

**CONSOLIDATED  
HCI HOLDINGS  
CORPORATION**

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**Third QUARTER REPORT**

**3** For The Nine Months Ended  
June 30, 2019

## **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 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 nine months ended June 30, 2019 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 Chartered Professional Accountants of Canada 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)

	June 30 2019	September 30 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 108	\$ 875
Income taxes recoverable	108	258
Other	23	23
<b>Total assets</b>	<b>\$ 239</b>	<b>\$ 1,156</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 37	\$ 40
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	35,890	35,890
Deficit	(35,688)	(34,774)
<b>Total shareholders' equity</b>	<b>202</b>	<b>1,116</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 239</b>	<b>\$ 1,156</b>

Contingencies and commitments (note 9)

*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	Deficit	Total equity
<b>Balance – October 1, 2018</b>	<b>\$ 35,890</b>	<b>\$ (34,774)</b>	<b>\$ 1,116</b>
Net loss for the period	–	(297)	(297)
Dividend paid (note 8)	–	(617)	(617)
<b>Balance – June 30, 2019</b>	<b>\$ 35,890</b>	<b>\$ (35,688)</b>	<b>\$ 202</b>

	Capital stock	Deficit	Total equity
Balance – October 1, 2017	\$ 35,890	\$ (29,816)	\$ 6,074
Net loss for the period	–	(278)	(278)
Balance – June 30, 2018	\$ 35,890	\$ (30,094)	\$ 5,796

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

CONSOLIDATED HCI HOLDINGS CORPORATION  
**INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

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

	Three months ended		Nine months ended	
	June 30	June 30	June 30	June 30
	2019	2018	2019	2018
<b>Income (expenses)</b>				
Interest and other income	\$ –	\$ 22	\$ 5	59
General and administrative expenses	(86)	(178)	(439)	(626)
Housing project cost recoveries	–	56	–	56
Recovery of prior year land cost of sale	–	–	29	–
Foreign exchange gain	–	–	–	110
<b>Loss before income taxes</b>	<b>(86)</b>	<b>(100)</b>	<b>(405)</b>	<b>(401)</b>
Recovery of income taxes	23	26	108	123
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (63)</b>	<b>(74)</b>	<b>(297)</b>	<b>(278)</b>
Basic and diluted loss per share	\$ (0.003)	0.004	\$ (0.014)	(0.014)
Weighted average number of shares outstanding	<b>20,575,866</b>	20,575,866	<b>20,575,866</b>	20,575,866

*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)

	Nine months ended	
	June 30 2019	June 30 2018
Cash provided by (used in)		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (297)	\$ (278)
Changes in non-cash operating balances		
Amount receivable	–	415
Accounts payable and accrued liabilities	(3)	(1,211)
Income taxes recoverable	150	(1,043)
Other	–	10
	(150)	(2,107)
<b>FINANCING ACTIVITIES</b>		
Dividend paid (note 8)	(617)	–
<b>Decrease in cash during the period</b>	<b>(767)</b>	<b>(2,107)</b>
<b>Cash, beginning of the period</b>	<b>875</b>	<b>7,744</b>
<b>Cash, end of the period</b>	<b>\$ 108</b>	<b>\$ 5,637</b>
<b>SUPPLEMENTARY INFORMATION</b>		
Income taxes recovered (paid)	\$ 258	\$ (969)

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

CONSOLIDATED HCI HOLDINGS CORPORATION  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019**

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

### **1. Description of Business**

Consolidated HCI Holdings Corporation (the “Company”) is an Ontario-based publicly traded company which, effective September 21, 2017, commenced trading on the NEX under the trading symbol CXA.H. The NEX is a separate board of the TSX Venture Exchange (“TSX-V”) for issuers previously listed on the Toronto Stock Exchange or TSX-V but which no longer maintain compliance with the ongoing financial listing standards of those markets.

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.

The address of the Company’s registered office is 40 King Street West, Suite 2100, Toronto, Ontario.

The Board of Directors approved the consolidated financial statements on August 7, 2019.

### **2. Basis of Preparation and Statement Compliance**

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 June 30, 2019.

These interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended September 30, 2018.

### **3. Accounting Standards**

#### **Accounting Standards Effective in the Current Year**

The Company’s adoption of the following new standards and amendments to existing standards, which were effective in the current year, had no material impact on its consolidated financial statements.

#### **IFRS 7 – Financial Instruments: Disclosures**

This standard has been amended to enhance disclosures relating to the transition from IAS 39 to IFRS 9, Financial Instruments (“IFRS 9”).

#### **IFRS 9 – Financial Instruments**

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for

liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

#### **IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)**

IFRS 15 specifies how and when revenue should be recognized, in addition to requiring more informative and relevant disclosures. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. This standard supersedes IAS 18, “Revenue,” IAS 11, “Construction Contracts,” and a number of revenue related interpretations.

#### **New Accounting Standards**

The following new standards and amendments to existing standards apply to annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company does not expect these changes to have a material impact on its consolidated financial statements.

#### **IFRS 16 – Leases**

IFRS 16, “Leases” (“IFRS 16”), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than twelve months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

### **4. Income Taxes**

The income tax recovery for the nine months ended June 30, 2019 is \$108 (June 30, 2018 – \$123). The income tax recovery was computed by applying the average statutory Canadian federal and provincial income tax rates to losses before the income tax recoveries. Such losses are available for carry-back to a prior year.

### **5. Capital Stock**

Authorized  
Unlimited Class B, voting shares, without par value

Details of issued capital stock, unchanged since October 1, 2017, are as follows:

	Number of shares	Amount
Balance, June 30, 2019 and June 30, 2018	20,575,866	\$ 35,890

### **6. Financial Instruments**

#### **Fair Values**

The fair values of cash and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

#### **Liquidity Risk**

Liquidity risk is managed by maintaining cash in excess of projected needs. As at June 30, 2019, the Company is not subject to any material 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. 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.

### 7. Related Party Transactions

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

- certain shareholders, and certain shareholders who are officers and directors or parties related to them, were also participants in all of the house building co-tenancies until their wind up on June 30, 2018;
- the Company is managed by two shareholders who are also officers and directors under a management agreement, and;
- a shareholder who is also a director is associated with a law firm that provides legal services to the Company and, until their wind up on June 30, 2018, its house building co-tenancies.

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:

	Nine months ended	
	June 30 2019	June 30 2018
Management fee expense	\$ 125	\$ 187

Management has waived its entitlement to management fees for the third quarter of 2019.

### 8. Dividend Paid

On February 11, 2019, the Company declared a special dividend of \$0.03 per Class B share payable to shareholders of record at the close of business on February 25, 2019. The dividend totalling \$617 was paid on March 5, 2019.

### 9. Contingencies and Commitments

The Company, from time to time, may be subject to legal proceedings being brought against it and its subsidiaries, which could have a material adverse effect on the Company's consolidated financial position or financial performance. Management is not aware of any such proceedings against the Company.

## **MANAGEMENT'S DISCUSSION and ANALYSIS**

As at June 30, 2019

### **OVERVIEW**

Consolidated HCI Holdings Corporation (the "Company") is an Ontario-based publicly traded company which, effective September 21, 2017, commenced trading on the NEX under the trading symbol CXA.H. The NEX is a separate board of the TSX Venture Exchange ("TSX-V") for issuers previously listed on the Toronto Stock Exchange or TSX-V but which no longer maintain compliance with the ongoing financial listing standards of those markets.

The following management's discussion and analysis ("MD&A") of the financial condition of the Company and its financial performance for the nine-month periods ended June 30, 2019 and 2018 are the views of management and should be read in conjunction with the consolidated financial statements including the related notes in the 2018 and 2017 audited consolidated financial statements. Amounts presented in this MD&A, except per share amounts, are in thousands of Canadian dollars.

The information included in this MD&A, including the 2018 comparative information, has been prepared in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

### **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 June 30, 2019 and 2018.

### **CONTROLS AND PROCEDURES**

As at June 30, 2019, 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 completed by the Chief Financial Officer and reviewed by the Chief Executive Officer or the Vice-President.

The certifying officers have evaluated the design and operating effectiveness of the Company's DC&P and ICFR for the nine-month period ended June 30, 2019 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 nine-month period ended June 30, 2019 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

#### Summary of operating results

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

	Three months ended		Nine months ended	
	June 30 2019	June 30 2018	June 30 2019	June 30 2018
Revenue	\$ –	\$ 22	\$ 5	\$ 59
Loss before income taxes	\$ (86)	\$ (100)	\$ (405)	\$ (401)
Recovery of income taxes	23	26	108	123
Net loss for the period	\$ (63)	\$ (74)	\$ (297)	\$ (278)
Basic and diluted loss per share	\$ (0.003)	\$ (0.004)	\$ (0.014)	\$ (0.014)

The revenue decreased in the first nine months of 2019 by \$54 compared to the revenue recorded for the same period in 2018. All of the Company's term deposits matured in the fourth quarter of 2018 and were not reinvested. They were used to fund the dividends of \$4,630 paid on September 4, 2018 and \$617 paid on March 5, 2019.

#### General and administrative expenses

General and administrative expenses in the first nine months of 2019, in aggregate, decreased by \$187 over those of the corresponding period in 2018, reflective of reduced corporate activity in general.

#### Income taxes

The income tax recovery for the first nine months of 2019 of \$108 (June 30, 2018 – \$123) was computed by applying the average statutory Canadian federal and provincial income tax rate of 26.5% (2018 – 26.5%) to losses before income taxes.

## FINANCIAL CONDITION

	June 30 2019	September 30 2018
Cash	\$ 108	\$ 875
Income taxes recoverable	108	258
Other assets	23	23
Total assets	\$ 239	\$ 1,156

## OTHER ASSETS

The Company's remaining real estate holding consists of 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. Recent discussions with the builder regarding the builder's development plans lead management to believe that it is not possible to predict when the lot will be returned to the Company.

## OUTSTANDING SHARE DATA

As at June 30, 2019, 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, 2017.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

	Nine months ended	
	June 30 2019	June 30 2018
Cash used in:		
Operating activities	\$ (150)	\$ (2,107)
Financing activities	(617)	–
Decrease in cash during the period	(767)	(2,107)
Cash, beginning of the period	875	7,744
Cash, end of the period	\$ 108	\$ 5,637

Cash decreased in the first nine months of 2019, primarily the result of the payment of a dividend of \$617 detailed below, the payment of general and administrative expenses and the September 30, 2018 accounts payable and accrued liabilities, partially offset by an income tax refund of \$258. The Company's cash is expected 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.

## 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:

June 30, 2019	Note	Receives management fees from the Company
Marc Muzzo	(1)	\$ 63
Stanley Goldfarb	(2)	\$ 63

June 30, 2018	Note	Receives management fees from the Company
Marc Muzzo	(1)	\$ 94
Stanley Goldfarb	(2)	\$ 94

- (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.

Management has waived its entitlement to management fees for the third quarter of 2019.

In the fourth quarter of 2018, the Company moved its business office to smaller premises in an office of a company in which Stanley Goldfarb is a shareholder, director and officer at an annual rental of \$3.

Employment of the Chief Financial Officer was terminated on March 31, 2018. In a month to month arrangement, commencing April 1, 2018 and ending on April 30, 2019, he was paid a fee of \$15 per month as the provider of accounting, reporting and office management functions for the Company. Total fees payable for the period from May 1 to June 30, 2019 amounted to \$10 and are included in accounts payable and accrued liabilities.

## **RISK MANAGEMENT**

### **Liquidity Risk**

Liquidity risk is managed by maintaining cash in excess of projected needs. As at June 30, 2019, the Company is not subject to any material liquidity risk.

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

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

## **DIVIDEND PAID**

On February 11, 2019, the Company declared a special dividend of \$0.03 per Class B share payable to shareholders of record at the close of business on February 25, 2019. The dividend totalling \$617 was paid on March 5, 2019.

## **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](http://www.sedar.com).

## 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

### 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

Consolidated HCI  
Holdings Corporation  
Suite 2100  
40 King Street West  
Toronto, Ontario  
M5H 3C2

### EXECUTIVE OFFICES

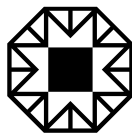
400 Bradwick Drive, Suite 125  
Concord, Ontario  
L4K 5V9  
Tel: 905-669-3685  
E-mail: ewdl@bellnet.ca

### STOCK EXCHANGE LISTING

TSX Venture Exchange – NEX  
Symbol: CXA.H

\* Audit Committee

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



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