

Consolidated HCI Holdings Corporation

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2020, AND 2019

(Unaudited, expressed in Canadian Dollars, unless otherwise noted)

CONSOLIDATED HCI HOLDINGS CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands of Canadian dollars)

	June 30 2020	September 30 2019
ASSETS		
Current assets		
Cash	\$ 309	\$ 61
Income taxes recoverable	2	118
Other	38	43
Total assets	<u>\$ 349</u>	<u>\$ 222</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 41	\$ 49
Notes payable (note 6)	345	0
	<u>386</u>	<u>49</u>
SHAREHOLDERS' EQUITY		
Capital stock	35,890	35,890
Deficit	(35,927)	(35,717)
Total shareholders' equity	<u>(37)</u>	<u>173</u>
Total liabilities and shareholders' equity	<u>\$ 349</u>	<u>\$ 222</u>
Going concern (note 1)		
Contingencies and commitments (note 10)		

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 2020	June 30 2019	June 30 2020	June 30 2019
Income (expenses)				
Interest and other income	\$ 0	\$ 0	\$ 1	\$ 5
General and administrative expenses	(63)	(86)	(207)	(439)
Recovery of prior year land cost of sale	0	0	0	29
Interest on notes payable (note 6)	(3)	0	(6)	0
Loss before income taxes	(66)	(86)	(212)	(405)
Recovery of income taxes	0	23	2	108
Net loss and comprehensive loss for the period	\$ (66)	\$ (63)	\$ (210)	\$ (297)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	20,575,866	20,575,866	20,575,866	20,575,866

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CONSOLIDATED HCI HOLDINGS CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited, in thousands of Canadian dollars)

	Capital stock	Deficit	Total equity
Balance - October 1, 2019	\$ 35,890	\$ (35,717)	\$ 173
Net loss for the period	0	(210)	(210)
Balance - June 30, 2020	\$ <u>35,890</u>	\$ <u>(35,927)</u>	\$ <u>(37)</u>
Balance - October 1, 2018	\$ 35,890	\$ (34,774)	1,116
Net loss for the period	0	(297)	(297)
Dividend paid	0	(617)	(617)
Balance - June 30, 2019	\$ <u>35,890</u>	\$ <u>(35,688)</u>	\$ <u>202</u>

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CONSOLIDATED HCI HOLDINGS CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands of Canadian dollars)

	Nine months ended	
	June 30 2020	June 30 2019
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net loss for the period	\$ (210)	\$ (297)
Changes in non-cash operating balances		
Accounts payable and accrued liabilities	(8)	(3)
Income taxes recoverable	116	150
Other	5	0
	<u>(97)</u>	<u>147</u>
FINANCING ACTIVITIES		
Notes payable (note 6)	345	0
Dividend paid		(617)
	<u>345</u>	<u>(617)</u>
Increase (decrease) in cash during the period	248	(470)
Cash - beginning of the period	61	875
Cash - end of the period	\$ <u>309</u>	\$ <u>405</u>
Supplementary Information		
Income taxes recovered	\$ <u>120</u>	\$ <u>258</u>

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

Consolidated HCI Holdings Corporation
Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended June 30, 2020 and 2019
(unaudited, in thousands of Canadian dollars, except share and per share amounts)

1. Going Concern

These interim consolidated financial statements have been prepared using generally accepted accounting principles that are applicable to a going concern. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company incurred operating losses in its previous two fiscal years, has a working capital deficiency, no longer has any source of revenue and continues to incur general and administrative expenses. Management and the Board of Directors continue to consider options as to the Company's future. Whether and when the Company can successfully source capital and/or financing and successfully develop a revenue-producing profitable business with positive cash flows is uncertain. Accordingly, material uncertainty exists whether the Company can discharge its obligations, including its accounts payable and accrued liabilities and notes payable, within the next twelve months. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern and therefore the use of generally accepted accounting principles that are applicable to a going concern may not be appropriate. These interim consolidated financial statements do not reflect adjustments to carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material.

2. Description of Business

Consolidated HCI Holdings Corporation (the "Company") is an Ontario-based publicly traded company which 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 August 25, 2020.

Covid-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("Covid -19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of Covid -19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

3. 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 June 30, 2020.

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.

4. 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.

5. Income Taxes

The income tax recovery for the nine months ended June 30, 2020 is \$2 (June 30, 2019 - \$108).

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 \$203 of losses available for carry forward for which an income tax benefit has not been recognized. These losses commence to expire in 2040.

6. Notes Payable

On January 14, 2020, as previously reported, the Company completed the private placement of unsecured promissory notes for gross proceeds of \$345. The purpose of this borrowing was 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. The notes are repayable without penalty at any time prior to maturity.

7. Capital Stock

Authorized
Unlimited Class B, voting shares, without par value

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

	<u>Number of shares</u>	<u>Amount</u>
Balance, June 30, 2020 and June 30, 2019	<u>20,575,866</u>	<u>\$35,890</u>

8. Financial Instruments

Fair Values

The fair values of cash and accounts payable and accrued liabilities and notes payable 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 June 30, 2020, the Company is facing material liquidity risk as explained in note 1.

The Company's contractual obligations are its accounts payable and accrued liabilities and notes payable. Uncertainty exists whether the Company can discharge these obligations within the next twelve months as explained in note 1.

Capital Risk Management

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

Management and the Board of Directors continue to consider options as to the Company's future. There is some uncertainty that the Company's objective to preserve capital and retain adequate liquidity to provide cash for the Company's needs can be met as explained in note 1.

9. Related Party Transactions

The following is a summary of the Company's related party relationships that existed during the nine months ended June 30, 2020:

- 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:

	Nine months ended	
	June 30	June 30
	2020	2019
Management fee expense	\$ 0	\$125

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 three quarters of 2020. The management contract expired at the end of 2019 and was not renewed for 2020. Subsequent to the period, the Company announced changes to its board of directors and management team.

10. 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.