MANAGEMENT'S DISCUSSION AND ANALYSIS

As of January 4, 2018

OVERVIEW

Consolidated HCI Holdings Corporation was an Ontario based, publicly traded real estate development and investment company trading on the Toronto Stock Exchange under the trading symbol CXA.B. The following management's discussion and analysis ("MD&A") of the financial condition of the Company and its financial performance for the two years ended September 30, 2017 and 2016 are the views of management and should be read in conjunction with the consolidated financial statements including the related notes in the 2017 and 2016 audited consolidated financial statements. Amounts presented in this MD&A are in thousands of Canadian dollars, unless otherwise noted.

The information included in this MD&A, including the 2016 comparative information, has been prepared in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

Until June 30, 2017, the activities of the Company included the leasing of two investment properties in Vaughan, Ontario, comprising a multi-unit, 50%-owned industrial/commercial building and a 50%-owned rental building leased as a fast food outlet. Until November 25, 2015, the Company invested in syndicated mortgage loans, which were secured by real property developments of other land developers and builders and, until September 30, 2013, conducted activities through co-tenancies in the building and selling of new homes on land purchased from others.

On March 24, 2017, the Company accepted an offer to sell its 50% interest in each of its two remaining investment properties referred to above, which constitute substantially all of its real property assets. At a special meeting of shareholders of the Company held on April 28, 2017, shareholders voted to pass a resolution to approve the sale. The purchaser is a company controlled by certain Directors of the Company, each holding more than 10% of the outstanding Class B shares. The sale closed on June 30, 2017.

The purchase price for the Company's 50% interest in the properties was $14,250 and was satisfied by the assumption of the Company's 50% share of the outstanding principal obligation at closing on the mortgaged property, amounting to $2,749, with the balance paid in cash. Typical investment property adjustments, calculated to June 30, 2017, were settled subsequent to September 30, 2017.

On September 20, 2017, the Company announced that, as it had discontinued and divested a substantial portion of its operations, it had ceased to be actively engaged in ongoing business and no longer met the listing requirements of the Toronto Stock Exchange (the "Exchange") its Class B shares were delisted from trading on the Exchange at the close of business on that day. With this announcement, the Company also advised that, with the opening of trading on Thursday, September 21, 2017, its Class B shares would commence trading on the NEX board under the trading symbol CXA.H.

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 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 consolidated financial statements as at September 30, 2017 and 2016.

CONTROLS AND PROCEDURES

As at September 30, 2017, 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. 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 the DC&P and ICFR to exclude controls, policies and procedures of the Company's non-publicly accountable proportionately consolidated joint operations. Management of the operations is distinct from that of the Company and, as such, the Company does not have sufficient access to the operations to design and evaluate controls, policies and procedures carried out by these entities. The Company is satisfied that, considering its own review and analysis of financial information provided by the joint operations and discussion with the joint operations' management, material errors or omissions in the operations' financial reporting for consolidation purposes would come to the attention of the Company's management and be corrected prior to consolidation.

The following table summarizes joint operations in which the Company participates and for which it recognizes its proportionate interest in the underlying assets, liabilities, revenues, expenses and cash flows:

Name of joint operation	Ownership interest %	
	2017	2016
7700 Keele Street – to June 30, 2017	50.00	50.00
Seven- Keele – to June 30, 2017	50.00	50.00
Purple Stone Homes	30.00	30.00
Kewanee Holdings	30.00	30.00
Honeysuckle Homes	10.00	10.00
Jenrette Construction	28.75	28.75

The following summary of financial information as at September 30, 2017 and 2016 and for the years then ended relates to the Company's aggregate consolidated proportionate share of its joint operations, comprising all its investments in its investment properties and residential construction:

	September 30	
	2017	2016
Assets	$ 464	$ 14,264
Liabilities	157	3,174
	$ 307	$ 11,090

	Year ended September 30	
	2017	2016
Revenue	$ 864	$ 1,109
Expenses	(819)	(427)
Fair value gain on investment properties	567	884
Earnings	$ 612	$ 1,566

	Year ended September 30	
	2017	2016
Cash provided by (used in)		
Operating activities	$ (178)	$ (375)
Investing activities	11,208	120
Financing activities	(179)	(237)

The certifying officers have evaluated the design and operating effectiveness of the Company's DC&P and ICFR for the year ended September 30, 2017 and have concluded that such DC&P and ICFR were appropriately designed and were operating effectively.

The certifying officers have determined there were no changes in the Company's ICFR that occurred during the year ended September 30, 2017 that have significantly affected, or are reasonably likely to significantly affect, the Company's ICFR.

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 such as "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.

REVIEW OF FINANCIAL RESULTS

Financial data presented herein is expressed in thousands of Canadian dollars and is in accordance with IFRS.

Results of operations

Two-year summary of operating results
(in thousands of dollars, except per share amounts)

	2017	2016
Total revenue	$ 986	$ 1,243
Earnings before income taxes	$ 309	$ 862
Recovery of (provision for) income taxes	361	(78)
Net earnings for the year	$ 670	$ 784
Basic and diluted earnings per share	$ 0.03	$ 0.04

Total revenue decreased in 2017 by $257 compared to the revenue recorded for the same period in 2016, the result of a decrease in investment property revenue of $230 and a decrease in interest income of $27.

House building operations

The Company completed and closed all housing inventory by September 30, 2013.

During both 2017 and 2016, adjustments for cost estimates made in four projects, which had previously sold out, resulted in the Company recording completion costs totalling $7 and cost recoveries totalling $45, respectively, in its house building operations.

As at September 30, 2016, amounts receivable included $831 owing from the house building co-tenancies' project manager. These amounts, held pursuant to the project co-tenancy agreements, were meant to provide contingency funds should any warranty or other claims be made with respect to the houses sold. The project manager, at its discretion, may call on co-tenants for additional contingency fund contributions if and when required, pay for additional project costs contemplated when establishing the fund or release remaining funds back to the co-tenancy for distribution to the co-tenants once they are no longer considered necessary to hold.

During the fourth quarter of fiscal 2017, the Company and the project manager reached an agreement in principle under which the project manager would indefinitely retain 50% of such contingency funds and release the balance back to the Company in exchange for releasing the Company from any future project-related costs. Accordingly, the Company has expensed $415 of the amount receivable from the project manager in the consolidated financial statements.

Rental operations

(in thousands of dollars)

	2017	2016
Rental revenues	$ 864	$ 1,094
Rental operating expenses	287	346
Net operating income*	$ 577	$ 748

* 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.

Until June 30, 2017, when they were sold as described above, the Company's investment properties comprised a multi-unit 50%-owned industrial/commercial building and a 50%-owned rental building leased as a fast food outlet in Vaughan, Ontario.

In 2017, up to June 30, net operating income was reduced by interest expense and amortization of $110 (2016 – $126) and increased by a gain in fair value of investment properties of $567 (2016 – $884) and interest income of $nil (2016 – $15), resulting in net earnings from rental operations of $1,034 (2016 – $1,521).

See "ASSETS – Investment properties" below for further information on the changes in the level of the properties' occupancy up to June 30, 2017.

General and administrative expenses

General and administrative expenses in 2017, in aggregate, increased by $1,278 over those of 2016 the result of $840 of accrued employee severance costs, $346 of costs related to the asset sale described under "Overview" above and an increase in other administrative expenses of $92.

Costs related to the asset sale include the cost of meetings with the Company's real estate consultants regarding the sale and marketing of the investment properties, their preparation of a fairness opinion on the offer from certain Directors and professional fees and other costs incurred in communicating the valuation and sales process to shareholders.

As previously disclosed in the Company's Management Information Circular dated February 9, 2017 for the year ended September 30, 2016, the terms of the Management Agreement provided for management fees of 3% of pre-tax earnings subject to a minimum of $250. For the year ended September 30, 2017, the terms of the Management Agreement remained unchanged. For both years ended September 30, 2017 and 2016, these minimum management fees, calculated in accordance with the agreement, were recorded in accounts payable and accrued liabilities and were included in general and administrative expenses. See "TRANSACTIONS WITH RELATED PARTIES."

Interest and other income

Interest and other income decreased by $27 from 2016 to 2017 caused by an increase in interest income of $5, offset by the one-time sale of Company works of art and the reversal of a prior year writedown of a residential lot as required under IFRS totalling $32, both in the fourth quarter of 2016.

Interest expense

Interest incurred in the Company's rental operations decreased by $18 as a result of the sale of its investment properties described under "Overview" above. Until its assumption by the purchasers of the investment properties, the mortgage on the Company's industrial/commercial building bore interest at the rate of 3.7% per annum.

Income taxes

The 2017 income tax provision of $82 computed by applying the average statutory Canadian federal and provincial income tax rate of 26.5% to earnings before income taxes, was offset by $443, primarily the result of the fair value gain on investment properties and the gain on the sale of a marketable security being taxed at lower than statutory rates.

The 2016 income tax provision of $228, computed by applying the average statutory Canadian federal and provincial income tax rate of 26.5% to earnings before income taxes, was offset by $150, primarily the result of the fair value gain on investment properties being taxed at lower than statutory rates.

Selected quarterly consolidated financial information (unaudited)

(in thousands of dollars, except per share amounts)

	2017				2016			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Revenue	$ 43	$ 264	$ 365	$ 314	$ 333	$ 335	$ 275	$ 300
Net earnings (loss)	$(1,511)	$ 1,705	$ (368)	$ 844	$ 505	$ 37	$ 256	$ (14)
Basic and diluted earnings (loss) per share	$(0.073)	$ 0.083	$(0.018)	$ 0.041	$ 0.025	$ 0.002	$ 0.013	$ —

Fluctuations in the quarterly results over the two-year period shown above are primarily due to the timing of changes in the fair value of the Company's investment properties, declining interest income due to a reduction in short-term investments and the gain on the sale of a marketable security in the third quarter of 2017.

FINANCIAL CONDITION

(in thousands of dollars)

	2017	2016
Investment properties	$ —	$ 12,436
Cash and cash equivalents	7,744	548
Restricted cash	—	5
Amounts receivable	415	1,306
Short-term investments	—	10,592
Marketable securities	—	2,609
Income taxes recoverable	—	47
Tenant inducements	—	333
Other assets	37	47
Total assets	$ 8,196	$ 27,923
Long-term financial liability		
Mortgage loan on an investment property	$ —	$ 2,911

ASSETS

Investment properties

Investment properties, described under "Overview" above, increased in the first nine months of 2017 by $864, the result of a fair value increase of $567, capital improvements of $258 and leasing commissions incurred of $54, reduced by leasing costs amortization of $15. The fair value increase was primarily the result of increased rental income resulting from the lease of vacant space to two tenants in the first quarter of 2017 and the reduction of the estimated time period to lease the building's remaining vacant space. As discussed above under "Overview," the sale of these properties closed on June 30, 2017.

As at September 30, 2016, the industrial/commercial building occupancy rate was 89%. During the first quarter of 2017, the Company leased the remaining vacant space to two new tenants, with the tenancies commencing in the third quarter of 2017 on completion of the landlord's work, bringing the occupancy rate to 100%.

The Company's other single-tenant investment property was leased to an international chain for use as a fast food restaurant with a drive-through. The lease, with an original term of fifteen years ending in 2029, contained two five-year renewal options.

Cash resources

Cash and cash equivalents include unrestricted cash and term deposits with a maturity of three months or less from the date of acquisition. Restricted cash, all held in the Company's house building co-tenancies, includes deposits required to secure outstanding guarantees and letters of credit of $nil (2016 – $5). Unrestricted cash and term deposits held in these co-tenancies amounting to $47 (2016 – $170) are not available for corporate use.

Amounts receivable

Amounts receivable decreased in 2017 by $891. This decrease is comprised of the writeoff of the balance of non-collectible straight-line rent receivable of $362 from the investment properties sold on June 30, 2017 and the writeoff of $415, as explained above under "House building operations" and a decrease of $114 of other amounts receivable.

Subsequent to September 30, 2017, the Company and the project manager reached an agreement under which the project manager would indefinitely retain 50% of such contingency funds and release the balance back to the Company in exchange for releasing the Company from any future project-related costs or claims by third parties. Accordingly, the Company has expensed $415 of the amount receivable.

Other

The Company's real estate holdings include one serviced residential lot in Mississauga, Ontario, the last remaining lot in a subdivision developed by the Company in a previous year. This lot was previously deeded to the City of Mississauga in accordance with the subdivision agreement and would only be returned to the Company and be available to sell on the resolution of certain storm water management issues affecting the lot and non-owned adjoining lands. Management has determined that a builder has purchased the non-owned adjoining lands for development and expects these aforementioned issues will be resolved and the residential lot returned to the Company and be available for sale, either to the builder or on the open market.

LIABILITIES

Loan payable

The loan payable decreased by $2,911 during fiscal 2017, as a result of scheduled principal repayments of $179 net of the writeoff of the balance of unamortized financing fees of $17 on the mortgage loan on one of its Vaughan, Ontario investment properties and the assumption by the purchaser on the June 30, 2017 sale of the property of the $2,749 loan balance at the date of sale. Until its assumption, the loan bore interest at the rate of 3.7% per annum, unchanged from September 30, 2016.

OUTSTANDING SHARE DATA

As at September 30, 2017, the Company's authorized capital stock consists of an unlimited number of Class B, voting shares, without par value, of which 20,575,866 shares are issued and outstanding at a stated value of $35,890, unchanged since October 1, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

(in thousands of dollars)

	2017	2016
Cash provided by (used in)		
Operating activities	$ (1,060)	$ (171)
Investing activities	24,896	(693)
Financing activities	(16,640)	(237)
Increase (decrease) in cash and cash equivalents	7,196	(1,101)
Cash and cash equivalents, beginning of the year	548	1,649
Cash and cash equivalents, end of the year	$ 7,744	$ 548

Cash and cash equivalents increased in 2017 by $7,196. This increase resulted from $10,592 of maturities net of reinvestments in short-term money market instruments, $11,466 net proceeds from the sale of the investment properties referred to above, offset by the payment of a dividend of $16,461, the details of which are set out in note 20 to the consolidated financial statements for September 30, 2017 and $1,599 of other net cash inflows.

Cash and cash equivalents decreased in 2016 by $1,101. This decrease resulted from a $700 investment net of maturities of short-term money market instruments, additions to one of the Company's investment properties of $109, principal repayments of $237 on the mortgage on one of the Company's investment properties and other net cash outflows of $205. These cash outflows were partially offset by the receipt of proceeds of land expropriation compensation of $150.

The Company continues to use cash flows to invest in money market investments, to fund its investment property operations until their sale on June 30, 2017 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 activities.

TRANSACTIONS WITH RELATED PARTIES

The Company has entered into transactions with other entities in which the following individuals hold management positions as noted in the following tables:

(in thousands of dollars)

September 30, 2017	Note	Receives management fees from the Company	Receives property management fees to manage the investment properties	Pays rent to the Company for space leased in one of the Company's investment properties
Marc Muzzo	(1)	$ 125	—	—
Stanley Goldfarb	(2)	$ 125	—	—
Dani Cohen	(3)	—	$ 29	$ 118

September 30, 2016	Note	Receives management fees from the Company	Receives property management fees to manage the investment properties	Pays rent to the Company for space leased in one of the Company's investment properties
Marc Muzzo	(1)	$ 125	—	—
Stanley Goldfarb	(2)	$ 125	—	—
Dani Cohen	(3)	—	$ 34	$ 155
Mark Kornhaber	(4)	—	—	$ 7

(1) Marc Muzzo is a shareholder, director and officer of the Company who holds a management position in an entity that has provided management services to the Company as noted in the tables above.

(2) Stanley Goldfarb is a shareholder, director and officer of the Company who holds a management position in an entity that has provided management services to the Company as noted in the tables above.

(3) Dani Cohen was a co-tenant in the Company's investment properties until their sale on June 30, 2017. He was paid management fees for management services to the properties and paid rent for space leased in one of the properties as noted in the tables above.

(4) Marc Kornhaber was a co-tenant in the Company's investment properties. In fiscal 2016, he paid rent for space leased in one of the properties as noted in the tables above.

RISK MANAGEMENT

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 Company's debt comprised a mortgage loan payable on an investment property before it was assumed by the purchaser on the sale of that property as described above.

Foreign currency risk

Foreign currency risk is the financial exposure to unanticipated changes in the exchange rate between two currencies. The Company is exposed to foreign currency risk with respect to US$2,381 included in cash and cash equivalents.

Credit risk

The Company's maximum exposure to credit risk is the fair value of cash and cash equivalents and amounts receivable.

As at September 30, 2017 and 2016, none of the Company's financial assets are past due.

Liquidity risk

Liquidity risk is managed by maintaining cash and cash equivalents in excess of projected needs.

The Company's contractual obligations, which are its accounts payable and accrued liabilities, are expected to be repaid within twelve months.

FUTURE ACCOUNTING CHANGES

Details of accounting standards issued and yet to be applied are included in note 5 of the consolidated financial statements for September 30, 2017.

FINANCIAL INSTRUMENTS

Information pertaining to the Company's financial instruments and the fair value hierarchy that prioritizes the inputs to fair value measurement is included in note 14 of the consolidated financial statements for September 30, 2017.

CRITICAL ACCOUNTING ESTIMATES

Information pertaining to critical accounting estimates as they relate to the Company's investment properties is included in note 4 of the consolidated financial statements for September 30, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

Financial guarantees

The Company has letters of credit available totalling $nil (2016 – $5), of which $nil (2016 – $5) 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 associates' share of the obligations in co-tenancy developments. As at September 30, 2017, the Company's associates' share of the obligations of such co-tenancies comprises liabilities of $637 (2016 – $802) and letters of credit of $nil (2016 – $11) in support of obligations to complete servicing requirements in connection with various house building projects. In each case, assets of the co-tenancy developments, consisting primarily of cash and cash equivalents, are available to satisfy such obligations.

OUTLOOK

The Company's last remaining real estate holding consists of the residential lot described above under "Assets – other," which the Company expects to sell in the second quarter of 2018.

As explained above under "Overview," the Company sold its 50% interest in each of its two remaining investment properties. The remaining material asset of the Company now consists of cash and cash equivalents. With the payment of the dividend described in note 20 to the consolidated financial statements, the Company distributed as much of its cash, including the proceeds from the sale transaction and proceeds of the redemption of the term deposits and marketable security as was prudent, taking into account the Company's ongoing expenses and liabilities.

Management and the Board of Directors are considering options as to the Company's future given that the Company has no ongoing active business operations after the completion of the sale of its investment properties.

Additional information relating to the Company has been filed on SEDAR and can be found at www.sedar.com.