

# **CONSOLIDATED HCI HOLDINGS CORPORATION**

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## **First QUARTER REPORT**

**1** For The Three Months Ended  
December 31, 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 three months ended December 31, 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)

	December 31 2019	September 30 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 29	\$ 61
Income taxes recoverable	120	118
Other	40	43
<b>Total assets</b>	<b>\$ 189</b>	<b>\$ 222</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 79	\$ 49
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	35,890	35,890
Deficit	(35,780)	(35,717)
<b>Total shareholders' equity</b>	<b>110</b>	<b>173</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 189</b>	<b>\$ 222</b>

Subsequent event (note 8)

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, 2019</b>	<b>\$ 35,890</b>	<b>\$ (35,717)</b>	<b>\$ 173</b>
Net loss for the period	–	(63)	(63)
<b>Balance – December 31, 2019</b>	<b>\$ 35,890</b>	<b>\$ (35,780)</b>	<b>\$ 110</b>

	Capital stock	Deficit	Total equity
Balance – October 1, 2018	\$ 35,890	\$ (34,774)	\$ 1,116
Net loss for the period	–	(116)	(116)
Balance – December 31, 2018	\$ 35,890	\$ (34,890)	\$ 1,000

*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	
	<b>December 31</b>	December 31
	<b>2019</b>	2018
<b>Income (expenses)</b>		
Interest and other income	\$ –	3
General and administrative expenses	(65)	(161)
<b>Loss before income taxes</b>	<b>(65)</b>	<b>(158)</b>
Recovery of income taxes	2	42
<b>Net loss and comprehensive loss for the period</b>	<b>(63)</b>	<b>(116)</b>
Basic and diluted loss per share	\$ (0.003)	(0.005)
Weighted average number of shares outstanding	<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)

	Three months ended	
	<b>December 31</b>	December 31
	<b>2019</b>	2018
Cash provided by (used in)		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (63)	\$ (116)
Changes in non-cash operating balances		
Accounts payable and accrued liabilities	30	(21)
Income taxes recoverable	(2)	216
Other	3	–
<b>Increase (decrease) in cash during the period</b>	<b>(32)</b>	<b>79</b>
<b>Cash, beginning of the period</b>	<b>61</b>	<b>875</b>
<b>Cash, end of the period</b>	<b>\$ 29</b>	<b>\$ 954</b>
<b>SUPPLEMENTARY INFORMATION</b>		
Income taxes recovered	\$ –	\$ 258

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

**CONSOLIDATED HCI HOLDINGS CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 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 that trades 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 as the Company had discontinued and divested substantially all of its operations, and had ceased to be actively engaged in any ongoing business in 2017.

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 February 25, 2020.

**2. Basis of Presentation and Statement of 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 December 31, 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, 2019.

**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 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 12 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 three months ended December 31, 2019 is \$2 (December 31, 2018 – \$42).

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. Only \$7 of such losses are available for carry-back to a prior year. The Company has \$58 of losses available for carry forward for which an income tax benefit has not been recognized. These losses commence to expire in 2040.

#### 5. Capital Stock

Authorized

Unlimited Class B, voting shares, without par value

Details of issued capital stock, unchanged since October 1, 2018, are as follows:

	Number of shares	Amount
Balance, December 31, 2019 and December 31, 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. At December 31, 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 12 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:

- the Company is managed by two shareholders who are also officers and directors; and
- a shareholder who is also a director is associated with a law firm that provides legal services to the Company.

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 2019	December 31 2018
Management fee expense	\$ –	\$ 62

While management and the Board of Directors consider options as to the Company's future, management waived any entitlement to management fees for the third and fourth quarters of 2019 and the first quarter of 2020. The management contract expired at the end of 2019 and was not renewed for 2020.

## 8. Subsequent Event

Subsequent to December 31, 2019, as previously reported, on January 14, 2020, the Company completed the private placement of unsecured promissory notes for gross proceeds of \$345.

The purpose of this borrowing is to provide the Company with sufficient working capital for general corporate purposes while management and the Board of Directors decide on the future direction of the Company.

The promissory notes bear interest at the annual rate of 4%, with the principal amount and all accrued and unpaid interest being due and payable on January 14, 2021.

## 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 December 31, 2019

### **OVERVIEW**

Consolidated HCI Holdings Corporation (the "Company") is an Ontario-based publicly traded company that trades 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 three-month periods ended December 31, 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 September 30, 2019 and 2018 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 December 31, 2019 and 2018.

### **CONTROLS AND PROCEDURES**

As at December 31, 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 three-month period ended December 31, 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 three-month period ended December 31, 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 December 31 2019	December 31 2018
Revenue	\$ –	\$ 3
Loss before income taxes	\$ (65)	\$ (158)
Recovery of income taxes	2	42
Net loss for the period	\$ (63)	\$ (116)
Basic and diluted loss per share	\$ (0.003)	\$ (0.005)

The revenue decreased in the three months of 2020 by \$3 compared to the revenue recorded for the same period in 2019 reflective of the Company's reduced cash balances in 2019.

#### General and administrative expenses

General and administrative expenses in the first three months of 2020, in aggregate, decreased by \$96 over those of the corresponding period in 2019, reflective of reduced corporate activity in general.

#### Income taxes

The income tax recovery for the first three months of 2019 of \$2 (December 31, 2018 – \$42) 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. Only \$7 of such losses are available for carry-back to a prior year. The Company has \$58 of losses available for carry forward for which an income tax benefit has not been recognized. These losses commence to expire in 2040.

## FINANCIAL CONDITION

	December 31 2019	September 30 2019
Cash	\$ 29	\$ 61
Income taxes recoverable	120	118
Other assets	40	43
Total assets	\$ 189	\$ 222

## 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 December 31, 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, 2018.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

	Three months ended	
	December 31 2019	December 31 2018
Cash used in operating activities	\$ (32)	\$ 79
Cash, beginning of the period	61	875
Cash, end of the period	\$ 29	\$ 954

Cash decreased in the first three months of 2020 resulting from the payment of general and administrative expenses. The Company's cash, together from the proceeds from promissory notes issued on January 14, 2020, 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:

December 31, 2019	Note	Receives management fees from the Company
Marc Muzzo	(1)	\$ -
Stanley Goldfarb	(2)	\$ -

December 31, 2018	Note	Receives management fees from the Company
Marc Muzzo	(1)	\$ 31
Stanley Goldfarb	(2)	\$ 31

- (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.

While management and the Board of Directors consider options as to the Company's future, management waived any entitlement to management fees for the third and fourth quarters of 2019 and the first quarter of 2020. The management contract expired at the end of 2019 and was not renewed for 2020.

The Company's business office is located in the office of a company in which Stanley Goldfarb is a shareholder, director and officer at an annual rental of \$3.

The Company's Chief Financial Officer provides accounting, reporting and office management functions for the Company on a month to month, fee for service basis. Total fees payable for the period from October 1 to December 31, 2019 of \$30 are included in accounts payable and accrued liabilities.

## **RISK MANAGEMENT**

### **Liquidity Risk**

Liquidity risk is managed by maintaining cash in excess of projected needs. At December 31, 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 12 months.

## **OFF-BALANCE SHEET ARRANGEMENTS**

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

## **SUBSEQUENT EVENT**

Subsequent to December 31, 2019, as previously reported, on January 14, 2020, the Company completed the private placement of unsecured promissory notes for gross proceeds of \$345.

The purpose of this borrowing is to provide the Company with sufficient working capital for general corporate purposes while management and the Board of Directors decide on the future direction of the Company.

The promissory notes bear interest at the annual rate of 4%, with the principal amount and all accrued and unpaid interest being due and payable on January 14, 2021.

## **OUTLOOK**

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

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

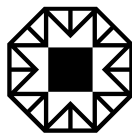
400 Bradwick Drive, Suite 125  
Concord, Ontario  
L4K 5V9  
Tel: 905-669-3685  
E-mail: ewdl@bellnet.ca

### STOCK EXCHANGE LISTING

TSX Venture Exchange – NEX  
Symbol: CXA.H

\* Audit Committee

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



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