

NexLiving Communities Inc.
(Formerly ViveRE Communities Inc.)

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

September 30, 2021

November 2, 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. These unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, applicable to the preparation of International Accounting Standard ("IAS") 34, Interim Financial Reporting. 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.

(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 September 30, 2021 and December 31, 2020

(expressed in Canadian dollars)

	September 30, 2021 \$	December 31, 2020 \$
Assets		
Current assets		
Cash	1,145,954	2,445,519
Accounts receivable	49,073	25,002
Deposits and prepaids	561,384	252,021
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	1,756,411	2,722,542
Investment properties (note 4)	88,055,243	79,916,527
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	89,811,654	82,639,069
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Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	564,278	862,370
Convertible debentures (note 7)	4,686,820	618,426
Current portion of mortgage payable (note 8)	20,086,428	4,868,957
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	25,337,526	6,349,753
Convertible debentures (note 7)	–	3,926,234
Mortgages payable (note 8)	43,183,070	52,727,583
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	68,520,596	63,003,570
Equity (note 9)	21,291,058	19,635,499
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	89,811,654	82,639,069
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Subsequent events (note 12)

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 September 30, 2021 and 2020

(expressed in Canadian dollars)

	Three months ended September 30, 2021 \$	Three months ended September 30, 2020 \$	Nine months ended September 30, 2021 \$	Nine months ended September 30, 2020 \$
Revenue				
Rental income	1,997,351	1,005,499	5,469,409	2,342,362
Property operating expenses				
Operating expenses	800,601	437,471	2,380,846	991,170
Net property operating income	1,196,750	568,028	3,088,563	1,351,192
Administrative expenses				
Management wages and consulting fees (note 10)	245,006	172,677	693,090	435,453
Filing and other fees	21,666	9,704	42,735	32,152
Insurance	6,500	2,063	18,875	14,006
Office and other	30,169	6,013	80,099	16,239
Professional fees (note 10)	43,863	35,604	93,367	84,931
Stock-based compensation (note 9)	63,900	13,500	224,200	585,500
	411,104	239,561	1,152,366	1,168,281
Finance costs				
Interest expense	446,732	272,210	1,274,958	655,397
Amortization expense (notes 7 and 8)	83,772	28,146	207,243	70,985
Accretion expense (note 7)	284,607	169,332	812,468	448,551
Loss on settlement of bridge loans (note 6)	–	–	–	80,000
	815,111	469,688	2,294,669	1,254,933
Depreciation expense (note 4)	583,904	329,682	1,707,341	715,375
Other expense (income)				
Loss on modification of convertible debentures (note 7)	88,000	–	88,000	–
Gain on sale of investment properties (note 4)	–	–	(28,923)	–
	88,000	–	59,077	–
Net loss and comprehensive loss for the periods	(701,369)	(470,903)	(2,124,890)	(1,787,397)
Loss per share - basic and diluted	(\$0.004)	(\$0.006)	(\$0.015)	(\$0.026)
Weighted average outstanding common shares – basic and diluted	148,870,824	75,954,909	139,629,016	66,531,743

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 September 30, 2021 and 2020

(expressed in Canadian dollars)

	Number of shares	Share capital \$	Warrants \$	Convertible debentures \$	Contributed surplus \$	Deficit \$	Total \$
Balance – December 31, 2020	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	–	–	–	–	–	(2,124,890)	(2,124,890)
Shares issued for cash, net of issue costs (note 9(b))	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 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 9(e))	84,000	21,780	–	–	(28,800)	–	(7,020)
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))	–	–	(358,600)	–	358,600	–	–
Dividends paid	–	–	–	–	–	(212,540)	(212,540)
Stock based compensation	–	–	–	–	224,200	–	224,200
Balance – September 30, 2021	151,112,482	29,519,192	1,951,592	1,145,832	1,922,000	(13,247,558)	21,291,058

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 September 30, 2021 and 2020

(expressed in Canadian dollars)

	Number of shares	Share capital \$	Warrants \$	Convertible debentures \$	Contributed surplus \$	Deficit \$	Total \$
Balance – December 31, 2019	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 year	–	–	–	–	–	(1,787,397)	(1,787,397)
Shares issued for cash, net of issue costs	10,833,327	1,605,884	–	–	–	–	1,605,884
Shares issued pursuant to acquisitions	9,848,483	1,690,098	–	–	–	–	1,690,098
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	884,532	209,384	–	–	–	–	209,384
Shares issued pursuant to conversion of 2018 Debentures	8,666,662	954,019	–	(441,567)	–	–	512,452
Shares issued pursuant to the exercise of warrants	981,572	232,236	(85,000)	–	–	–	147,236
Shares issued pursuant to the exercise of stock options	200,000	44,000	–	–	(20,000)	–	24,000
Warrants issued pursuant to Bridge Loans	–	–	80,000	–	–	–	80,000
Warrants issued pursuant to conversion of 2018 Debentures	–	–	482,000	–	–	–	482,000
Warrants issued pursuant to private placements and acquisitions	–	–	1,439,592	–	–	–	1,439,592
Convertible debentures issued, net of issue costs	–	–	–	1,616,460	–	–	1,616,460
Expiration of warrants	–	–	(261,000)	–	261,000	–	–
Stock based compensation	–	–	–	–	585,500	–	585,500
Balance – September 30, 2020	80,736,074	16,397,404	2,280,192	1,887,760	1,179,000	(10,615,383)	11,128,973

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 September 30, 2021 and 2020

(expressed in Canadian dollars)

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the periods	(2,124,890)	(1,787,397)
Charges to income not affecting cash		
Interest on convertible debentures and mortgage payable	150,252	177,568
Stock-based compensation expense	224,200	585,500
Loss on settlement of Bridge Loans	–	80,000
Loss on modification of convertible debentures	88,000	–
Depreciation expense	1,707,341	715,375
Amortization expense	207,243	70,985
Accretion expense	812,468	448,551
Gain on sale of investment properties	(28,923)	–
	<u>1,035,691</u>	<u>290,582</u>
Net changes in non-cash working capital balances related to operations		
Accounts receivable	(24,071)	(4,372)
Deposits and prepaids	(309,363)	(271,604)
Accounts payable and accrued liabilities, net of amount settled through share issuances	(220,987)	214,448
	<u>481,270</u>	<u>229,054</u>
Financing activities		
Proceeds from issuance of common shares, stock options and warrants, net of issue costs	2,238,855	2,707,733
Proceeds from issuance of convertible debentures, net of issue costs	–	4,717,728
Repayment of convertible debenture	(275,000)	–
Proceeds from bridge loans	–	150,000
Repayment of bridge loans	–	(150,000)
Proceeds from mortgage financings	–	26,186,624
Repayments of mortgage principal	(1,285,360)	(440,549)
Payment of dividends	(212,540)	–
	<u>465,955</u>	<u>33,171,536</u>
Investing activities		
Acquisition of and additions to investment properties	(2,756,909)	(33,274,193)
Proceeds from sale of investment properties	510,119	–
	<u>(2,246,790)</u>	<u>(33,274,193)</u>
Net change in cash for the period	(1,299,565)	126,397
Cash – Beginning of period	2,445,519	133,848
Cash – End of period	1,145,954	260,245

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 September 30, 2021 and 2020

(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. Its registered office is located at 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, 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 were prepared in accordance with IFRS, as issued by the International Accounting Standards Board, applicable to the preparation of International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, 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 November 2, 2021.

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 September 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 September 30, 2021 and December 31, 2020 are summarized below.

	September 30, 2021	December 31, 2020
	\$	\$
Balance - beginning of period	79,916,527	18,209,620
Cost of acquisitions	12,783,793	62,789,936
Additions	70,328	55,955
Depreciation	(1,707,341)	(1,138,984)
Disposals	(3,008,064)	-
Balance - end of period	<u>88,055,243</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").

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 \$9,356,429, 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 September 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 \$28,923. The purchaser assumed mortgages of approximately \$2,542,881 and \$510,119 was received in cash.

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 of properties, while impairment is recognized at time of impairment. The Company estimates the fair value of its investment properties on a quarterly 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 the Company has owned less than a year, management believes that cost approximates fair value. For the investment properties acquired prior to October 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. Key assumptions include the capitalization rate and 12-month forward net operating income for each specific property.

The estimated fair value of the Company's investment properties as at September 30, 2021 was \$98,111,000. The total fair value of investment properties exceeds cost by \$7,754,500 as at September 30, 2021. A weighted average capitalization rate of 5.05% was utilized.

5 Accounts payable and accrued liabilities

	September 30, 2021	December 31, 2020
	\$	\$
Accounts payable	313,050	449,057
Accrued liabilities	251,228	413,313
	<u>564,278</u>	<u>862,370</u>

As at September 30, 2021, \$55,468 (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 September 30, 2021, the Company settled accounts payable aggregating \$238,400 with the issuance of 1,152,636 common shares and incurred issue costs of \$1,946.

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.

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2021 and 2020

(expressed in Canadian dollars)

7 Convertible debentures

	September 30, 2021 \$	December 31, 2020 \$
2019 Convertible debentures (Ryan acquisition)	-	618,426
2020 Convertible debentures (Denaco acquisition)	1,561,573	1,294,935
2020 Convertible debentures (Emma acquisition)	1,020,309	833,829
2020 Convertible debentures (McLaughlin acquisition)	2,104,938	1,797,470
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	4,686,820	4,544,660
Current portion of debentures	<hr/>	<hr/>
	4,686,820	618,426
	<hr/>	<hr/>
	-	3,926,234

a) 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 were unsecured, had a 2-year term and bore interest at a rate of 7%, payable annually. The debentures were 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.

Effective September 15, 2021, the Company amended the terms of the debentures for certain debenture holders to reflect a \$0.20 conversion price and an agreement by debenture holders to convert their debentures into equity as part of the amendment. As a result of the modification to the conversion price, a loss on modification of \$88,000 was recognized on the statement of loss and comprehensive loss, with a corresponding increase to contributed surplus.

On September 29, 2021, \$462,500 of the debentures were converted into 2,312,500 common shares and \$275,000 of the debentures were redeemed for cash. The remainder of the conversion option in the amount of \$101,000 was reclassified between the convertible debenture equity account and contributed surplus.

For the period ended September 30, 2021, interest expense of \$38,613 (2020 - \$38,625), accretion expense of \$116,718 (2020 - \$93,250) and amortization expense of \$2,356 (2020 - \$1,882) have been recorded.

b) 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.

For the period ended September 30, 2021, interest expense of \$91,623 (2020 - \$66,452), accretion expense of \$261,083 (2020 - \$139,385) and amortization expense of \$5,555 (2020 - \$2,966) have been recorded.

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2021 and 2020

(expressed in Canadian dollars)

7 Convertible debentures (continued)

c) 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. 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 September 30, 2021, interest expense of \$56,283 (2020 - \$39,612), accretion expense of \$179,565 (2020 - \$76,858) and amortization expense of \$8,163 (2020 - \$3,494) have been recorded.

d) 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 the Company 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 the period ended September 30, 2021, interest expense of \$135,575 (2020 - \$14,959), accretion expense of \$255,103 (2020 - \$24,609) and amortization expense of \$51,117 (2020 - \$5,051) have been recorded.

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2021 and 2020

(expressed in Canadian dollars)

8 Mortgages payable

	September 30, 2021 \$	December 31, 2020 \$
Mortgage payable bears a fixed interest rate of 4.097% original maturity date of August 23, 2021, extended to November 30, 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.	3,170,075	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.	4,677,921	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.	3,909,461	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.	2,294,218	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.	7,384,514	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.	4,554,992	4,674,511
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.	11,156,670	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

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2021 and 2020

(expressed in Canadian dollars)

8 Mortgages payable (continued)

	September 30, 2021	December 31, 2020 \$
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.	8,886,479	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.	8,478,464	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.	9,308,389	–
	63,821,133	58,282,944
Less: deferred financing costs net of accumulated amortization of \$239,678 (December 31, 2020 - \$82,361)	(551,635)	(686,404)
Less: current portion	(20,086,428)	(4,868,957)
	43,183,070	52,727,583

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

	September 30, 2021 \$	December 31, 2020 \$
Balance – beginning of period	57,596,540	12,239,301
Mortgage assumption	9,366,429	46,669,011
Repayments	(3,828,241)	(741,536)
Fair value and other adjustments	–	33,065
Finance costs, net of amortization	134,770	(603,301)
Balance – end of period	63,269,498	57,596,540

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2021 and 2020

(expressed in Canadian dollars)

8 Mortgages payable (continued)

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

	\$
Year ending December 31, 2022	20,086,428
2023	10,365,183
2024	9,620,638
2025	11,786,518
2026	454,276
After 5 years	11,508,090

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 \$
Common shares issued and fully paid		
Balance – December 31, 2019	49,189,824	11,632,720
Shares issued for cash, net of issue costs	10,833,327	1,605,884
Shares issued pursuant to acquisitions	9,848,483	1,690,098
Shares issued pursuant to the exercise of warrants	981,572	232,236
Shares issued pursuant to the exercise of stock options	200,000	44,000
Shares issued in settlement of debt obligations	884,532	209,384
Shares issued in settlement of interest payable on debentures	131,674	29,063
Shares issued pursuant to conversion of 2018 Debentures	8,666,662	954,019
Balance – September 30, 2020	80,736,074	16,397,404
	Number of shares #	Amount \$
Common shares issued and fully paid		
Balance – December 31, 2020	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 (note 5)	1,152,636	236,454
Shares issued pursuant to acquisitions (note 4)	3,750,000	750,000
Shares issued pursuant to settlement of DSUs	84,000	21,780
Shares issued pursuant to conversion of 2019 Debentures (note 7(a))	2,312,500	462,500
Balance – September 30, 2021	151,112,482	29,349,192

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2021 and 2020

(expressed in Canadian dollars)

9 Share capital (continued)

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 acquisition 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.

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 September 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 the grant date, 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 September 30, 2021.

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2021 and 2020

(expressed in Canadian dollars)

9 Share capital (continued)

c) Options (continued)

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

	Weighted average exercise price \$	Number of options #	Expiry date
Balance – December 31, 2019	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
Balance – September 30, 2020	0.24	<u>300,000</u>	
Balance – December 31, 2020	0.24	300,000	May 15, 2030
Granted during the period	0.19	<u>750,000</u>	October 15, 2030
Balance – September 30, 2021	0.21	<u>1,050,000</u>	

As at September 30, 2021, 14,061,248 options were available for future grants under the Plan. Options vested and exercisable as at September 30, 2021, totaled 675,000 with an average exercise price of \$0.21 per share.

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

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9 Share capital (continued)

d) Warrants

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

	Expiry date	Exercise price \$	Number #	Ascribed value \$
Balance – December 31, 2019			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	482,000
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	(681,752)	(60,000)
Warrants issued in connection with exercise of Broker warrants during period	May 5, 2022 and Aug 26, 2020	0.25	340,876	–
Warrants issued pursuant to McLaughlin acquisition	August 31, 2023		2,500,000	302,592
Warrants exercised during period		0.15	(300,000)	(25,000)
Warrants expired during the period			(3,918,363)	(261,000)
Balance – September 30, 2020			23,040,856	2,280,192
Balance – December 31, 2020			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)
Warrants expired	September 30, 2021	0.25	(2,000,000)	(188,600)
Balance – September 30, 2021			22,074,377	1,951,592

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 TSXV 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.

NexLiving Communities Inc.

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(expressed in Canadian dollars)

9 Share capital (continued)

e) Deferred share units (continued)

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 \$113,200 in non-cash share-based compensation to operations for the period ended September 30, 2021.

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 September 30, 2020.

f) Contributed surplus

	\$
Balance – December 31, 2019	352,500
Stock-based compensation	585,500
Expiration of warrants	261,000
Exercise of stock options	(20,000)
	<hr/>
Balance – September 30, 2020	1,179,000
	<hr/>
Balance – December 31, 2020	1,179,000
Expiration of warrants	358,600
Stock-based compensation	224,200
Shares issued pursuant to settlement of DSUs	(28,800)
Settlement of 2019 Debentures (note 7(a))	189,000
	<hr/>
Balance – September 30, 2021	1,922,000

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2021 and 2020

(expressed in Canadian dollars)

9 Share capital (continued)

g) Shares for debt and debenture interest

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.

During the nine-month period ended September 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. 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 nine-month period ended September 30, 2020, the Company issued 131,674 common shares to settle \$29,063 of convertible debenture interest payable.

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

10 Related party transactions

a) Compensation of directors and officers

	Nine-month period ended September 30, 2021 \$	Nine-month period ended September 30, 2020 \$
CEO – consulting fees	207,000	149,500
Executive VP – consulting fees	64,400	54,529
CFO – consulting fees	47,150	50,600
Secretary – consulting fees	43,125	22,760
	<u>361,675</u>	<u>277,389</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 three and nine-month periods ended September 30, 2021 and 2020.

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2021 and 2020

(expressed in Canadian dollars)

10 Related party transactions (continued)

b) Advisory and legal services

Advisory services were provided during the three and nine-month period ended September 30, 2021 by a corporation owned by two non-executive directors of the Company. The cost of these advisory services during the three-month period was \$48,294 (2020 – \$23,071) and \$271,287 during the nine-month period (2020 – \$67,621).

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 three and nine-month periods ended September 30, 2021 and 2020.

Legal services were provided during the three and nine-month period ended September 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 three-month period was \$nil (2020 - \$nil) and \$14,250 during the nine-month period (2020 - \$55,392).

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

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. 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 \$18,881,737 will mature and management expects to renew these mortgages at similar or favorable terms. In addition, convertible debentures with an aggregate face value of \$5,425,000 will also mature. The Company has the option to settle \$2,825,000 of these convertible debentures with the issuance of common shares.

Although there can be no assurance, management believes it has access, through its working capital, operating cash flows and expected mortgage renewals, to sufficient funds to meet the Company's obligations for the next twelve months.

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2021 and 2020

(expressed in Canadian dollars)

11 Financial instruments and other (continued)

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.

12 Subsequent Events

On November 2, 2021, the Company signed a commitment letter with a third-party lender to renew its mortgage on its 41 Noel Avenue property. The mortgage payable, amounting to \$3.846 million, will have a five-year term and be amortized over 40 years and is secured by a first charge over the property located at 41 Noel Avenue.