Consolidated HCI Holdings Corporation

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 AND 2019

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

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, 2020 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
Statements of Financial Positions
(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note		December 31 2020		September 30, 2020
ASSETS					
Current assets					
Cash		$	**222**	$	277
Income taxes recoverable	5		**2**		2
Other			**27**		33
		$	**251**	$	312
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	**55**	$	63
Notes payable	6		**358**		355
			413		418
SHAREHOLDERS' DEFICIENCY					
Capital stock	7		**35,890**		35,890
Contributed surplus	8		**217**		-
Deficit			**(36,269)**		(35,996)
			(162)		(106)
		$	**251**	$	312

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
Statements of Loss and Comprehensive Loss
For the Three Months Ended December 31, 2020 and 2019
(Expressed in thousands of Canadian dollars, except share and per share amounts)

		Three months ended	
	Note	**December 31, 2020**	December 31, 2019
Income (expenses)			
General and administrative		$ **(56)**	$ (65)
Stock-based compensation	8	**(217)**	-
Loss before income taxes		**(273)**	(65)
Recovery of income taxes	5	**-**	2
Net loss for the period		$ **(273)**	$ (63)
Net loss per share – basic and diluted		$ **(0.013)**	$ **(0.003)**
Weighted average number of shares outstanding – basic and diluted		**20,575,866**	20,575,866

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

Consolidated HCI Holdings Corporation
Consolidated Statement of Changes in Shareholders' (Deficiency) Equity
For the Three Months Ended December 31, 2020 and 2019
(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Number of Shares		Capital Stock		Contributed Surplus		Deficit		Total
Balance – October 1, 2020	20,575,866	$	35,890	$	-	$	(35,996)	$	(106)
Issuance of stock options	-		-		217		-		217
Net loss for the period	-		-		-		(273)		(273)
Balance - December 31, 2020	20,575,866	$	35,890	$	217	$	(36,269)	$	(162)
Balance – October 1, 2019	20,575,866	$	35,890	$	-	$	(35,717)	$	173
Net loss for the period	-		-		-		(63)		(63)
Balance - December 31, 2019	20,575,866	$	35,890	$	-	$	(35,780)	$	110

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

Consolidated HCI Holdings Corporation
Statement of Cash Flows
For the Three Months Ended December 31, 2020 and 2019
(Expressed in thousands of Canadian dollars, except share and per share amounts)

		Three months ended		
		December 31, 2020		December 31, 2019
Operating activities				
Net loss for the period	**$**	**(273)**	$	(63)
Changes in non-cash working capital items:				
Accounts payable and accrued liabilities		**(8)**		30
Interest accrued		**3**		-
Income taxes recoverable		**-**		(2)
Stock-based compensation		**217**		-
Other		**6**		3
Cash flow used in operating activities		**(55)**		(32)
Decrease in cash		**(55)**		(32)
Cash, beginning of period		**277**		61
Cash, end of period	**$**	**222**	$	29
Cash paid during the period for interest	**$**	**-**	$	-
Cash recovered during the period for income taxes	**$**	**-**	$	-

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

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, 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 interim consolidated financial statements on February 24, 2021.

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

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, 2020.

Basis of measurement and presentation

These consolidated financial statements have been prepared under the historical cost basis.

Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. Accordingly, these consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

Basis of consolidation

These statements consolidate the accounts of the Company and its wholly owned subsidiaries 968907 Ontario Inc. (not active) and Gasmuz Construction Inc. (not active). Control is achieved when we have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, are exposed to, or have rights to, variable returns from our involvement with the entity and have the ability to affect those returns through our power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. Profit and loss or other comprehensive income (loss) of subsidiaries acquired during the period are recognized from the date of acquisition or effective date of disposal as applicable. Significant intercompany accounts and transactions have been eliminated on consolidation.

The Company has the following subsidiaries:

Name of Entity	% Ownership	Accounting Method
Gasmuz Construction Inc.	100	Consolidation
968907 Ontario Inc.	100	Consolidation

When the proportion of the equity (deficiency) held by non-controlling interest changes, the Company adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interest in the subsidiary. The Company recognizes directly in equity (deficiency) any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received and attribute it to the members of the Company.

These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2020.

4. Accounting Standards

Standards and interpretations issued, but not yet effective

Certain new standards, interpretations and amendments to existing standards were issued by the IASB or International Financial Reporting Issues Committee that are not yet effective, and have not been applied in preparing these interim consolidated financial statements. Management of the Company is currently assessing the potential impacts of these standards.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months.
- provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

5. Income Taxes

The income tax recovery for the three months ended December 31, 2020 is $NIL (December 31, 2019 - $2).

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. $NIL of such losses are available for carry-back to a prior year. The Company has $307 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, 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% and are repayable without penalty at any time prior to maturity. The principal amount and all accrued and unpaid interest were due on January 14, 2021. On January 13, 2021, the terms of the notes were amended to extend the maturity date to April 14, 2021. All other terms and conditions remain in full force and effect.

7. Capital Stock

Authorized
Unlimited Class B, voting shares, without par value

Details of issued capital stock, unchanged since October 1, 2019, are as follows:

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

	Number of shares	Amount
Balance, December 31, 2019, October 31, 2020, and December 31, 2020	**20,575,866**	**$35,890**

8. Share Purchase Options

The Board of Directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, consultants and employees of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to five (5) years from the date of the grant. The following table outlines the option activity for the three-month period ended December 31, 2020 and 2019:

	Number of Options		Weighted Average Exercise Price	Expiry Date
Balance, October 1, 2019 and 2020	**-**	**$**	**-**	
Granted	2,057,586		0.13	October 22, 2025
Balance December 31, 2020	**2,057,586**	**$**	**0.13**	

On October 22, 2020, the Company granted options to its directors and officers entitling the purchase of 2,057,586 class B shares at a price of $0.13 per share. The options are for a five-year term, expiring on October 22, 2025, and vest on the date of grant. Options granted were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value using the weighted average assumptions of an expected forfeiture rate of 0%, a risk-free interest rate of 0.36%, an expected dividend yield of 0%, an expected stock price volatility of 117%, and an expected option life of five years. This resulted in a calculated fair value per stock option of $0.105. During the three months ended December 31, 2020, the Company recognized $217 (December 31, 2019 - $NIL) of stock-based payments that were recorded as contributed surplus.

9. Financial Instruments and Risk Management

Credit Risk

The Company's maximum exposure to credit risk is the outstanding balance of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due and remain solvent. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. To date, the Company has relied on external financing to fund its operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that financing will be on terms advantageous to the Company.

Fair Values

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

Interest Rate Risk

The Company is not exposed to significant interest rate risk as the interest on the unsecured promissory note is a fixed rate.

Capital Risk Management

The Company's objectives when managing its capital are:

- To maintain a flexible capital structure that optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
- To maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- To safeguard the Company's ability to obtain financing should the need arise; and
- To maintain financial flexibility in order to have access to capital in the event of future capital acquisitions.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, and in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to externally imposed capital requirements.

10. Related Party Transactions

Related party transactions consist of management compensation, including share based compensation. Transactions with related parties during the period were as follows:

	Three months ended	
	December 31 2020	December 31 2019
Management fee expense	**$ -**	$ -
Stock based compensation (note 8)	**$ 217**	$ -

The following is a summary of the Company's related party relationships that existed for the three month period ended December 31, 2020:

- a director is associated with a law firm that provides legal services to the Company

11. 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.