The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an explanation of the performance of Consolidated HCI Holdings Corporation ("CHCI" or the "Company") for the three-month periods ended December 31, 2011 and 2010, as well as updating CHCI's most recently issued MD&A, dated December 14, 2011. This MD&A should be read in conjunction with the unaudited consolidated interim financial statements of the Company, including the notes thereto, for the three-month periods ended December 31, 2011 and 2010 and should also be read in conjunction with the audited consolidated financial statements and the MD&A for the fiscal years ended September 30, 2011 and 2010, as set out in the Company's 2011 Annual Report.

The financial statements underlying this MD&A, including 2011 comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted. Effective October 1, 2011, the Company has adopted IFRS as its basis of financial reporting commencing with the unaudited interim financial statements for the three months ended December 31, 2011 and using October 1, 2010 as the transition date. All dollar amounts included in this MD&A are in Canadian dollars, unless otherwise noted.

The effect of the Company's transition to IFRS is summarized as follows:

(i) Transition elections

(ii) Reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS

(iii) Explanatory notes

(iv) Adjustments to the statement of cash flows

(v) Additional IFRS information for the year ended September 30, 2011.

(i) Transition elections

The adoption of IFRS requires the application of IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS effective at the end of the Company's first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company has applied the following transitional exceptions and exemptions to full retrospective application of IFRS in its preparation of an opening IFRS consolidated balance sheet as at October 1, 2010, the Company's "Transition Date":

(a) Business combinations

In accordance with IFRS 1, the Company has elected to apply IFRS 3, Business Combinations, prospectively to all business combinations occurring after its Transition Date.

(b) Borrowing costs

IAS 23, Borrowing Costs, requires the capitalization of borrowing costs that are directly attributable to qualifying assets. In accordance with IFRS 1, the Company has elected to apply the requirements of IAS 23 prospectively from its Transition Date.

(c) Estimates

In accordance with IFRS 1, the Company has applied the mandatory exemption from full retrospective application of IFRS for estimates. The exemption requires that estimates previously made under Canadian GAAP not be revised due to the application of IFRS, except where necessary to reflect differences in accounting policies.

(ii) Reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS

	Note 6 (iii)	Year ended September 30, 2011 Cdn GAAP	Adj.	IFRS	Three months ended December 31, 2010 Cdn GAAP	Adj.	IFRS
Revenue							
Real estate sales							
Housing		$ 10,611	$ –	$ 10,611	$ 3,604	$ –	$ 3,604
Land		750	–	750	–	–	–
		11,361	–	11,361	3,604	–	3,604
Rental	(c)	517	106	623	119	79	198
Interest and other income		1,965	–	1,965	737	–	737
		13,843	106	13,949	4,460	79	4,539
Expenses							
Real estate cost of sales							
Housing		9,410	–	9,410	3,034	–	3,034
Land		158	–	158	–	–	–
		9,568	–	9,568	3,034	–	3,034
Rental operating expenses	(c)	172	5	177	45	3	48
General and administrative		886	–	886	240	–	240
Interest		224	–	224	57	–	57
Amortization of leasing costs		7	–	7	2	–	2
Depreciation of investment properties	(a)	133	(133)	–	33	(33)	–
Fair value gain on investment properties		–	(785)	(785)	–	–	–
		10,990	(913)	10,077	3,411	(30)	3,381
Earnings before income taxes		2,853	1,019	3,872	1,049	109	1,158
Provision for (recovery of) income taxes	(c)	(198)	27	(171)	360	22	382
Net earnings for the period from continuing operations		3,051	992	4,043	689	87	776
Net earnings for the period from discontinued operations	(c)	2,446	(2,446)	–	54	(54)	–
Net earnings for the period		5,497	(1,454)	4,043	743	33	776
Other comprehensive income, net of income taxes		(215)	–	(215)	125	–	125
Comprehensive income		$ 5,282	$ (1,454)	$ 3,828	$ 868	$ 33	$ 901

iii) Explanatory notes

(a) Investment properties

The Company has elected to apply the fair value method of accounting for its investment properties subsequent to the Transition Date with changes in fair value being recorded in the consolidated statement of earnings. Under Canadian GAAP, investment properties were recorded at cost and depreciated over their estimated useful lives. The impact of this change was to increase investment properties by $4,015 and increase deferred income tax liabilities by $676 and increase opening retained earnings on October 1, 2010 by $3,339. A net after-tax fair value gain of $785 was recognized in the year ended September 30, 2011 and a decrease in depreciation expense of $133 and $33 reflected for the year ended September 30, 2011 and three-month period ended December 31, 2010, respectively. Adoption of the fair value method of accounting had no impact on the three-month period ended December 31, 2010 because there was no change to the fair value of the investment properties since the Transition Date.

(b) Leasing costs

Deferred leasing costs of $13, $18 and $20 have been reclassified as 'Investment Properties' as at December 31, 2011, September 30, 2011 and October 1, 2010, respectively.

(c) Discontinued operations

Under IFRS, a component of an entity that has been sold or is held-for-sale is only presented as a discontinued operation if it represents a separate major line of business or geographical area of operations. The investment property disposed of in February 2011 does not constitute a major line of business. Consequently, the discontinued operations presented under Canadian GAAP have been re-classified as continuing operations. Assets held for sale have been reclassified to Investment Properties and Land and Housing under Development.

(d) A summary of transition adjustments to the Company's shareholders' equity from Canadian GAAP to IFRS is as follows:

	September 30 2011	December 31 2010	October 1 2010
Shareholders' equity, as reported under Canadian GAAP	$ 49,567	$ 60,585	$ 59,717
Fair value adjustments to investment properties (notes 6 (i) (a) and 6 (iii) (a)), net of deferred income taxes:			
Properties still owned by the Company	1,752	964	964
Properties disposed of in February 2011	–	2,375	2,375
Reverse depreciation expense on investment properties (note 6 (iii) (a))	133	33	–
Shareholders' equity, as reported under IFRS	$ 51,452	$ 63,957	$ 63,056

(iv) Cash flow statement adjustments

The transition from Canadian GAAP to IFRS had no impact on the statement of cash flows.

(v) Additional information

The following additional IFRS disclosures relating to the year ended September 30, 2011 are material to an understanding of these interim consolidated financial statements:

Expenses incurred by nature are as follows:	September 30, 2011
Salaries, employee benefits and directors' fees	$ 322
Management fees	300
Professional fees	172
Other	92
	$ 886

Additional information relating to the Company, including the Certification of Interim Filings for the quarter ended December 31, 2011 signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), is also available on the SEDAR website at www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and has in place the appropriate information systems, procedures and controls to ensure information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company and have reviewed and approved this MD&A and the accompanying unaudited consolidated interim financial statements.

FORWARD-LOOKING STATEMENTS

In various places in the MD&A, there are forward-looking statements reflecting management's current expectations regarding future economic conditions, results of operations, financial performance and other matters affecting the Company. Forward-looking statements include information regarding possible or assumed future results or transactions, as well as statements preceded by, followed by or that include the words "believes," "expects," "anticipates," "estimates," "intends" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of the Company and could cause those results to differ materially from those expressed in any forward-looking statements.

OVERVIEW

The Company's activities in the real estate industry are conducted with others at varying participation rates in co-tenancies and joint ventures. The consolidated financial statements include these ventures on a proportionate consolidation basis. The activities of the Company include the redevelopment of an existing industrial property in Vaughan, Ontario for industrial and commercial uses to lease to others and until its sale on February 2, 2011, the ownership of land and another commercial building, both in Mississauga, Ontario, leased to other parties. The Company also conducts activities through various ventures in the building and selling of new homes on land purchased from others. The Company also invests in syndicated mortgage loans, which are secured by real property developments of other land developers and builders.

REVIEW OF FINANCIAL RESULTS

Results of Operations

Summary of operating results

(Unaudited, in thousands of Canadian dollars, except per share amounts)

	Three months ended	
	December 31 2011	December 31 2010
Revenue	**$ 2,572**	$ 4,539
Earnings before income taxes	**$ 373**	$ 1,158
Provision for income taxes	**190**	382
Net earnings for the period	**$ 183**	$ 776
Basic and diluted earnings per share	**$ 0.01**	$ 0.03

Revenue in the first three months of 2012 decreased by $1.97 million compared to the revenue recorded for the same period in 2011. This decrease is comprised of a decrease in housing sales of $1.53 million, a decrease in rental revenue of $0.07 million and a decrease in interest and other income of $0.37 million. As mentioned in previous years, the nature of real estate development does not allow for a consistent year-to-year volume of sales. Revenue is comprised of sales in specific projects as the marketplace dictates and buyers become available.

Land development operations

The Company had no land sales in either the first quarter of 2012 or the comparative quarter of 2011. The Company's last remaining parcel of development land was sold in the second quarter of 2011 as previously reported.

House building operations

(Unaudited, in thousands of Canadian dollars)

	Three months ended	
	December 31 2011	December 31 2010
Revenue from housing sales	**$ 2,079**	$ 3,604
Housing cost of sales	**1,832**	3,034
Gross profit from housing sales	**$ 247**	$ 570

The Company's share of joint venture revenue from housing sales decreased in the first quarter of 2012 by $1.53 million compared to the corresponding period in the previous year. This revenue decrease is primarily the result of there being fewer units sold. Other than the purchase of 5 lots (share - 1.5 lots) in an existing project which the vendor was unable to deliver until the first quarter of 2011, the Company has acquired no new lots since the first quarter of 2010 as it builds out and sells its existing inventory.

The gross margin percentage on housing sales is a function of the project sold. Margins vary widely from project to project and are influenced by many factors, including market demand in the project's location, the proximity of competing product, the mix of product in the project, the cost of land, the stage in a project when construction cost increases hit the market and the length of time that it takes for a project to sell out, resulting in higher than budgeted carrying costs. The overall gross margin on housing sales for the first three months of 2012 was 11.9% compared to 15.8% for the corresponding period in 2011 primarily as a result of there being more higher margin product sold in the first quarter of 2011 than in the first quarter of 2012.

Rental operations
(Unaudited, in thousands of Canadian dollars)

	Three months ended December 31 2011	December 31 2010
Rental revenues	**$ 125**	$ 198
Rental operating expenses	**54**	48
Net operating income*	**$ 71**	$ 150

* Net operating income is an important measure used by management to evaluate the operating performance of the investment properties. However, it is not defined under IFRS, does not have a standard meaning and may not be comparable with other companies.

The decrease in net earnings from rental operations for the three months ended December 31, 2011 compared to the corresponding period in the previous year results primarily from loss of rental revenue resulting from the sale of the Company's Mississauga investment properties in the second quarter of 2011 partially offset by rental revenue from a short-term tenancy which commenced in the third quarter of 2011 and terminated on December 31, 2011, and rental revenue from the long-term lease of 42,000 square feet of roof surface for a solar panel installation which commenced in the second quarter of 2011.

At December 31, 2011, the Company's sole investment property consists of its 50% share of the 200,000 square foot industrial/commercial building and adjacent 1.25 acre restaurant site in Vaughan, Ontario.

During the third quarter of 2011, the Company had leased a further 30,903 square feet of space to a national chain of fitness clubs for a twenty-year term with a ten-year renewal option. The lease was scheduled to commence on the earlier of March 1, 2012 or the completion of the tenant's fixturing period. Due to unforeseen delays, the premises were not handed over to the tenant until the second quarter of 2012 which will result in a delay in the lease commencement by approximately three months. This new tenancy will bring the building to a 65% occupancy level. The Company's share of the cost of landlord's base building work and a cash fixturing allowance to the tenant is expected to total approximately $0.6 million, and will be paid from the Company's own resources. As at December 31, 2011, the Company had paid $ 0.05 million towards its share of base building work.

During the fourth quarter of 2011, the Company had entered into an agreement to lease the 50%-owned, 1.25 acre Vaughan, Ontario site referred to above to an international chain for use as a fast food restaurant with drive-through for a fifteen-year term with two five-year renewal options. The tenant was expected to commence operations on the site by July 2012 on completion of the landlord's site work and the tenant's fixturing period, but due to unforeseen delays, a mid-summer commencement date is more likely. The Company's share of the landlord's site preparation costs is expected to be approximately $0.15 million and will be paid from the Company's own resources.

Interest and other income

Interest and other income decreased by $0.37 million for the three months ended December 31, 2011 compared to the corresponding period in the previous year. This decrease was primarily due to the Company having a substantially greater investment in low interest rate cash and short-term money market instruments and substantially reduced investment in higher interest rate syndicated mortgage loans during the first three months of 2012 compared to the corresponding period in 2011. After December 31, 2008, other than fulfilling funding commitments and participating in renewals or extensions on existing syndicated mortgage loans, the Company ceased investing in syndicated mortgage loans with a view to accumulating cash to pay a future dividends, which were ultimately paid on January 13, 2010, March 4, 2011 and March 5, 2012.

General and administrative expenses

General and administrative expenses, incurred in the first three months of 2012, in aggregate, are lower than those incurred during the corresponding period of 2011, reflecting a reduction across the majority of cost categories as the scale of the Company's operations continue to reduce.

Income taxes

The income tax provision for the first three months of 2012 of $0.2 million (2011 - $0.4 million) has been computed by applying the average statutory Canadian federal and provincial income tax rate of 26.75% (2011 – 28.75) to earnings before income taxes.

Management has determined that potential unrecorded future income tax benefits of approximately $10.9 million may be available to the Company under certain circumstances. Due to the uncertainty as to whether these benefits will be realized, such benefits will be recognized in the accounts of the Company only as and when the realization of the benefits is confirmed.

FINANCIAL CONDITION

(Unaudited, in thousands of Canadian dollars)

	Three months ended	
	December 31 2011	September 30 2011
Investment properties	**$ 9,358**	$ 9,351
Housing under development	**4,509**	5,755
Cash and cash equivalents	**10,389**	8,456
Restricted cash	**322**	322
Amounts receivable	**8,183**	7,400
Investments in syndicated mortgage loans	**7,024**	11,022
Investments in marketable securities	**18,501**	16,874
Income taxes recoverable	**1,359**	217
All other assets	**240**	228
Total assets	**$ 59,885**	$ 59,625
Long-term financial liability:		
Mortgage loan on investment property	**$ 4,226**	$ 4,285

ASSETS AND LIABILITIES

During the first three months of 2012, the Company realized cash from sales in its house building joint ventures, maturities of syndicated mortgage loans and marketable securities and interest earned on its investments in syndicated mortgage loans, cash and short-term investments. The majority of this cash was used to fund the operations of the Company's house building joint ventures, make income tax installments and re-invest in marketable securities.

The Company's housing under development decreased by $1.2 million during the first three months of 2012, resulting from the cost of houses sold exceeding the expenditures on housing construction and carrying costs.

A condition of the mortgage loan on the Company's Vaughan, Ontario income-producing property is that the co-tenancy maintain a long-term debt to tangible equity ratio of 3:1. As at December 31, 2011, with a ratio at that date of 2.77:1, this condition has been met.

At December 31, 2011, the Company's real estate holdings consist of its 50% share of the investment property in Vaughan, Ontario referred to above and one residential lot in Mississauga, Ontario.

OUTSTANDING SHARE DATA

Authorized capital stock consists of an unlimited number of Class B voting shares without par value. Issued and outstanding as at December 31, 2011 are 20,575,866 shares, unchanged from October 1, 2010.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

(Unaudited, in thousands of Canadian dollars)

	Three months ended **December 31 2011**	Three months ended December 31 2010
Cash provided by (used in):		
Operating activities	**$ (866)**	$ 1,161
Investing activities	**2,458**	(344)
Financing activities	**341**	471
Increase in cash and cash equivalents during the period	**1,933**	1,288
Cash and cash equivalents, beginning of the period	**8,778**	7,175
Cash and cash equivalents, end of the period	**$ 10,711**	$ 8,463

Cash and cash equivalents increased in the first three months of 2011 by $1.3 million primarily the result of cash generated from maturities and partial repayments of syndicated mortgage loans and house building activities, net of the purchase of marketable securities and payment of income tax installments.

In the first quarter of 2012 the Company used cash $0.87 million of cash in operating activities, whereas in the corresponding period in 2011 $1.16 million of cash was generated from operating activities, a difference of $2.03 million. This difference is comprised of amounts receivable arising in 2011 from amounts due on final closing on condominium units in occupancy of $1.26 million, the increase of income tax payments in 2012 of $0.92 million and other items of $0.43 million, net of the repayment in 2011 of the balance of land mortgages on housing under development of $0.58 million.

The Company continues to use cash flows to fund existing commitments in the syndicated mortgage loan segment of its operations, to invest in money market investments and to invest in its house building segment. The Company's cash and cash equivalents serve to provide the Company with sufficient liquidity to carry on its business activities.

CONTRACTUAL OBLIGATIONS

The following table summarizes the contractual amounts and maturity periods of the Company's financial liabilities at December 31, 2011 on an undiscounted basis:

Contractual obligations are due as follows:	**Total**	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Bank advances	**$ 219**	$ 219	$ –	$ –	$ –
Loans payable	**7,210**	1,485	853	807	4,065
Accounts payable and accrued liabilities	**710**	710	–	–	–
Deposits on sales	**49**	49	–	–	–
Further advances under syndicated mortgage loans*	**128**	128	–	–	–
Liabilities and other contractual obligations	**$ 8,316**	$ 2,591	$ 853	$ 807	$ 4,065

* Based on management's estimate of the timing of borrowers requesting additional funding as per the terms of the original lending agreement. Any such additional funding will form part of the Company's investment in syndicated mortgage loans.

TRANSACTIONS WITH RELATED PARTY

Related Party Transactions

The following is a summary of the Company's related party relationships:

- some lots within the house building joint ventures were acquired from companies partly owned by or related to certain shareholders who are directors and/or officers of the Company;
- certain shareholders, and certain shareholders who are directors and officers or parties related to them, are also participants in all of the house building joint ventures;
- the Company is managed by two shareholders who are also officers and directors under a management agreement;
- a company controlled by an officer and a director provides certain construction contracting services to the Company;
- a director who is also an officer is a partner in a law firm that provides legal services to the Company;
- a director is associated with a law firm that provides legal services to the Company and its joint ventures;
- a director who is also an officer of the Company serves as a director of a Toronto Stock Exchange listed mortgage loan investment corporation. This corporation is a co-investor with the Company in the syndicated mortgage loans described in note 12(a). Two directors who are also officers participate as investors in some of the syndicated mortgage loans in which the Company has invested;
- a director who is also an officer partly owns a company that has made loans to a house building joint venture in which the Company is a participant;
- three companies, one owned by one co-tenant and the other two owned by another co-tenant of the Company's Vaughan, Ontario income-producing property, lease space in that property; and
- a company owned by a co-tenant of the Company's Vaughan, Ontario income-producing property acts as the manager of that property and is paid management fees.

Related party transactions are recorded at their exchange amounts, which is the consideration agreed to by the parties.

Transactions with related parties during the period were as follows:

	Three months ended **December 31 2011**	 December 31 2010
Management fee expense	**$ 79**	$ 80
Legal services	**3**	7
Rental income	**50**	45
Construction contracting services	**–**	307
Interest paid or payable on loans payable	**5**	12

The consolidated balance sheets include the following balances with related parties:

	December 31 2011	September 30 2011
Accounts payable and accrued liabilities	**$ 75**	$ 302
Loans payable	**1,020**	510

RISK MANAGEMENT

Market Risk - Interest Rate Risk

The Company is subject to interest rate fluctuations; however, current low and stable interest rates have lessened the risk associated with such fluctuations. The syndicated mortgage loans are repayable in full at the option of the borrower at any time and, for the most part, are subject to a minimum specified rate of interest or prime plus a specified interest spread if such exceeds the minimum specified rate. The Company's debt comprises project specific house building joint ventures' prime-based bank debt and a mortgage loan payable on an income-producing property.

Credit and Operational Risks

The Company's credit risk relates to the potential of financial loss resulting from the failure of a borrower or counterparty to fully honor its financial or contractual obligations, such as to repay principal and/or interest on a syndicated mortgage loan. Fluctuations in real property values may increase the risk of default and may also reduce the net realizable value of the collateral real property to the Company. Credit losses occur when the counterparty fails to meet its obligations to the Company and the value realized on sale of the underlying security deteriorates below the carrying amount of the exposure. Credit risk is mitigated through credit enhancement which is comprised of excess spread and obtaining sufficient real property collateral, as well as monitoring the level of concentration of credit risk from individual borrowers. Furthermore, the Company leverages the credit risk management objectives, policies and procedures of the mortgage syndicator to help mitigate the credit risk. These policies and procedures govern credit administration and arrears management.

The Company's operational risk relates to the potential of losses on housing under construction resulting from any instability in the real estate sector in the Greater Toronto Area and any reduction in the level of activity in the Company's house building joint ventures.

The Company's maximum exposure to credit risk is the fair values of cash and cash equivalents, amounts receivable, mortgage receivable, investments in syndicated mortgage loans, marketable securities and deposits on land purchases.

At the present time, management is satisfied that the Company's receivables will be collected in full and that land and housing inventories are valued at the lower of cost and net realizable value.

Liquidity Risk

Liquidity risk is managed by maintaining cash and cash equivalents in excess of projected needs, which includes the funding of commitments under certain of the Company's syndicated mortgage loan investments, as indicated in note 12(a). The Company expects to be able to repay or, if required, obtain extensions on the loans payable in a house building joint venture on maturity of the loans, and on the mortgage loan payable on the income-producing property, if required, on demand.

Capital Risk Management

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by obtaining an appropriate amount of debt, commensurate with the level of risk, to reduce the after-tax cost of capital.

The Company's capital consists of loans payable and shareholders' equity and, other than the capital requirement with respect to a mortgage loan on one of if its income-producing properties as discussed in note 14 to the December 31, 2011 consolidated interim financial statements, it is not subject to any externally imposed capital requirements.

The Company sets the amount of capital in proportion to 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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, repurchase shares, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements.

ENVIRONMENTAL RISKS

As an owner of real property, the Company is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the Company could be liable for costs of removal and remediation of certain hazardous toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the Company's ability to sell such real property or to borrow using such real property as collateral and, potentially, could result in claims against the Company. The Company is not aware of any material environmental liabilities at the present time.

CONTROLS AND PROCEDURES

At December 31, 2011, the Chief Executive Officer and the Chief Financial Officer ("certifying officers") of the Company have designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that information required to be disclosed in its various reports is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its consolidated financial statements for external purposes in accordance with IFRS. All internal controls over financial reporting are either completed or reviewed by the Chief Financial Officer with involvement from the CEO and Vice-President as deemed necessary. Other than the Chief Financial Officer, the Company has only one employee who is engaged in accounting and recordkeeping functions and who is directly supervised by the Chief Financial Officer.

The certifying officers have limited the scope of the design of DC&P and ICFR to exclude controls, policies and procedures of the Company's non-publicly accountable, proportionately consolidated entities ("the entities"). Management of the entities is distinct from that of the Company and, as such, the Company does not have sufficient access to the entities to design and evaluate controls, policies and procedures carried out by these entities. The Company is satisfied that, considering its own quarterly review and analysis of financial information provided by the entities and discussion with the entities' management, material errors or omissions in the entities' financial reporting for consolidation purposes would come to the attention of the Company's management and be corrected prior to consolidation.

The following summary of financial information as at December 31, 2011 and September 30, 2011 and for the three-month periods ended December 31, 2011 and December 31, 2010 relates to the Company's proportionately consolidated entities, comprising all its investments in its investment property and residential construction segments:

	December 31 2011	September 30 2011
Assets	**$ 21,126**	$ 21,064
Liabilities	**6,071**	5,854
	$ 15,055	$ 15,210

	Three months ended	
	December 31 2011	December 31 2010
Revenue	**$ 2,227**	$ 3,744
Expenses	**1,985**	3,177
Earnings	**$ 242**	$ 567

	Three months ended	
	December 31 2011	December 31 2010
Cash provided by (used in)		
Operating activities	**$ 765**	$ (381)
Investing activities	**$ (52)**	$ (8)
Financing activities	**$ (167)**	$ (439)

The certifying officers have determined that there were no changes in the Company's ICFR that occurred during the three months ended December 31, 2011 that have significantly affected, or are reasonably likely to significantly affect, the Company's ICFR.

FUTURE ACCOUNTING CHANGES

Accounting Standards Issued and yet to be Applied

Unless otherwise noted, the following new standards and amendments to existing standards apply to annual periods beginning on or after January 1, 2013 with earlier adoption permitted. The Company has not yet assessed the impact of these new standards and amendments to its consolidated financial statements.

(a) IFRS 9 – Financial Instruments

This standard was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement,* except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

(b) IFRS 10 – Consolidated Financial Statements

This standard requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

(c) IFRS 11 – Joint Arrangements

This standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers.*

(d) IFRS 12 – Disclosure of Interests in Other Entities

This standard establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

(e) IFRS 13 – Fair Value Measurement

This standard is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

(f) Amendments to existing standards not yet effective

There have been amendments to existing standards, including IAS 27, *Separate Financial Statements* (IAS 27), and IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of the financial condition and results of operations of the Company are based on the consolidated financial statements, which are prepared in accordance with IFRS. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements. Estimates and assumptions are evaluated on an ongoing basis. Estimates are based on historical experience and other assumptions that management believes are reasonable and appropriate in the circumstances. Actual results could differ from those estimates.

Management believes the most critical accounting estimates are as follows:

Impairment of Investments in Syndicated Mortgage Loans

The Company reviews its investments in individual syndicated mortgage loans on a regular basis to evaluate the risk of default on any outstanding loan which would result in the ultimate realization of less than the balance owing. Factors such as the prospect for completion of the development and sale of the underlying real property security and the present value of estimated future cash flows from the project are taken into consideration when estimating impairment. When a syndicated mortgage loan is impaired its carrying value is reduced to its recoverable amount.

Fair Value of Investment Properties

The fair value at October 1, 2010 and December 31, 2010 attributed to the Company's two investment properties sold on February 2, 2011 was, in management's judgement, equal to the net proceeds of their sale. The fair value of the Company's last remaining investment property was determined by qualified external valuation professionals at October 1, 2010, September 30, 2011 and December 31, 2011. The valuations of this investment property were done using the "Direct Capitalization Approach " in which the fair value is estimated by capitalizing the net rental income which the property can reasonably be expected to produce over its remaining life.

Estimated Costs to Complete Housing Under Development

The Company incurs soft costs, such as interest and realty taxes, in their house building operations. Such costs are estimated over the life of a project and allocated on a pro-rata basis to each unit sold. These estimates are regularly revisited and adjusted up or down in light of changing circumstances. The Company accounts for such changes in estimates using the cumulative catch-up method whereby estimated cost increases or decreases are applied to all house sales in the project (past, current and future). Using this method results in a cumulative adjustment in a current period to account for the estimated cost increase or decrease on a pro-rata basis to homes sold in prior periods.

Income Taxes

The Company is subject to income taxes in one jurisdiction. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions of future periods. The measurement of deferred income tax liabilities at the consolidated balance sheet date requires management to make estimates and assumptions regarding the timing of when temporary differences are expected to reverse. Actual results could differ from those estimates.

OUTLOOK

As at September 30, 2011, the Company had completed the purchase of all of the lots for which it had contracted to acquire in its house building operations and management does not expect to acquire additional lots or continue its house building operations beyond the end of its 2012 fiscal year-end, at which time it expects to have completed and sold its three currently active house building projects. The total value of house sales in 2012 is expected to be lower than that of 2011 as the Company will have fewer lots available for sale in 2012 than it delivered to buyers in all of 2011 and the total revenue from house sales will likely decline in 2012 over that in 2011 for the same reason. As well, profit margins on house sales could be adversely affected by increased costs resulting from unforeseen factors in the construction industry or in the economy.

With substantially all of its development land and investment properties having been sold as of September 30, 2011, the Company's remaining real estate holdings consist of the investment property described above under "Results of Operations – Rental Operations." Management is continuing with its efforts to complete the leasing of this investment property, has been receiving expressions of interest to lease remaining vacant space in the building and has been working with prospective tenants but, since the last year-end, no new space has been let.

Management continues to closely monitor the Company's investments in syndicated mortgage loans. Two of the syndicated mortgage loans in the Company's portfolio are not performing to their terms and appropriate steps are being taken by the syndicator with regard to these non-compliant loans. While no actual losses have been realized on any of the Company's investments, management has recorded a provision for potential loss on one of these syndicated mortgage loans which it believes to be adequate to deal with current exposures.

Management and the Board of Directors continue to assess the basis for the Company's ongoing operations with a view to maximizing shareholder value.