

**CHC Student Housing Corp.**  
**Condensed Consolidated Interim Financial Statements**  
*June 30, 2015*  
*(Unaudited)*

## UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, CHC Student Housing Corp. discloses that its auditors have not reviewed the unaudited consolidated interim financial statements for the three-month and six-month periods ended June 30, 2015.

**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	June 30, 2015	December 31, 2014
<b>Assets</b>		
<b>Non-Current</b>		
Investment properties (Note 4)	\$68,936,148	\$68,694,530
Furniture and equipment	94,729	14,801
	69,030,877	68,709,331
<b>Current</b>		
Accounts receivable	233,265	136,739
Deposits and prepaid expenses (Note 5)	1,353,476	1,636,823
Cash and cash equivalents	507,972	2,232,112
	2,844,713	4,005,674
<b>Total Assets</b>	<b>\$71,125,590</b>	<b>\$72,715,005</b>
<b>Liabilities</b>		
<b>Non-Current</b>		
Mortgages payable (Note 6)	\$40,945,607	\$40,919,892
	40,945,607	40,919,892
<b>Current</b>		
Mortgages payable (Note 6)	13,816,979	13,730,604
Accounts payable and accrued liabilities (Note 7)	3,639,364	993,908
	17,456,343	14,724,512
<b>Total Liabilities</b>	<b>58,401,950</b>	<b>55,644,404</b>
<b>Shareholders' Equity</b>		
Share Capital (Note 8)	19,527,557	19,528,302
Contributed Surplus	969,597	536,871
Deficit	(7,773,514)	(2,994,572)
<b>Total Shareholders' Equity</b>	12,273,640	17,070,601
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$71,125,590</b>	<b>\$72,715,005</b>

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 Loss and Comprehensive Loss**  
*(Unaudited)*

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
<b>Revenue</b>				
Property revenues (Note 9)	\$1,239,622	\$59,692	\$2,603,341	\$59,692
Interest income	39	4,902	466	8,639
	<b>1,239,661</b>	<b>64,594</b>	<b>2,603,807</b>	<b>68,331</b>
<b>Expenses</b>				
Property operating expenses (Note 10)	748,743	26,414	1,458,475	26,414
General and administrative expenses	3,329,121	131,001	4,063,765	139,754
Acquisition transaction costs	228,258	189,242	348,338	207,703
Interest expense (Note 11)	742,225	15,401	1,512,171	15,401
	<b>5,048,347</b>	<b>362,058</b>	<b>7,382,749</b>	<b>389,272</b>
<b>Net Loss and Comprehensive Loss</b>	<b>(\$3,808,686)</b>	<b>(\$297,464)</b>	<b>(\$4,778,942)</b>	<b>(\$320,941)</b>
<b>Loss per share</b>				
Basic and diluted	(\$1.63)	(\$0.46)	(\$2.05)	(\$0.50)
<b>Weighted average number of outstanding common shares</b>				
Basic and diluted	2,335,181	647,059	2,335,181	647,059

*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, 2013</b>	<b>\$4,713,716</b>	<b>\$362,000</b>	<b>(\$324,162)</b>	<b>\$4,751,554</b>
Net loss and comprehensive loss for the year	-	-	(320,941)	(320,941)
<b>Balance, June 30, 2014</b>	<b>\$4,713,716</b>	<b>\$362,000</b>	<b>(\$645,103)</b>	<b>\$4,430,613</b>
<b>Balance, December 31, 2014</b>	<b>\$19,528,302</b>	<b>\$536,871</b>	<b>(\$2,994,572)</b>	<b>\$17,070,601</b>
Issuance of shares, net	(745)	-	-	(745)
Stock options	-	432,726	-	432,726
Net loss and comprehensive loss for the period	-	-	(4,778,942)	(4,778,942)
<b>Balance, June 30, 2015</b>	<b>\$19,527,557</b>	<b>\$969,597</b>	<b>(\$7,773,514)</b>	<b>\$12,723,640</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 period ended June 30, 2015	For the three month period ended June 30, 2014	For the six month period ended June 30, 2015	For the six month period ended June 30, 2014
<b>Operating activities</b>				
Net loss	(\$3,808,686)	(297,464)	(\$4,778,942)	(\$320,941)
Non-cash compensation	-	-	432,726	-
Write off of deposit on property	750,000	-	750,000	-
Depreciation	2,137	-	3,036	-
Straight line rent	(2,300)	-	(3,845)	-
Interest expense	742,225	15,401	1,512,171	15,401
Cash interest paid	(594,612)	(9,613)	(963,867)	(9,613)
Net change in working capital	2,282,860	(5,374)	2,395,839	6,713
<b>Net cash changes from operating activities</b>	<b>(628,377)</b>	<b>(297,050)</b>	<b>(652,882)</b>	<b>(308,440)</b>
<b>Investing activities</b>				
Acquisition of investment property, net	-	(1,246,102)	-	(1,246,102)
Capital expenditures - maintenance	(8,692)	-	(10,217)	-
Capital expenditures - growth	(98,355)	-	(232,967)	-
Purchase of furniture and equipment	(33,758)	(10,546)	(81,554)	(10,546)
Deposits	(25,000)	(925,000)	(675,000)	(950,000)
<b>Net cash changes from investing activities</b>	<b>(165,805)</b>	<b>(2,181,648)</b>	<b>(999,738)</b>	<b>(2,206,648)</b>
<b>Financing activities</b>				
Equity issuance costs	-	-	(745)	-
Principal repayments	(35,526)	-	(70,775)	-
Financing transaction costs	-	(5,125)	-	(8,288)
<b>Net cash changes from financing activities</b>	<b>(35,526)</b>	<b>(5,125)</b>	<b>(71,520)</b>	<b>(8,288)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(829,708)</b>	<b>(2,483,823)</b>	<b>(1,724,140)</b>	<b>(2,523,376)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,337,680</b>	<b>4,707,574</b>	<b>2,232,112</b>	<b>4,747,127</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$507,972</b>	<b>\$2,223,751</b>	<b>\$507,972</b>	<b>\$2,223,751</b>

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

**CHC Student Housing Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*For the periods ended June 30, 2015 and 2014*  
*(Unaudited)*

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**1. Description of the business**

CHC Student Housing Corp. (the "Company") owns student housing properties in close proximity to universities in primary and well understood secondary markets, with a focus on contemporary, purpose-built student housing properties.

The Company earns revenues from student housing operations that fluctuate during the year. Revenue earned during the period from September to April are typically the highest as this coincides with the university academic year.

The Company's condensed consolidated interim financial statements are prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at June 30, 2015 the Company has not achieved profitable operations and has incurred losses since inception, including an estimated \$2,600,000 in costs related to a proposed public equity offering commenced by the Company during the period and cancelled subsequent to the end of the period. (See Note 14) The Company's ability to continue as a going concern is dependent on its ability to satisfy these liabilities through a financing, achieving profitable operations, entering into a joint venture or sale of a portion of the Company's assets and/or the conclusion of suitable arrangements for the payment and settlement of these costs in the future. If the going concern assumption was not appropriate for these condensed consolidated interim financial statements, then 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.

The Company's shares are listed on the TSX Venture 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.

**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, 2014. 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, 2014.

**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 consolidated financial statements for the year ended December 31, 2014.



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

The fair value of the Company's income producing properties reflects a weighted average capitalization rate of 6.0% (December 31, 2014 – 6.0%). A 25 basis point change in the utilized capitalization rate would cause the estimated fair value of investment properties to change by approximately \$2.8 million. A \$100,000 change in net operating income would cause a change in fair value of \$1.6 million.

<i>As at</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Income producing property	\$68,541,148	\$68,299,530
Development	395,000	395,000
<b>Total</b>	<b>\$68,936,148</b>	<b>\$68,694,530</b>

	<b>For the period ended June 30, 2015</b>	<b>For the year ended December 31, 2014</b>
Balance at the beginning of the period	\$68,694,530	\$-
Acquisitions	-	68,553,762
Investment in development properties	-	100,000
Capital expenditures	241,618	40,768
<b>Balance at the end of the period</b>	<b>\$68,936,148</b>	<b>\$68,694,530</b>

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. Deposits and prepaid expenses**

<i>As at</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Non-refundable deposits on properties	\$500,000	\$500,000
Refundable deposits on properties in due diligence	575,000	650,000
Debt service reserves	110,227	436,918
Other	168,249	49,905
<b>Total</b>	<b>\$1,353,476</b>	<b>\$1,636,823</b>

The Company had deposits towards the potential purchase of properties from unrelated entities totalling \$500,000 as at June 30, 2015 (December 31, 2014 - \$500,000). The Company did not close on a property that it had paid a non-refundable deposit of \$750,000 and as a result the amount was written off in the current period. (See Note 14)

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**6. Mortgages payable**

As at June 30, 2015 mortgages payable bear interest at a weighted average interest rate of 5.08% (December 31, 2014 - 4.97%) and a weighted average term to maturity of 2.0 years (December 31, 2014 - 2.5 years). The Company has four fixed rate mortgages in the aggregate amount of \$16,451,404 and two floating rate mortgages in the aggregate amount of \$38,500,000 (December 31, 2014 - \$16,521,180 and \$38,500,000), representing 30% and 70%, respectively, of total mortgages payable. The fair value of the mortgages payable exceeds their carrying value by \$79,947 (December 31, 2014 - Nil). The mortgages payable are secured by the Company's investment properties. The Company has also guaranteed up to \$52.3 million of mortgages payable.

<i>As at June 30, 2015</i>	<b>Principal Amount</b>	<b>% of Total Principal</b>
Remainder of 2015	13,820,527	25.2%
2016	2,895,448	5.3%
2017	33,150,788	60.3%
2018	156,324	0.3%
2019	4,928,317	9.0%
	\$54,951,404	100%
Unamortized deferred financing costs	(\$188,818)	
Total	\$54,762,586	
Less: current portion	(13,816,979)	
Non-current portion	\$40,945,607	

The mortgages maturing in the remainder of 2015 consist of a second mortgage of \$8,250,000 maturing in July 2015, which as of the end of the period was extended to the end of August 2015, and a portion of a first mortgage of \$5,500,000 maturing in November 2015, both of which are secured by the same property which has an estimated fair value of \$55,000,000. Subsequent to the end of the period, the Company received terms from lenders to refinance both of these mortgages. The remainder of the first mortgage on such property has an outstanding balance of \$33,000,000 and matures in November 2017. (See Note 14)

**7. Accounts payable and accrued liabilities**

As at June 30, 2015 accounts payable and accrued liabilities were comprised of the following:

<i>As at</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Trade payables	\$2,993,704	\$401,279
Accrued interest payable	225,893	143,540
Security deposits	419,767	449,089
Total	\$3,639,364	\$993,908

**8. Share capital**

a) Authorized and issued

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

Issued and outstanding common shares	Number of Shares	Amount (\$)	Equity Issuance Costs	Net Equity
Opening balance at January 1, 2015	2,335,181	\$20,784,517	(\$1,256,215)	\$19,528,302
Change during the period	-	-	(745)	(745)
Closing balance at June 30, 2015	2,335,181	\$20,784,517	(\$1,256,960)	\$19,527,557

During the six months period ended June 30, 2015 the Company completed a share consolidation on an 85 for 1 basis. All comparative figures for number of shares and per share amounts have been restated on a post consolidation basis.

**CHC Student Housing Corp.**  
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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. An additional fifteen percent (15%) of these common shares were released from escrow on October 7, 2014 and April 7, 2015, and will continue to be released every six months thereafter until all common shares have been released from escrow.

c) Stock options

The Company has implemented a stock option plan in favour of the directors, officers and employees of the Company. The options are granted and approved by the Board of Directors and have an exercise price based on the preceding 5-day volume weighted average trading price from the grant date. The options vest 1/3<sup>rd</sup> immediately and 1/3<sup>rd</sup> each on the following two anniversaries from the grant date. To date, only two tranches of stock options have been granted under the plan, one in November 2013 and the other in December 2014. As at June 30, 2015, all of the 2013 options remain outstanding. All 37,812 of the options granted in December 2014 were voluntarily cancelled during the six month period ended June 30, 2015.

Details of the options outstanding at June 30, 2015 are as follows:

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

d) Agent's options

As part of the compensation to the agent of the Company's initial public offering 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.

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

**9. Property revenues**

Property revenues consist of the following:

	For the 3 months ended June 30, 2015	For the 3 months ended June 30, 2014	For the 6 months ended June 30, 2015	For the 6 months ended June 30, 2014
Rent	\$1,175,325	\$52,988	\$2,460,956	\$52,988
Recoveries and other income	64,297	6,704	142,386	6,704
<b>Total</b>	<b>\$1,239,622</b>	<b>\$59,692</b>	<b>\$2,603,342</b>	<b>\$59,692</b>

All of the Company's residential leases are for a term of one year or less. Residential leases account for approximately 95% of the Company's rental revenue. For the six month period ended June 30, 2015, approximately 88% of the Company's

**CHC Student Housing Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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rental revenue is earned in the province of Ontario and 70% of total revenue is derived from a single property in London, Ontario.

**10. Property operating expenses**

Property operating expenses consist of the following:

	For the 3 months ended June 30, 2015	For the 3 months ended June 30, 2014	For the 6 months ended June 30, 2015	For the 6 months ended June 30, 2014
Realty Taxes	\$208,912	\$10,140	\$407,612	\$10,140
Utilities	176,368	1,105	405,057	1,105
Wages and Benefits	132,090	3,682	241,664	3,682
Repairs & Maintenance	87,565	3,132	151,606	3,132
Management Fees	42,260	4,627	89,768	4,627
General & Marketing	41,351	2,953	76,771	2,953
Insurance	40,542	775	69,682	776
Bad Debt Expense	14,453	0	10,283	0
Other	5,203	0	6,032	0
<b>Total</b>	<b>\$748,743</b>	<b>\$26,414</b>	<b>\$1,458,475</b>	<b>\$26,414</b>

**11. Interest expense**

Interest expense consists of the following:

	For the 3 months ended June 30, 2015	For the 3 months ended June 30, 2014	For the 6 months ended June 30, 2015	For the 6 months ended June 30, 2014
Interest on mortgages payable	\$649,862	\$9,613	\$1,325,305	\$9,613
Amortization of financing transaction costs	92,363	5,788	186,867	5,788
<b>Total</b>	<b>\$742,225</b>	<b>\$15,401</b>	<b>\$1,512,172</b>	<b>\$15,401</b>

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

**12. Income taxes**

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

The Company has net operating losses of \$5,347,252 and total deductible temporary differences of \$2,245,201 consisting primarily of transaction costs capitalized for tax purposes and equity issuance costs. The future benefit of these losses and deductible temporary differences has not been recognized in the financial statements. The cumulative income tax benefits not recognized by the Company as at June 30, 2015 is \$2,999,019 (December 31, 2014 - \$1,462,000).

**13. Related party transactions**

The Company obtains certain management services from an entity owned by certain officers and directors of the Company, for which no fees have been charged.

**CHC Student Housing Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**14. Subsequent events**

a) Equity offering

On July 8, 2015 the Company announced that it had determined not to proceed with its proposed public equity offering previously announced on May 14, 2015 due to macro driven volatility within equity markets especially for real estate companies and the inability to achieve offering terms acceptable to the Company, and had withdrawn its preliminary short form prospectus in respect of the offering.

b) Acquisitions and Deposits

Following the termination of the Company's proposed public equity offering, the Company determined not to proceed with the various property acquisitions described in its preliminary short form prospectus in respect of the offering, with the exception of the proposed acquisition of the Sudbury Property, which remains under contract. As a result of terminating these acquisitions, the Company forfeited non-refundable deposits in the amount of \$750,000 while refundable deposits in the amount of \$375,000 were returned to the Company.

Subsequent to the end of the period, the Company extended the outside date for the proposed acquisition of the Sudbury Property from December 31, 2015 to September 30, 2016, in return for which the vendor agreed to return to the Company \$450,000 of the funds previously held on deposit in respect of the acquisition.

c) Mortgages payable

Subsequent to the end of the period, the Company received terms to refinance the \$8,250,000 second mortgage on the London Property. The proposed new terms of the mortgage are for 12 months at a rate of 9.5%.

In addition, the Company also received terms to refinance the portion of the first mortgage on the London Property in the amount of \$5,500,000 for 1 year beyond its maturity date of November 19, 2015 at 9.5%.

**15. Approval of financial statements**

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on August 31, 2015.