

MANAGEMENT'S DISCUSSION and ANALYSIS

As of February 27, 2018

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, 2017 and 2016, as well as updating CHCI's most recently issued annual MD&A, dated January 4, 2018. 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, 2017 and 2016 and should also be read in conjunction with the audited consolidated financial statements and the MD&A for the fiscal years ended September 30, 2017 and 2016, as set out in the Company's 2017 Annual Report. Amounts presented in this MD&A are in thousands of Canadian dollars, unless otherwise indicated.

Additional information relating to the Company, including the Certification of Interim Filings for the quarter ended December 31, 2017 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 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, 2017 and 2016.

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

As explained in note 1 to the December 31, 2017 interim consolidated financial statements, Consolidated HCI Holdings Corporation, after June 30, 2017, no longer actively engaged in any ongoing business.

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 2017	December 31 2016
Revenue	\$ 19	\$ 314
Earnings (loss) before income taxes	\$ (192)	\$ 988
Recovery of (provision for) income taxes	58	(144)
Net earnings (loss) for the period	\$ (134)	\$ 844
Basic and diluted earnings (loss) per share	\$ (0.01)	\$ 0.04

The decrease of \$295 in revenue in the first three months of 2018, compared to the same period in 2017, is primarily the result of the absence of investment property rental revenue in 2018 due to the sale of the Company's investment properties in the third quarter of 2017.

Rental operations

(Unaudited, in thousands of Canadian dollars)

	Three months ended December 31 2017	December 31 2016
Rental revenue	\$ –	\$ 287
Property operating expenses	–	112
Net operating income*	\$ –	\$ 175

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

Until their sale on June 30, 2017, 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.

Interest and other income

Interest and other income for the first quarter of fiscal 2018 decreased by \$8 compared to the same period in 2017, the result of the Company reducing its level of investment in term deposits since January 1, 2017.

General and administrative expenses

General and administrative expenses increased for the first three months of fiscal 2018 by \$24 over those of the comparative 2017 period with no material increase or decrease in any one cost component.

Income taxes

The income tax recovery for the first three months of 2018 of \$51 (December 31, 2016 – provision of \$262) computed by applying the average statutory Canadian federal and provincial income tax rate of 26.5% (2017 – 26.5%) to earnings before income taxes was offset by \$7 of other adjustments (December 31, 2016 – \$136 of fair value gains taxed at lower than statutory rates and \$18 of other adjustments).

FINANCIAL CONDITION

(Unaudited, in thousands of Canadian dollars)

	December 31 2017	September 30 2017
Cash and cash equivalents	\$ 6,606	\$ 7,744
Amounts receivable	415	415
Income taxes recoverable	58	—
Other assets	45	37
Total assets	\$ 7,124	\$ 8,196

ASSETS AND LIABILITIES

During the first three months of fiscal 2018, the Company used cash to pay the balance of its September 30, 2017 income tax liability, reduce its accounts payable and accrued liabilities and cover its ongoing general and administrative costs.

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, 2017 are 20,575,866 shares, unchanged from October 1, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

(Unaudited, in thousands of Canadian dollars)

	Three months ended December 31 2017	December 31 2016
Cash provided by (used in):		
Operating activities	\$ (1,138)	\$ (148)
Investing activities	—	442
Financing activities	—	(62)
Increase (decrease) in cash and cash equivalents during the period	(1,138)	232
Cash and cash equivalents, beginning of the period	7,744	548
Cash and cash equivalents, end of the period	\$ 6,606	\$ 780

In the first quarter of fiscal 2018 the Company used cash to pay the balance of its September 30, 2017 income tax liability and to cover general and administrative expenses. Currently, the Company's only revenue source constitutes interest on term deposits. The Company's cash and cash equivalents serve to provide the Company with sufficient liquidity to continue as is until Management and the Board of Directors come to a decision as to the Company's future.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations, comprising its accounts payable and accrued liabilities totalling \$1,184, mature in less than one year.

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:

(Unaudited, in thousands of Canadian dollars)

December 31, 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 the Company's investment property
Marc Muzzo	(1)	\$ 31		
Stanley Goldfarb	(2)	\$ 31		

December 31, 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 a Company investment property
Marc Muzzo	(1)	\$ 31		
Stanley Goldfarb	(2)	\$ 31		
Dani Cohen	(3)		\$ 9	\$ 39

- (1) Marc Muzzo is a shareholder, director and officer of the Company who holds management positions in entities that have 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 in the third quarter of 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.

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.

Credit and Operational Risks

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

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 \$2,385 included in cash and cash equivalents.

As at December 31, 2017 and September 30, 2017, 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. At December 31, 2017, the Company is not subject to any liquidity risk.

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

Capital Risk Management

The Company's capital consists of its shareholders' equity and it is not subject to any externally imposed capital requirements.

While management and the Board of Directors consider options as to the Company's future, the Company's objective is to preserve capital and retain adequate liquidity to provide cash for the Company's needs.

CONTROLS AND PROCEDURES

At December 31, 2017, 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 ICFR are either completed or reviewed by the CFO with involvement from the CEO and Vice-President as deemed necessary. Until January 19, 2018, other than the CFO, the Company had only one employee who was engaged in accounting and recordkeeping functions and who was directly supervised by the CFO. That employee retired on that date and his duties were assumed 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, 2017 and September 30, 2017 and for the three-month periods ended December 31, 2017 and 2016 relates to the Company’s aggregate proportionate share of its proportionately-consolidated entities, comprising its investments in its residential construction operations and, until its sale on June 30, 2017, its investment property operations:

(Unaudited, in thousands of Canadian dollars)

	December 31 2017	September 30 2017
Assets	\$ 434	\$ 464
Liabilities	155	157
	\$ 279	\$ 307

	December 31 2017	Three months ended December 31 2016
Revenue	\$ –	\$ 287
Expenses (recoveries)	2	(141)
Fair value gain on investment properties	–	1,027
Earnings	\$ 2	\$ 1,173

	December 31 2017	Three months ended December 31 2016
Cash provided by (used in)		
Operating activities	\$ –	\$ 291
Investing activities	–	(58)
Financing activities	–	62

The certifying officers have determined there were no changes in the Company’s ICFR that occurred during the three months ended December 31, 2017 that have significantly affected, or are reasonably likely to significantly affect, Company’s ICFR.

NEW ACCOUNTING STANDARDS

Details of new accounting standards are included in note 4 to the interim consolidated financial statements for December 31, 2017.

FUTURE ACCOUNTING CHANGES

Details of accounting standards issued and yet to be applied are included in note 4 to the interim consolidated financial statements for December 31, 2017.

FINANCIAL INSTRUMENTS

Information pertaining to the Company's financial instruments is included in note 8 to the interim consolidated financial statements for December 31, 2017.

CRITICAL ACCOUNTING ESTIMATES

Information pertaining to critical accounting estimates as they relate to the Company's investment properties, prior to their sale, is included in note 3 of the interim consolidated financial statements for December 31, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

Financial Guarantees

The Company is contingently liable for its co-investors' share of the obligations in co-tenancy developments. At December 31, 2017, the Company's co-investors' share of obligations of such entities comprises liabilities of \$632 (September 30, 2017 – \$637). In each case, assets of the co-tenancy developments, consisting primarily of cash and cash equivalents, are available to satisfy such obligations.

OUTLOOK

Management and the Board of Directors are considering options as to the Company's future given that as of June 30, 2017, as previously reported, the Company had discontinued and divested substantially all of its operations, and had ceased to be actively engaged in any ongoing business.

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