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CHC Student Housing Corp.

Condensed Consolidated Interim Financial Statements

September 30, 2019 (Unaudited)

MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED CONSOLIDATED 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.

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

As at	September 30, 2019	December 31, 2018
Assets		
Non-Current		
Investment properties (Note 4)	**$57,300,000**	**$56,800,000**
Furniture and equipment (Note 5)	**468,021**	**409,416**
Mortgage receivable (Note 4)	**-**	**350,000**
	57,768,021	**57,559,416**
Current		
Cash	**235,152**	**281,879**
Deposits and prepaid expenses (Note 6)	**83,012**	**40,291**
Accounts receivable (Note 7)	**91,028**	**57,017**
	409,192	**379,187**
Total Assets	**$ 58,177,213**	**$ 57,938,603**
Liabilities		
Non-Current		
Mortgages payable (Note 8)	**$48,258,952**	**$48,027,918**
	48,258,952	**48,027,918**
Current		
Accounts payable and accrued liabilities (Notes 9,13)	**3,963,023**	**3,429,064**
Notes payable (Note 14)	**900,000**	**900,000**
Mortgages payable (Note 8)	**2,570,000**	**2,532,904**
	7,433,023	**6,861,968**
Total Liabilities	**55,691,975**	**54,889,886**
Shareholders' Equity		
Share Capital (Note 10)	**20,191,771**	**20,191,771**
Contributed Surplus	**909,597**	**909,597**
Deficit	**(18,616,130)**	**(18,052,651)**
	2,485,238	**3,048,717**
	$58,177,213	**$57,938,603**

Nature of the organization and going concern (Note 1)

Approved on behalf of the Board

(signed)"Tom Murphy" | *(signed)"Ron Schwarz"*

Tom Murphy — *Director*

Ronald Schwarz — *Director*

The accompanying notes are an integral part of these condensed consolidated interim financial statements

CHC Student Housing Corp.

Condensed Consolidated Interim Statement of Net Income/(Loss) and Comprehensive Income/(Loss)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Revenue				
Property revenues	**$1,151,659**	**$1,126,857**	**$3,370,245**	**$3,439,276**
	1,151,659	**1,126,857**	**3,370,245**	**3,439,276**
Expenses				
Property operating expenses	**427,080**	**405,432**	**1,280,769**	**1,298,427**
Depreciation (Note 5)	**13,475**	**6,626**	**38,507**	**41,357**
General and administrative expenses	**208,310**	**524,946**	**795,121**	**1,168,018**
Interest and other financing charges (Note 11)	**722,986**	**919,934**	**2,130,799**	**2,419,132**
Fair value adjustment on investment properties (Note 4)	**(500,000)**	**215,947**	**(500,000)**	**(265,750)**
Fair value adjustment on mortgage payable (Note 8)	**(1,754)**	**-**	**203,528**	**-**
Stock based compensation increase/(decrease) in fair value (Note 10)	**(16,000)**	**(7,000)**	**(15,000)**	**(38,000)**
	854,097	**2,065,885**	**3,933,724**	**4,623,184**
Net income/(loss) and comprehensive income/(loss)	**297,562**	**($939,028)**	**($563,479)**	**($1,183,908)**
Income/(loss) per share				
Basic and diluted	**$0.11**	**($0.35)**	**($0.21)**	**($0.44)**
Weighted average number of outstanding common shares				
Basic and diluted (Note 10)	**2,716,465**	**2,716,465**	**2,716,465**	**2,716,465**

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, 2017	**$20,191,771**	**$909,597**	**($15,623,051)**	**$5,478,317**
Issuance of common shares, net	-	-	-	-
Net loss and comprehensive loss for the period	-	-	**(1,183,908)**	**(1,183,908)**
Balance, September 30, 2018	**$20,191,771**	**$909,597**	**($16,806,959)**	**$4,294,409**
Balance, December 31, 2018	**$20,191,771**	**$909,597**	**($18,052,651)**	**$3,048,717**
Issuance of common shares, net	-	-	-	-
Net loss and comprehensive loss for the period	-	-	**(563,479)**	**(563,479)**
Balance, September 30, 2019	**$20,191,771**	**$909,597**	**($18,616,130)**	**$2,485,238**

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

Cash provided by (used in) the following activities:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Operating activities				
Net income/(loss) and comprehensive income/ (loss)	$297,562	($939,028)	($563,479)	($1,183,908)
Stock-based compensation increase/(decrease) in fair value (Note 10)	(16,000)	(7,000)	(15,000)	(38,000)
Amortization of financing transaction costs (Note 11)	21,534	24,557	64,602	26,648
Depreciation (Note 5)	13,475	6,626	38,507	41,357
Straight line rent	(409)	(3,481)	4,882	(12,102)
Interest expense on mortgages payable (Note 11)	701,452	895,377	2,066,197	2,392,484
Cash interest paid	(591,500)	(773,379)	(1,749,046)	(2,261,849)
Fair value adjustment on investment properties (Note 4)	(500,000)	215,947	(500,000)	(265,750)
Fair value adjustment on mortgage payable (Note 8)	(1,754)	-	203,528	-
Net change in working capital (Note 18)	23,445	(143,024)	150,194	(288,593)
Net cash changes from operating activities	($52,195)	($723,405)	($299,615)	($1,589,713)
Investing activities				
Capital expenditure	-	(153,946)	-	(215,947)
Additions to furniture and equipment (Note 5)	(29,365)	(29,714)	(97,112)	(31,606)
Proceeds from sale of investment properties (Note 4)	-	633,684	-	633,684
Net cash changes from investing activities	(29,365)	450,024	(97,112)	386,131
Financing activities				
Notes payable (Note 14)	-	-	-	900,000
Net proceeds from mortgage refinancing	-	139,461	-	471,862
Net proceeds from mortgage receivable (Note 4)	-	-	350,000	-
Mortgage principal repayments	-	(3,399)	-	(24,327)
Net cash changes from financing activities	-	136,062	350,000	1,347,535
Net increase/(decrease) in cash and cash equivalents	(81,560)	(137,319)	(46,727)	143,953
Cash and cash equivalents, beginning of period	316,712	614,398	281,879	333,126
Cash and cash equivalents, end of period	$235,152	$477,079	$235,152	$477,079

The accompanying notes are an integral part of these condensed consolidated interim financial statements

1. Nature of the organization and going concern

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 Toronto Venture Stock 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 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 TSXV 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 1J3.

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.

Going concern

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

The Company incurred a net loss of $563,479 for the nine months ended September 30, 2019 (nine months ended September 30, 2018 - net loss of $1,183,908) and as at September 30, 2019 current liabilities exceeded current assets by $7,023,831 (December 31, 2018 - $6,482,781). The Company has relied upon financing to fund its operations and acquisitions, primarily through debt and private equity placements. The ability of the Company to continue as a going concern is dependent on several factors, including its ability to secure additional funding.

On October 28, 2019, the Company executed an agreement of purchase and sale for its Trois-Rivières Property at a sale price of $3,150,000. The sale of the property is scheduled to close on December 3, 2019. After closing adjustments the sale is estimated to provide the Company with approximately $460,000 in net proceeds. The net proceeds will be used to fund ongoing operations.

On November 21, 2019, the Company executed an agreement of purchase and sale for its London Property for a sale price of $55,000,000. This agreement is conditional on the Company's shareholders' approval and acceptance by the TSXV. The meeting of shareholders is scheduled for January24, 2020. The sale of the property is scheduled to close on February 5, 2020.

As previously disclosed by the Company, the board of directors initiated a strategic review process in April 2017 following Dundee Acquisition Ltd.'s failed transaction with the Company to identify, examine and consider strategic and financial alternatives potentially available to the Company, including a recapitalization, a merger or other business combination, a sale of the Company or all or a portion of its assets, or any combination thereof. During this process, the Company sold its properties in Windsor and Kingston and was able to refinance mortgage debt which was due on its London and Trois-Rivieres properties with near term debt. The Trois-Rivieres property's debt was refinanced in June 2018, with a $2.57 million mortgage which matured on September 30, 2019, and has been extended pending the sale of the property. The London property's debt was refinanced in July 2018, with an assumption of the existing $33.0 million first mortgage on the property, now maturing on June 30, 2021, and a new second mortgage for $14.0 million maturing on June 30, 2021. Under the terms of the second mortgage, the Company deferred interest payments on $6.0 million of this mortgage until December 31, 2019, which have been further extended pending the sale of the property.

The Company has been unable to secure longer term financing for the properties or source additional equity financing or strategic partners on acceptable terms and conditions to stabilize and grow its student housing business. Following the sale of the properties, unless near term alternative business opportunities arise, the Company will cease to have active operations.

1. Nature of the organization and going concern (continued)

As a result, it will not meet the continued listing requirements for the TSXV and will be required to transfer its shares from trading on the TSXV and transition to the NEX. The NEX is a separate board of the TSXV that provides a trading forum for listed companies that have fallen below the TSXV's continued listing requirements.

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.

Principles of Consolidation

These condensed consolidated interim financial statements include the accounts of the parent Company, CHC Student Housing Corp. and its wholly owned subsidiaries, after elimination of intercompany transactions, balances, revenues and expenses.

Subsidiaries

Subsidiaries are entities where the Company has control. Control is achieved when CHC Student Housing Corp. is exposed to, or has the rights, to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee. Power may be determined on the basis of voting rights or in the case of structured entities, other contractual arrangements. The Company reassesses whether or not it controls an investee based on current facts and circumstances. All subsidiaries are consolidated from the date CHC Housing Corp. obtains control and continues to be consolidated until the date that such control ceases.

2. Summary of significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IAS 34 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 condensed consolidated financial interim statements are prepared on a historical basis except for investment properties and certain mortgages payable, which are measured at fair value.

The condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as those used in the audited consolidated financial statements for the year ended December 31, 2018. These condensed consolidated interim financial statements have been presented in Canadian dollars and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2018.

3. Critical accounting estimates, assumptions, and judgments

These condensed consolidated interim financial statements are prepared in accordance with IAS 34 which 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 condensed consolidated interim financial statements are the same as those set out in Note 3 to the Company’s audited consolidated financial statements for the year ended December 31, 2018.

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 Company measures its investment properties using valuations prepared by management. The Company 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.

4. Investment properties (continued)

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 September 30, 2019, was 5.1% (December 31, 2018 - 5.1%).

As at	September 30, 2019	December 31, 2018
Balance at the beginning of the year	**$56,800,000**	**$5,400,000**
Sale of investment properties	**-**	**(2,381,697)**
Reclassification from investment property held for sale	**-**	**53,300,000**
Building improvements	**-**	**240,711**
Fair value adjustment on investment properties	**500,000**	**240,986**
Balance at the end of the period	**$57,300,000**	**$56,800,000**

One of the Company's investment properties is situated on land subject to a long term lease. The annual lease payment is $1,000 and the term expires in 2047.

The Company sold the Kingston Property on July 31, 2018. The sale provided the Company with net proceeds of $633,684 after a vendor take back mortgage of $350,000 secured on the property. On May 1, 2019, a director of the Company purchased the above vendor take back mortgage on the same terms and conditions at full face value.

The following table summarizes the sensitivity of fair value of investment properties, including investment property held for sale, to changes in the capitalization rate and implied NOI:

As at September 30, 2019

		-3%	-1%	As estimated	1%	3%
Implied NOI		**$2,822,700**	**$2,880,900**	**$2,910,000**	**$2,939,100**	**$2,997,300**
Capitalization Rate						
-0.50%	**4.6%**	**$61,650,738**	**$62,921,887**	**$63,557,461**	**$64,193,036**	**$65,464,185**
-0.25%	**4.8%**	**58,458,737**	**59,664,072**	**60,266,739**	**60,869,406**	**62,074,741**
Cap Rate Used	**5.1%**	**55,581,000**	**56,727,000**	**57,300,000**	**57,873,000**	**59,019,000**
+0.25%	**5.3%**	**52,973,294**	**54,065,527**	**54,611,643**	**55,157,760**	**56,249,993**
+0.50%	**5.6%**	**$50,599,315**	**$51,642,600**	**$52,164,242**	**$52,685,885**	**$53,729,169**

5. Furniture and equipment

As at	September 30, 2019	December 31, 2018
Balance at the beginning of the year	**$409,416**	**$390,731**
Additions	**97,112**	**71,142**
Less: Depreciation	**(38,507)**	**(52,457)**
Balance at the end of the period	**$468,021**	**$409,416**

6. Deposits and prepaid expenses

As at	September 30, 2019	December 31, 2018
Prepaid property taxes	**$55,062**	**$8,464**
Other	**27,950**	**31,827**
Balance at the end of the period	**$83,012**	**$40,291**

7. Accounts receivable

As at	September 30, 2019	December 31, 2018
Rent and other receivables	**$98,520**	**$63,548**
Allowance for doubtful accounts	**(7,492)**	**(6,531)**
Balance at the end of the period	**$91,028**	**$57,017**

8. Mortgages payable

As at September 30, 2019, mortgages payable bear interest at a weighted average interest rate of 5.30% (December 31, 2018 – 5.57%). The Company has one fixed rate mortgage of $14,000,000 (classified and measured at FVTPL) and two floating rate mortgages in the aggregate amount of $35,570,000 (classified and measured at amortized cost) at September 30, 2019 (December 31, 2018 - $35,570,000). The fair value of one of the mortgages payable is higher than the contracted value by $1,323,133 (December 31, 2018 - $1,119,605). The mortgages payable are secured by the Company's investment properties.

As at September 30, 2019	Mortgages classified as FVTPL Amount	Mortgages classified at Amortized cost Amount	% of Total Principal
2019	**$-**	**$-**	**-**
2020	**-**	**2,570,000**	**5.2%**
2021	**14,000,000**	**33,000,000**	**94.8%**
	14,000,000	**35,570,000**	**100.0%**
Unamortized deferred financing costs	**(19,120)**	**(45,061)**	
	13,980,880	**35,524,939**	
Fair value adjustment	**1,323,133**	**-**	
Total	**$15,304,013**	**$35,524,939**	

Mortgages payable summary:	
Non-current portion	**$48,258,952**
Current portion	**2,570,000**
Total	**$50,828,952**

8. Mortgages payable (continued)

On June 30, 2018, the Company refinanced the Trois-Rivières Property with a new mortgage of $2,570,000 at an interest rate that is the greater of the Royal Bank of Canada prime lending rate plus 4.05% or 7.50% per annum. Payment terms include monthly interest payments and the principal payment of the mortgage was due at maturity on September 30, 2019. On September 12, 2019, the Company negotiated an extension of this mortgage to February 1, 2020 with payment of an extension fee. As a condition of this extension, a director of the Company was required to enter into a third party arrangement with the mortgagee. The Company remains obligated to the full mortgage amount of $2,570,000 including monthly interest payments to the maturity date of February 1, 2020.

On July 13, 2018, the Company refinanced the London Property located in London, Ontario. An arm's length third party lender assumed the existing $33,000,000 first secured mortgage on the property which was amended to bear interest at a rate of 90-day Bankers Acceptances plus 2.55%. Payment terms include monthly interest payments and the principal payment of the mortgage is due at maturity on June 30, 2021.

Also on July 13, 2018, the Company secured a new second mortgage for $14,000,000 on the same property with a related party lender at a fixed interest rate of 7% maturing on June 30, 2021. This agreement includes a deferred interest on $6,000,000 for 18 months. As part of the second secured mortgage agreement the Company has entered into a profit participation agreement with the lender which may require the Company to pay to the lender an amount (“additional consideration”) equal to, the greater of i) 40% of a certain future performance of the property above an NOI threshold, less deferred interest and ii) 40% of the uplift of the selling price of the property, in the event of a sale, above the value of the property threshold, less deferred interest. This agreement expires on June 30, 2023. This mortgage was fair valued at $15,304,013 at September 30, 2019 (December 31, 2018 - $15,092,291). In order to calculate the FV of the mortgage the Company utilized the following key inputs: timing of the additional consideration, discount rate and the value of the building. See Note 19.

9. Accounts payable and accrued liabilities

As at September 30, 2019, accounts payable and accrued liabilities were comprised of the following:

	September 30, 2019	December 31, 2018
Trade payables	**$2,763,929**	**$2,529,172**
Accrued interest payable	**821,892**	**504,740**
Security deposits	**377,202**	**395,152**
	$3,963,023	**$3,429,064**

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, 2018	**2,716,465**	**$21,451,764**	**($1,259,993)**	**$20,191,771**
Issuance of common shares, net	**-**	**-**	**-**	**-**
Closing balance at December 31, 2018	**2,716,465**	**$21,451,764**	**($1,259,993)**	**$20,191,771**
Issuance of common shares, net	**-**	**-**	**-**	**-**
Closing balance at September 30, 2019	**2,716,465**	**$21,451,764**	**($1,259,993)**	**$20,191,771**

10. Share capital (continued)

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.

b) 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 Company granted 48,529 options in November 2013. No options have been subsequently granted.

The options expired on December 31, 2018, and were as follows:

Stock options awarded in	Number	Exercise Price	Expiry date	Fair Value at Grant Date
November 2013	**48,529**	**$8.50**	**December 2018**	**$309,000**

The fair value of the financial liability related to these options had a nil value at September 30, 2019, as these options had already expired (September 30, 2018 - recovery of $2,000) comprising the mark to market adjustment on the options.

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. On October 12, 2017, the Company's Board approved the grant of 41,609 DSUs under the DSU Plan to the directors in settlement of directors' fees accrued and unpaid during the last two quarters of 2016 and the first quarter of 2017, for an aggregated fair value amount of $149,250. 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 September 30, 2019 was $84,000 (September 30, 2018 - $56,000), included in accounts payables and accrued liabilities, and a recovery of $15,000 (September 30, 2018 – recovery $36,000) was recognized in stock based compensation expense and change in fair value for the period ended September 30, 2019, comprising the mark to market adjustment on the units.

Accordingly, the stock-based compensation revaluation recognized in the Condensed Consolidated Interim Statements of Net Income/(Loss) and Comprehensive Income/(Loss) for the period ended September 30, 2019, was a recovery of $15,000 (September 30, 2018 – recovery $38,000) from the recognition of the options and DSUs.

c) Warrants

As part of the refinancing of a second mortgage completed on July 13, 2018, the Company issued 200,000 warrants. The warrants have an expiry date of June 30, 2021. Each warrant entitles the holder to purchase one share for each warrant held at an exercise price of $1.00 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. Interest expense

Interest expense was comprised of the following:

	Three months ended September 30,		**Nine months ended September 30,**	
	2019	**2018**	**2019**	**2018**
Interest on mortgages payable	**$701,452**	**$895,377**	**$2,066,197**	**$2,392,484**
Amortization of financing transaction costs	**21,534**	**24,557**	**64,602**	**26,648**
Interest and other financing charges	**$722,986**	**$919,934**	**$2,130,799**	**$2,419,132**

12. Income taxes

No income taxes are charged to other comprehensive income or equity for the periods ended September 30, 2019, and December 31, 2018.

The Company's statutory income tax rate has remained consistent at 39.5% in 2019 (2018 - 39.5%).

Reconciliation of tax expense and accounting income for the period ended September 30, 2019, are set out below:

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Net income/(loss)	**$297,562**	**($939,028**	**($563,479)**	**($1,183,908)**
Expected income tax payment (recovery) at statutory income tax rates	**117,537**	**(370,916)**	**(222,574)**	**(467,644)**
Permanent differences	**(204,513)**	**-**	**(123,032)**	**12,245**
Utilization of previously unrecognized tax losses	**-**	**-**	**-**	**-**
Non-recognition of the benefit of current year's tax losses	**86,976**	**370,916**	**345,606**	**455,399**
Income tax expense	**$-**	**$-**	**$-**	**$-**

Deferred income tax assets and liabilities as at September 30, 2019, relate to the following:

As at	**September 30, 2019**	**December 31, 2018**
Non-capital losses (Canada)	**$7,920,452**	**$7,401,028**
Net capital losses (Canada)	**95,112**	**10,543**
Other deferred tax assets	**67,888**	**153,879**
Deferred tax liabilities	**(1,542,859)**	**(1,033,532)**
Non-recognition of deferred tax assets	**(6,540,593)**	**(6,531,918)**
Total net deferred tax asset	**$ -**	**$ -**

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 September 30, 2019, the unrecognized taxable temporary difference related to Investment Properties was $1.69 million (December 31, 2018 - $1.02 million).

As at September 30, 2019, the expiry dates of the unrecognized deferred tax assets are 2033 to 2038.

13. Related party transactions

The Company obtains certain corporate services from an entity controlled by a director of the Company. During the period ended September 30, 2019, these corporate services to the Company amounted to $43,846 (September 30, 2018 - $60,817). Management services were provided to the Company by a related party until March 2018. Subsequently a company controlled by an officer and director provided the management services to the Company. During the period ended September 30, 2019, these management services amounted to $152,550 (September 30, 2018 – $132,280).

Included in the Company's accounts payable and accrued liabilities at September 30, 2019, was an amount of $737,141 (December 31, 2018 - $693,295) payable to these related parties.

During the year 2018 the Company secured a second mortgage of $14,000,000 on one of its properties with a lender having an officer and director that is also a director of the Company. See note 8.

Related party notes payable were entered into in 2018. See note 14 below.

14. Notes payable

The Company negotiated an extension of a loan agreement for $150,000 with a shareholder. The loan matured on June 30, 2019, and was extended to December 31, 2019. The Company also negotiated an extension of other senior loan agreements totaling $750,000 with certain officers and directors of the Company. These loans matured on June 30, 2019, and were extended to December 31, 2019. All the extended loan agreements bear interest at 8% per annum payable quarterly.

15. 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. As at September 30, 2019, the Company was in compliance with the specified minimum debt service coverage ratio for the London Property.

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.

16. 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.

16. Financial risk management (continued)

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

	Total	2019	2020	Thereafter
Mortgages payables [1]	**$53,882,044**	**$657,046**	**$5,012,298**	**$48,212,700**
Accounts payable & accrued liabilities	**3,963,023**	**3,963,023**	**-**	**-**
Notes payable[1]	**918,000**	**918,000**	**-**	**-**
	$58,763,067	**$5,538,069**	**$5,012,298**	**$48,212,700**

[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 condensed consolidated interim financial statements, the Company's principal debtors are the Company's residents who may experience financial difficulty and be unable to meet their rental obligations. The Company mitigates its risk of credit loss with respect to residents by evaluating credit worthiness of new tenants, obtaining security deposits wherever permitted by legislation and obtaining parental guarantees of resident leases.

Market Risk

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

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

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments or on the fair value of other financial instruments. The Company has both fixed and floating rate mortgages. The fixed rate mortgage has a term of twenty one (21) months and the floating rate mortgages have terms that range from four (4) months to twenty one (21) months. The impact of a fifty (50) basis point change on fixed rate debt would be an increase or decrease in interest expense of $70,000 on an annual basis. The impact of a fifty (50) basis point change in the floating rate debt would be an increase or decrease in interest expense of $177,850 on an annual basis. The impact of a fifty (50) basis point change in the floating rate debt that is maturing in four (4) months would be an increase or decrease in interest expense of $12,850 on an annual basis

In relation to the fair value of the second mortgage, if the fair value of the property were to change by 5%, the impact to the fair value of debt would be $997,553. In addition, a 5% change in interest rates will result in an impact to the FV of debt of $64,365.

17. 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.

17. Fair value measurements (continued)

Financial instruments include cash, accounts receivable, and mortgages payable, accounts payable and accrued liabilities. 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.

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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, mortgages receivable, mortgages payable, accounts payable, notes payable and accrued liabilities. 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 September 30, 2019, 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 fair value through profit and loss 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 (Note 4)	**$-**	**$-**	**$57,300,000**	**$57,300,000**
Liabilities				
Mortgages payable	**$-**	**$35,524,939**	**$15,304,013**	**$50,828,952**
Notes payable	**$-**	**$918,000**	**$-**	**$918,000**

18. Net change in working capital

For the period ended	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Deposits and prepaid expenses	**($12,354)**	**$40,733**	**($42,721)**	**($70,548)**
Accounts receivable	**(35,585)**	**19,897**	**(38,893)**	**(33,851)**
Accounts payable and accrued liabilities	**71,384**	**(203,654)**	**231,808**	**(184,194)**
Net change in working capital items	**$23,445**	**($143,024)**	**$150,194**	**($288,593)**

19. Subsequent events

On October 28, 2019, the Company executed an agreement of purchase and sale for its Trois-Rivières Property at a sale price of $3,150,000. The sale of the property is scheduled to close on December 3, 2019. After closing adjustments the sale is estimated to provide the Company with approximately $460,000 in net proceeds. The net proceeds will be used to fund ongoing operations.

On November 21, 2019, the Company executed an agreement of purchase and sale for its London Property for a sale price of $55,000,000. This agreement is conditional on the Company's shareholders' approval and acceptance by the TSXV. The meeting of shareholders is scheduled for January 24, 2020. The sale of the property is scheduled to close on February 5, 2020.

20. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the September 30, 2019, condensed consolidated interim financial statements.

21. Approval of financial statements

The condensed consolidated interim financial statements were approved by the Company's Board of Directors and authorized for issue on November 27, 2019.