NexLiving Communities Inc.

Consolidated Financial Statements
December 31, 2021 and 2020
(expressed in Canadian dollars)

April 14, 2022

Management's Report

The accompanying consolidated financial statements of NexLiving Communities Inc. are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The 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 consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's consolidated financial statements and recommended their approval by the Board of Directors.

PricewaterhouseCoopers LLP, appointed as the Company's auditor by the shareholders, has examined these consolidated financial statements and their report follows.

(signed) "*Michael Anaka*"
Chief Executive Officer
Halifax, Nova Scotia

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

Independent auditor's report

To the Shareholders of NexLiving Communities Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of NexLiving Communities Inc. and its subsidiaries (together, the Company) as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of income and comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other matter

The consolidated financial statements for the year ended December 31, 2020, and 2019 (not presented herein but from which the comparative information as at January 1, 2020 has been derived), excluding the adjustments that were applied to restate certain comparative information as described in Note 4 to the consolidated financial statements were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 20, 2021 and April 27, 2020, respectively.

As part of our audit of the consolidated financial statements for the year ended December 31, 2021, we also audited the adjustments that were applied to restate certain comparative information, as described in Note 4 to the consolidated financial statements, as at and for the year ended December 31, 2020 and to derive the consolidated statement of financial position as at January 1, 2020. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the consolidated financial statements for the years ended December 31, 2020 and 2019 or to the consolidated statement of financial position as at January 1, 2020. Accordingly, we do not express an opinion or other form of assurance on those consolidated financial statements taken as a whole.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Maxime Lessard.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia
April 14, 2022

NexLiving Communities Inc.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

	December 31, 2021 $	December 31, 2020 $ (Adjusted – note 4)	January 1, 2020 $ (Adjusted – note 4)
Assets			
Current assets			
Cash	17,695,837	2,445,519	133,848
Accounts receivable	89,566	25,002	14,004
Deposits and prepaids (note 6)	811,314	252,021	121,207
	18,596,717	2,722,542	269,059
Investment properties (notes 4 and 7)	125,162,000	83,697,000	18,616,350
	143,758,717	86,419,542	18,885,409
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 8)	708,492	862,370	398,462
Convertible debentures (note 10)	3,306,742	618,426	858,590
Current portion of mortgages payable (note 11)	17,240,009	4,868,957	345,162
	21,255,243	6,349,753	1,602,214
Convertible debentures (note 10)	-	3,926,234	487,625
Mortgages payable (note 11)	61,701,589	52,727,583	11,894,139
	82,956,832	63,003,570	13,983,978
Equity (note 12)	60,801,885	23,415,972	4,901,431
	143,758,717	86,419,542	18,885,409

Subsequent events (note 18)

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

NexLiving Communities Inc.

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2021 and 2020

(expressed in Canadian dollars)

	2021 $	2020 $ (Adjusted – note 4)
Revenue		
Rental income	7,525,715	3,625,500
Property operating expenses		
Operating expenses	3,274,706	1,585,642
Net property operating income	4,251,009	2,039,858
Administrative expenses		
Management wages and consulting fees (note 14)	918,648	638,415
Filing and other fees	50,524	42,299
Insurance	25,954	20,193
Office and other	114,482	42,734
Professional fees (note 14)	137,457	105,321
Stock-based compensation (note 12)	288,100	585,500
	1,535,165	1,434,462
Finance costs		
Interest expense	1,768,777	1,018,042
Amortization expense (notes 10 and 11)	337,753	116,544
Accretion expense (note 10)	1,055,225	685,968
Loss on modification of convertible debentures (note 10)	88,000	-
Loss on settlement of bridge loans (note 9)	-	80,000
	3,249,755	1,900,554
Other income		
Gain on sale of investment properties	(1,130)	-
Fair value adjustment to investment properties (note 4)	(9,937,148)	(2,234,759)
	(9,938,278)	(2,234,759)
Income before income taxes	9,404,367	939,601
Deferred income tax recovery (note 13)	-	(234,000)
Net income and comprehensive income for the year	9,404,367	1,173,601
Net income per share – basic (note 15)	0.06	0.02
Net income per share – diluted (note 15)	0.06	0.02

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

NexLiving Communities Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(expressed in Canadian dollars)

	Number of shares	Share capital $	Warrants $	Convertible debentures $	Contributed surplus $	Retained earnings (deficit) $	Total $
Balance – December 31, 2020	131,313,346	25,639,603	2,310,192	1,416,832	1,179,000	(7,129,655)	23,415,972
Net income and comprehensive income for the year	-	-	-	-	-	9,404,367	9,404,367
Shares issued for cash, net of issue costs (note 12(b))	142,937,000	26,619,929	-	-	-	-	26,619,929
Shares issued pursuant to acquisitions (note 7)	3,750,000	750,000	-	-	-	-	750,000
Shares issued upon conversion and settlement of debentures (note 10)	2,312,500	632,500	-	(374,103)	189,000	-	447,397
Shares issued pursuant to settlement of DSUs (note 12(e))	84,000	21,780	-	-	(28,800)	-	(7,020)
Shares issued in settlement of debt obligations, net of issue costs (note 12(g))	1,152,636	236,454	-	-	-	-	236,454
Expiration of warrants (note 12(d))	-	-	(358,600)	-	358,600	-	-
Dividends paid	-	-	-	-	-	(353,314)	(353,314)
Stock-based compensation (note 12)	-	-	-	-	288,100	-	288,100
Balance – December 31, 2021	281,549,482	53,900,266	1,951,592	1,042,729	1,985,900	1,921,398	60,801,885

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

NexLiving Communities Inc.

Consolidated Statements of Changes in Equity (continued)

For the years ended December 31, 2021 and 2020

(expressed in Canadian dollars)

	Number of shares	Share capital $	Warrants $	Convertible debentures $	Contributed surplus $	Deficit $	Total $
Balance – January 1, 2020, as originally stated	49,189,824	11,632,720	624,600	594,867	352,500	(8,709,986)	4,494,701
Cumulative effect of change in accounting policy (note 4)	-	-	-	-	-	406,730	406,730
Balance – January 1, 2020, as adjusted	49,189,824	11,632,720	624,600	594,867	352,500	(8,303,256)	4,901,431
Net income and comprehensive income for the year (note 4)	-	-	-	-	-	1,173,601	1,173,601
Shares issued for cash, net of issue costs	58,683,327	10,203,083	-	-	-	-	10,203,083
Shares issued pursuant to acquisitions (note 7)	12,575,755	2,335,098	-	-	-	-	2,335,098
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 (note12(d))	981,572	232,236	(85,000)	-	-	-	147,236
Shares issued pursuant to the exercise of stock options (note 12(c))	200,000	44,000	-	-	(20,000)	-	24,000
Warrants issued pursuant to bridge loans (note 12(d))	-	-	80,000	-	-	-	80,000
Warrants issued pursuant to conversion of 2018 debentures (note 12(d))	-	-	482,000	-	-	-	482,000
Warrants issued pursuant to private placements and acquisitions (note 12(d))	-	-	1,266,592	-	-	-	1,266,592
Broker warrants issued pursuant to financing (note 12(d))	-	-	203,000	-	-	-	203,000
Convertible debentures issued, net of issue costs (note 10)	-	-	-	1,263,532	-	-	1,263,532
Expiration of warrants (note 12(d))	-	-	(261,000)	-	261,000	-	-
Stock-based compensation (note 12)	-	-	-	-	585,500	-	585,500
Balance – December 31, 2020	131,313,346	25,639,603	2,310,192	1,416,832	1,179,000	(7,129,655)	23,415,972

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

NexLiving Communities Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(expressed in Canadian dollars)

	2021 $	2020 $
Cash provided by (used in)		
Operating activities		
Net income and comprehensive income for the years	9,404,367	1,173,601
Items not affecting cash		
Interest on convertible debentures and mortgage payable	205,565	273,738
Stock-based compensation expense	288,100	585,500
Loss on settlement of bridge loans	-	80,000
Loss on modification of convertible debentures	88,000	-
Amortization expense	337,753	116,544
Accretion expense	1,055,225	685,968
Changes in fair value of investment properties (note 4)	(9,937,148)	(2,234,759)
Gain on sale of investment properties	(1,130)	-
Deferred income tax recovery	-	(234,000)
	1,440,732	446,592
Changes in non-cash working capital balances related to operations		
Accounts receivable	(64,564)	(10,998)
Deposits and prepaids	(559,293)	(130,814)
Accounts payable and accrued liabilities, net of amount settled through share issuances	(139,063)	347,656
	677,812	652,436
Financing activities		
Proceeds from issuance of common shares, stock options and warrants, net of issue costs	26,617,983	11,397,331
Proceeds from issuance of convertible debentures, net of issue costs	-	4,746,727
Repayment of convertible debenture	(2,025,000)	(275,000)
Proceeds from bridge loans	-	150,000
Repayment of bridge loans	-	(150,000)
Proceeds from mortgage financing	15,959,771	46,037,400
Repayments of mortgage principal	(1,679,776)	(741,536)
Payment of dividends	(353,314)	-
	38,519,664	61,164,922
Investing activities		
Acquisition of and additions to investment properties	(24,457,277)	(59,505,687)
Proceeds from sale of investment properties	510,119	-
	(23,947,158)	(59,505,687)
Change in cash during the year	15,250,318	2,311,671
Cash – Beginning of year	2,445,519	133,848
Cash – End of year	17,695,837	2,445,519

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

(expressed in Canadian dollars)

1 Nature of operations

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

2 Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Board of Directors approved the consolidated financial statements for issue on April 14, 2022.

3 Significant accounting policies

Basis of consolidation

The consolidated financial statements of the Company consolidate the accounts of the Company and the following subsidiaries that hold investment properties and their related liabilities:

Company	Country of incorporation
10664316 Canada Inc.	Canada
11295594 Canada Inc. Holdings Incorporated	Canada
11295608 Canada Inc.	Canada
Village View No.2 Limited Partnership	Canada
3329586 Nova Scotia Ltd.	Canada
3335170 Nova Scotia Ltd	Canada
3335171 Nova Scotia Ltd	Canada
Emma and Albert Developments Inc.	Canada
3339594 Nova Scotia Ltd.	Canada
3342102 Nova Scotia Ltd	Canada
Village View No.3 Limited Partnership	Canada
694476 NB Inc.	Canada
720083 NB Inc.	Canada
Village View No.4 Limited Partnership	Canada
Village View #4 GP Inc.	Canada
725298 NB Inc.	Canada
4196762 Nova Scotia Limited	Canada

All subsidiaries are 100% owned. Inter-group transactions and balances are eliminated in preparing the consolidated financial statements.

(expressed in Canadian dollars)

Property acquisitions

Where property is acquired, management considers the substance of the agreement in determining whether the acquisition represents the acquisition of property or a business combination.

Where such acquisitions are not judged to be a business combination, they are treated as asset acquisitions. The cost to acquire the property, including transaction costs, is allocated between the identifiable assets acquired and liabilities assumed based on the relative fair values at the acquisition date. Otherwise, acquisitions are accounted for as a business combination.

Investment properties

Investment properties are comprised of properties held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes and professional fees for legal services.

Subsequent to initial recognition, investment properties are measured at fair value using the valuation methodology disclosed in note 7.

Subsequent expenditures are capitalized to the investment property's carrying value only when it is probable that future economic benefits associated with the expenditures will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

An investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income and comprehensive income in the year of retirement or disposal.

Revenue recognition

The Company enters as a lessor into lease agreements that fall within the scope of IFRS 16, Leases, which are classified as operating leases. The Company's revenues are earned from lease contracts with tenants and the Company recognizes contractual revenue from lease contracts on a straight-line basis over the lease term.

Convertible debentures

Upon issuance, convertible debentures are separated into the debt and conversion feature components. The debt component of the convertible debenture is recognized initially at fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest method.

The conversion feature of the convertible debentures is initially recognized at fair value. The convertible debentures are convertible into common shares of the Company at the holder's option. As a result of this obligation, the convertible debentures are convertible into equity, and accordingly, the conversion feature component of the convertible debentures is also equity.

(expressed in Canadian dollars)

Share options, deferred share units (DSUs) and warrants

The Company has a share option plan and a deferred share unit plan available for officers, employees and consultants (notes 12(c) and (e)).

The fair value of share options and warrants granted is estimated on the date of grant using the Black-Scholes option pricing model and is recorded as an expense over the applicable vesting period based on the number of awards expected to vest. Each tranche of an award is considered a separate award within its own vesting period and grant date fair value. On the exercise of share options, the consideration received and the grant date fair value of the option is credited to share capital. Issuances of share options and warrants related to private placements or public offerings of shares are treated as share issue costs.

The fair value of DSUs granted is estimated on the date of grant using the prior day closing price on the TSX Venture Exchange. Compensation expense for DSUs is recognized over the vesting period.

Pursuant to the terms of the share option and DSU plans, the share options and DSUs awarded can only be equity settled.

Transaction costs related to the issuance of the shares are recognized directly in shareholders' equity as a reduction of the proceeds received.

Income or loss per share

The calculation of income or loss per share and diluted income or loss per share are based on the weighted average number of common shares outstanding during the year. Diluted income or loss per share is determined by adjusting the weighted average number of common shares for the dilutive effect, if any, of share options, warrants and DSUs using the treasury stock method. Under this method, share options whose exercise price is less than the average market price of the Company's common shares are assumed to be exercised and the proceeds used to repurchase common shares at the average market price for the year. The incremental number of common shares issued on the assumed exercise and repurchased from proceeds is included in the calculation of diluted income or loss.

Income taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

- Current income taxes

  The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(expressed in Canadian dollars)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Canada, where the Company and its subsidiaries operate. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

- Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Financial instruments

- Financial assets and liabilities

Initial measurement and classification

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI).

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or if it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Subsequent measurement

- Financial assets at amortized cost

  These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(expressed in Canadian dollars)

- Financial liabilities at amortized cost

  These financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

  The Company's financial instruments include cash, deposits, accounts receivable, accounts payable and accrued liabilities, convertible debentures and mortgages payable, all of which are subsequently measured at amortized cost.

- Fair value measurement

  Fair value is the 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. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

  - Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
  - Level 2 – inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts, volatility measurements used to value option contracts and observable credit default swap spreads to adjust for credit risk where appropriate), or inputs that are derived principally from or corroborated by observable market data or other means.
  - Level 3 – inputs are unobservable (supported by little or no market activity).

  The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

- Impairment of financial assets

  The Company recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to the lifetime ECLs in accordance with the simplified approach available under the standard. Under this approach, loss allowances on trade accounts receivable are always measured at lifetime ECLs.

  When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

  The Company assumes that the credit risk on financial assets has increased if it is more than 30 days past due. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade.

(expressed in Canadian dollars)

Significant accounting judgments and estimates

Judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and equity components are reviewed on an ongoing basis. Actual results may differ from these estimates. As at December 31, 2021, there continues to be increased measurement uncertainty due to the outbreak of the novel strain of coronavirus (COVID-19). Management has made the following critical judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements:

- Asset acquisitions

  At the time of acquisition of real estate properties, the Company considers whether or not the acquisition represents the acquisition of a business. The Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. When the acquisition of a property does not represent a business, it is accounted for as an asset acquisition. The cost of the acquisition, including transaction costs, is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognized.

  The acquisition of each of the Company's investment properties to date was determined to be an asset acquisition.

- Investment properties

  The fair value of investment properties is determined using the capitalized net operating income method, with the 12-month forward net operating income divided by a market capitalization rate. The 12-month forward net operating income is based on the Company's operating budget and stabilized for any non-recurring expenses. Management uses the assistance of an independent appraiser to determine an appropriate market capitalization rate for individual properties at period ends. For properties acquired close to a period end, the purchase price, which is supported by an independent appraisal, is determined to approximate fair value.

- Convertible debentures

  The Company has issued convertible debentures as part of its acquisition financings. Convertible 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 is calculated using the Black-Scholes option pricing model which incorporates a number of assumptions including the implied share price volatility. The Company estimates the implied volatility using historic volatility.

(expressed in Canadian dollars)

4 Change in accounting policy

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

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

The Company has determined that this voluntary change in accounting policy will bring the Company in line with the majority of real estate issuers making its financial operating results more directly comparable. Under International Accounting Standard (IAS) 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting policy was applied retrospectively and the comparable financial information was adjusted for all periods presented, as if the policy had always been in place.

The following table summarizes the impact of the change in accounting policy for the financial statement line items adjusted on the consolidated statements of financial position, income and comprehensive income, changes in equity and cash flows:

Consolidated statements of financial position and changes in equity

	As previously stated $	Accounting policy change $	As adjusted $
As at January 1, 2020			
Assets			
Investment properties	18,209,620	406,730	18,616,350
Total assets	18,478,679	406,730	18,885,409
Shareholders' Equity			
Deficit	(8,709,986)	406,730	(8,303,256)
Total equity	4,494,701	406,730	4,901,431
Total liabilities and equity	18,478,679	406,730	18,885,409

(expressed in Canadian dollars)

	As previously stated $	Accounting policy change $	As adjusted $
As at December 31, 2020			
Assets			
Investment properties	79,916,527	3,780,473	83,697,000
Total assets	82,639,069	3,780,473	86,419,542
Shareholders' Equity			
Deficit	(10,910,128)	3,780,473	(7,129,655)
Total equity	19,635,499	3,780,473	23,415,972
Total liabilities and equity	82,639,069	3,780,473	86,419,542

Consolidated statements of income and comprehensive income

	As previously stated $	Accounting policy change $	As adjusted $
For the year ended December 31, 2020			
Depreciation expense	1,138,984	(1,138,984)	-
Change in fair value of investment properties	-	(2,234,759)	(2,234,759)
Income (loss) before income taxes	(2,434,142)	(3,373,743)	939,601
Net income (loss) and comprehensive income (loss) for the year	(2,200,142)	(3,373,473)	1,173,331
Income (loss) per share – basic	(0.03)	0.05	0.02
Income (loss) per share – diluted	(0.03)	0.05	0.02

The financial statement line items impacted by the change in accounting policy on the consolidated statements of cash flows were all within operating activities and, therefore, there was no cumulative impact to the cash inflows from operating activities.

5 New accounting standards not yet adopted

The International Accounting Standards Board issued a number of standards and interpretations that have not been applied in preparing these consolidated financial statements as their effective date falls within periods beginning subsequent to the current reporting period. Set out below are only those standards that may have a material impact on the consolidated financial statements in future periods. The Company is currently assessing the financial impact of these future policies on its consolidated financial statements.

(expressed in Canadian dollars)

IAS 1, Presentation of Financial Statements (IAS 1)

On January 23, 2020, the IASB issued an amendment to IAS 1 providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively.

6 Deposits and prepaids

Deposits and prepaid expenses at December 31, 2021 includes an amount of $626,930 (2020 – $106,026) relating to investment properties under agreement, of which $250,000 comprises refundable deposits (2020 – $100,000).

7 Investment properties

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

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

The following table summarizes the changes in investment properties for the years ended December 31, 2021 and 2020:

	2021 $	2020 $ (Adjusted – note 4)
Balance – Beginning of year	83,697,000	18,209,620
Acquisitions during the year	34,483,781	62,789,936
Additions during the year	79,925	55,955
Disposals during the year	(3,035,856)	-
Fair value adjustments	9,937,150	2,641,489
Balance – End of year	125,162,000	83,697,000

(expressed in Canadian dollars)

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

The Company acquired the Findlay Estates properties for a purchase price of $21,699,988. The Company funded the purchase price as follows: a mortgage in the amount of $15,600,000 and the remainder from cash.

The acquisition cost of the Findlay Estates Properties was allocated entirely to the investment property. The acquisition of the Findlay Estates Properties was financed as follows:

	$
Mortgage financing, net of costs	15,470,520
Cash	6,229,468
	21,699,988

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 $9,366,429, with the balance being paid in cash.

The acquisition cost of VV4LP was allocated entirely to the investment property.

The acquisition of VV4LP was financed as follows:

	$
Mortgage assumption	9,366,429
Cash	2,667,364
Shares issued to vendors	750,000
	12,783,793

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

(expressed in Canadian dollars)

On December 23, 2020, the Company completed the acquisition of a 100% interest of Village View No.3 Limited Partnership, a limited partnership formed under the laws of the Province of New Brunswick (VV3LP), whose sole asset is a 47-unit multi-family rental property located at 51 Noel Avenue, Saint John, New Brunswick (51 Noel).

The Company acquired VV3LP for a purchase price of $11,285,989. The Company satisfied the purchase price with the issuance to the vendors of 2,727,272 common shares of the Company at a price of $0.22 per share, representing consideration of $600,000, with the balance being paid in cash. The Company has placed a collateral mortgage on 51 Noel in the amount of $8,625,000.

The acquisition cost of VV3LP was allocated to the fair value of the assets acquired as follows:

	$
Land	71,000
Building	11,213,735
Furniture and equipment	1,254
Investment property acquisition cost recorded	11,285,989

The acquisition of VV3LP was financed as follows:

	$
Mortgage financing, net of costs	8,319,800
Cash	2,366,189
Shares issued to vendors	600,000
	11,285,989

On December 15, 2020, the Company completed the acquisition of a three property multi-unit residential portfolio comprising 95 units in Moncton, New Brunswick. The Properties are located at 2380 Mountain Road (64 units), 27 Edmond Street (18 units) and 50 Maplewood Drive (13 units).

The Company acquired these properties for a purchase price of $15,489,552, which consisted of $11,601,011 from mortgages on the properties and the balance paid in cash.

The acquisition cost of these properties was allocated to the fair value of the assets acquired as follows:

	$
Land	713,740
Building	14,715,148
Furniture and equipment	60,664
Investment property acquisition cost recorded	15,489,552

(expressed in Canadian dollars)

The acquisition of these properties was financed as follows:

	$
Mortgage financing, net of costs	11,497,910
Cash	3,991,642
	15,489,552

On August 31, 2020, the Company completed the acquisition of a seven-property multi-unit residential portfolio comprising 128 units in Moncton, New Brunswick (the McLaughlin Properties). The McLaughlin Properties are located at 145-155 McLaughlin Road.

The Company acquired the McLaughlin Properties for a purchase price of $14,917,306. The Company funded the purchase price as follows: a mortgage in the amount of $11,537,250, the issuance to the vendor of 5,681,818 common shares of the Company representing consideration of $1,250,000, the issuance to the vendor of 2,500,000 warrants to acquire common shares of the Company at an exercise price of $0.27 per common share for a term of 36 months from the closing date, and the balance of the purchase price was paid in cash from the proceeds of a $2,470,000 private placement of convertible debentures.

The acquisition cost of the McLaughlin Properties was allocated to the fair value of the assets acquired as follows:

	$
Land	654,968
Building	14,050,978
Furniture and equipment	211,360
Investment property acquisition cost recorded	14,917,306

The acquisition of the McLaughlin Properties was financed as follows:

	$
Mortgage financing, net of costs	11,421,937
Cash	2,245,369
Shares issued to vendors	1,250,000
	14,917,306

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, Ontario (the Emma Street Property). The Emma Street Property is a newly built multi-unit residential property totalling 20 units.

(expressed in Canadian dollars)

The Company acquired Emma for a purchase price of $7,359,476. The Company 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 the Company 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 the Company 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 the Company 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 was paid in cash from the proceeds of a $1,700,000 private placement units financing.

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

	$
Land	400,000
Building	6,959,476
Investment property acquisition cost recorded	7,359,476

The acquisition of the Emma Street Property was financed as follows:

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

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

ViveRE acquired the Denaco Properties for a purchase price of $13,737,613, which consisted of the issue 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 ViveRE.

(expressed in Canadian dollars)

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	15,000
Investment property acquisition cost recorded	13,737,613

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	500,000
	13,737,613

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

The December 31, 2021 capitalization rates used to value the Company's investment properties range from 3.70% to 4.95%, and the weighted average capitalization rate is 4.75%.

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

Change in capitalization rate %	Increase $	Decrease $	Change in stabilized NOI %	Increase $	Decrease $
0.25	(4,712,000)	5,238,000	1	912,000	(912,000)
0.50	(8,962,000)	11,138,000	2	1,838,000	(1,838,000)

(expressed in Canadian dollars)

8 Accounts payable and accrued liabilities

	2021 $	2020 $
Accounts payable	263,233	449,057
Accrued liabilities	445,259	413,313
	708,492	862,370

During the year ended December 31, 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.

9 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.

10 Convertible debentures

	2021 $	2020 $
2019 Convertible debentures (Ryan acquisition)	-	618,426
2020 Convertible debentures (Denaco acquisition)	-	1,294,935
2020 Convertible debentures (Emma acquisition)	1,088,042	833,829
2020 Convertible debentures (McLaughlin acquisition)	2,218,700	1,797,470
	3,306,742	4,544,660
Less: Current portion	3,306,742	618,426
	-	3,926,234

- 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 consolidated statement of income and comprehensive income, with a corresponding increase to contributed surplus.

(expressed in Canadian dollars)

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 year ended December 31, 2021, interest expense of $51,625 (2020 – $51,625), accretion expense of $116,718 (2020 – $128,214) and amortization expense of $2,356 (2020 – $2,588) have been recorded.

- 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 two-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 or the Company at a price of $0.27 per common share. The Company repaid the debentures in full, without the penalty or premium, on December 15, 2021.

For the year ended December 31, 2021, interest expense of $135,218 (2020 – $97,076), accretion expense of $344,666 (2020 – $215,973) and amortization expense of $7,296 (2020 – $4,596) have been recorded.

- 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 two-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 the 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 year ended December 31, 2021, interest expense of $77,742 (2020 – $63,237), accretion expense of $244,352 (2020 – $126,257) and amortization expense of $9,860 (2020 – $6,988) have been recorded.

- 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.

(expressed in Canadian dollars)

For the year ended December 31, 2021, interest expense of $181,432 (2020 – $60,436), accretion expense of $349,490 (2020 – $101,076) and amortization expense of $71,742 (2020 – $20,647) have been recorded.

11 Mortgages payable

	2021 $	2020 $
Mortgage payable secured by a first charge over 41 Noel Avenue, was repaid during the year	-	3,215,569
Mortgage payable bears a fixed interest rate of 2.35% maturing December 1, 2026. The loan is being amortized over 40 years, is payable in monthly payments of $12,345, principal and interest, and is secured by a first charge over 41 Noel Avenue	3,846,350	-
Mortgage payable bears a fixed interest rate of 2.55% maturing September 1, 2026. The loan is being amortized over 25 years, is payable in monthly payments of $25,901, principal and interest, and is secured by a first charge over 50 Noel Avenue	4,631,375	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	3,881,540	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	2,275,231	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	7,323,400	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	4,515,153	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	11,060,595	11,442,656
Mortgage payable assumed by the purchaser upon close of the sale of 27 Edmond Street	-	1,540,739
Mortgage payable assumed by the purchaser upon close of the sale of 50 Maplewood Drive	-	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	8,829,321	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	8,423,070	8,625,000

(expressed in Canadian dollars)

	2021 $	2020 $
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	9,249,966	-
Mortgage payable bears a fixed interest rate of 2.27% maturing January 5, 2023. The loan is being amortized over 25 years, is payable in monthly payments of $59,705, principal and interest, and is secured by a first charge over 529/539/545/625 Whitepine Avenue and 1008/1020/1037 Cleveland Avenue	15,600,000	-
	79,636,001	58,282,944
Less: Deferred financing costs net of accumulated amortization of $346,921 (December 31, 2020 – $82,361)	694,403	686,404
Less: Current portion	17,240,009	4,868,957
	61,701,589	52,727,583

As at December 31, 2021, all of the Company's investment properties have been pledged as security against the mortgages payable. The following table summarizes the changes in the aggregate mortgage values for the years ended December 31, 2021 and 2020.

	2021 $	2020 $
Balance – Beginning of year	57,596,540	12,239,301
Mortgages assumed on acquisitions	9,366,429	46,669,011
Mortgage proceeds	19,446,055	-
Principal repayments	(7,459,723)	(741,536)
Fair value and other adjustments	-	33,065
Finance costs, net of amortization	(7,703)	(603,301)
Balance – End of year	78,941,598	57,596,540

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

	$
2022	17,299,210
2023	25,608,861
2024	20,878,737
2025	507,045
2026	15,342,148

(expressed in Canadian dollars)

12 Share capital

a) Authorized capital stock

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

Common shares issued and fully paid

	Number of shares	Amount $
Balance – December 31, 2019	49,189,824	11,632,720
Shares issued for cash, net of issue costs	58,683,327	10,203,083
Shares issued pursuant to acquisitions	12,575,755	2,335,098
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 – December 31, 2020	131,313,346	25,639,603
Shares issued for cash, net of issue costs	142,937,000	26,619,929
Shares issued in settlement of debt obligations (note 8)	1,152,636	236,454
Shares issued pursuant to acquisitions (note 7)	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 10)	2,312,500	632,500
Balance – December 31, 2021	281,549,482	53,900,266

b) Equity financings

On December 1, 2021, the Company completed a private placement of common shares whereby 17,250,000 common shares were sold at a price of $0.20 per common share for gross proceeds of $3,450,000. The common shares are subject to a four-month hold period. Certain insiders of the Company subscribed for an aggregate of 15,000,000 common shares. The capital stock value of the 17,250,000 common shares issued is net of share issue costs of $37,500.

On November 26, 2021, the Company completed a public offering of common shares whereby 100,000,000 common shares were sold at a price of $0.20 per common share for gross proceeds of $20,000,000. On December 9, 2021, the Company closed the over-allotment of the public offering of common shares whereby 13,187,000 common shares were sold at a price of $0.20 per common share for gross proceeds of $2,637,400 The net proceeds from the offering were used to finance the acquisition of Findlay Estates and for general corporate purposes. Certain insiders of the Company subscribed for an aggregate of 6,950,000 common shares. The capital stock value of the 113,187,000 common shares issued is net of share issue costs of $1,668,826.

(expressed in Canadian dollars)

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. The capital stock value of the 12,500,000 common shares issued is net of share issue costs of $261,145.

On December 11, 2020, the Company closed a short form prospectus offering of common shares. A total of 47,850,000 common shares were sold at a price of $0.20 per common share, including the exercise by the agents of their over-allotment option to purchase 5,350,000 common Shares, for aggregate gross proceeds of $9,570,000. A portion of the gross proceeds of the Offering was used to finance the acquisition of 2380 Mountain Road, 27 Edmond Street, 50 Maplewood Drive and VV3LP. The Company paid the agents a cash commission of $461,700 and issued to the agents 2,233,501 common share purchase warrants, with each warrant exercisable into one common share of the Company at an exercise price equal to $0.24 for a period of 24 months from the date of issuance. The capital stock value of the 47,850,000 shares issued is net of the broker warrants valuation of $203,000 and share issue costs of $880,402.

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 38 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 ViveRE 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 ViveRE 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 10) and 7,000,000 warrants having a three-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.

c) Options

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

(expressed in Canadian dollars)

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 year ended December 31, 2021 are as follows: risk-free rate 1.5%, expected volatility 94%, expected dividend yield 1.05% and expected life 10 years. For the year ended December 31, 2020, the weighted average assumptions are as follows: risk-free rate 1.5%, expected volatility 150%, expected dividend yield $nil and expected life 10 years.

For the year ended December 31, 2021, the Board of Directors 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 20, 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 year ended December 31, 2021.

For the year ended December 31, 2020, the Board of Directors approved the issuance of 300,000 options to a consultant of the Company. The options are exercisable at $0.24 per common share, vest in three equal tranches of 100,000 options, on May 15, 2020, November 14, 2020 and November 14, 2021, and are exercisable for a 10-year term. The Company charged $40,500 in non-cash share-based compensation to operations for the year ended December 31, 2020.

The following table summarizes the changes in the Company's stock options for the years ended December 31, 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 year	0.12	(200,000)	
Granted during the year	0.24	300,000	May 15, 2030
Balance – December 31, 2020	0.24	300,000	May 15, 2030
Granted during the year	0.19	750,000	April 20, 2031
Balance – December 31, 2021	0.20	1,050,000	

As at December 31, 2021, 27,104,948 options were available for future grants under the Plan. Options vested and exercisable as at December 31, 2021 totalled 1,050,000 with an average exercise price of $0.20 per share.

(expressed in Canadian dollars)

d) Warrants

The following table summarizes the changes in the Company's warrants for the years ended December 31, 2020 and 2021:

	Expiry date	Exercise price $	Number	Ascribed value $
Balance – December 31, 2019			7,386,095	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	641,555
Warrants issued pursuant to Emma units financing and acquisition	April 27, 2022	0.27	3,500,000	353,055
Broker warrants exercised during the year		0.15	(681,752)	(60,000)
Warrants issued in connection with exercise of broker warrants during the year	May 5, 2022 and August 26, 2020	0.25	340,876	-
Warrants issued pursuant to McLaughlin acquisition	August 31, 2023		2,500,000	271,982
Warrants exercised during year		0.15	(300,000)	(25,000)
Warrants expired during the year			(3,918,363)	(261,000)
Broker warrants issued pursuant to financing	December 11, 2023	0.24	2,233,501	203,000
Balance – December 31, 2020			25,274,357	2,310,192
Warrants expired during the year	January 20, 2021	0.21	(714,000)	(80,000)
Warrants expired during the year	April 9, 2021	0.20	(485,980)	(90,000)
Warrants expired during the year	September 30, 2021	0.25	(2,000,000)	(188,600)
Balance – December 31, 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 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 five trading days immediately prior to the payment date. DSUs awarded under the DSU Plan in lieu of annual or bonus compensation will vest immediately.

(expressed in Canadian dollars)

In addition, the Board of Directors has the authority to make discretionary awards of DSUs to participants under the DSU Plan. DSUs granted pursuant to discretionary awards will vest in accordance with the vesting schedule determined by the Board of Directors. Generally, DSUs will vest equally over three years, with one-third of the awarded DSUs vesting on each of the first, second and third anniversaries of the date of the award. As at December 31, 2021, a total of 4,840,000 DSUs were outstanding.

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

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

On April 20, 2021, the Board of Directors approved the issuance of 2,185,000 DSUs to directors, management and consultants of the Company. The DSUs vest over three years in accordance with the provisions of the Company's DSU Plan. The fair value per DSU granted was $0.20. The Company charged $177,100 in non-cash share-based compensation to operations for the year ended December 31, 2021, of which $173,000 related to DSUs issued to officers and directors of the Company.

On May 14, 2020, the Board of Directors approved the issuance of 2,775,000 DSUs to directors and officers of the Company, which vested on the date of issuance. This was the initial grant of DSUs 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 year ended December 31, 2020.

The following table summarizes the changes in the Company's DSUs for the years ended December 31, 2021 and 2020:

	Fair value price per DSU $	Number of DSUs
Balance – December 31, 2019		-
Issued during the year	0.20	2,775,000
Balance – December 31, 2020		2,775,000
Issued during the year		2,185,000
Settled during the year	0.20	(120,000)
Balance – December 31, 2021		4,840,000

(expressed in Canadian dollars)

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)
Balance – December 31, 2020	1,179,000
Expiration of warrants	358,600
Stock-based compensation	288,100
Shares issued pursuant to settlement of DSUs	(28,800)
Settlement of 2019 debentures (note 10)	189,000
Balance – December 31, 2021	1,985,900

g) Shares for debt and debenture interest

During the year ended December 31, 2021, the Company issued 1,152,636 common shares to settle accounts payable with arm's length parties aggregating $238,400.

During the year ended December 31, 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 year ended December 31, 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 consolidated statement of cash flows.

(expressed in Canadian dollars)

13 Income taxes

As at December 31, 2021, the Company's effective income tax rate differs from the amount that would be computed from applying the federal and provincial statutory rate of 29% (2020 – 29.5%) to the pre-tax income for the year. The reasons for the difference are as follows:

	2021 $	2020 $ (Adjusted – note 4)
Computed tax expense at the statutory rates	2,727,000	277,000
Changes in tax assets related to deductible temporary differences and unused tax losses not recognized	(2,811,000)	(587,000)
Tax effect of permanent differences	84,000	76,000
	-	(234,000)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and (liabilities) are presented below. The Company has not recognized the deferred tax asset as at December 31, 2021 and 2020.

	2021 $	2020 $ (Adjusted – note 4)
Financing fees	977,000	550,000
Convertible debentures	107,000	477,000
Investment properties	(3,156,000)	(541,000)
Non-capital losses	2,755,000	2,087,000
Deferred tax asset not recognized	683,000	2,573,000

The non-capital losses expire between 2032 and 2041.

14 Related party transactions

Management compensation

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

	2021 $	2020 $
Cash and accrued compensation	549,576	427,896
Stock-based compensation (note 12)	173,000	545,000
	722,576	972,896

(expressed in Canadian dollars)

Annual compensation for each director is 100,000 DSUs. The chairman receives an additional 35,000 DSUs for a total of 135,000.

Advisory and legal services

Advisory services primarily related to transactions were provided during the year by a corporation owned by two non-executive directors of the Company. The cost of these transaction advisory services during the year was $826,657 (2020 – $453,958).

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 years ended December 31, 2021 and 2020.

Legal services were provided during the year ended December 31, 2021 by a firm of which an officer of the Company is the sole lawyer practitioner. The cost of these legal services during the year was $17,250 (2020 – $55,239).

15 Earnings per share

	2021			2020 (Adjusted – note 4)		
	Income $	Weighted average shares #	Per share amount $	Income $	Weighted average shares #	Per share amount $
Income per share – basic	9,404,367	156,163,147	0.06	1,173,601	74,532,830	0.02
Dilutive impact of stock options, warrants and DSUs	288,100	6,661,809		545,000	5,962,076	
Dilutive impact of convertible debentures	605,641	14,810,648		114,674	10,829,166	
Income per share – diluted	10,298,108	177,635,604	0.06	1,833,275	91,324,072	0.02

The Company's potentially dilutive instruments include the convertible debentures, stock options, warrants and DSUs. For the year ended December 31, 2021, the DSUs, certain tranches of the stock options and warrants as well as the convertible debentures were dilutive. For the year ended December 31, 2020, the DSUs, certain tranches of the warrants as well one of the convertible debentures were dilutive while the stock options were anti-dilutive.

(expressed in Canadian dollars)

16 Capital management

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company. The Company considers capital to be shareholders' equity, which at December 31, 2021 totalled $60,801,885 (2020 – $23,415,972). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to externally imposed capital requirements.

17 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

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Company attempts to mitigate its credit risk by ensuring its tenant mix is heavily weighted to creditworthy tenants. Credit losses incurred to date have been negligible. The Company further manages credit risk by holding its cash with high quality financial institutions in Canada, where management believes the risk of loss to below.

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 totalling $15,575,748 will mature and management expects to renew these mortgages at similar or favourable terms. The Company intends to settle the convertible debentures in cash on maturity.

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 12 months.

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.

(expressed in Canadian dollars)

18 Subsequent events

On January 7, 2022, the Company completed the second tranche of the previously announced non-brokered private placement with the issuance of 6,000,000 common shares at a price of $0.20 per share for aggregate gross proceeds of $1,200,000 (the Private Placement). Shares issued pursuant to the Private Placement are subject to a four-month hold period. The Company intends to direct the proceeds towards debt repayment, general corporate purposes and potential future acquisitions. In connection with this financing, the Company paid a finder’s fee of $10,000.

On January 14, 2022, the Company redeemed, without any penalty or premium, $225,000 of the 7% convertible debentures issued on April 27, 2020 and having a maturity date of April 27, 2022.

On March 7, 2022, the Company declared a dividend of $0.0005 per common share for the quarter ending March 31, 2022, representing $0.002 per share on an annualized basis. The dividend was paid on March 31, 2022, to shareholders of record on March 14, 2022.

During March 2022, a total of 4,012,500 warrants having an exercise price of $0.175 per common share were exercised to aggregate gross proceeds of $702,187 of which 3,437,500 warrants ($601,562) were held by directors of the Company. The remaining 2,487,500 warrants having an exercise price of $0.175 per common share expired unexercised on March 16, 2022.

On April 5, 2022, the Company completed the acquisition of a 64-unit building in Riverview, New Brunswick (Findlay Tower) for $11,700,000, excluding closing costs. Findlay Tower is a four-story building with an elevator and one level of heated underground parking. The property was constructed in 2019 and is located at 1009 Cleveland Avenue, Riverview, New Brunswick. In connection with the acquisition, NexLiving has assumed a $9.25 million 40-year CMHC-insured mortgage with a 1.76% interest rate and a maturity date of December 1, 2030.