$301,918

14. Interest expense

Interest expense consists of the following:

	For the period ended March 31, 2016	For the period ended March 31, 2015
Interest on mortgages payable	\$646,064	\$675,442
Amortization of financing transaction costs	29,227	94,504
Interest expense	\$675,291	\$769,946

A 25 basis point change in interest rates would cause interest expense to change by approximately \$100,000.

15. Transaction costs

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. These vendors agreed to take combined concessions of \$765,044 from their fees which was realized in the three months ended March 31, 2016.

CHC Student Housing Corp.
Notes to the Condensed Consolidated Interim Statements
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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 March 31, 2016 is set out below:

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
Net income (loss) and comprehensive income (loss)	\$440,336	(\$970,256)
Expected income tax expense (recovery)	173,945	(383,251)
Permanent differences	(7,110)	170,927
Utilization of tax losses	(166,835)	-
Non-recognition of the benefit of current period's tax losses	-	212,324
Income tax expense	\$ -	\$ -

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

	March 31, 2016	December 31, 2015
Non-capital losses (Canada)	\$2,778,711	\$2,978,274
Difference in basis	402,484	369,756
Non-recognition of deferred tax assets	(3,181,195)	(3,348,030)
Deferred tax asset	\$ -	\$ -

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

As at March 31, 2016, the expiry dates of unrecognized deferred tax assets range from 2033 to 2035.

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 \$271,737 is included in accounts payable at March 31, 2016 (December 31, 2015 - \$182,689).

18. Comparative figures

Certain comparative figures have been reclassified in order to present information on a basis consistent with the current period. In the Condensed Consolidated Interim Statements of Net Income (Loss) and Comprehensive Income (Loss), stock based compensation of \$432,726 incurred during the three months ended March 31, 2015 was reclassified from general and administrative balances to be separately presented. In the Condensed Consolidated Interim Statements of Cash Flows, amortization of financing transaction costs during the three months ended March 31, 2015 period was reclassified from interest expense to be separately presented.

19. Approval of financial statements

The consolidated interim financial statements were approved by the Company's Board of Directors and authorized for issue on May 30, 2016.