CHC Student Housing Corp.
Condensed Consolidated Interim Financial Statements
June 30, 2018 (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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June 30, 2018 (Unaudited)

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

As at	June 30, 2018	December 31, 2017
Assets		
Non-Current		
Investment properties (Note 4)	**$56,800,000**	**$5,400,000**
Furniture and equipment (Note 5)	**419,893**	**94,337**
	57,219,893	**5,494,337**
Current		
Cash	**614,398**	**333,126**
Deposits and prepaid expenses (Note 6)	**124,523**	**13,242**
Accounts receivable (Note 7)	**94,041**	**31,672**
	832,962	**378,040**
Investment property held for sale (Note 15)	**2,381,697**	**53,596,394**
	3,214,659	**53,974,434**
Total Assets	**$ 60,434,552**	**$ 59,468,771**
Liabilities		
Non-Current		
Mortgages payable (Note 8)	**$3,907,752**	**$1,378,377**
	3,907,752	**1,378,377**
Current		
Accounts payable and accrued liabilities (Notes 9,13)	**3,625,326**	**3,084,237**
Notes payable (Note 14)	**900,000**	**-**
Mortgages payable (Note 8)	**45,352,148**	**2,215,127**
	49,877,474	**5,299,364**
Liabilities related to investment property held for sale (Note 15)	**1,415,889**	**47,312,713**
	51,293,363	**52,612,077**
Total Liabilities	**55,201,115**	**53,990,454**
Shareholders' Equity		
Share Capital (Note 10)	**20,191,771**	**20,191,771**
Contributed Surplus	**909,597**	**909,597**
Deficit	**(15,867,931)**	**(15,623,051)**
	5,233,437	**5,478,317**
	$60,434,552	**$59,468,771**

Nature of the organization and going concern (Note 1)

Approved on behalf of the Board

(signed)"Tom Murphy"	*(signed)"Ron Schwarz"*
Tom Murphy	*Ronald Schwarz*
Director	*Director*

The accompanying notes are an integral part of these financial statements

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Revenue				
Property revenues	**$1,123,963**	**$1,307,789**	**$2,312,419**	**$2,697,825**
	1,123,963	**1,307,789**	**2,312,419**	**2,697,825**
Expenses				
Property operating expenses	**416,948**	**580,805**	**911,460**	**1,225,212**
General and administrative expenses	**288,825**	**354,398**	**659,338**	**636,833**
Interest and other financing charges (Note 11)	**800,274**	**724,738**	**1,499,198**	**1,431,803**
Fair value adjustment on investment property held for sale (Notes 4,15)	**(481,697)**	**-**	**(481,697)**	**-**
Gain on sale of investment properties (Note 4)	**-**	**-**	**-**	**(37,785)**
Stock based compensation decrease in fair value (Note 10)	**(6,000)**	**(72,000)**	**(31,000)**	**(212,000)**
	1,018,350	**1,587,941**	**2,557,299**	**3,044,063**
Net income/(loss) and comprehensive income/(loss)	**105,613**	**($280,152)**	**($244,880)**	**($346,238)**
Income/(Loss) per share				
Basic and diluted	**$0.04**	**($0.12)**	**($0.09)**	**($0.14)**
Weighted average number of outstanding common shares				
Basic and diluted (Note 10)	**2,716,465**	**2,434,188**	**2,716,465**	**2,434,188**

The accompanying notes are an integral part of these financial statements

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

	Common Shares	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, December 31, 2016	**$19,527,459**	**$909,597**	**($13,591,258)**	**$6,845,798**
Net loss and comprehensive loss for the period	**-**	**-**	**(66,086)**	**(66,086)**
Balance, June 30, 2017	**$19,527,459**	**$909,597**	**($13,657,344)**	**$6,779,712**
Balance, December 31, 2017	**$20,191,771**	**$909,597**	**($15,623,051)**	**$5,478,317**
Net loss and comprehensive loss for the period	**-**	**-**	**(244,880)**	**(244,880)**
Balance, June 30, 2018	**$20,191,771**	**$909,597**	**($15,867,931)**	**$5,233,437**

The accompanying notes are an integral part of these financial statements

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

Cash provided by (used in) the following activities:

	For the three month ended June 30, 2018	For the three month ended June 30, 2017	For the six month ended June 30, 2018	For the six month ended June 30, 2017
Operating activities				
Net income/(loss) and comprehensive income/(loss)	**$105,613**	**($280,152)**	**($244,880)**	**($346,238)**
Stock-based compensation decrease in fair value (Note 10)	**(6,000)**	**(72,000)**	**(31,000)**	**(212,000)**
Amortization of financing transaction costs (Note 11)	**1,045**	**30,782**	**2,091**	**46,572**
Depreciation (Note 5)	**10,303**	**8,893**	**34,731**	**17,747**
Straight line rent	**2,532**	**-**	**(8,621)**	**-**
Interest expense on mortgages payable (Note 11)	**799,229**	**693,956**	**1,497,107**	**1,385,231**
Cash interest paid	**(791,577)**	**(694,311)**	**(1,488,470)**	**(1,383,751)**
Fair value adjustment on investment property held for sale (Notes 4)	**(481,697)**	**-**	**(481,697)**	**-**
Gain on sale of investment properties (Note 4)	**-**	**-**	**-**	**(37,785)**
Net change in working capital (Note 19)	**(380,075)**	**(547,021)**	**(145,569)**	**(348,940)**
Net cash changes from operating activities	**($740,627)**	**($859,853)**	**($866,308)**	**($879,164)**
Investing activities				
Additions to furniture and equipment (Note 5)	**(63,472)**	**(17,072)**	**(63,893)**	**(17,072)**
Proceeds from sale of investment properties (Note 4)	**-**	**-**	**-**	**137,785**
Deposits, net	**-**	**50,000**	**-**	**50,000**
Net cash changes from investing activities	**(63,472)**	**32,928**	**(63,893)**	**170,713**
Financing activities				
Equity issuance, net of costs (Note 10)	**-**	**664,312**	**-**	**664,312**
Notes payable (Note 14)	**750,000**		**900,000**	
Net proceeds from mortgage refinancing (Note 8)	**332,401**		**332,401**	
Mortgage principal repayments	**(10,438)**	**(37,595)**	**(20,928)**	**(74,935)**
Net cash changes from financing activities	**1,071,963**	**626,717**	**1,211,473**	**589,377**
Net increase (decrease) in cash and cash equivalents	**267,864**	**(200,208)**	**281,272**	**(119,074)**
Cash and cash equivalents, beginning of period	**346,534**	**438,426**	**333,126**	**357,292**
Cash and cash equivalents, end of period	**$614,398**	**$238,218**	**$614,398**	**$238,218**

The accompanying notes are an integral part of these 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 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.

Going concern

The Company's condensed consolidated interim financial statements are prepared on a going concern basis.

The Company incurred a net loss of $244,880 for the six months ended June 30, 2018 (six months ended June 30, 2017 - net loss of $346,238) and as at June 30, 2018 had a working capital deficit of $3,692,364 (December 31, 2017 - $2,706,197) excluding mortgages payable. 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 April 17, 2017 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. In working with the special committee, the Company has completed a number of initiatives as set out below.

- 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 trade payables and to fund the Company's operations while its special committee pursues the Company's strategic review process.
- The Company accepted an offer to sell the Windsor Property and subsequently closed on the sale on August 21, 2017. The sale of the property allowed the Company to pay down a portion of the demand mortgage on the Trois-Rivières Property by $600,000 and to reduce the Company's other liabilities by approximately $900,000. The remainder of the funds were used to fund ongoing operations.
- On March 7, 2018, the Company entered into an interest free loan agreement with a shareholder for $150,000. The loan is repayable on March 1, 2019.
- The Company listed the Kingston Property for sale on March 29, 2018. Net proceeds from the sale will be used to fund ongoing operations and to repay the property mortgage. This asset is presented on the condensed consolidated interim statement of financial position as "Investment property held for sale" at June 30, 2018. For more information see Notes 15 and 20.
- During the quarter the Company entered into senior loan agreements with certain related parties and an independent investor for $750,000, maturing on June 30, 2019, bearing interest at 8% per annum.

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

- On June 30, 2018 the Company refinanced 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%, interest is payable monthly. The mortgage matures on September 30, 2019.

- The Company obtained extensions on the $33,000,000 and $13,750,000 mortgages on substantially the same terms from its lenders on its' London Property. Subsequent to June 30, 2018, these mortgages were refinanced, see Note 20.

In addition, the Company continues to explore all available options to continue with the refinancing and recapitalization of its assets and operations.

In the event the Company is unable to arrange appropriate financing or other strategic alternatives, the ability of the Company to continue as a going concern could be compromised and the carrying value of the Company's assets and liabilities could be subject to material adjustment

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 complete such financings or strategies.

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

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, 2017. 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, 2017.

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 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, 2017.

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, 2018, was 5.1% (December 31, 2017 - 5.1%).

As at	**June 30, 2018**	**December 31, 2017**
Balance at the beginning of the year	**$5,400,000**	**$64,895,000**
Sale of investment properties	**-**	**(5,295,000)**
Reclassification from investment property held for sale	**53,300,000**	**-**
Reclassification to investment property held for sale (Note 15)	**(2,381,697)**	**(53,300,000**
Fair value adjustment on investment properties	**481,697**	**(900,000)**
Balance at the end of the period	**$56,800,000**	**$5,400,000**

The London Property was reclassified as investment property held for sale and measured at its fair value of $53,300,000 at December 31, 2017. This property is no longer held for sale and has been reclassified to investment properties. During the period ended June 30, 2018 the Kingston Property was listed for sale and reclassified as investment property held for sale and the property carrying value has been adjusted by $481,697 to reflect fair value at June 30, 2018. See note 15.

One of the Company's investment properties having a fair value of $3.5 million is situated on land subject to a long term lease. The annual lease payment is $1,000 and the term expires in 2047.

During the period ended June 30, 2017, the Company received proceeds of $137,785 from the sale of the investment in the 45 Mann student housing development property. The book value of this property was $100,000 and the realized gain on sale was $37,785.

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 June 30, 2018

		-3%	-1%	As estimated	1%	3%
Implied NOI		**$2,915,277**	**$2,975,386**	**$3,005,440**	**$3,035,494**	**$3,095,603**
Capitalization Rate						
-0.50%	**4.62%**	**$63,101,234**	**$64,402,294**	**$65,052,814**	**$65,703,333**	**$67,004,394**
-0.25%	**4.87%**	**59,861,951**	**61,096,222**	**61,713,347**	**62,330,472**	**63,564,743**
Cap Rate Used	**5.12%**	**56,939,004**	**58,113,008**	**58,700,000**	**59,286,992**	**60,460,996**
+0.25%	**5.37%**	**54,288,212**	**55,407,561**	**55,967,225**	**56,526,890**	**57,646,238**
+0.50%	**5.62%**	**$51,873,256**	**$52,942,811**	**$53,477,580**	**$54,012,349**	**$55,081,904**

5. Furniture and equipment

	June 30, 2018	December 31, 2017
Balance at the beginning of the year	**$452,152**	**$377,227**
Additions	**63,893**	**139,204**
Disposals	**-**	**(64,279)**
Less: Accumulated depreciation	**(96,152)**	**(61,421)**
	$419,893	**$390,731**
Furniture and equipment held for sale (Note 15)	**-**	**296,394**
Balance at the end of the period	**$419,893**	**$94,337**

6. Deposits and prepaid expenses

As at	June 30, 2018	December 31, 2017
Prepaid property taxes	**$104,951**	**$10,460**
Other	**19,572**	**2,782**
Total	**$124,523**	**$13,242**

7. Accounts receivable

As at	June 30, 2018	December 31, 2017
Rent and other receivables	**$98,823**	**$40,855**
Allowance for doubtful accounts	**(4,782)**	**(9,183)**
Accounts receivable	**$94,041**	**$31,672**

8. Mortgages payable

As at June 30, 2018, mortgages payable bear interest at a weighted average interest rate of 6.02% (December 31, 2017 – 7.67%). Excluding mortgages payable classified as held for sale, the Company has one fixed rate mortgage of $13,750,000 and two floating rate mortgages in the aggregate amount of $35,570,000 as at June 30, 2018 (December 31, 2017 - $3,599,840 and $33,000,000). The fair value of the mortgages payable at June 30, 2018 is higher than their carrying value by $58,754 (December 31, 2017 - $10,325). The mortgages payable are secured by the Company's investment properties.

As at June 30, 2018	**Principal Amount**	**% of Total Principal**
2018	**$46,750,000**	**94.8%**
2019	**2,570,000**	**5.2%**
	$49,320,000	**100%**
Unamortized deferred financing costs	**(60,100)**	
Total	**49,259,900**	
Less: non-current portion	**(3,907,752)**	
Current portion	**45,352,148**	
Mortgages payable held for sale (Note 18)	**$1,397,167**	

The Company refinanced 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. The mortgage matures on September 30, 2019. This refinancing generated net proceeds of $332,401 after financing costs and discharge of the existing mortgage of $2,177,500.

9. Accounts payable and accrued liabilities

As at June 30, 2018, accounts payable and accrued liabilities were comprised of the following:

	June 30, 2018	**December 31, 2017**
Trade payables	**$2,999,408**	**$3,012,964**
Accrued interest payable	**230,043**	**221,405**
Security deposits	**414,597**	**412,581**
Total	**$3,644,048**	**$3,646,950**
Accounts payable and accrued liabilities	**$3,625,326**	**$3,084,237**
Accounts payable and accrued liabilities held for sale (Note 15)	**18,722**	**562,713**
Total	**$3,644,048**	**$3,646,950**

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**
Issuance of common shares, net	**381,284**	**667,247**	**(2,935)**	**664,312**
Closing balance at December 31, 2017	**2,716,465**	**$21,451,764**	**($1,259,993)**	**$20,191,771**
Issuance of common shares, net	**-**	**-**	**-**	**-**
Closing balance at June 30, 2018	**2,716,465**	**$21,451,764**	**($1,259,993)**	**$20,191,771**

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

The options outstanding at June 30, 2018 and December 31, 2017, are 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 was $0 at June 30, 2018, and a recovery of $2,000 (June 30, 2017 - $54,000) has been recognized in stock based compensation (recovery) for the period ended June 30, 2018, comprising the mark to market adjustment on the options.

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, 2018 was $63,000, included in accounts payables and accrued liabilities, and a recovery of $29,000 (June 30, 2017 - $158,000) has been recognized in stock based compensation expense and change in fair value for the period ended June 30, 2018, 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 June 30, 2018 is $31,000 (June 30, 2017 - $212,000) from the recognition of the options and DSU's.

11. Interest expense

Interest expense was comprised of the following:

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Interest on mortgages payable	$799,229	$693,956	$1,497,107	$1,385,231
Amortization of financing transaction costs	1,045	30,782	2,091	46,572
Interest and other financing charges	$800,274	$724,738	$1,499,198	$1,431,803

12. Income taxes

No income taxes are charged to other comprehensive income or equity for the period ended June 30, 2018 and year ended December 31, 2017.

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

Reconciliation of tax expense and accounting income for the period ended June 30, 2018, are set out below:

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Net income/(loss)	105,613	($280,152)	($244,880)	($346,238)
Expected income tax payment (recovery) at statutory income tax rates	41,717	(110,660)	(96,728)	(136,800)
Permanent differences	2,370	(28,440)	12,245	(83,740)
Utilization of previously unrecognized tax losses	-	-	-	-
Non-recognition of the benefit of current year's tax losses	(44,087)	139,100	84,483	220,540
Income tax expense	$-	$-	$-	$-

Deferred income tax assets and liabilities as at June 30, 2018, relate to the following:

As at	**June 30, 2018**	**December 31, 2017**
Non-capital losses	$6,373,415	$5,162,695
Difference in basis	(951,275)	1,892,377
Non-recognition of deferred tax assets	(5,422,140)	(7,055,072)
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 June 30, 2018, the unrecognized deductible temporary difference related to Investment Properties and Investment Property Held for Sale was $2.3 million (December 31, 2017 - $1.5 million).

As at June 30, 2018, the expiry dates of the unrecognized deferred tax assets are 2033 to 2037.

13. Related party transactions

The Company obtains certain corporate services from an entity controlled by a director of the Company. During the three month period ended June 30, 2018 these corporate services to the Company amounted to $21,697 (June 30, 2017 - $40,378). In addition, a company controlled by an officer and director provided management services to the Company. During the three month period ended June 30, 2018 these management services to the Company amounted to $63,562 (June 30, 2017 – NIL).

Included in the Company's accounts payable and accrued liabilities at June 30, 2018 is an amount of $710,151 (December 31, 2017 - $582,862) payable to these related parties.

14. Notes payable

The Company entered into an interest free loan agreement for $150,000 with a shareholder. The loan matures on March 1, 2019. During the quarter the Company entered into senior loan agreements totaling $750,000 with certain related parties and an independent investor. All these senior loans have the same terms and conditions and bear interest at 8% per annum, payable quarterly and mature on June 30, 2019.

15. Investment property held for sale

The London Property, which was held for sale at December 31, 2017 is no longer held for sale following a shareholders meeting on March 5, 2018 where the purchase and sales agreement on the property was rejected. The property has been reclassified to investment properties. On March 29, 2018 the Kingston Property was listed for sale and classified as investment property held for sale and the property carrying value has been adjusted by $481,697 to reflect fair value at June 30, 2018. See "Subsequent events" Note 20.

	June 30, 2018	**December 31, 2017**
Property	***1***	***1***
Beds	***18***	***387***
Investment property	**$2,381,697**	**$53,300,000**
Furniture & equipment	**-**	**296,394**
Assets held for sale	**$ 2,381,697**	**$ 53,596,394**
Mortgages payable	**$ 1,397,167**	**$ 46,750,000**
Tenant rental deposits	**18,722**	**562,713**
Liabilities related to assets held for sale	**$ 1,415,889**	**$ 47,312,713**

16. 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 June 30, 2018 the Company was not in compliance with the specified minimum debt service coverage ratio for the London Property. Subsequent to June 30, 2018 new financing has been put in place (see Note 20).

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.

17. Financial risk management

In the normal course of business, the Company is exposed to financial risk and manages that risk, as follows:

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity are satisfied through a variety of sources including cash, net operating income and capital markets, and to meet the Company's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which is used to fund additional operating and other expenses and retire debt obligations, if any, at their maturity.

If the Company is otherwise unable to satisfy its current liabilities through suitable agreements for debt refinancing, equity financing or other measures, planned operations could be scaled back and a portion of the Company's assets could be sold.

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

	Total	2018	2019	Thereafter
Mortgages payable and mortgages payable on investment property held for sale (1)	**$51,027,919**	**$46,895,803**	**$4,132,116**	**$-**
Accounts payable & accrued liabilities	**3,644,048**	**3,644,048**	**-**	**-**
	$54,671,967	**$50,539,851**	**$4,132,116**	**$-**

(1) Includes both principal and interest

Refer to note 1 for a discussion regarding the Company's ability to carry on its operations through the next operating period.

Credit Risk

Credit risk rises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, the stated amount is typically the gross carrying amount, net of any amounts offset and any impairment losses. As of the date of these financial statements, the Company's principal debtors are the Company's residents who may experience financial difficulty and be unable to meet their rental obligations. The Company mitigates its risk of credit loss with respect to residents by evaluating credit worthiness of new tenants, obtaining security deposits wherever permitted by legislation and obtaining parental guarantees of resident leases.

Market Risk

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

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

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments or on the fair value of other financial instruments. The Company has both fixed and floating rate mortgages. The fixed rate mortgages range in term from on demand to 13 months. The floating rate mortgages range in term from on demand to 15 months. The impact of a 50 basis point change in floating rate debt would be an increase or decrease in interest expense of $177,850 on an annual basis. The impact of a 50 basis point change on fixed rate debt maturing in the next 12 months would be an increase or decrease in interest expense of $75,544 on an annual basis.

18. 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

18. Fair value measurements (continued)

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, and mortgages payable, accounts payable and accrued liabilities. Except for the mortgages payable, the carrying values of these financial instruments approximate fair value due to their short term nature.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents the Company's estimates of assets and liabilities measured at fair value on a recurring basis based on information available to management as at June 30, 2018, 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 ultimate realize. Mortgages payable are measured at amortized cost and the fair value measurement in the table below is presented for disclosure purposes only.

Recurring measurements or disclosures	**Level 1** Quoted prices in active markets for identical assets and liabilities	**Level 2** Significant other observable inputs	**Level 3** Significant other unobservable inputs	Total
Assets				
Investment properties	**$-**	**$-**	**$56,800,000**	**$56,800,000**
Investment property held for sale	**-**	**-**	**2,381,697**	**2,381,697**
Liabilities				
Mortgages payable	**$-**	**$49,378,475**	**$-**	**$49,378,475**
Mortgages payable held for sale	**$-**	**$1,401,693**	**$-**	**$1,401,693**

19. Net change in working capital

For the year ended	**For the three months ended June 30, 2018**	**For the three months ended June 30, 2017**	**For the six months ended June 30, 2018**	**For the six months ended June 30, 2017**
Deposits and prepaid expenses	**($4,759)**	**$49,140**	**($111,281)**	**($17,834)**
Accounts receivable	**(38,706)**	**(5,990)**	**(53,748)**	**(41,464)**
Accounts payable and accrued liabilities	**(336,610)**	**(590,171)**	**19,460**	**(289,642)**
Net change in working capital items	**($380,075)**	**($547,021)**	**($145,569)**	**($348,940)**

20. Subsequent events

On July 13, 2018 the Company refinanced the London Property located in London Ontario. An arm's length third party lender has assumed the existing $33 million first mortgage on the property which has been amended to bear interest at a rate of 90-day Bankers Acceptances plus 2.55% (currently 1.88% for a total interest rate of 4.43%), maturing on June 30, 2021. Also on July 13, 2018 the Company secured a new second mortgage for $14 million on the same property at an interest rate of 7% maturing on June 30, 2021. The Company has elected to defer certain interest payments on $6 million of this mortgage until December 31, 2019.

On May 19, 2018, the Company entered into a firm agreement with a third party for the sale of the Kingston Property for $2,450,000. The sale of the property closed on July 31, 2018. After closing adjustments the sale provided the Company with approximately $633,680 in net proceeds and a vendor take back mortgage of $350,000. The vendor take back mortgage has a 5% interest rate per annum payable monthly and matures on July 31, 2021. The net proceeds will be used to fund ongoing operations.

21. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the June 30, 2018 interim financial statements.

22. Approval of financial statements

These condensed consolidated interim financial statements were approved by the Company's Board of Directors and authorized for issue on August 29, 2018.