

**NexLiving Communities Inc.**  
(Formerly ViveRE Communities Inc. )

Unaudited Interim Condensed Consolidated  
Financial Statements  
(expressed in Canadian dollars)

**June 30, 2021**

August 26, 2021

## **Management's Report**

The accompanying unaudited interim condensed consolidated financial statements of NexLiving Communities Inc. (formerly ViveRE 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) "*Michael Anaka*"  
Chief Executive Officer  
Halifax, Nova Scotia

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

# NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at June 30, 2021 and December 31, 2020

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(expressed in Canadian dollars)

	June 30, 2021 \$	December 31, 2020 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,606,712	2,445,519
Accounts receivable	27,598	25,002
Deposits and prepaids	752,813	252,021
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	2,387,123	2,722,542
Investment properties (note 4)	88,625,745	79,916,527
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	91,012,868	82,639,069
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<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 5)	744,043	862,370
Convertible debentures (note 7)	3,118,711	618,426
Current portion of mortgage payable (note 8)	9,429,319	4,868,957
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	13,292,073	6,349,753
Convertible debentures (note 7)	1,997,008	3,926,234
Mortgages payable (note 8)	54,265,659	52,727,583
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	69,554,740	63,003,570
<b>Equity</b>	21,458,128	19,635,499
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	91,012,868	82,639,069
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The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

# NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

	Three months ended June 30, 2021 \$	Three months ended June 30, 2020 \$	Six months ended June 30, 2021 \$	Six months ended June 30, 2020 \$
<b>Revenue</b>				
Rental income	1,719,991	849,794	3,472,058	1,336,863
<b>Property operating expenses</b>				
Operating expenses	780,451	373,372	1,580,245	553,698
<b>Net property operating income</b>	939,540	476,422	1,891,813	783,165
<b>Administrative expenses</b>				
Management wages and consulting fees	209,154	115,311	405,716	262,774
Filing and other fees	12,266	(21,864)	21,070	22,448
Insurance	6,187	5,118	12,375	11,943
Office and other	57,713	5,257	71,570	10,226
Professional fees	41,451	18,256	71,551	49,327
Stock-based compensation (note 9)	160,300	572,000	160,300	572,000
	487,071	694,078	742,582	928,718
<b>Finance costs</b>				
Interest expense	414,640	244,272	828,225	383,187
Amortization expense (notes 7 and 8)	59,388	13,855	123,471	42,841
Accretion expense (note 7)	271,056	135,513	527,860	279,218
	745,084	393,640	1,479,556	705,246
<b>Depreciation expense</b> (note 4)	563,338	262,727	1,123,437	424,407
<b>Other expense (income)</b>				
Loss on settlement of bridge loans (note 6)	–	80,000	–	80,000
Gain on sale of investment properties	(28,922)	–	(28,922)	–
	(28,922)	80,000	(28,922)	80,000
<b>Net loss and comprehensive loss for the periods</b>	(827,031)	(954,023)	(1,424,840)	(1,355,206)
<b>Loss per share - basic and diluted</b>	(\$0.01)	(\$0.01)	(\$0.01)	(0.02)
<b>Weighted average outstanding common shares – basic and diluted</b>	138,509,938	71,671,907	134,931,522	61,768,384

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

# NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the periods ended June 30, 2021 and 2020

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(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	(10,910,128)	19,635,499
Net loss and comprehensive loss for the period	–	–	–	–	–	(1,424,840)	(1,424,840)
Shares issued for cash, net of issue costs	12,500,000	2,238,855	–	–	–	–	2,238,855
Shares issued pursuant to acquisitions (note 4)	3,750,000	750,000	–	–	–	–	750,000
Shares issued in settlement of debt obligations, net of issue costs (note 9(g))	1,152,636	236,454	–	–	–	–	236,454
Expiration of warrants (note 9(d))	–	–	(170,000)	–	170,000	–	–
Dividends paid	–	–	–	–	–	(138,140)	(138,140)
Stock based compensation	–	–	–	–	160,300	–	160,300
<b>Balance – June 30, 2021</b>	<b>148,715,982</b>	<b>28,864,912</b>	<b>2,140,192</b>	<b>1,416,832</b>	<b>1,509,300</b>	<b>(12,473,108)</b>	<b>21,458,128</b>

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

# NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

	Number of shares	Share capital \$	Warrants \$	Convertible debentures \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance – December 31, 2019</b>	49,189,824	11,632,720	624,600	712,867	352,500	(8,827,986)	4,494,701
Net loss and comprehensive loss for the period	–	–	–	–	–	(1,355,206)	(1,355,206)
Shares issued for cash, net of issue costs	10,833,327	1,546,519	–	–	–	–	1,546,519
Shares issued pursuant to acquisitions	4,166,665	793,385	–	–	–	–	793,385
Shares issued in settlement of interest payable on convertible debentures net of issue costs	131,674	29,063	–	–	–	–	29,063
Shares issued in settlement of accounts payable	145,226	31,950	–	–	–	–	31,950
Shares issued pursuant to conversion of 2018 Debentures	8,666,662	536,019	–	(441,567)	–	–	94,452
Shares issued pursuant to the exercise of warrants	400,000	94,000	(34,000)	–	–	–	60,000
Shares issued pursuant to the exercise of stock options	200,000	44,000	–	–	(20,000)	–	24,000
Warrants issued pursuant to bridge loans (note 9(d))	–	–	80,000	–	–	–	80,000
Warrants issued pursuant to conversion of 2018 debentures (note 9(d))	–	–	900,000	–	–	–	900,000
Warrants issued pursuant to private placements and acquisitions (note 9(d))	–	–	1,137,000	–	–	–	1,137,000
Convertible debentures issued, net of issue costs (note 7(c) and 7(d))	–	–	–	1,124,763	–	–	1,124,763
Stock based compensation	–	–	–	–	572,000	–	572,000
<b>Balance – June 30, 2020</b>	<b>73,733,378</b>	<b>14,707,656</b>	<b>2,707,600</b>	<b>1,396,063</b>	<b>904,500</b>	<b>(10,183,192)</b>	<b>9,532,627</b>

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

# NexLiving Communities Inc.

## Unaudited Interim Condensed Consolidated Statements of Cash Flows For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

	2021 \$	2020 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss and comprehensive loss for the periods	(1,424,840)	(1,355,206)
Charges to income not affecting cash		
Interest on convertible debentures and mortgage payable	196,702	95,519
Stock-based compensation expense	160,300	572,000
Depreciation expense	1,123,437	424,407
Amortization expense	123,471	42,841
Accretion expense	527,860	279,218
Loss on settlement of bridge loans	–	80,000
Gain on sale of non-core investment properties	(28,922)	–
	678,008	138,779
Net changes in non-cash working capital balances related to operations		
(Increase) decrease in accounts receivable	(2,596)	3,184
(Increase) in deposits and prepaid expenses	(500,792)	(278,834)
Increase (decrease) in accounts payable and accrued liabilities, net of amount settled through share issuances	(75,371)	117,908
	99,249	(18,963)
<b>Financing activities</b>		
Proceeds from issuance of common shares, stock options and warrants, net of issue costs	2,238,855	2,548,906
Proceeds from issuance of convertible debentures, net of issue costs	–	2,600,000
Proceeds from bridge loans	–	150,000
Proceeds from mortgage financings	–	14,896,750
Repayments of mortgage principal	(805,382)	(235,631)
Payment of dividends	(138,140)	–
	1,295,333	19,960,025
<b>Investing activities</b>		
Acquisition of investment properties	(2,686,582)	(19,748,711)
Proceeds from sale of investment properties	510,119	–
Purchase of equipment	(56,926)	–
	(2,233,389)	(19,748,711)
<b>Net change in cash for the period</b>	(838,807)	192,351
<b>Cash – Beginning of period</b>	2,445,519	133,848
<b>Cash – End of period</b>	1,606,712	326,199

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

# **NexLiving Communities Inc.**

## **Notes to Unaudited Interim Condensed Consolidated Financial Statements**

### **For the periods ended June 30, 2021 and 2020**

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(expressed in Canadian dollars)

#### **1 Nature of operations**

NexLiving Communities Inc. (formerly ViveRE Communities Inc.) (the “Company”) was incorporated under the Canada Business Corporations Act on August 9, 2011. 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 unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s annual audited financial statements for the year ended December 31, 2020.

The Board of Directors approved the consolidated financial statements for issue on August 26, 2021.

##### **Basis of measurement**

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

#### **3 Significant accounting policies**

These unaudited interim condensed consolidated 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, 2020. Refer to note 3, significant accounting policies, of the Company’s annual consolidated financial statements for the year ended December 31, 2020 for information on accounting policies, as well as, note 4 for information on new accounting standards not yet adopted.



# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

#### 4 Investment properties

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.

Consolidated investment properties as at June 30, 2021 and December 31, 2020 are summarized below.

	June 30, 2021 \$	December 31, 2020 \$
<b>Balance - beginning of period</b>	79,916,527	18,209,620
Cost of acquisitions	12,783,793	62,789,936
Additions	56,926	55,955
Depreciation	(1,123,437)	(1,138,984)
Disposals	(3,008,064)	-
<b>Balance - end of period</b>	<u>88,625,745</u>	<u>79,916,527</u>

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 acquired VV4LP for a purchase price of \$12,783,793. NexLiving 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, assumption of a collateral mortgage on 49 Noel in the amount of \$9,356,429, with the balance being paid in cash.

The acquisition cost of VV4LP was allocated to the fair value of the assets acquired as follows.

	\$
Land	150,000
Building	12,457,060
Furniture and equipment	<u>176,733</u>
Investment property acquisition cost recorded	<u>12,783,793</u>

The acquisition of VV4LP was financed as follows.

	\$
Mortgage assumption	9,356,429
Cash	2,677,364
Shares issued to vendors	<u>750,000</u>
	<u>12,783,793</u>

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

#### 4 Investment properties (continued)

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, NB. Total proceeds of the sales amounted to \$3,053,000 which resulted in a pre-tax gain on sale of approximately \$28,922. The purchaser assumed mortgages of approximately \$2,540,000 and the balance was received in cash.

On April 28, 2020, the Company acquired all the shares of Emma and Albert Development Inc. (“Emma”), whose sole asset is the real property located at 75 Emma Street, Oshawa, ON (the “Emma Street Property”). The Emma Street Property is a newly built multi-unit residential property totaling 20 units.

NexLiving acquired Emma for a purchase price of \$7,359,476. NexLiving funded the purchase price as follows: a mortgage in the amount of \$4,780,750; the issuance to the vendors of 2,083,333 common shares of NexLiving representing consideration of \$500,000; the vendors providing an unsecured vendor take back loan in the amount of \$500,000 repayable in 24 months and bearing interest at 7% per annum, convertible at the option of the vendors into 1,851,851 common shares of NexLiving at a conversion price of \$0.27 per common share for 24 months from the closing date; the issuance of 2,000,000 warrants to acquire common shares of NexLiving at an exercise price of \$0.27 per common share for a term of 24 months from the closing date; and the balance of the purchase price paid in cash from the proceeds of a \$1,700,000 private placement units financing.

The acquisition cost of 75 Emma Street was allocated to the fair value of the assets acquired as follows.

	\$
Land	400,000
Building	<u>6,959,476</u>
Investment property acquisition cost recorded	<u>7,359,476</u>

The acquisition of 75 Emma Street was financed as follows.

	\$
Mortgage financing, net of costs	4,735,850
Cash	2,123,626
Shares issued to vendors	<u>500,000</u>
	<u>7,359,476</u>

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

#### 4 Investment properties (continued)

On March 16, 2020, the Company completed the acquisition of a 100% interest in three multi-unit residential properties comprised of 124 rental units ("Acquisition" or "Denaco Properties"), located in Moncton, NB. The properties are located at 150 Lewisville Rd. (55 units), 154 Lewisville Rd. (34 units) and 39 Pleasant St. (35 units).

NexLiving acquired the Denaco Properties for a purchase price of \$13,737,613, including costs and closing adjustments aggregating \$237,613, which was satisfied with the issuance of 2,083,333 common shares to the vendor with a fair value of \$500,000 and \$13,237,613 paid in cash with \$10,125,000 from mortgages on the Denaco Properties and the balance from the proceeds of a \$3,500,000 subscription financing comprising \$1,750,000 common shares, \$1,750,000 convertible debenture and 7,000,000 warrants to acquire common shares of NexLiving.

The acquisition cost of the Denaco Properties was allocated to the fair value of the assets acquired as follows.

	\$
Land	513,864
Building	13,208,749
Furniture and equipment	<u>15,000</u>
Investment property acquisition cost recorded	<u>13,737,613</u>

The acquisition of the Denaco Properties was financed as follows.

	\$
Mortgage financing, net of costs	10,028,837
Cash	3,208,776
Shares issued to vendor	<u>500,000</u>
	<u>13,737,613</u>

The Company uses the cost method of accounting for investment properties and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment is recognized at time of impairment. The Company estimates the fair value of its investment properties on an annual basis.

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. For investment properties that the Company has owned less than a year, management believes that cost approximates fair value. For the investment properties acquired prior to January 1, 2020, fair value is estimated using the capitalized net operating income method with the 12-month forward net operating income multiplied by a market capitalization rate. The key assumption is the capitalization rate for each specific property.

The estimated fair value of the Company's investment properties at December 31, 2020 was \$82,957,000. The total fair value of investment properties exceeds cost by \$1,550,716 as at December 31, 2020. A weighted average capitalization rate of 5.3% was utilized.

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

#### 5 Accounts payable and accrued liabilities

	June 30, 2021 \$	December 31, 2020 \$
Accounts payable	385,670	449,057
Accrued liabilities	358,373	413,313
	<u>744,043</u>	<u>862,370</u>

As at June 30, 2021, \$98,090 (December 31, 2020 - \$nil) of accounts payable and accrued liabilities is due to corporations owned by officers and directors of the Company.

During the period ended June 30, 2021, the Company settled accounts payable aggregating \$238,400 with the issuance of 1,152,636 common shares.

#### 6 Bridge loans

On January 20, 2020, the Company issued \$150,000 of promissory notes to arm's length lenders. The bridge loans were repaid in full during the second quarter of 2020.

#### 7 Convertible debentures

	June 30, 2021 \$	December 31, 2020 \$
2019 Convertible debentures (Ryan acquisition)	696,449	618,426
2020 Convertible debentures (Denaco acquisition)	1,467,019	1,294,935
2020 Convertible debentures (Emma acquisition)	955,243	833,829
2020 Convertible debentures (McLaughlin acquisition)	1,997,008	1,797,470
	<u>5,115,719</u>	<u>4,544,660</u>
<b>Current portion of debentures</b>	<u>3,118,711</u>	<u>618,426</u>
	<u>1,997,008</u>	<u>3,926,234</u>

##### a) 2018 Convertible debentures

During the period ended June 30, 2020, the holders of the 2018 Debentures converted the outstanding principal of \$1,300,000 into 8,666,662 units, with each unit consisting of one common share and 0.75 warrant, with each full warrant entitling the holder to acquire one common share at a price of \$0.175 per common share until March 16, 2022. Upon conversion, the \$32,000 that had been held in trust as security for future interest payments on the Series A Debentures was released to the Company.

For the period ended June 30, 2021, interest expense of \$nil (2020 - \$32,055), accretion expense of \$nil (2020 - \$114,450) and amortization expense of \$nil (2020 - \$21,412) have been recorded.

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

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(expressed in Canadian dollars)

#### 7 **Convertible debentures** (continued)

##### **b) 2019 Convertible debentures (Ryan acquisition)**

On September 30, 2019, the Company completed the private placement of \$737,500 convertible debentures (“2019 Debentures”) as part of a non-brokered units offering. The 2019 Debentures are unsecured, have a 2-year term and bear interest at a rate of 7%, payable annually. The debentures are convertible into common shares of the Company at the option of the holder, in full or in part, at a price of \$0.25 per common share. The Company has the option to redeem the debentures in full with the issuance of common shares at a price of \$0.25 per common share. Also, the Company has the option to force the conversion of the debentures in the event of a change of control event.

The 2019 Debentures have been separated into their liability and equity components at time of issuance using a relative fair value approach. The fair value of the equity portion of the convertible debentures of \$316,000 was calculated using the Black-Scholes option pricing model. The assumptions used in the valuation model include; share price \$0.19, expected volatility 150%, bond yield 2.25% and a dividend yield of 0%. The fair value allocated to the equity component of the Debentures of \$316,000 is offset by issuance costs of \$3,700 and deferred taxes of \$41,000.

The fair value of the liability component of the 2019 Debentures is offset by issuance costs in the amount of \$16,000. The liability component is measured at amortized cost and will be accreted to the \$737,500 maturity amount over the term using the effective interest method.

For the period ended June 30, 2021, interest expense of \$25,600 (2020 - \$25,754), accretion expense of \$76,479 (2020 - \$60,303) and amortization expense of \$1,544 (2020 - \$1,217) have been recorded.

##### **c) 2020 Convertible debentures (Denaco acquisition)**

On March 16, 2020, the Company issued \$1,750,000 convertible debentures (“Denaco Debentures”). The Denaco Debentures are unsecured, have a 2-year term and bear interest at a rate of 7%, payable annually. The Denaco Debentures are convertible into common shares of the Company at the option of the holder, in full or in part, at a price of \$0.27 per common share. The Company has the option to redeem the Denaco Debentures in full with the issuance of common shares at a price of \$0.27 per common share. Also, the Company has the option to force the conversion of the Denaco Debentures in the event of a change of control event.

The Denaco Debentures are separated into their liability and equity components at time of issuance using a relative fair value approach. The fair value of the equity portion of the convertible debentures of \$610,000 was calculated using the Black-Scholes option pricing model. The assumptions used in the valuation model include; share price \$0.19, expected volatility 150%, bond yield 2.25% and a dividend yield of 0%. The fair value allocated to the equity component is offset by issuance costs of \$8,497.

The fair value of the liability component of the Denaco Debentures is offset by issuance costs in the amount of \$14,460. The liability component is measured at amortized cost and will be accreted to the \$1,750,000 maturity amount over the term using the effective interest method.

For the period ended June 30, 2021, interest expense of \$60,747 (2020 - \$35,575), accretion expense of \$168,498 (2020 - \$70,248) and amortization expense of \$3,585 (2020 - \$nil) have been recorded.

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

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(expressed in Canadian dollars)

#### 7 Convertible debentures (continued)

##### d) 2020 Convertible debentures (Emma acquisition)

During the second quarter of 2020, the Company issued \$1,350,000 convertible debentures (“Emma Debentures”) including \$500,000 issued as vendor take-back consideration (“Vendor Take-back Debentures”). The Emma Debentures are unsecured, have a 2-year term and bear interest at a rate of 7%, payable annually. The Emma Debentures are convertible into common shares of the Company at the option of the holder, in full or in part, at a price of \$0.27 per common share. The Company has the option to redeem the Emma Debentures in full with the issuance of common shares at a price of \$0.27 per common share. Also, the Company has the option to force the conversion of the Emma Debentures in the event of a change of control event.

The Emma Debentures are separated into their liability and equity components at time of issuance using a relative fair value approach. The fair value of the equity portion of \$521,000 was calculated using the Black-Scholes option pricing model. The assumptions used in the valuation model include; share price \$0.20, expected volatility 150%, bond yield 2.25% and a dividend yield of 0%. The fair value allocated to the equity component is offset by issuance costs of \$11,724.

The fair value of the liability component of the Emma Debentures is offset by issuance costs in the amount of \$19,916. The liability component is measured at amortized cost and will be accreted to the \$1,350,000 maturity amount over the term using the effective interest method.

Pursuant to the terms of the Vendor Take-back Debentures, the Company made a \$275,000 repayment during December 2020. The liability component of Vendor Take-back Debenture was reduced by \$171,500 and the equity component of the Vendor Take-back Debenture was reduced by \$103,500.

For the period ended June 30, 2021, interest expense of \$37,316 (2020 - \$15,793), accretion expense of \$117,328 (2020 - \$34,218) and amortization expense of \$5,334 (2020 - \$nil) have been recorded.

##### e) 2020 Convertible debentures (McLaughlin acquisition)

On August 31, 2020, the Company completed a non-brokered private placement of secured convertible debentures (“McLaughlin Debentures”) for gross aggregate proceeds of \$2,470,000. The McLaughlin Debentures have an aggregate par value of \$2,599,000, an annual interest rate of 7% payable semi-annually in cash, mature on September 15, 2022 and are secured by certain properties in the Company’s portfolio. The McLaughlin Debentures are convertible at the holder's option into common shares of NexLiving at a price of \$0.24 per share. If certain conditions are met the McLaughlin Debentures can be redeemed by the Company at par value plus accrued interest commencing February 28, 2022.

For accounting purposes, the Debentures are separated into their liability and equity components at time of issuance using a relative fair value approach. The fair value of the equity portion of the convertible debentures of \$496,681 was calculated using the Black-Scholes option pricing model. The assumptions used in the valuation model include; share price \$0.17, expected volatility 150%, bond yield 2.04% and a credit spread of 17.44%. The fair value allocated to the equity component is offset by issuance costs of \$148,242.

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

#### 7 Convertible debentures (continued)

##### e) 2020 Convertible debentures (McLaughlin acquisition) (continued)

The fair value of the liability component of the Debentures is offset by issuance costs of \$149,432. The liability component is measured at amortized cost and will be accreted to the \$2,599,000 maturity amount over the term using the effective interest method.

For the period ended June 30, 2021, interest expense of \$89,385 (2020 - \$nil), accretion expense of \$165,555 (2020 - \$nil) and amortization expense of \$32,736 (2020 - \$nil) have been recorded.

#### 8 Mortgages payable

	June 30, 2021 \$	December 31, 2020 \$
Mortgage payable bears a fixed interest rate of 4.097% maturing August 23, 2021. The loan is being amortized over 30 years, is payable in monthly payments of \$15,874, principal and interest, and is secured by a first charge over 41 Noel Avenue.	3,185,394	3,215,569
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.	4,724,171	4,815,793
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.	3,937,145	3,991,807
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.	2,313,108	2,350,601
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.	7,445,317	7,565,996
Mortgage payable bears a fixed interest rate of 2.83% maturing April 22, 2022. The loan is being amortized over 30 years, is payable in monthly principal payments of \$13,280 plus interest and is secured by a first charge over 75 Emma Street.	4,594,832	4,674,511

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

#### 8 Mortgages payable (continued)

	June 30, 2021	December 31, 2020 \$
Mortgage payable bears a fixed interest rate of 1.56% maturing September 10, 2022. The loan is being amortized over 25 years, is payable in monthly payments of \$46,440, principal and interest, and is secured by a first charge over 145-155 McLaughlin Road.	11,252,373	11,442,656
Mortgage payable bears a fixed interest rate of 1.39% maturing January 10, 2022. The loan is being amortized over 25 years, is payable in monthly payments of \$6,080, principal and interest, and is secured by a first charge over 27 Edmond Street. This mortgage was assumed by the purchaser upon close of sale.	–	1,540,739
Mortgage payable bears a fixed interest rate of 1.39% maturing January 10, 2022. The loan is being amortized over 25 years, is payable in monthly payments of \$4,039, principal and interest, and is secured by a first charge over 50 Maplewood Drive. This mortgage was assumed by the purchaser upon close of sale.	–	1,023,639
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.	8,943,009	9,036,633
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.	8,533,615	8,625,000
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.	9,366,429	–
	64,295,393	58,282,944
Less: deferred financing costs net of accumulated amortization of \$127,300 (December 31, 2020 - \$82,361)	(600,415)	(686,404)
Less: current portion	(9,429,319)	(4,868,957)
	<u>54,265,659</u>	<u>52,727,583</u>



# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

#### 8 Mortgages payable (continued)

The following table summarizes the changes in the aggregate mortgage values for the six-month period ended June 30, 2021 and year ended December 31, 2020.

	June 30, 2021 \$	December 31, 2020 \$
Balance – beginning of period	57,596,540	12,239,301
Mortgage assumption	9,366,429	46,669,011
Repayments	(3,353,981)	(741,536)
Fair value and other adjustments	–	33,065
Finance costs, net of amortization	85,990	(603,301)
	<hr/>	<hr/>
Balance – end of period	63,694,978	57,596,540

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

	\$
Year ending December 31, 2022	9,429,319
2023	21,271,167
2024	9,674,957
2025	11,873,723
2026	451,789
After 5 years	10,994,023

#### 9 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, 2019</b>	49,189,824	11,632,720
Shares issued for cash, net of issue costs	10,833,327	1,546,519
Shares issued pursuant to acquisitions	4,166,665	793,385
Shares issued pursuant to the exercise of warrants	400,000	94,000
Shares issued pursuant to the exercise of stock options	200,000	44,000
Shares issued in settlement of debt obligations	145,226	31,950
Shares issued in settlement of interest payable on debentures	131,674	29,063
Shares issued pursuant to conversion of 2018 Debentures	8,666,662	536,019
	<hr/>	<hr/>
<b>Balance – June 30, 2020</b>	73,733,378	14,707,656

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

#### 9 Share capital (continued)

	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
<b>Balance – June 30, 2021</b>	<u>148,715,982</u>	<u>28,864,912</u>

#### b) Equity financings

On May 18, 2021, the Company completed a private placement of common shares whereby 12,500,000 common shares were sold at a price of \$0.20 per common share for gross proceeds of \$2,500,000. The financing comprised a non-brokered tranche of \$2,055,000 and a brokered tranche of \$445,000. The net proceeds from the offering were used to finance the of VV4LP and for general corporate purposes. The common shares are subject to a four-month hold period. Certain insiders of the Company subscribed for an aggregate of 3,375,000 common shares.

During the second quarter of 2020, in connection with the Emma acquisition, the Company completed a non-brokered private placement offering of Tier 1 and Tier 2 Units. A total of thirty-eight Tier 1 units at a price of \$25,000 per Tier 1 unit and three Tier 2 units at a price of \$250,000 per Tier 2 unit were sold. Each Tier 1 unit comprises 52,083 common shares and a \$12,500 convertible debenture. Each Tier 2 unit comprises 520,833 common shares of NexLiving and a \$125,000 convertible debenture. Each Tier 2 unit also includes 500,000 common share purchase warrants, exercisable at a price of \$0.27 per share for a period of two years from the date of issuance. The capital stock value of the 3,541,661 common shares issued is net of the warrants valuation of \$357,000 and share issue costs of \$17,314.

On March 16, 2020, in connection with the Denaco acquisition, the Company issued 7,291,667 common shares of NexLiving at a price of \$0.24 per common share for aggregate gross proceeds of \$1,750,000, issued an unsecured convertible debenture in the principal amount of \$1,750,000 (note 9(c)) and 7,000,000 warrants having a 3 year term and an exercise price of \$0.27 per common share. The capital stock value of the 7,291,667 common shares issued is net of the warrants valuation of \$652,000 and share issue costs of \$13,360.

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

#### 9 Share capital (continued)

##### 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 ten years.

In determining the stock-based compensation expense, the fair value of options issued is estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility.

The weighted average assumptions used in the pricing model for options issued during the period ended June 30, 2021 are as follows; risk-free rate 1.5%, expected volatility 94%, expected dividend yield 1.05% and expected life 10 years.

On April 20, 2021, the Board of Directors, in accordance with the provisions of the Company’s stock option plan, approved the issuance of 750,000 options to a consultant of the Company. The options are exercisable at \$0.19 per common share, vest in two equal tranches of 375,000 options on April 15, 2021, and October 15, 2021, and are exercisable for a 10-year term. The Company charged \$111,000 in non-cash share-based compensation to operations for the period ended June 30, 2021.

The following table summarizes the changes in the Company’s stock options for the periods ended June 30, 2021 and 2020:

	Weighted average exercise price \$	Number of options #	Expiry date
<b>Balance – December 31, 2019</b>	0.12	200,000	January 21, 2029
Exercised during the period	0.12	(200,000)	
Granted during the period	0.24	<u>300,000</u>	May 15, 2030
<b>Balance – June 30, 2020</b>	0.24	<u>300,000</u>	
<b>Balance – December 31, 2020</b>	0.24	300,000	May 15, 2030
Granted during the period	0.19	<u>750,000</u>	October 15, 2030
<b>Balance – June 30, 2021</b>	0.21	<u>1,050,000</u>	

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

#### 9 Share capital (continued)

##### c) Options (continued)

As at June 30, 2021, 13,821,598 options were available for future grants under the Plan. Options vested and exercisable at June 30, 2020, totaled 675,000 with an average exercise price of \$0.21 per share.

##### d) Warrants

The following table summarizes the changes in the Company's warrants for the periods ended June 30, 2020 and 2021:

	Expiry date	Exercise price \$	Number #	Ascribed value \$
<b>Balance – December 31, 2019</b>			7,385,915	624,600
Warrants issued pursuant to Bridge Loans	January 20, 2021	0.21	714,000	80,000
Warrants issued pursuant to conversion of 2018 Debentures	March 16, 2022	0.175	6,500,000	900,000
Warrants issued pursuant to Denaco Units financing	March 16, 2023	0.27	7,000,000	780,000
Warrants issued pursuant to Emma Units financing and acquisition	April 27, 2022	0.27	3,500,000	357,000
Broker warrants exercised during period		0.15	(100,000)	(9,000)
Warrants issued in connection with exercise of Broker warrants during period	May 5, 2022	0.25	50,000	–
Warrants exercised during period		0.15	(300,000)	(25,000)
<b>Balance – June 30, 2020</b>			<u>24,749,915</u>	<u>2,707,600</u>
<b>Balance – December 31, 2020</b>			25,274,357	2,310,192
Warrants expired	January 26, 2021	0.21	(714,000)	(80,000)
Warrants expired	April 9, 2021	0.20	(485,980)	(90,000)
<b>Balance – June 30, 2021</b>			<u>24,074,377</u>	<u>2,140,192</u>

The fair value of the Warrants issued during the year ended December 31, 2020, in connection with the Bridge Loans aggregating \$150,000 has been estimated at the issue date using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model are as follows; share price \$0.21, risk-free rate 2.25%, expected volatility 150%, expected dividend yield \$nil and expected life 1 year.

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

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(expressed in Canadian dollars)

#### 9 Share capital (continued)

##### d) Warrants (continued)

The fair value of the warrants issued during the year ended December 31, 2020, pursuant to the conversion of the 2018 Debentures, the Denaco subscription financing, the Emma Units financing and acquisition, and the McLaughlin acquisition have been estimated at the issue date using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model are as follows; share price \$0.19 for all except McLaughlin which is \$0.17, risk-free rate 0.29%, expected volatility 123%, expected dividend yield \$nil and expected life equal to the term of the warrants.

The fair value of the warrants issued pursuant to the December 2020 prospectus financing have been estimated at the issue date using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model are as follows; share price \$0.20, risk-free rate 0.29%, expected volatility 95%, expected dividend yield \$nil and expected life 2 years.

##### 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 deferred share units (“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 the amount of compensation elected to be received in DSUs, divided by the volume-weighted average trading price of the Common Shares on the TSX for the 5 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.

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 April 20, 2021, the Board of Directors, in accordance with the terms of the Company’s DSU Plan, 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 \$49,300 in non-cash share-based compensation to operations for the period ended June 30, 2021.

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

#### 9 Share capital (continued)

##### e) Deferred share units (continued)

On May 14, 2020, the Board of Directors approved the issuance of 2,775,000 DSUs to directors and officers of the Company. This was the initial grant of DSU's under the DSU Plan. The 2,775,000 DSUs were issued in connection with annual and bonus compensation. The fair value per DSU granted was \$0.20. The Company charged \$545,000 in non-cash share-based compensation expense to operations for the period ended June 30, 2020.

##### f) Contributed surplus

	\$
<b>Balance – December 31, 2019</b>	352,500
Stock-based compensation	572,000
Exercise of stock options	<u>(20,000)</u>
<b>Balance – June 30, 2020</b>	<u>904,500</u>
<b>Balance – December 31, 2020</b>	1,179,000
Expiration of warrants	170,000
Stock-based compensation	<u>160,300</u>
<b>Balance – June 30, 2021</b>	<u>1,509,300</u>

##### g) Shares for debt and debenture interest

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

During the six month period ended June 30, 2020, the Company issued 145,226 common shares at a deemed price of \$0.22 per share to settle outstanding indebtedness owed to non-arm's length parties for consulting fees aggregating \$31,950 which was owed to a non-arm's length party. Disinterested shareholder approval for the issuance of the shares to the non-arm's length parties was obtained at the annual and special meeting of shareholders of the Company held on June 29, 2020.

During the six month period ended June 30, 2020, the Company issued 131,674 common shares to settle \$29,063 of convertible debenture interest payable (June 30, 2019 - \$38,679).

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

# NexLiving Communities Inc.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the periods ended June 30, 2021 and 2020

(expressed in Canadian dollars)

#### 10 Related party transactions

##### a) Compensation of directors and officers

	Three-month period ended June 30, 2021 \$	Three-month period ended June 30, 2020 \$
CEO – consulting fees	69,000	34,500
Executive VP – consulting fees	24,150	18,400
CFO – consulting fees	15,525	18,975
Secretary – consulting fees	14,375	7,187
	<u>123,050</u>	<u>79,062</u>

The Company has agreements with its officers whereby it has the option to pay consulting fees with the issuance of common shares. The deemed price of the common shares to be issued will be determined at the end of each three-month period at market price after the consulting services are provided. No such shares were issued during the periods ended June 30, 2021 and 2020.

##### b) Advisory and legal services

Advisory services were provided during the period ended June 30, 2021 by a corporation owned by two non-executive directors of the Company. The cost of these advisory services during the period was \$183,441 (June 30, 2020 – \$39,550).

The Company has agreements with the providers of the advisory services whereby it has the option to pay advisory fees with the issuance of common shares. The deemed price of the common shares to be issued will be determined at the end of each three-month period at market price after the consulting services are provided. No such shares were issued during the periods ended June 30, 2021 and 2020.

Legal services were provided during the period ended June 30, 2021 by a firm of which an officer of the Company is the sole lawyer practitioner. The cost of these legal services during the period was \$14,250 (2020 - \$55,392).

# **NexLiving Communities Inc.**

## **Notes to Unaudited Interim Condensed Consolidated Financial Statements**

### **For the periods ended June 30, 2021 and 2020**

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(expressed in Canadian dollars)

#### **11 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 \$7,743,098 and convertible debentures having an aggregate face value of \$3,562,500 will mature. \$3,183,438 relates to the 41 Noel Avenue mortgage and \$4,559,660 relates to the 75 Emma Street mortgage. Although the Company expects to renew both mortgages, there can be no assurance that it will have access to sufficient capital or access to capital on favorable terms. The Company has the option to settle the convertible debentures with the issuance of common shares.

##### **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.