CONSOLIDATED HCI HOLDINGS CORPORATION
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March 18, 2013

To whom it may concern:

It has been brought to our attention that the interim consolidated financial statements of Consolidated HCI Holdings Corporation included in the First Quarter Report for the 2013 first quarter ended December 31, 2012 contains a typographical error. The closing date of the Interim Consolidated Statement of Changes in Shareholders' Equity for the first quarter of fiscal 2013 incorrectly reports a closing "Balance – December 13, 2012." This closing date should have read December **31**, 2012. In the accompanying amended First Quarter Report this error has been corrected.

Arnold J. Resnick, CPA, CA
Chief Financial Officer

CONSOLIDATED HCI HOLDINGS CORPORATION

FIRST QUARTER REPORT

1 For The Three Months Ended December 31, 2012

Consolidated HCI Holdings Corporation

NOTICE OF NO AUDITOR REVIEW OF 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 financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Consolidated HCI Holdings Corporation (the "Company") for the three months ended December 31, 2012 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 interim consolidated financial statements in accordance with the standards established by The Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CONSOLIDATED HCI HOLDINGS CORPORATION

INTERIM CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands of Canadian dollars)

	December 31 2012	September 30 2012
ASSETS		
Non-current assets		
Investment property (note 6)	**$ 9,897**	$ 9,800
Investment in syndicated mortgage loans (note 11(a))	**1,184**	2,682
Amounts receivable (note 9)	**220**	167
Tenant inducements (note 10)	**393**	398
	11,694	13,047
Current assets		
Housing under construction (note 7)	**1,066**	1,201
Cash and cash equivalents (note 8(a))	**2,218**	2,397
Restricted cash (note 8(b))	**1,040**	1,051
Amounts receivable (note 9)	**47**	167
Investment in syndicated mortgage loans (note 11(a))	**2,835**	3,799
Short-term investments (note 11(b))	**20,785**	18,268
Marketable securities (note 11(c))	**2,411**	2,257
Income tax recoverable	**9,127**	8,930
Tenant inducements (note 10)	**22**	22
Other	**136**	168
	39,687	38,260
Total assets	**$ 51,381**	$ 51,307
LIABILITIES		
Non-current liabilities		
Loan payable (note 12)	**$ 3,758**	$ 3,817
Deferred income taxes and other tax liabilities (note 13)	**2,199**	2,148
	5,957	5,965
Current liabilities		
Loan payable (note 12)	**233**	233
Accounts payable and accrued liabilities (note 17)	**877**	1,002
	1,110	1,235
Total liabilities	**7,067**	7,200
SHAREHOLDERS' EQUITY		
Capital stock	**35,890**	35,890
Retained earnings	**8,017**	7,943
Accumulated other comprehensive income	**407**	274
Total shareholders' equity	**44,314**	44,107
Total liabilities and shareholders' equity	**$ 51,381**	$ 51,307

Contingencies and commitments (note 18)

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

CONSOLIDATED HCI HOLDINGS CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited, in thousands of Canadian dollars)

	Capital stock	**Retained earnings**	**Accumulated other comprehensive income**	**Total equity**
Balance – October 1, 2012	**$ 35,890**	**$ 7,943**	**$ 274**	**$ 44,107**
Net earnings for the period	**–**	**74**	**–**	**74**
Other comprehensive income	**–**	**–**	**133**	**133**
Balance – December 31, 2012	**$ 35,890**	**$ 8,017**	**$ 407**	**$ 44,314**

	Capital stock	Retained earnings	Accumulated other comprehensive income	Total equity
Balance – October 1, 2011	$ 35,890	$ 15,382	$ 180	$ 51,452
Net earnings for the period	–	183	–	183
Other comprehensive income	–	–	100	100
Balance – December 31, 2011	$ 35,890	$ 15,565	$ 280	$ 51,735

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

CONSOLIDATED HCI HOLDINGS CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	Three months ended **December 31 2012**	December 31 2011
Housing revenue	**$ 202**	$ 2,079
Housing cost of sales	**210**	1,832
Gross margin (loss) on housing	**(8)**	247
Investment property revenue (note 17)	**175**	125
Investment property operating expenses	**104**	54
Net rental income	**71**	71
Other income (expenses)		
General and administrative (note 17)	**(201)**	(214)
Interest and other income	**306**	368
Interest expense	**(48)**	(54)
Amortization of leasing costs	**(3)**	(2)
Fair value gain (loss) on investment property (note 6)	**90**	(43)
	144	55
Earnings before income taxes	**207**	373
Provision for income taxes (note 13)	**133**	190
Net earnings for the period	**$ 74**	$ 183
Basic and diluted earnings per share	**$ –**	$ 0.01
Weighted average number of shares outstanding	**20,575,866**	20,575,866

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)

	Three months ended **December 31 2012**	December 31 2011
Net earnings for the period	**$ 74**	$ 183
Other comprehensive income, net of income tax		
Unrealized gains arising during the period on available-for-sale financial assets	**133**	100
Comprehensive income for the period	**$ 207**	283

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

CONSOLIDATED HCI HOLDINGS CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of Canadian dollars)

	Three months ended **December 31 2012**	December 31 2011
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net earnings for the period	**$ 74**	$ 183
Add (deduct): Non-cash items (note 16(a))	**(24)**	327
Costs recovered through sales of real estate	**210**	1,832
Expenditures on housing under development and land	**(75)**	(586)
Deferred leasing costs incurred	**(10)**	–
Changes in non-cash operating balances (note 16(b))	**(169)**	(2,622)
	6	(866)
INVESTING ACTIVITIES		
Additions to investment property	**–**	(52)
Investment in syndicated mortgage loans		
Purchases	**–**	(67)
Maturities	**2,339**	4,077
Short-term investments		
Purchases	**(6,500)**	(14,700)
Sales or maturities	**4,025**	13,200
	(125)	2,458
FINANCING ACTIVITIES		
Bank advances – net	**–**	(109)
Repayment of mortgage loan on investment property	**(60)**	(60)
Repayment of loans from related parties	**–**	510
	(60)	341
Increase (decrease) in cash and cash equivalents during the period	**(179)**	1,933
Cash and cash equivalents, beginning of the period (note 8(a))	**2,397**	8,778
Cash and cash equivalents, end of the period (note 8(a))	**$ 2,218**	$ 10,711

SUPPLEMENTARY INFORMATION (note 16)

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

1. Description of Business

Consolidated HCI Holdings Corporation and its subsidiaries (together "CHCI" or the "Company") is an Ontario based, publicly traded real estate development company trading on the Toronto Stock Exchange under the symbol CXA.B. 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. The Company also conducts activities through various ventures in the building and selling of new homes on land purchased from others and invests in syndicated mortgage loans, which are secured by real property developments of other land developers and builders. The address of its registered office is 40 King Street West, Suite 2100, Toronto, Ontario.

The Board of Directors approved the interim consolidated financial statements on February 11, 2013.

2. Basis of Preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim consolidated financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting.

The policies applied in these interim consolidated financial statements are based on IFRS policies effective as of December 31, 2012.

These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2012.

3. Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates and judgments that could have a material impact on the interim consolidated financial statements are addressed below.

(a) 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.

(b) Fair Value of Investment Property

The fair value of the Company's last remaining investment property was determined by qualified external valuation professionals at September 30, 2012 and December 31, 2012. This property is comprised of two components, a rental building and adjoining rental land. The valuation of the building was done using the "Discounted Cash Flow Method" in which the revenue and expenses are projected over the anticipated term of the investment. The valuation of the rental land was done using the "Overall Capitalization Rate Method" whereby the net operating income is capitalized at the requisite overall capitalization rate.

(c) Estimated Costs to Complete Housing Under Construction

The Company incurs soft costs, such as interest and realty taxes, in its 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.

(d) 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 interim consolidated balance sheet dates 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.

4. 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 interim consolidated financial statements.

(a) IFRS 9 – Financial Instruments

This standard was issued in November 2009 and is effective for annual periods beginning on or after January 1, 2015. The standard 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 with 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 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 disclosures 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 to 13.

5. Segmented Information

The Company operates in southern Ontario, in the Greater Toronto Area and surrounding communities and has three reportable segments: the construction and operation of investment property, the construction and sale of residential units and the investment in syndicated mortgage loans. The results of operations and amounts invested in these segments are as follows:

Three months ended December 31

	Revenue		Earnings (loss)	
	2012	2011	**2012**	2011
Investment property	**$ 265**	$ 125	**$ 110**	$ (28)
Residential construction	**208**	2,102	**(2)**	270
Syndicated mortgage loans	**216**	134	**216**	134
Unallocated amounts:				
Interest income	**84**	211	**84**	211
	$ 773	$ 2,572		
General and administrative expenses			**(201)**	(214)
Income taxes			**(133)**	(190)
Net earnings for the period			**$ 74**	$ 183

Identifiable Assets

	Investment property	Residential construction	Syndicated mortgage loans	Unallocated corporate assets	Total assets
December 31, 2012	**$ 10,655**	**$ 4,189**	**$ 4,019**	**$ 32,518**	**$ 51,381**
September 30, 2012	$ 10,566	$ 4,287	$ 6,481	$ 29,973	$ 51,307

Identifiable Liabilities

	Investment property	Residential construction	Syndicated mortgage loans	Unallocated corporate liabilities	Total liabilities
December 31, 2012	**$ 4,213**	**$ 217**	**$ –**	**$ 2,637**	**$ 7,067**
September 30, 2012	$ 4,403	$ 252	$ –	$ 2,545	$ 7,200

Capital expenditures in the investment property segment for the three months ended December 31, 2012 amounted to $10 (2011 - $52).

6. Investment Property

	December 31 2012	September 30 2012
Balance, beginning of the period	**$ 9,800**	$ 9,351
Amortization of leasing costs	**(3)**	(10)
Additions	**–**	478
Fair value adjustment	**90**	(103)
Leasing costs incurred	**10**	84
Balance, end of the period	**$ 9,897**	$ 9,800

The basis of valuation of the Company's investment property is set out in note 3(b). The key valuation metrics for the sole remaining investment property are set out in the following table:

	December 31, 2012			September 30, 2012		
	Minimum	**Maximum**	**Applied**	Minimum	Maximum	Applied
Capitalization rate						
Rental building	**8.0%**	**8.5%**	**8.25%**	8.0%	8.5%	8.25%
Adjoining land	**4.3%**	**6.5%**	**6.0%**	4.85%	6.0%	6.0%

Presented separately from investment property is $226 (September 30, 2012 - $171) of net straight-line rent receivable (included in note 9) arising from recognition of rental revenues on a straight-line basis over the lease term in accordance with IAS 17, Leases. The fair value of investment property has been reduced by these amounts presented separately.

The Company's investment property, exclusive of the adjoining land component referred to above, which is unencumbered, with a fair value of $9,122 (September 30, 2012 - $9,038) has been pledged as security for a mortgage loan payable (note 12).

7. Housing Under Construction

	December 31 2012	September 30 2012
Housing under construction	**$ 1,066**	$ 1,201

Housing under construction consists of the Company's proportionate share of venture housing inventory in its house building joint ventures.

8. Cash and Cash Equivalents and Restricted Cash

(a) Cash and cash equivalents consist of the following:

	December 31 2012	September 30 2012
Cash	**$ 14**	$ 678
Term deposits	**2,204**	1,719
	$ 2,218	$ 2,397

Cash and cash equivalents include unrestricted cash and term deposits with a maturity of three months or less from the date of acquisition.

Included in cash and cash equivalents is the Company's proportionate share of cash and cash equivalents of the Company's proportionately consolidated entities of $2,069 (September 30, 2012 - $1,913).

(b) Restricted cash is as follows:

	December 31 2012	September 30 2012
Total restricted cash	**$ 1,040**	$ 1,051

Restricted cash, all held in the Company's house building joint ventures, includes deposits required to secure outstanding guarantees and letters of credit of $240 (September 30, 2012 - $251) and funds held in trust by the project manager of $800 (September 30, 2012 - $800) on the basis of $2 per project dwelling unit.

9. Amounts Receivable

	December 31 2012	September 30 2012
Straight-line rent receivable	**$ 226**	$ 171
Other	**41**	163
	$ 267	$ 334
Current	**$ 220**	$ 167
Non-current	**47**	167
	$ 267	$ 334

10. Tenant Inducements

	December 31 2012	September 30 2012
Tenant inducements	**$ 432**	$ 432
Less: Accumulated amortization	**(17)**	(12)
	$ 415	$ 420
Non-current	**$ 393**	$ 398
Current	**22**	22
	$ 415	$ 420

Cash inducements paid to tenants to enter into leases are amortized as a reduction in rental revenue over the term of the lease on a straight-line basis.

11. Investments in Syndicated Mortgage Loans, Short-term Investments and Marketable Securities

		December 31 2012	September 30 2012
(a)	Syndicated mortgage loans secured by real property, for remaining terms from 1 to 45 months (September 30, 2012 – 1 to 48 months), bearing interest at a period-end weighted average rate of 9.98% (September 30, 2012 – 8.44%) per annum.		
	Non-current	**$ 1,184**	$ 2,682
	Current	**2,835**	3,799
		$ 4,019	$ 6,481

The Company has commitments to make additional advances totaling $47 under one of its syndicated mortgage loans.

The syndicated mortgage loans can be repaid by the borrowers prior to maturity and are due as follows: $2,835 in 2013, $637 in 2014, $10 in 2015 and $537 in 2016.

Outstanding syndicated mortgage loans past due but not impaired are as follows:

	1 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	**Total December 31, 2012**
Syndicated mortgage loans	**$ –**	**$ –**	**$ –**	**$ 1,060**	**$ 1,060**

	1 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total September 30, 2012
Syndicated mortgage loans	$ –	$ –	$ –	$ 1,447	$ 1,447

		December 31 2012	September 30 2012
(b)	Short-term investments consist of the following:		
	Canadian chartered bank term deposits issued for periods of 90 days or greater, bearing interest at a period-end weighted average rate of 1.54%.	**$ 20,785**	$ 18,268

		December 31 2012	September 30 2012
(c)	Marketable securities consist of the following:		
	16,000 CIBC non-cumulative Class A preferred shares, Series 27, to yield 5.6% per annum (cost – $400)	**$ 408**	$ 411
	12,000 TD Bank Class A first preferred shares, Series O, to yield 4.85% per annum (cost – $300)	**315**	313
	(2012 – 3,130) Faircourt Split Seven Trust, preferred securities, due December 31, 2014, to yield 6.25% (cost – $31; 2012 – $31)	**32**	32
	52,840.03 B/1 shares York Select Unit Trust (cost – US$1,000; fair value – US$1,664; September 30, 2012 – fair value – US$1,527)	**1,656**	1,501
		$ 2,411	$ 2,257

12. Loan Payable

The loan payable is as follows:

	December 31 2012	September 30 2012
Secured by an investment property, net of deferred financing fees of $26 (September 30, 2012 – $28)	**$ 3,991**	$ 4,050

Principal repayments of loans payable are due as follows:

Years ending September 30,	2013	$ 178
	2014	237
	2015	237
	2016	237
	2017	237
	Thereafter	2,891
		4,017
Less: Deferred financing fees		26
		$ 3,991

The estimated fair value of loans payable at December 31, 2012 is $3,991 (September 30, 2012 – $4,050) because these loans payable bear interest at a variable rate.

The loan payable, secured by an investment property, constitutes the Company's 50% share of a first mortgage loan on its Vaughan, Ontario property. The loan bears interest at the Business Development Bank of Canada's base rate for commercial and industrial loans and matures in 2029. At December 31, 2012, the base rate was 5%. The Company has provided the lender with a guarantee of 50% of amounts due under the loan. A condition of the mortgage loan is that the co-tenancy maintain a long-term debt to tangible equity ratio of 3:1. As at December 31, 2012, this condition has been met.

13. Income Taxes

(a) Significant components of the income tax provision for the three months ended December 31 are as follows:

		Three months ended		
		December 31 2012		December 31 2011
Current	**$**	**103**	$	210
Deferred		**30**		(20)
		133		190
Income tax provision on other comprehensive income included in deferred income taxes		**21**		17
	$	**154**	$	207

(b) The income tax provision differs from the amount computed by applying the average statutory Canadian federal and provincial income tax rates to earnings before income taxes. These differences are:

		Three months ended		
		December 31 2012		December 31 2011
Expected income tax at 26.5% (2011 – 26.75%)	**$**	**55**	$	100
Other		**78**		90
Income tax provision in interim consolidated statements of earnings		**133**		190
Income tax provision in interim consolidated statements of comprehensive income		**21**		17
	$	**154**	$	207

(c) Deferred income taxes and other tax liabilities relate to:

		December 31 2012		September 30 2012
Temporary differences:				
Capital cost allowance in excess of accounting amortization booked	**$**	**319**	$	309
Costs capitalized for accounting, deducted for income tax		**316**		350
Unrealized gain on investment property		**411**		371
Mortgage reserves		**60**		46
Other comprehensive income		**63**		42
		1,169		1,118
Other reserves and provisions		**1,030**		1,030
	$	**2,199**	$	2,148
Comprised of:				
Deferred income tax liabilities reversing after more than 12 months	**$**	**1,102**	$	1,052
Deferred income tax liabilities reversing within 12 months		**1,097**		1,096
	$	**2,199**	$	2,148

14. Financial Instruments

Fair Values

The fair values of investments traded in active markets, such as marketable securities classified as available-for-sale, are based on the quoted bid price on the interim consolidated balance sheet dates.

The fair values of cash and cash equivalents, restricted cash, investments in term deposits and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

The fair value of investments in syndicated mortgage loans approximates their carrying value, as they are repayable in full at the option of the borrower at any time and, for the most part, the interest rate is subject to adjustment.

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 a mortgage loan payable on its investment property.

The following interest sensitivity table outlines the potential impact of a 1% change in interest rates on variable rate assets and liabilities for the period ended December 31, 2012:

	Carrying Value	Interest Rate Risk			
		-1%		+1%	
Increase (decrease)		Net Earnings	Equity	Net Earnings	Equity
Financial assets					
Cash and cash equivalents	$ 2,218	$ (4)	$ (4)	$ 4	$ 4
Investment in preferred shares	755	–	160	–	(107)
Financial liabilities					
Loan payable	3,991	8	8	(8)	(8)
Total increase (decrease)		$ 4	$ 164	$ (4)	$ (111)

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 honour 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, short-term investments, investment in syndicated mortgage loans and marketable securities.

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 11(a). The Company expects to be able to repay or, if required, obtain an extension on the mortgage loan payable on the investment property, if required, on demand.

The following table summarizes the contractual amounts and maturity periods of the Company's financial liabilities at December 31, 2012 on an undiscounted basis:

Contractual obligations are due as follows:	**Total**	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Loans payable (1)	**$ 5,726**	$ 433	$ 830	$ 783	$ 3,680
Accounts payable and accrued liabilities	**877**	877	–	–	–
Further advances under syndicated mortgage loans (2)	**47**	47	–	–	–
Liabilities and other contractual obligations	**$ 6,650**	$ 1,357	$ 830	$ 783	$ 3,680

(1) A 5% interest rate has been used for the remaining term to maturity.

(2) 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.

Capital Risk Management

The Company's objectives when managing capital are:

a) to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

b) 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 a mortgage loan payable on its investment property and shareholders' equity and, other than the requirement with respect to the mortgage loan as discussed in note 12, it is not subject to any externally imposed capital requirements.

The Company sets the amount of capital in proportion to risk. The Company manages its 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.

15. Financial Guarantees

At December 31, 2012, the Company has available letters totaling $240 (September 30, 2012 – $251) of which $240 (September 30, 2012 – $251) has been utilized in support of its obligation to complete servicing requirements in connection with various house building projects.

The Company is contingently liable for its co-investors' share of the obligations in joint venture and co-tenancy developments. At December 31, 2012, the Company's co-investors' share of obligations of such entities comprises liabilities of $1,049 (September 30, 2012 – $930) and letters of credit of $680 (September 30, 2012 – $730) in support of obligations to complete servicing requirements in connection with various house building projects. In each case, assets of the joint ventures and co-tenancy developments, consisting primarily of cash and cash equivalents and housing under development, are available to satisfy such obligations.

16. Interim Consolidated Statements of Cash Flows

(a) Non-cash items in operating activities are as follows:

	Three months ended December 31 2012	Three months ended December 31 2011
Deferred income taxes	**$ 30**	$ (20)
Amortization of leasing costs	**3**	2
Amortization of deferred financing costs	**2**	1
Amortization of tenant inducements	**5**	–
Accrued interest receivable	**81**	292
Straight-line rent receivable	**(55)**	9
Fair value (gain) loss on investment property	**(90)**	43
	$ (24)	$ 327

(b) Changes in non-cash balances in operating activities are as follows:

	Three months ended December 31 2012	Three months ended December 31 2011
Amounts receivable	**$ 122**	$ (1,106)
Accounts payable and accrued liabilities	**(125)**	(347)
Deposits on sales	**–**	(15)
Income tax recoverable	**(197)**	(1,142)
Other	**31**	(12)
	$ (169)	$ (2,622)

(c) Supplementary information consists of the following:

	Three months ended December 31 2012	Three months ended December 31 2011
Interest paid	**$ 48**	$ 54
Income taxes paid	**$ 300**	$ 1,352

17. 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 11(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 investment property, lease space in that property; and
- a company owned by a co-tenant of the Company's Vaughan, Ontario investment property acts as the manager of that property and is paid management fees.

Related party transactions are recorded at the amount of consideration agreed to by the parties.

Transactions with related parties during the period were as follows:

	Three months ended **December 31 2012**	 December 31 2011
Management fee expense	**$ 80**	$ 79
Legal services	**1**	3
Rental income	**39**	50
Interest paid or payable on loans payable	**–**	5

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

	December 31 2012	September 30 2012
Accounts payable and accrued liabilities	**$ 375**	$ 300

18. Contingencies and Commitments

As security for the Company's letter of credit facilities of $240 (September 30, 2012 - $251), the bank holds a general security agreement, a registered general assignment of book debts and a specific assignment of certain amounts due under agreements of purchase and sale.

The Company, from time to time, is subject to legal proceedings brought against it and its subsidiaries. Management does not believe these proceedings in aggregate will have a material adverse effect on the Company's consolidated financial position or financial performance.

The Company has commitments to make additional advances in connection with its syndicated mortgage loan investments as explained in note 11(a).

MANAGEMENT'S DISCUSSION and ANALYSIS

As of February 11, 2013

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, 2012 and 2011, as well as updating CHCI's most recently issued MD&A, dated December 14, 2012. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Company, including the notes thereto, for the three-month periods ended December 31, 2012 and 2011 and should also be read in conjunction with the audited consolidated financial statements and the MD&A for the fiscal years ended September 30, 2012 and 2011, as set out in the Company's 2012 Annual Report.

Additional information relating to the Company, including the Certification of Interim Filings for the quarter ended December 31, 2012 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 information systems, procedures and controls to ensure that 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 unaudited interim consolidated financial statements as at December 31, 2012 and 2011.

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 interim 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. 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 2012	December 31 2011
Revenue	**$ 773**	$ 2,572
Earnings before income taxes	**$ 207**	$ 373
Provision for income taxes	**133**	190
Net earnings for the period	**74**	183
Basic and diluted earnings per share	**$ –**	$ 0.01

Revenue in the first three months of fiscal 2013 decreased by $1.8 million compared to the revenue recorded for the same period in fiscal 2012. This decrease is comprised of a decrease in housing sales of $1.88 million, a decrease in interest and other income of $0.06 million partially offset by an increase in rental revenue of $0.05 million and the 2013 $0.09 million gain in fair value of the investment property. 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.

House building operations

(Unaudited, in thousands of Canadian dollars)

	Three months ended December 31 2012	December 31 2011
Revenue from housing sales	**$ 202**	$ 2,079
Housing cost of sales	**210**	1,832
Gross profit (loss) from housing sales	**$ (8)**	$ 247

The Company's share of joint venture revenue from housing sales decreased in the first quarter of 2013 by $1.88 million compared to the corresponding period in the previous year. This revenue decrease is primarily the result of there being fewer units sold. The Company has acquired no new lots since the first quarter of 2011 and since that time has been building out and selling its remaining 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 it takes for a project to sell out, resulting in higher than budgeted carrying costs. The overall gross margin on the Company's share of the two housing units sold in the first quarter of 2013 was 6.3% compared to 11.9% for the sales in the corresponding period in 2012 primarily as a result of there being more higher margin product sold in the first quarter of 2012. In the first quarter of 2013, adjustments for cost estimates made in a project, which had sold out in 2012, resulted in the Company recording a small loss on housing sales.

Rental operations

(Unaudited, in thousands of Canadian dollars)

	Three months ended			
	December 31 2012		December 31 2011	
Rental revenues	**$**	**175**	$	125
Property operating expenses		**104**		54
Net operating income*	**$**	**71**	$	71

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

The increase in rental revenue of $0.05 million is primarily the result of rental revenue from a national fitness chain whose tenancy commenced in the second quarter of 2012.

Property operating expenses in the first quarter of 2013 increased by $0.05 million compared to the corresponding period in 2012 primarily from increased repairs and maintenance costs related to putting a new tenant in place, moving a short-term tenant in and out and other building period costs.

At December 31, 2012, 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.

Interest and other income

Interest and other income decreased by $0.06 million for the three months ended December 31, 2012 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 2013 compared to the corresponding period in 2012. 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 2013, in aggregate, are lower than those incurred during the corresponding period of 2012, 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 2013 of $0.1 million (2012 - $0.2 million) has been computed by applying the average statutory Canadian federal and provincial income tax rate of 26.50% (2012 – 28.75%) to earnings before income taxes.

Management has determined that potential unrecorded future income tax benefits of approximately $4.8 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)

	December 31 2012	September 30 2012
Investment property	**$ 9,897**	$ 9,800
Housing under construction	**1,066**	1,201
Cash and cash equivalents	**2,218**	2,397
Restricted cash	**1,040**	1,051
Amounts receivable	**267**	334
Investment in syndicated mortgage loans	**4,019**	6,481
Short-term investments	**20,785**	18,268
Marketable securities	**2,411**	2,257
Income tax recoverable	**9,127**	8,930
Tenant inducements	**415**	420
All other assets	**136**	168
Total assets	**$ 51,381**	$ 51,307
Long-term financial liability:		
Mortgage loan on investment property	**$ 3,991**	$ 4,050

ASSETS AND LIABILITIES

During the first three months of 2013, the Company realized cash from sales in one of 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 investment property operations and general and administrative costs, make income tax installments and increase investment in short-term investments.

The Company's housing under construction decreased by $0.14 million during the first three months of 2013, 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 maintains a long-term debt to tangible equity ratio of 3:1. As at December 31, 2012, this condition has been met.

At December 31, 2012, 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, 2012 are 20,575,866 shares, unchanged from October 1, 2011.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

(Unaudited, in thousands of Canadian dollars)

	Three months ended December 31 2012	Three months ended December 31 2011
Cash provided by (used in):		
Operating activities	**$ 6**	$ (866)
Investing activities	**(125)**	2,458
Financing activities	**(60)**	341
Increase (decrease) in cash and cash equivalents during the period	**(179)**	1,933
Cash and cash equivalents, beginning of the period	**2,397**	8,778
Cash and cash equivalents, end of the period	**$ 2,218**	$ 10,711

Cash and cash equivalents decreased in the first quarter of 2013 by $0.02 million primarily the result of principal payments on the mortgage loan on the Company's investment property and increased investment in short-term investments, partially offset by proceeds of repayments of investments in syndicated mortgage loans.

The Company continues to use cash flows to invest in money market investments, to fund its investment property and house building operations operation and to fund general and administrative costs. 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, 2012 on an undiscounted basis:

(Unaudited, in thousands of Canadian dollars)

Contractual obligations are due as follows:	**Total**	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Loans payable (1)	**$ 5,726**	$ 433	$ 830	$ 783	$ 3,680
Accounts payable and accrued liabilities	**877**	877	–	–	–
Further advances under syndicated mortgage loans (2)	**47**	47	–	–	–
Liabilities and other contractual obligations	**$ 6,650**	$ 1,357	$ 830	$ 783	$ 3,680

(1) A 5% interest rate has been used for the remaining term to maturity.

(2) 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 PARTIES

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 10(a) to the interim consolidated financial statements. 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 investment property, lease space in that property; and
- a company owned by a co-tenant of the Company's Vaughan, Ontario investment property acts as the manager of that property and is paid management fees.

Related party transactions are recorded at the amount of consideration agreed to by the parties.

Transactions with related parties during the period were as follows:

(Unaudited, in thousands of Canadian dollars)

	Three months ended	
	December 31 2012	December 31 2011
Management fee expense	**$ 80**	$ 79
Legal services	**1**	3
Rental income	**39**	50
Interest paid or payable on loans payable	**–**	5

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

	December 31 2012	September 30 2012
Accounts payable and accrued liabilities	**$ 375**	$ 300

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 a mortgage loan payable on an investment 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 honour 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, short-term investments, investment in syndicated mortgage loans and marketable securities.

At the present time, management is satisfied 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 11(a) to the interim consolidated financial statements. The Company expects to be able to repay or, if required, obtain an extension on the loan payable on the investment property, if required, on demand.

Capital Risk Management

The Company's objectives when managing capital are:

a) to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

b) 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 a mortgage loan payable on its investment property and shareholders' equity and, other than the capital requirement with respect to the mortgage loan as discussed in note 12 to the December 31, 2012 interim consolidated 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 its 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 property 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, 2012, the CEO and the CFO ("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 they have designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its interim consolidated financial statements for external purposes in accordance with IFRS. All internal controls over financial reporting are either completed or reviewed by the CFO with involvement from the CEO and Vice-President as deemed necessary. Other than the CFO, the Company has only one employee who is engaged in accounting and recordkeeping functions and who is directly supervised by the CFO.

The certifying officers have limited the scope of the design of the 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, 2012 and September 30, 2012 and for the three-month periods ended December 31, 2012 and December 31, 2011 relates to the Company's proportionately consolidated entities, comprising all its investments in its investment property and residential construction segments:

(Unaudited, in thousands of Canadian dollars)

	December 31 2012	September 30 2012
Assets	**$ 14,844**	$ 14,853
Liabilities	**4,430**	4,655
	$ 10,414	$ 10,198

	Three months ended	
	December 31 2012	December 31 2011
Revenue	**$ 473**	$ 2,227
Expenses	**365**	1,985
Earnings	**$ 108**	$ 242

	Three months ended	
	December 31 2012	December 31 2011
Cash provided by (used in)		
Operating activities	**$ 203**	$ 765
Investing activities	**$ –**	$ (52)
Financing activities	**$ (60)**	$ (167)

The certifying officers have determined there were no changes in the Company's ICFR that occurred during the nine months ended June 30, 2012 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 is effective for annual periods beginning on or after January 1, 2015. The standard 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 with 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 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 disclosures 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 to 13.

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of the financial condition and results of operations of the Company are based on the interim consolidated financial statements, which are prepared in accordance with IFRS. The preparation of interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the interim 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.

Fair Value of Investment Property

The fair value of the Company's last remaining investment property was determined by qualified external valuation professionals at September 30, 2012 and December 31, 2012. This property is comprised of two components, a rental building and adjoining rental land. The valuation of the building was done using the "Discounted Cash Flow Method" in which the income and expenses are projected over the anticipated term of the investment. The valuation of the rental land was done using the "Overall Capitalization Rate Method" whereby the net operating income is capitalized at the requisite overall capitalization rate.

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 interim consolidated balance sheet dates 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 December 31, 2012, the Company's housing inventory comprised three completed residential dwelling units, the Company's share of nine units in its last two remaining projects. Management does not expect to acquire additional lots or continue its house building operations beyond the end of its 2013 fiscal year-end at which time it expects to have sold these units. The total value of house sales in 2013 is expected to be lower than that of 2012 as the Company will have fewer lots available for sale in 2013 than it delivered to buyers in all of 2012 and the total revenue from house sales is expected to decline in 2013 over that in 2012 for the same reason.

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, beyond the completed leasing activity described in the MD&A for the years ended September 30, 2012 and 2011, which would bring the occupancy rate to 64% by April 1, 2013, no new space has been let.

Management continues to closely monitor the Company's investments in syndicated mortgage loans. One of the syndicated mortgage loans in the Company's portfolio is not performing to its terms and appropriate steps are being taken by the syndicator with regard to this non-compliant loan.

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

CORPORATE DIRECTORY

DIRECTORS

Rudolph Bratty**
President
Ruland Realty Limited

John H. Craig
Solicitor and Partner
Cassels Brock & Blackwell LLP
Barristers and Solicitors

John H. Daniels*
President
The Daniels Group Inc.

Richard Gambin*
President
Ricgam Investments Ltd.

Stanley Goldfarb
President
Logpin Investments Limited

Marc Muzzo
Director
Marel Contractors

* Audit Committee
** Chairman of the Board and the Audit Committee

OFFICERS

Stanley Goldfarb
President, Chief Executive Officer & Treasurer

Marc Muzzo
Vice-President

John H. Craig
Secretary

Arnold J. Resnick
Chief Financial Officer

AUDITOR

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Investor Services Inc.

SOLICITORS

Cassels Brock & Blackwell LLP

REGISTERED OFFICES

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EXECUTIVE OFFICES

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STOCK EXCHANGE LISTING

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Symbol: CXA.B

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