



Interim Condensed Consolidated  
Financial Statements  
(Unaudited)

**September 30, 2022**  
(expressed in Canadian dollars)

November 23, 2022

## **Management's Report**

The accompanying unaudited interim condensed consolidated financial statements of NexLiving Communities Inc. are the responsibility of management and have been approved by the Board of Directors. The unaudited interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The unaudited interim condensed consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparation of the unaudited interim condensed consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's unaudited interim condensed consolidated financial statements and recommended their approval by the Board of Directors.

These financial statements have not been reviewed by the external auditors of the Company.

(signed) "*Stavro Stathonikos*"  
Chief Executive Officer  
Toronto, Ontario

(signed) "*Glenn Holmes*"  
Chief Financial Officer  
Halifax, Nova Scotia

# NexLiving Communities Inc.

## Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

As at September 30, 2022 and December 31, 2021

(expressed in Canadian dollars)

	September 30, 2022 \$	December 31, 2021 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	9,790,553	17,695,837
Accounts receivable	622,354	89,566
Deposits and prepaids (note 5)	2,646,238	811,314
	<u>13,059,145</u>	<u>18,596,717</u>
<b>Investment properties</b> (note 6)	<u>164,585,000</u>	<u>125,162,000</u>
	<u>177,644,145</u>	<u>143,758,717</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	1,251,391	708,492
Convertible debentures (note 8)	–	3,306,742
Current portion of mortgage payable (note 9)	26,105,124	17,240,009
	<u>27,356,515</u>	<u>21,255,243</u>
<b>Mortgages payable</b> (note 9)	<u>82,708,727</u>	<u>61,701,589</u>
	<u>110,065,242</u>	<u>82,956,832</u>
<b>Equity</b>	<u>67,578,903</u>	<u>60,801,885</u>
	<u>177,644,145</u>	<u>143,758,717</u>

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

# NexLiving Communities Inc.

## Interim Condensed Consolidated Statements of Income

(Unaudited)

For the three and nine month periods ended September 30, 2022 and 2021

(expressed in Canadian dollars)

	Three months ended Sept 30, 2022 \$	Three months ended Sept 30, 2021 \$	Nine months ended Sept 30, 2022 \$	Nine months ended Sept 30, 2021 \$
<b>Revenue</b>				
Rental income	3,088,988	1,997,351	8,564,162	5,469,409
<b>Property operating expenses</b>				
Operating expenses	(1,292,328)	(800,601)	(3,701,803)	(2,380,846)
<b>Net property operating income</b>	1,796,660	1,196,750	4,862,359	3,088,563
<b>Administrative expenses</b>				
Management wages and consulting fees	(346,833)	(245,006)	(907,480)	(693,090)
Filing and other fees	(35,493)	(21,666)	(63,564)	(42,735)
Insurance	(7,125)	(6,500)	(21,375)	(18,875)
Office and other	(22,555)	(30,169)	(68,456)	(80,099)
Professional fees	(34,563)	(43,863)	(173,522)	(93,367)
Stock-based compensation (note 10)	(66,500)	(63,900)	(203,000)	(224,200)
	(513,069)	(411,104)	(1,437,397)	(1,152,366)
<b>Finance costs</b>				
Interest expense	(680,088)	(446,732)	(1,744,594)	(1,274,958)
Amortization expense (notes 8 and 9)	(126,939)	(83,772)	(370,345)	(207,243)
Accretion expense (note 8)	(119,005)	(284,607)	(310,315)	(812,468)
	(926,032)	(815,111)	(2,425,254)	(2,294,669)
<b>Other income (expense)</b>				
Interest income	18,217	–	50,005	–
Loss on modification of convertible debentures	–	(88,000)	–	(88,000)
Fair value adjustment to investment properties (notes 4 and 6)	2,629,006	3,257,650	4,096,872	5,860,954
Gain on sale of investment properties	–	–	–	1,130
	2,647,223	3,169,650	4,146,877	5,774,084
<b>Net income and comprehensive income for the periods</b>	3,004,782	3,140,185	5,146,585	5,415,612
<b>Net income per share – basic</b>	\$0.010	\$0.020	\$0.017	\$0.038
<b>Net income per share – diluted</b>	\$0.010	\$0.018	\$0.017	\$0.033

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

## NexLiving Communities Inc.

### Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited)

For the nine month period ended September 30, 2022

(expressed in Canadian dollars)

	Number of shares	Share capital \$	Warrants \$	Convertible debentures \$	Contributed surplus \$	Retained Earnings \$	Total \$
<b>Balance – December 31, 2021</b>	281,549,482	53,900,266	1,951,592	1,042,729	1,985,900	1,921,398	60,801,885
Net income and comprehensive income for the period	–	–	–	–	–	5,146,585	5,146,585
Shares issued for cash, net of issue costs (note 10)	6,000,000	1,160,583	–	–	–	–	1,160,583
Shares issued pursuant to exercise of warrants (note 10)	4,012,500	999,729	(297,542)	–	–	–	702,187
Expiration of warrants (note 10)	–	–	(537,513)	–	537,513	–	–
Dividends paid	–	–	–	–	–	(435,337)	(435,337)
Repayment of convertible debentures (note 8, 10)	–	–	–	(1,042,729)	1,042,729	–	–
Stock based compensation (note 10)	–	–	–	–	203,000	–	203,000
<b>Balance – September 30, 2022</b>	<b>291,561,982</b>	<b>56,060,578</b>	<b>1,116,537</b>	<b>–</b>	<b>3,769,142</b>	<b>6,632,646</b>	<b>67,578,903</b>

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

## NexLiving Communities Inc.

### Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited)

For the nine month period ended September 30, 2021

(expressed in Canadian dollars)

	Number of shares	Share capital \$	Warrants \$	Convertible debentures \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance – December 31, 2020</b>	131,313,346	25,639,603	2,310,192	1,416,832	1,179,000	(7,129,655)	23,415,972
Net income and comprehensive income for the period	–	–	–	–	–	5,415,612	5,415,612
Shares issued for cash, net of issue costs (note 10)	12,500,000	2,238,855	–	–	–	–	2,238,855
Shares issued pursuant to acquisitions	3,750,000	750,000	–	–	–	–	750,000
Shares issued upon conversion and settlement of debentures (note 7)	2,312,500	632,500	–	(271,000)	189,000	–	550,500
Shares issued pursuant to settlement of DSUs (note 10)	84,000	21,780	–	–	(28,800)	–	(7,020)
Shares issued in settlement of debt obligations, net of issue costs	1,152,636	236,454	–	–	–	–	236,454
Expiration of warrants (note 10)	–	–	(358,600)	–	358,600	–	–
Dividends paid	–	–	–	–	–	(212,540)	(212,540)
Stock based compensation (note 10)	–	–	–	–	224,200	–	224,200
<b>Balance – September 30, 2021</b>	<b>151,112,482</b>	<b>29,519,192</b>	<b>1,951,592</b>	<b>1,145,832</b>	<b>1,922,000</b>	<b>(1,926,583)</b>	<b>32,612,033</b>

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

# NexLiving Communities Inc.

## Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the nine month periods ended September 30, 2022 and 2021

(expressed in Canadian dollars)

	2022	2021
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income and comprehensive income for the periods	5,146,585	5,415,612
Charges to income not affecting cash		
Interest on convertible debentures and mortgage payable	184,171	150,252
Stock-based compensation expense	203,000	224,200
Change in fair value of investment properties (note 6)	(4,096,872)	(5,860,954)
Amortization expense	370,345	207,243
Accretion expense	310,315	812,468
Loss on modification of convertible debentures	–	88,000
Gain on sale of non-core investment properties	–	(1,130)
	<u>2,117,544</u>	<u>1,035,691</u>
Net changes in non-cash working capital balances related to operations		
(Increase) decrease in accounts receivable	(532,788)	(24,071)
(Increase) in deposits and prepaid expenses	(1,834,924)	(309,363)
Increase (decrease) in accounts payable and accrued liabilities, net of amount settled through share issuances	<u>358,729</u>	<u>(220,987)</u>
	<u>108,561</u>	<u>481,270</u>
<b>Financing activities</b>		
Proceeds from issuance of common shares and warrants, net of issue costs	1,862,770	2,238,855
Repayments of convertible debentures	(3,674,000)	(275,000)
Proceeds from mortgage financings	31,219,855	–
Repayments of mortgage principal	(1,661,005)	(1,285,360)
Payment of dividends	(435,337)	(212,540)
	<u>27,312,283</u>	<u>465,955</u>
<b>Investing activities</b>		
Acquisition of investment properties (note 6)	(35,082,302)	(2,756,909)
Proceeds from sale of investment properties	–	510,119
Purchase of equipment (note 6)	(243,826)	–
	<u>(35,326,128)</u>	<u>(2,246,790)</u>
<b>Net change in cash for the period</b>	<u>(7,905,284)</u>	<u>(1,299,565)</u>
<b>Cash – Beginning of period</b>	<u>17,695,837</u>	<u>2,445,519</u>
<b>Cash – End of period</b>	<u>9,790,553</u>	<u>1,145,954</u>

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

# **NexLiving Communities Inc.**

## Notes to Interim Condensed Financial Statements

(Unaudited)

**For the nine month periods ended September 30, 2022 and 2021**

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(expressed in Canadian dollars)

### **1 Nature of operations**

NexLiving Communities Inc. (the “Company”) was incorporated under the Canada Business Corporations Act on August 9, 2011. Its registered office is located at 45 Alderney Drive, Dartmouth, Nova Scotia, B2Y 2N6, Canada. The Company’s business is the ownership and management of multi-unit residential real estate with a focus on low and mid-rise properties in bedroom communities in Eastern Canada. The common shares of the Company are listed on the TSX Venture Exchange (TSXV or the Exchange) under the symbol “NXLV”.

### **2 Basis of presentation**

#### **Statement of compliance**

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, has been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the Company’s annual audited financial statements for the year ended December 31, 2021.

These unaudited interim condensed consolidated financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company’s results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

The Board of Directors approved the interim condensed consolidated financial statements for issue on November 23, 2022.

#### **Basis of measurement**

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

### **3 Significant accounting policies**

#### **Basis of consolidation**

These financial statements have been prepared using the same accounting policies and methods of computation as the annual financial statements of the Company for the year ended December 31, 2021. Refer to note 3 Significant Accounting Policies, of the Company’s annual consolidated financial statements for the year ended December 31, 2021 for information on accounting policies, as well as, new accounting standards not yet effective.

### **4 Change in accounting policy**

During the year ended December 31, 2021, the Company changed its accounting policy whereby subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in fair value of investment properties are included in profit or loss in the period in which they arise. Previously, the Company used the



# NexLiving Communities Inc.

## Notes to Interim Condensed Financial Statements

(Unaudited)

For the nine month periods ended September 30, 2022 and 2021

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(expressed in Canadian dollars)

cost method for accounting for investment properties whereby investment properties were measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties were measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The Company made this voluntary change in accounting policy to bring the Company in line with the majority of real estate issuers making its financial operating results more directly comparable. Under IAS 8 – Accounting policies, changes in accounting estimates and errors, the change in accounting policy was applied retrospectively.

The following table summarizes the impact of the change in accounting policy for investment properties and the financial statement line items adjusted on the consolidated statements of changes in equity, net income and comprehensive income and cash flows for the nine-month period ended September 30, 2021:

	As previously stated	Accounting policy change	As adjusted
	\$	\$	\$
<b>Investment properties</b>	88,055,243	11,320,975	99,376,218
<b>Consolidated statement of changes in equity</b>			
Deficit – December 31, 2020	(10,910,128)	3,780,473	(7,129,655)
Deficit – September 30, 2021	(13,247,558)	11,320,975	(1,926,583)
Total equity – September 30, 2021	21,291,058	11,320,975	32,612,033
<b>Consolidated statement of income (loss) and comprehensive income (loss) for the nine months ended September 30, 2021</b>			
Depreciation	1,707,341	(1,707,341)	–
Change in fair value of investment properties	–	5,860,954	5,860,954
Net income (loss) and comprehensive income (loss) for the period	(2,124,890)	7,540,502	5,415,612
Income (loss) per share - basic and diluted	(0.01)	0.05	0.04

The financial statement line items impacted by the change in accounting policy on the consolidated statement of cash flows for the nine-month period ended September 30, 2021, were all within operating activities and, therefore, there was no cumulative impact to the cash inflows from operating activities.

## 5 Deposits and prepaids

Deposits and prepaid expenses at September 30, 2022 includes an amount of \$1,300,000 (2021 – \$nil), which comprises refundable deposits relating to investment properties under agreement.

# NexLiving Communities Inc.

## Notes to Interim Condensed Financial Statements

(Unaudited)

For the nine month periods ended September 30, 2022 and 2021

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(expressed in Canadian dollars)

### 6 Investment properties

The Company's investment properties are held to earn rental income or for capital appreciation, or both, but not for sale in the ordinary course of business.

Each of the investment properties acquired by the Company were not considered a business for accounting purposes, and therefore, the acquisitions were asset purchases. No personnel or processes were acquired, and processes in support of the acquired properties are being created rather than integrated. Furthermore, the acquired investment properties do not have any processes to support the revenue being generated as there is a contract in place with external parties to provide property management services.

The following table summarizes the changes in investment properties for the periods ended September 30, 2022 and December 31, 2021:

	Sept 30, 2022 \$	December 31, 2021 \$
<b>Balance – Beginning of period</b>	125,162,000	83,697,000
Acquisitions during the period	35,082,302	34,483,781
Additions during the period	243,826	79,925
Disposals during the period	–	(3,035,856)
Fair value adjustments	4,096,872	9,937,150
<b>Balance – End of period</b>	<b>164,585,000</b>	<b>125,162,000</b>

On August 9, 2022, the Company completed the acquisition of a 40-unit building in Strathroy, Ontario ("294 Saulsbury") located at 294 Saulsbury Street for \$9,591,581 including closing costs.

On April 5, 2022, the Company completed the acquisition of a 64-unit building in Riverview, New Brunswick ("Findlay Tower") located at 1009 Cleveland Avenue for \$11,793,850 including closing costs.

On April 14, 2022, the Company completed the acquisition of a 58-suite building in Lindsay, ON ("35 Angeline") located at 35 Angeline Street for \$13,696,871 including closing costs.

On December 22, 2021, the Company completed the acquisition of a seven-property multi-unit residential portfolio comprising 156 units in Moncton, New Brunswick ("Findlay Estates") for \$21,699,988 including closing costs. The Findlay Estates properties are located at 529/539/545/625 Whitepine Avenue and 1008/1020/1037 Cleveland Avenue.

On June 30, 2021, the Company completed the acquisition of a 100% interest of Village View No.4 Limited Partnership, a limited partnership formed under the laws of the Province of New Brunswick (VV4LP), whose sole asset is a 47-unit multi-family rental property located at 49 Noel Avenue, Saint John, New Brunswick (49 Noel).

# NexLiving Communities Inc.

## Notes to Interim Condensed Financial Statements

(Unaudited)

For the nine month periods ended September 30, 2022 and 2021

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(expressed in Canadian dollars)

The Company acquired VV4LP for a purchase price of \$12,783,793. The Company satisfied the purchase price with the issuance to the vendors of 3,750,000 common shares of NexLiving at a price of \$0.20 per share, representing consideration of \$750,000, the assumption of a collateral mortgage on 49 Noel in the amount of \$9,366,429, with the balance being paid in cash.

On April 30 and May 7, 2021, the Company completed the sale of its non-core investment properties located at 27 Edmond Street and 50 Maplewood Drive in Moncton, New Brunswick. Total proceeds of the sales amounted to \$3,053,000, which resulted in a pre-tax gain on sale of approximately \$1,130. The purchaser assumed mortgages of approximately \$2,542,881, and \$510,119 was received in cash.

The fair value of investment properties is a Level 3 fair value measurement. The fair value represents the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All investment properties acquired to date were arm's length transactions and the purchase prices were supported by independent appraisals. Fair value is estimated using the capitalized net operating income method with the 12-month forward net operating income stabilized for any non-recurring expenses divided by a market capitalization rate. Key assumptions include the capitalization rate and 12-month forward net operating income for each specific property. For properties acquired close to a period-end, the purchase price, which is supported by an independent appraisal, is determined to approximate fair value.

The September 30, 2022 capitalization rates used to value the Company's investment properties range from 4.00% to 5.15%, and the weighted average capitalization rate is 4.63% (December 31, 2021 – range from 3.70% to 4.95% with a weighted average capitalization rate of 4.75%).

The following table summarizes the impact of changes in capitalization rates and stabilized net operating income on the fair value of the Company's investment properties.

Change in capitalization rate %	Change in capitalization rate		Change in stabilized NOI %	Change in stabilized NOI	
	Increase \$	Decrease \$		Increase \$	Decrease \$
0.25	(6,573,000)	7,318,000	1	1,294,000	(1,296,000)
0.50	(12,507,000)	15,520,000	2	2,589,000	(2,591,000)

# NexLiving Communities Inc.

## Notes to Interim Condensed Financial Statements

(Unaudited)

For the nine month periods ended September 30, 2022 and 2021

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(expressed in Canadian dollars)

### 7 Accounts payable and accrued liabilities

	Sept 30, 2022 \$	December 31, 2021 \$
Accounts payable	659,045	263,233
Accrued liabilities	592,346	445,259
	<hr/> 1,251,391	<hr/> 708,492

### 8 Convertible debentures

	Sept 30, 2022 \$	December 31, 2021 \$
2020 Convertible debentures (Emma acquisition)	–	1,088,042
2020 Convertible debentures (McLaughlin acquisition)	–	2,218,700
	<hr/> –	<hr/> 3,306,742

- 2020 Convertible debentures (Emma acquisition)

The Emma Debentures matured during the nine month period ended September 30, 2022 and were repaid in full.

For the three month period ended September 30, 2022, interest expense of \$nil (2021 – \$18,967), accretion expense of \$nil (2021 – \$62,237) and amortization expense of \$nil (2021 – \$2,829) have been recorded. For the nine month period ended September 30, 2022, interest expense of \$19,127 (2021 – \$56,283), accretion recovery of \$13,042 (2021 accretion expense – \$179,565) and amortization expense of \$nil (2021 – \$6,915) have been recorded.

- 2020 Convertible debentures (McLaughlin acquisition)

The McLaughlin Debentures matured during the nine month period ended September 30, 2022 and were repaid in full.

For the three month period ended September 30, 2022, interest expense of \$37,196 (2021 – \$45,856), accretion expense of \$119,005 (2021 – \$89,547) and amortization expense of \$14,994 (2021 – \$18,382) have been recorded. For the nine month period ended September 30, 2022, interest expense of \$129,569 (2021 – \$135,575), accretion expense of \$323,357 (2021 – \$255,103) and amortization expense of \$56,943 (2021 – \$52,366) have been recorded.

# NexLiving Communities Inc.

## Notes to Interim Condensed Financial Statements

(Unaudited)

For the nine month periods ended September 30, 2022 and 2021

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(expressed in Canadian dollars)

### 9 Mortgages payable

	Sept 30, 2022 \$	December 31, 2021 \$
Mortgage payable bears a fixed interest rate of 2.35% maturing December 1, 2026. The loan is being amortized over 40 years, is payable in monthly payments of \$12,345, principal and interest, and is secured by a first charge over 41 Noel Avenue.	3,802,366	3,846,350
Mortgage payable bears a fixed interest rate of 2.55% maturing September 1, 2026. The loan is being amortized over 25 years, is payable in monthly payments of \$25,901, principal and interest, and is secured by a first charge over 50 Noel Avenue.	4,489,947	4,631,375
Mortgage payable bears a fixed interest rate of 3.45% maturing October 10, 2024. The loan is being amortized over 25 years, is payable in monthly payments of \$20,440, principal and interest, and is secured by a first charge over 542 and 550 Ryan Street.	3,798,524	3,881,540
Mortgage payable bears a fixed interest rate of 2.05% maturing April 10, 2023. The loan is being amortized over 25 years, is payable in monthly payments of \$10,221, principal and interest, and is secured by a first charge over 39 Pleasant Street.	2,218,229	2,275,231
Mortgage payable bears a fixed interest rate of 2.05% maturing April 10, 2023. The loan is being amortized over 25 years, is payable in monthly payments of \$32,898, principal and interest, and is secured by a first charge over 150 and 154 Lewisville Road.	7,138,671	7,323,400
Mortgage payable bears a fixed interest rate of 3.32% maturing June 1, 2027. The loan is being amortized over 40 years, is payable in monthly principal payments of \$22,413 plus interest and is secured by a first charge over 75 Emma Street.	5,947,457	4,515,153
Mortgage payable bears a fixed interest rate of 3.83% maturing December 1, 2027. The loan is being amortized over 40 years, is payable in monthly payments of \$60,411, principal and interest, and is secured by a first charge over 145-155 McLaughlin Road.	14,895,075	11,060,595
Mortgage payable bears a fixed interest rate of 1.90% maturing January 10, 2026. The loan is being amortized over 30 years, is payable in monthly payments of \$32,918, principal and interest, and is secured by a first charge over 2380 Mountain Road.	8,657,811	8,829,321

# NexLiving Communities Inc.

## Notes to Interim Condensed Financial Statements

(Unaudited)

For the nine month periods ended September 30, 2022 and 2021

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(expressed in Canadian dollars)

	Sept 30, 2022 \$	December 31, 2021 \$
Mortgage payable bears a fixed interest rate of 1.76% maturing January 10, 2025. The loan is being amortized over 30 years, is payable in monthly payments of \$30,827, principal and interest, and is secured by a first charge over 51 Noel Avenue.	8,255,942	8,423,070
Mortgage payable bears a fixed interest rate of 1.95% maturing April 10, 2024. The loan is being amortized over 30 years, is payable in monthly payments of \$34,491, principal and interest, and is secured by a first charge over 49 Noel Avenue.	9,073,709	9,249,966
Mortgage payable bears a fixed interest rate of 2.27% maturing January 5, 2023. The loan is being amortized over 25 years, is payable in monthly payments of \$59,705, principal and interest, and is secured by a first charge over 529/539/545/625 Whitepine Avenue and 1008/1020/1037 Cleveland Avenue.	15,355,727	15,600,000
Mortgage payable bears a fixed interest rate of 1.76% maturing December 1, 2030. The loan is being amortized over 40 years, is payable in monthly payments of \$27,476, principal and interest, and is secured by a first charge over 1009 Cleveland Avenue.	9,184,531	–
Mortgage payable bears a fixed interest rate of 5.15% maturing June 1, 2024. The loan is payable in monthly payments of \$27,520, interest only, and is secured by a first charge over 35 Angeline Street.	10,125,000	–
Mortgage payable bears a fixed interest rate of 6.37% maturing October 1, 2024. The loan is payable in monthly payments of \$38,485, interest only, and is secured by a first charge over 294 Saulsbury Street.	7,250,000	–
	<hr/>	
	110,192,989	79,636,001
Less: deferred financing costs net of accumulated amortization of \$470,177 (December 31, 2021 – \$82,361)	1,379,138	694,403
Less: current portion	26,105,124	17,240,009
	<hr/>	
	82,708,727	61,701,589
	<hr/>	

# NexLiving Communities Inc.

## Notes to Interim Condensed Financial Statements

(Unaudited)

For the nine month periods ended September 30, 2022 and 2021

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(expressed in Canadian dollars)

As at September 30, 2022, all of the Company's investment properties have been pledged as security against the mortgages payable. The following table summarizes the changes in the aggregate mortgage values for the period ended September 30, 2022 and the year ended.

	<b>Sept 30, 2022</b>	<b>December 31, 2021</b>
	\$	\$
Balance – Beginning of period	78,941,598	57,596,540
Mortgage assumption	9,254,248	9,366,429
Mortgage proceeds	38,241,650	19,446,055
Repayments	(16,938,909)	(7,459,723)
Fair value and other adjustments	–	–
Finance costs, net of amortization	(684,736)	(7,703)
	<hr/>	<hr/>
Balance – End of period	108,813,851	78,941,598

The annual principal payments in relation to the mortgages payable over the next five years are as follows.

<b>For the twelve months ending September 30,</b>	<b>\$</b>
2023	26,105,124
2024	20,241,217
2025	19,527,896
2026	12,573,117
2027	4,007,893

# NexLiving Communities Inc.

## Notes to Interim Condensed Financial Statements

(Unaudited)

For the nine month periods ended September 30, 2022 and 2021

(expressed in Canadian dollars)

### 10 Share capital

a) Authorized capital stock

Unlimited number of common shares, without nominal or par value

Unlimited number of preferred shares, without nominal or par value, issuable in one or more series

	Number of shares #	Amount \$
<b>Common shares issued and fully paid</b>		
<b>Balance – December 31, 2020</b>	131,313,346	25,639,603
Shares issued for cash, net of issue costs	12,500,000	2,238,855
Shares issued in settlement of debt obligations	1,152,636	236,454
Shares issued pursuant to acquisitions	3,750,000	750,000
Shares issued pursuant to settlement of DSUs	84,000	21,780
Share issued pursuant to conversion of 2019 Debentures	2,312,500	632,500
<b>Balance – September 30, 2021</b>	<u>151,112,482</u>	<u>29,519,192</u>
<b>Balance – December 31, 2021</b>	281,549,482	53,900,266
Shares issued for cash, net of issue costs	6,000,000	1,160,583
Shares issued pursuant to the exercise of warrants	4,012,500	999,729
<b>Balance – September 30, 2022</b>	<u>291,561,982</u>	<u>56,060,578</u>

b) Equity financing

On January 7, 2022, the Company upsized the second tranche of a private placement from \$1,000,000 to \$1,200,000 and closed the offering with the issuance of 6,000,000 common shares at a price of \$0.20 per share.

c) Options

The Company has a common share purchase option plan (the Plan) for directors, officers, employees and consultants. The total number of options issued and outstanding at any time cannot exceed 10% of the issued and outstanding common shares of the Company unless shareholder and regulatory approvals are obtained. The exercise price of the stock options is determined by the Board of Directors when the options are granted, but it cannot be less than the closing price of the Company's shares on the TSXV on the business day immediately preceding the day on which the option is granted. The maximum exercise period of the stock options is 10 years.



# NexLiving Communities Inc.

## Notes to Interim Condensed Financial Statements

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For the nine month periods ended September 30, 2022 and 2021

(expressed in Canadian dollars)

The following table summarizes the Company's stock options for the periods ended September 30, 2022 and 2021:

	Weighted average exercise price \$	Number of options	Expiry date
<b>Balance – December 31, 2020</b>	0.24	300,000	May 15, 2030
Granted April 20, 2021	0.19	<u>750,000</u>	April 20, 2031
<b>Balance – September 30, 2021, December 31, 2021 and September 30, 2022</b>	0.20	<u>1,050,000</u>	

As at September 30, 2022, 28,106,198 options were available for future grants under the Plan. Options vested and exercisable as at September 30, 2022 totaled 1,050,000 with an average exercise price of \$0.20 per share.

d) Warrants

The following table summarizes the changes in the Company's warrants for the periods ended September 30, 2022 and 2021:

	Expiry date	Exercise price \$	Number #	Ascribed value \$
<b>Balance – December 31, 2020</b>			25,274,357	2,310,192
Warrants expired	January 20, 2021	0.21	(714,000)	(80,000)
Warrants expired	April 9, 2021	0.20	(485,980)	(90,000)
Warrants expired	Sept 30, 2021	0.25	<u>(2,000,000)</u>	<u>(188,600)</u>
<b>Balance – September 30, 2021</b>			<u>22,074,377</u>	<u>1,951,592</u>
<b>Balance – December 31, 2021</b>			22,074,377	1,951,592
Warrants expired	March 16, 2022	0.175	(2,487,500)	(184,458)
Warrants exercised	March 16, 2022	0.175	(4,012,500)	(297,542)
Warrants expired	April 27, 2022	0.27	(3,500,000)	(353,055)
Warrants expired	May 5, 2022	0.25	(50,000)	–
Warrants expired	August 26, 2022	0.25	<u>(290,876)</u>	<u>–</u>
<b>Balance – September 30, 2022</b>			<u>11,733,501</u>	<u>1,116,537</u>

e) Deferred share units

The Company has a deferred share unit plan (the DSU Plan) whereby participants may elect to receive all or a portion of their annual compensation or bonus compensation, if any, in DSUs. The election, if it is made, must be for a minimum of 10%, or a multiple thereof, of such compensation in DSUs. The number of DSUs received is equal to

# **NexLiving Communities Inc.**

## Notes to Interim Condensed Financial Statements

(Unaudited)

**For the nine month periods ended September 30, 2022 and 2021**

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(expressed in Canadian dollars)

the amount of compensation elected to be received in DSUs, divided by the volume-weighted average trading price of the common shares on the TSXV for the five trading days immediately prior to the payment date. DSUs awarded under the DSU Plan in lieu of annual or bonus compensation will vest immediately.

In addition, the Board of Directors has the authority to make discretionary awards of DSUs to participants under the DSU Plan. DSUs granted pursuant to discretionary awards will vest in accordance with the vesting schedule determined by the Board of Directors. Generally, DSUs will vest equally over three years, with one-third of the awarded DSUs vesting on each of the first, second and third anniversaries of the date of the award. As at September 30, 2022, a total of 7,100,000 DSUs were outstanding.

All unvested DSUs will vest immediately in the case of a change of control of the Company. In addition, in the event of the death or termination without cause of a participant that received DSUs, the participant's DSUs will vest immediately. The Board of Directors may at any time shorten the vesting period of any or all DSUs.

The maximum number of common shares issuable under the DSU Plan is 10,000,000. Each DSU held by a participant must be redeemed by the Company within 10 years of grant for DSU Plan shares issued from treasury. Each vested DSU held by a participant who ceases to be an eligible employee, director or officer shall be redeemed by the Company effective as at the separation date for DSU Plan shares issued from treasury.

On May 16, 2022, the Board of Directors approved the issuance of 2,260,000 DSUs to directors, management and consultants of the Company. The DSUs vest over three years in accordance with the provisions of the Company's DSU Plan. The fair value per DSU granted was \$0.145.

On April 20, 2021, the Board of Directors approved the issuance of 2,185,000 DSUs to directors, management and consultants of the Company. The DSUs vest over three years in accordance with the provisions of the Company's DSU Plan. The fair value per DSU granted was \$0.20.

The Company charged \$66,500 in non-cash share-based compensation to operations for the three month period ended September 30, 2022 (2021 - \$63,900) of which \$63,600 (2021 - \$62,400) related to DSUs issued to officers and directors of the Company.

The Company charged \$203,000 in non-cash share-based compensation to operations for the nine month period ended September 30, 2022 (2021 - \$113,200) of which \$196,800 (2021 - \$110,600) related to DSUs issued to officers and directors of the Company.

# NexLiving Communities Inc.

## Notes to Interim Condensed Financial Statements

(Unaudited)

For the nine month periods ended September 30, 2022 and 2021

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(expressed in Canadian dollars)

The following table summarizes the changes in the Company's DSUs for the periods ended September 30, 2022 and 2021:

	<b>Number of DSUs</b>
<b>Balance – December 31, 2020</b>	2,775,000
Issued during the period	2,185,000
Settled during the period	<u>(120,000)</u>
<b>Balance – September 30, 2021 and December 31, 2021</b>	4,840,000
Issued during the period	<u>2,260,000</u>
<b>Balance – September 30, 2022</b>	<u>7,100,000</u>
<b>f) Contributed surplus</b>	
	<b>\$</b>
<b>Balance – December 31, 2020</b>	1,179,000
Expiration of warrants	358,600
Stock-based compensation	224,200
Settlement of DSUs	(28,800)
Settlement of 2019 Debentures	<u>189,000</u>
<b>Balance – September 30, 2021</b>	<u>1,922,000</u>
<b>Balance – December 31, 2021</b>	1,985,900
Expiration of warrants	537,513
Repayment of convertible debentures	1,042,729
Stock-based compensation	<u>203,000</u>
<b>Balance – September 30, 2022</b>	<u>3,769,142</u>
<b>g) Shares for debt and debenture interest</b>	

During the period ended September 30, 2021, the Company issued 1,152,636 common shares to settle accounts payable with arm's length parties aggregating \$238,400.

These are non-cash transactions and accordingly, have been excluded from the statement of cash flows.

# NexLiving Communities Inc.

## Notes to Interim Condensed Financial Statements

(Unaudited)

For the nine month periods ended September 30, 2022 and 2021

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(expressed in Canadian dollars)

### 11 Related party transactions

#### Management compensation

Key management includes the Company's Chief Executive Officer, President, Chief Financial Officer, Executive Vice Chair, Vice President, Corporate Secretary and directors.

	<b>Three month period ended Sept 30, 2022 \$</b>	<b>Three month period ended Sept 30, 2021 \$</b>
Cash and accrued compensation	175,625	156,061
Stock-based compensation (note 10(e))	63,600	62,400
	<hr/> <b>239,225</b>	<hr/> <b>218,461</b>
	<b>Nine month period ended Sept 30, 2022 \$</b>	<b>Nine month period ended Sept 30, 2021 \$</b>
Cash and accrued compensation	454,750	402,161
Stock-based compensation (note 10(e))	196,800	110,600
	<hr/> <b>651,550</b>	<hr/> <b>512,761</b>

#### Advisory and legal services

Advisory services, primarily related to transactions, were previously provided by a corporation owned by two non-executive directors of the Company, who have ceased to be directors of the company. Related party advisory services during the three month period ended September 30, 2022, was \$nil (2021 – \$48,294). The cost of these transaction advisory services during the nine month period ended September 30, 2022, was \$123,796 (2021 – \$271,287).

Legal services in the amount of \$14,250 (2022 - \$nil) were provided during the nine month period ended September 30, 2021, by a firm of which an officer of the Company is the sole lawyer practitioner. There were no related party legal services provided during the three month periods ended September 30, 2021 and 2022.

# NexLiving Communities Inc.

## Notes to Interim Condensed Financial Statements

(Unaudited)

For the nine month periods ended September 30, 2022 and 2021

(expressed in Canadian dollars)

### 12 Earnings per share

	Three months ended Sept 30, 2022			Three months ended Sept 30, 2021 (Adjusted – note 4)		
	Income \$	Weighted average shares #	Per share amount \$	Income \$	Weighted average shares #	Per share amount \$
Income per share – basic	3,004,782	298,661,982	0.010	3,140,185	153,717,346	0.020
Dilutive impact of stock options, warrants and DSUs	–	–	–	–	5,988,323	–
Dilutive impact of convertible debentures	–	–	–	98,575	21,292,127	–
Income per share – diluted	<u>3,004,782</u>	<u>298,661,982</u>	<u>0.010</u>	<u>3,238,760</u>	<u>180,997,796</u>	<u>0.018</u>
	Nine months ended Sept 30, 2022			Nine months ended Sept 30, 2021 (Adjusted – note 4)		
	Income \$	Weighted average shares #	Per share amount \$	Income \$	Weighted average shares #	Per share amount \$
Income per share – basic	5,146,585	296,206,451	0.017	5,415,612	143,662,367	0.038
Dilutive impact of stock options, warrants and DSUs	–	–	–	–	6,003,332	–
Dilutive impact of convertible debentures	–	–	–	246,750	21,292,127	–
Income per share – diluted	<u>5,146,585</u>	<u>296,206,451</u>	<u>0.017</u>	<u>5,662,362</u>	<u>170,957,826</u>	<u>0.033</u>

The Company's potentially dilutive instruments include the convertible debentures, stock options, warrants and DSUs. For the three and month periods ended September 30, 2022, the DSUs, stock options and warrants were anti-dilutive. For the three and nine month periods ended September 30, 2021, the DSUs, stock options and warrants were anti-dilutive and the convertible debentures were dilutive.

# **NexLiving Communities Inc.**

## Notes to Interim Condensed Financial Statements

(Unaudited)

**For the nine month periods ended September 30, 2022 and 2021**

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(expressed in Canadian dollars)

### **13 Capital management**

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company. The Company considers capital to be shareholders' equity, which at September 30, 2022 totalled \$67,578,903 (December 31, 2021 – \$60,801,885). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to externally imposed capital requirements.

### **14 Financial instruments and other**

#### **Interest rate risk**

The Company is exposed to interest rate risks on its borrowings and could be adversely affected if it were unable to obtain cost-effective financing. This risk is mitigated as all interest bearing financial liabilities have fixed rates of interest.

#### **Credit risk**

The Company manages credit risk by holding its cash with high quality financial institutions in Canada, where management believes the risk of loss to be low.

#### **Liquidity risk**

The Company has financed acquisitions of investment properties with mortgages, which are periodically required to be re-financed based on the prevailing market conditions at the end of the mortgage term, and with convertible debentures. Within the next 12 months mortgages totaling \$24,712,627 will mature. Although the Company expects to renew the remaining mortgages maturing in the next twelve months, there can be no assurance that it will have access to sufficient capital or access to capital on favorable terms.

#### **COVID-19**

The impact of COVID-19 on the Company's operations to date has been minimal. The future impact of COVID-19 on the Company's business, including potential credit losses associated with rent receivables and interest rate increases, will depend on a number of factors that are unknown at this time.