

# **NexLiving Communities Inc.**

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

**March 31, 2022**

May 26, 2022

## **Management's Report**

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

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

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

(signed) "*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 March 31, 2022 and December 31, 2021**

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(expressed in Canadian dollars)

|   | <b>March 31,<br/>2022<br/>\$</b> | <b>December 31,<br/>2021<br/>\$</b> |
|---|----------------------------------|-------------------------------------|
| <b>Assets</b>                                     |                                  |                                     |
| <b>Current assets</b>                             |                                  |                                     |
| Cash  | 19,193,274                       | 17,695,837                          |
| Accounts receivable                               | 100,125                          | 89,566                              |
| Deposits and prepaids (note 5)                    | 1,114,804                        | 811,314                             |
|   | <hr/>                            | <hr/>                               |
|   | 20,408,203                       | 18,596,717                          |
| <b>Investment properties</b> (note 6)             | <hr/>                            | <hr/>                               |
|   | 126,161,345                      | 125,162,000                         |
|   | <hr/>                            | <hr/>                               |
|   | 146,569,548                      | 143,758,717                         |
| <b>Liabilities</b>                                |                                  |                                     |
| <b>Current liabilities</b>                        |                                  |                                     |
| Accounts payable and accrued liabilities (note 7) | 1,130,114                        | 708,492                             |
| Convertible debentures (note 8)                   | 3,188,611                        | 3,306,742                           |
| Current portion of mortgages payable (note 9)     | 32,225,955                       | 17,240,009                          |
|   | <hr/>                            | <hr/>                               |
|   | 36,544,680                       | 21,255,243                          |
| <b>Mortgages payable</b> (note 9)                 | <hr/>                            | <hr/>                               |
|   | 46,262,506                       | 61,701,589                          |
|   | <hr/>                            | <hr/>                               |
|   | 82,807,186                       | 82,956,832                          |
| <b>Equity</b> (note 10)                           | <hr/>                            | <hr/>                               |
|   | 63,762,362                       | 60,801,885                          |
|   | <hr/>                            | <hr/>                               |
|   | 146,569,548                      | 143,758,717                         |
| <b>Subsequent events</b> (note 15)                |                                  |                                     |

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

# NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Income  
For the periods ended March 31, 2022 and 2021

(expressed in Canadian dollars)

|   | 2022<br>\$  | 2021<br>\$<br>(Adjusted - note 4) |
|---|-------------|-----------------------------------|
| <b>Revenue</b>  |             |                                   |
| Rental income   | 2,553,345   | 1,752,067                         |
| <b>Property operating expenses</b>                                |             |                                   |
| Operating expenses  | 1,275,256   | 799,794                           |
| <b>Net property operating income</b>                              | 1,278,089   | 952,273                           |
| <b>Administrative expenses</b>                                    |             |                                   |
| Management wages and consulting fees (note 11)                    | 261,600     | 196,562                           |
| Filing and other fees   | 10,094      | 8,805                             |
| Insurance   | 7,125       | 6,187                             |
| Office and other  | 18,700      | 12,537                            |
| Professional fees   | 74,933      | 30,100                            |
| Stock based compensation  | 62,500      | -                                 |
|   | 435,852     | 254,191                           |
| <b>Finance costs</b>  |             |                                   |
| Interest expense  | 484,935     | 413,585                           |
| Amortization expense (notes 8 and 9)                              | 104,009     | 64,083                            |
| Accretion expense (note 8)  | 86,446      | 256,804                           |
|   | 675,390     | 734,472                           |
| <b>Other income</b>   |             |                                   |
| Interest income   | (17,222)    | -                                 |
| Fair value adjustment to investment properties<br>(notes 4 and 6) | (994,913)   | (464,500)                         |
|   | (1,012,135) | -                                 |
| <b>Net income and comprehensive income<br/>for the periods</b>    | 1,178,982   | 428,110                           |
| <b>Net income per share - basic and diluted<br/>(note 12)</b>     | 0.004       | 0.003                             |

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

## NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the periods ended March 31, 2022 and 2021

(expressed in Canadian dollars)

|   | Number of<br>shares | Share capital<br>\$ | Warrants<br>\$   | Convertible<br>debentures<br>\$ | Contributed<br>surplus<br>\$ | Deficit<br>\$    | Total<br>\$       |
|---|---------------------|---------------------|------------------|---------------------------------|------------------------------|------------------|-------------------|
| <b>Balance – December 31, 2021</b>                          | 281,549,482         | 53,900,266          | 1,951,592        | 1,042,729                       | 1,985,900                    | 1,921,398        | 60,801,885        |
| Net income for the period                                   | –                   | –                   | –                | –                               | –                            | 1,178,982        | 1,178,982         |
| Shares issued for cash, net of issue costs<br>(note 10)     | 6,000,000           | 1,160,583           | –                | –                               | –                            | –                | 1,160,583         |
| Shares issued pursuant to exercise of warrants<br>(note 10) | 4,012,500           | 999,729             | (297,542)        | –                               | –                            | –                | 702,187           |
| Expiration of warrants (note 10)                            | –                   | –                   | (184,458)        | –                               | 184,458                      | –                | –                 |
| Stock-based compensation (note 10)                          | –                   | –                   | –                | –                               | 62,500                       | –                | 62,500            |
| Dividends paid  | –                   | –                   | –                | –                               | –                            | (143,775)        | (143,775)         |
| <b>Balance – March 31, 2022</b>                             | <b>291,561,982</b>  | <b>56,060,578</b>   | <b>1,469,592</b> | <b>1,042,729</b>                | <b>2,232,858</b>             | <b>2,956,605</b> | <b>63,762,362</b> |

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

## NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity  
For the periods ended March 31, 2022 and 2021

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(expressed in Canadian dollars)

|  | Number of<br>shares | Share capital<br>\$ | Warrants<br>\$   | Convertible<br>debentures<br>\$ | Contributed<br>surplus<br>\$ | Deficit<br>\$      | Total<br>\$       |
|--|---------------------|---------------------|------------------|---------------------------------|------------------------------|--------------------|-------------------|
| <b>Balance – December 31, 2020</b>   | 131,313,346         | 25,639,603          | 2,310,192        | 1,416,832                       | 1,179,000                    | (7,129,655)        | 23,415,972        |
| Net income and comprehensive income for the<br>period (note 4)                   | –                   | –                   | –                | –                               | –                            | 428,110            | 428,110           |
| Shares issued in settlement of debt obligations,<br>net of issue costs (note 10) | 1,152,636           | 236,454             | –                | –                               | –                            | –                  | 236,454           |
| Expiration of warrants (note 10)   | –                   | –                   | (80,000)         | –                               | 80,000                       | –                  | –                 |
| Dividends paid   | –                   | –                   | –                | –                               | –                            | (65,657)           | (65,657)          |
| <b>Balance – March 31, 2021</b>  | <b>132,465,982</b>  | <b>25,876,057</b>   | <b>2,230,192</b> | <b>1,416,832</b>                | <b>1,259,000</b>             | <b>(6,767,202)</b> | <b>24,014,879</b> |

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

# NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity  
For the periods ended March 31, 2022 and 2021

(expressed in Canadian dollars)

|   | 2022<br>\$       | 2021<br>\$      |
|---|------------------|-----------------|
| <b>Cash provided by (used in)</b>   |                  |                 |
| <b>Operating activities</b>   |                  |                 |
| Net income for the periods  | 1,178,982        | 428,110         |
| Charges to income not affecting cash  |                  |                 |
| Interest on convertible debentures and mortgage payable   | 181,015          | 169,471         |
| Stock-based compensation expense  | 62,500           | –               |
| Changes in fair value of investment properties (note 4)   | (994,913)        | (464,500)       |
| Amortization expense  | 104,009          | 64,083          |
| Accretion expense   | 86,446           | 256,804         |
|   | <hr/> 618,039    | <hr/> 453,968   |
| Net changes in non-cash working capital balances related to operations                              |                  |                 |
| (Increase) decrease in accounts receivable  | (10,559)         | (1,385)         |
| (Increase) in deposits and prepaid expenses   | (303,490)        | (421,476)       |
| Increase in accounts payable and accrued liabilities, net of amount settled through share issuances | 240,607          | 80,209          |
|   | <hr/> 544,597    | <hr/> 111,316   |
| <b>Financing activities</b>   |                  |                 |
| Proceeds from issuance of common shares and warrants, net of issue costs                            | 1,862,770        | –               |
| Repayments of convertible debenture   | (225,000)        | (389,726)       |
| Repayments of mortgage principal  | (536,723)        | (389,726)       |
| Payment of dividends  | (143,775)        | (65,657)        |
|   | <hr/> 957,272    | <hr/> (455,383) |
| <b>Investing activities</b>   |                  |                 |
| Additions to investment properties  | (4,432)          | (4,315)         |
|   | <hr/> (4,432)    | <hr/> (4,315)   |
| <b>Net change in cash for the period</b>  | 1,497,437        | (348,382)       |
| <b>Cash – Beginning of period</b>   | 17,695,837       | 2,445,519       |
| <b>Cash – End of period</b>   | <hr/> 19,193,274 | <hr/> 2,097,137 |

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

# NexLiving Communities Inc.

Notes to the Financial Statements

**For the periods ended March 31, 2022 and 2021**

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(expressed in Canadian dollars)

## **1 Nature of operations**

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

## **2 Basis of presentation**

### **Statement of compliance**

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

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

The Board of Directors approved the consolidated financial statements for issue on May 26, 2022.

### **Basis of measurement**

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

## **3 Significant accounting policies**

### **Basis of consolidation**

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



# NexLiving Communities Inc.

Notes to the Financial Statements

For the periods ended March 31, 2022 and 2021

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(expressed in Canadian dollars)

## 4 Change in accounting policy

During the year ended December 31, 2021, the Company changed its accounting policy whereby subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in fair value of investment properties are included in profit or loss in the period in which they arise. Previously, the Company used the cost method for accounting for investment properties whereby investment properties were measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties were measured at cost less accumulated depreciation and accumulated impairment losses, if any.

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

The following table summarizes the impact of the change in accounting policy for investment properties and the financial statement line items adjusted on the consolidated statements of changes in equity, net income and comprehensive income and cash flows for the three-month period ended March 31, 2021:

|  | As<br>previously<br>stated<br>\$ | Accounting<br>policy change<br>\$ | As<br>adjusted<br>\$ |
|--|----------------------------------|-----------------------------------|----------------------|
| <b>Investment properties</b>   | 79,360,743                       | 4,805,072                         | 84,165,815           |
| <b>Consolidated statement of changes in equity</b>   |                                  |                                   |                      |
| Deficit – December 31, 2020  | (10,910,128)                     | 3,780,473                         | (7,129,655)          |
| Deficit – March 31, 2021   | (11,572,274)                     | 4,805,072                         | (6,767,202)          |
| Total equity – March 31, 2021  | 19,209,807                       | 4,805,072                         | 24,104,879           |
| <b>Consolidated statement of income (loss) and<br/>comprehensive income (loss) for the three months<br/>ended March 31, 2021</b> |                                  |                                   |                      |
| Depreciation   | 560,099                          | (560,099)                         | 0                    |
| Change in fair value of investment properties  | 0                                | (464,500)                         | (464,500)            |
| Net income (loss) and comprehensive income (loss) for<br>the period  | (596,489)                        | 1,024,599                         | 428,110              |
| Income (loss) per share - basic and diluted  | (0.004)                          | 0.007                             | 0.003                |

# NexLiving Communities Inc.

Notes to the Financial Statements

For the periods ended March 31, 2022 and 2021

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(expressed in Canadian dollars)

The financial statement line items impacted by the change in accounting policy on the consolidated statement of cash flows for the three-month period ended March 31, 2021, were all within operating activities and, therefore, there was no cumulative impact to the cash inflows from operating activities.

## 5 Deposits and prepaids

Deposits and prepaid expenses at March 31, 2021 includes an amount of \$837,681 (2021 – \$626,930) relating to investment properties under agreement, of which \$450,000 comprises refundable deposits (2021 – \$250,000).

## 6 Investment properties

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

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

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

|                                      | March 31, 2022<br>\$ | December 31, 2021<br>\$ |
|--------------------------------------|----------------------|-------------------------|
| <b>Balance – Beginning of period</b> | 125,162,000          | 83,697,000              |
| Acquisitions during the period       | -                    | 34,483,781              |
| Additions during the period          | 4,432                | 79,925                  |
| Disposals during the period          | -                    | (3,035,856)             |
| Fair value adjustments               | 994,913              | 9,937,150               |
| <b>Balance – End of period</b>       | <u>126,161,345</u>   | <u>125,162,000</u>      |

# NexLiving Communities Inc.

Notes to the Financial Statements

**For the periods ended March 31, 2022 and 2021**

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(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 including closing costs.

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.

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

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

The March 31, 2022 capitalization rates used to value the Company's investment properties range from 3.70% to 4.95%, and the weighted average capitalization rate is 4.73%.

# NexLiving Communities Inc.

Notes to the Financial Statements

For the periods ended March 31, 2022 and 2021

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(expressed in Canadian dollars)

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

| Change in capitalization rate % | Change in capitalization rate |             | Change in stabilized NOI % | Change in stabilized NOI |             |
|---------------------------------|-------------------------------|-------------|----------------------------|--------------------------|-------------|
|                                 | Increase \$                   | Decrease \$ |                            | Increase \$              | Decrease \$ |
| 0.25                            | (5,478,000)                   | 6,120,000   | 1                          | 1,049,000                | (1,049,000) |
| 0.50                            | (10,407,000)                  | 13,004,000  | 2                          | 2,099,000                | (2,099,000) |

## 7 Accounts payable and accrued liabilities

|                     | March 31, 2022 \$ | December 31, 2021 \$ |
|---------------------|-------------------|----------------------|
| Accounts payable    | 219,024           | 263,233              |
| Accrued liabilities | 911,090           | 445,259              |
|                     | <u>1,130,114</u>  | <u>708,492</u>       |

## 8 Convertible debentures

|  | March 31, 2022 \$ | December 31, 2021 \$ |
|--|-------------------|----------------------|
| 2020 Convertible debentures (Emma acquisition)       | 850,000           | 1,088,042            |
| 2020 Convertible debentures (McLaughlin acquisition) | 2,338,611         | 2,218,700            |
|  | <u>3,188,611</u>  | <u>3,306,742</u>     |

- 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

# NexLiving Communities Inc.

Notes to the Financial Statements

**For the periods ended March 31, 2022 and 2021**

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(expressed in Canadian dollars)

reduced by \$103,500. In addition, a further payment of \$225,000 was made during January 2022 to repay the Vendor-Take-back Debenture liability in full.

For the period ended March 31, 2022, interest expense of \$14,997 (2021 – \$9,277), accretion recovery of \$13,042 (2021 accretion expense– \$57,514) and amortization expense of \$nil (2021 – \$1,366) 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.

For the period ended March 31, 2022, interest expense of \$45,856 (2021 – \$45,034), accretion expense of \$99,488 (2021 – \$80,600) and amortization expense of \$20,422 (2021 – \$16,545) have been recorded.

# NexLiving Communities Inc.

Notes to the Financial Statements

For the periods ended March 31, 2022 and 2021

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(expressed in Canadian dollars)

## 9 Mortgages payable

|   | March 31,<br>2022<br>\$ | December 31,<br>2021<br>\$ |
|---|-------------------------|----------------------------|
| 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            | 3,831,774               | 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           | 4,584,532               | 4,631,375                  |
| Mortgage payable bears a fixed interest rate of 3.45% maturing October 10, 2024. The loan is being amortized over 25 years, is payable in monthly payments of \$20,440, principal and interest, and is secured by a first charge over 542 and 550 Ryan Street   | 3,854,109               | 3,881,540                  |
| Mortgage payable bears a fixed interest rate of 2.05% maturing April 10, 2023. The loan is being amortized over 25 years, is payable in monthly payments of \$10,221, principal and interest, and is secured by a first charge over 39 Pleasant Street          | 2,256,198               | 2,275,231                  |
| Mortgage payable bears a fixed interest rate of 2.05% maturing April 10, 2023. The loan is being amortized over 25 years, is payable in monthly payments of \$32,898, principal and interest, and is secured by a first charge over 150 and 154 Lewisville Road | 7,262,139               | 7,323,400                  |
| 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               | 4,475,313               | 4,515,153                  |
| 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 | 10,964,164              | 11,060,595                 |
| Mortgage payable bears a fixed interest rate of 1.90% maturing January 10, 2026. The loan is being amortized over 30 years, is payable in monthly payments of \$32,918, principal and interest, and is secured by a first charge over 2380 Mountain Road        | 8,772,422               | 8,829,321                  |
| 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            | 8,367,862               | 8,423,070                  |
| Mortgage payable bears a fixed interest rate of 1.95% maturing April 10, 2024. The loan is being amortized over 30 years, is payable in monthly payments of \$34,491, principal and interest, and is secured by a first charge over 49 Noel Avenue              | 9,191,489               | 9,249,966                  |

# NexLiving Communities Inc.

Notes to the Financial Statements

For the periods ended March 31, 2022 and 2021

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(expressed in Canadian dollars)

|   | March 31,<br>2022<br>\$ | December 31,<br>2021<br>\$ |
|---|-------------------------|----------------------------|
| 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 | 15,539,276              | 15,600,000                 |
|   | <hr/>                   | <hr/>                      |
|   | 79,099,278              | 79,636,001                 |
| Less: Deferred financing costs net of accumulated amortization of \$346,921 (December 31, 2021 – \$82,361)  | 610,817                 | 694,403                    |
| Less: Current portion   | 32,225,955              | 17,240,009                 |
|   | <hr/>                   | <hr/>                      |
|   | 46,262,506              | 61,701,589                 |
|   | <hr/>                   | <hr/>                      |

As at March 31, 2022, all of the Company's investment properties have been pledged as security against the mortgages payable. The following table summarizes the changes in the aggregate mortgage values for the period ended March 31, 2022 and the year ended.

|                                    | March 31,<br>2022<br>\$ | December 31,<br>2021<br>\$ |
|------------------------------------|-------------------------|----------------------------|
| Balance – Beginning of period      | 78,941,598              | 57,596,540                 |
| Mortgages assumed on acquisitions  | -                       | 9,366,429                  |
| Mortgage proceeds                  | -                       | 19,446,055                 |
| Principal repayments               | (536,723)               | (7,459,723)                |
| Fair value and other adjustments   | -                       | -                          |
| Finance costs, net of amortization | 83,586                  | (7,703)                    |
|                                    | <hr/>                   | <hr/>                      |
| Balance – End of period            | 78,488,461              | 78,941,598                 |
|                                    | <hr/>                   | <hr/>                      |

# NexLiving Communities Inc.

Notes to the Financial Statements

For the periods ended March 31, 2022 and 2021

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(expressed in Canadian dollars)

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

|      | \$         |
|------|------------|
| 2023 | 32,225,955 |
| 2024 | 10,276,988 |
| 2025 | 20,749,237 |
| 2026 | 4,099,374  |
| 2027 | 11,747,724 |

## 10 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<br>shares | Amount<br>\$      |
|--|---------------------|-------------------|
| <b>Balance – December 31, 2020</b>                 | 131,313,346         | 25,639,603        |
| Shares issued in settlement of debt obligations    | 1,152,636           | 236,454           |
| <b>Balance – March 31, 2021</b>                    | <u>132,465,982</u>  | <u>25,876,057</u> |
| <b>Balance – December 31, 2021</b>                 | 281,549,482         | 53,900,266        |
| Shares issued for cash, net of issue costs         | 6,000,000           | 1,160,583         |
| Shares issued pursuant to the exercise of warrants | 4,012,500           | 999,729           |
| <b>Balance – March 31, 2022</b>                    | <u>291,561,982</u>  | <u>56,060,578</u> |



# NexLiving Communities Inc.

Notes to the Financial Statements

For the periods ended March 31, 2022 and 2021

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(expressed in Canadian dollars)

b) Equity financings

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

c) Options

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

The following table summarizes the Company's stock options for the periods ended March 31, 2022 and 2021:

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

As at March 31, 2022, 28,106,198 options were available for future grants under the Plan. Options vested and exercisable as at March 31, 2022 totaled 1,050,000 with an average exercise price of \$0.20 per share.

# NexLiving Communities Inc.

Notes to the Financial Statements

For the periods ended March 31, 2022 and 2021

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(expressed in Canadian dollars)

d) Warrants

The following table summarizes the changes in the Company's warrants for the periods ended March 31, 2022 and 2021:

|                                    | Expiry date      | Exercise price<br>\$ | Number             | Ascribed value<br>\$ |
|------------------------------------|------------------|----------------------|--------------------|----------------------|
| <b>Balance – December 31, 2020</b> |                  |                      | 25,274,357         | 2,310,192            |
| Warrants expired during the period | January 20, 2021 | 0.21                 | <u>(714,000)</u>   | <u>(80,000)</u>      |
| <b>Balance – March 31, 2022</b>    |                  |                      | <u>24,560,357</u>  | <u>2,230,192</u>     |
| <b>Balance – December 31, 2021</b> |                  |                      | 22,074,377         | 1,951,592            |
| Warrants expired during the period | March 16, 2022   | 0.175                | <u>(2,487,500)</u> | <u>(184,458)</u>     |
| Warrants exercised during period   | March 16, 2022   | 0.175                | <u>(4,012,500)</u> | <u>(297,542)</u>     |
| <b>Balance – March 31, 2022</b>    |                  |                      | <u>15,574,377</u>  | <u>1,469,592</u>     |

e) Deferred share units

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

# NexLiving Communities Inc.

Notes to the Financial Statements

**For the periods ended March 31, 2022 and 2021**

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(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 March 31, 2022, 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 \$62,500 in non-cash share-based compensation to operations for the period ended March 31, 2022 of which \$61,100 related to DSUs issued to officers and directors of the Company.

The following table summarizes the changes in the Company's DSUs for the periods ended March 31, 2022 and 2021:

|   | <b>Weighted<br/>average<br/>fair value<br/>price per<br/>DSU<br/>\$</b> | <b>Number of<br/>DSUs</b> |
|---|---|---------------------------|
| <b>Balance – December 31, 2020 and March 31, 2021</b> | 0.20  | 2,775,000                 |
| <b>Balance – December 31, 2021 and March 31, 2022</b> | 0.20  | <u>4,840,000</u>          |

# NexLiving Communities Inc.

Notes to the Financial Statements

For the periods ended March 31, 2022 and 2021

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(expressed in Canadian dollars)

f) Contributed surplus

|                                    | \$               |
|------------------------------------|------------------|
| <b>Balance – December 31, 2020</b> | 1,179,000        |
| Expiration of warrants             | <u>80,000</u>    |
| <b>Balance – March 31, 2021</b>    | <u>1,259,000</u> |
| <br>                               |                  |
| <b>Balance – December 31, 2021</b> | 1,985,900        |
| Expiration of warrants             | 184,458          |
| Stock-based compensation           | <u>62,500</u>    |
| <b>Balance – December 31, 2021</b> | <u>2,232,858</u> |

g) Shares for debt and debenture interest

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

This is a non-cash transaction and, accordingly, has been excluded from the consolidated statement of cash flows.

## 11 Related party transactions

### Management compensation

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

|                                       | 2022<br>\$     | 2021<br>\$     |
|---------------------------------------|----------------|----------------|
| Cash and accrued compensation         | 169,924        | 176,852        |
| Stock-based compensation (note 10(e)) | <u>61,100</u>  | <u>-</u>       |
|                                       | <u>231,024</u> | <u>176,852</u> |

# NexLiving Communities Inc.

Notes to the Financial Statements

For the periods ended March 31, 2022 and 2021

(expressed in Canadian dollars)

## Advisory and legal services

Advisory services primarily related to transactions were provided during the period by a corporation owned by two non-executive directors of the Company. The cost of these transaction advisory services during the period was \$75,206 (2021 – \$39,552).

Legal services were provided during the period ended March 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 period was \$14,250.

## 12 Earnings per share

|   | March 30,<br>2022 |                                    |                              | March 30,<br>2021<br>(Adjusted – note 4) |                                    |                              |
|---|-------------------|------------------------------------|------------------------------|--|------------------------------------|------------------------------|
|   | Income<br>\$      | Weighted<br>average<br>shares<br># | Per<br>share<br>amount<br>\$ | Income<br>\$                             | Weighted<br>average<br>shares<br># | Per<br>share<br>amount<br>\$ |
| Income per share – basic                                  | 1,178,982         | 292,368,649                        | 0.004                        | 428,110                                  | 134,088,346                        | 0.003                        |
| Dilutive impact of stock<br>options, warrants and<br>DSUs | -                 | -                                  |                              | -  | 16,932,011                         |                              |
| Dilutive impact of<br>convertible<br>debentures           | 42,736            | 13,977,313                         |                              | 105,440                                  | 24,242,127                         |                              |
| Income per share – diluted                                | 1,221,718         | 306,345,962                        | 0.004                        | 533,550                                  | 175,262,484                        | 0.003                        |

The Company's potentially dilutive instruments include the convertible debentures, stock options, warrants and DSUs. For the period ended March 31, 2022, the DSUs, stock options and warrants were anti-dilutive and the convertible debentures were dilutive.

## 13 Capital management

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company. The Company considers capital to be shareholders' equity, which at March 31, 2022 totalled \$63,762,362 (December 31, 2021 – \$60,801,885). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to externally imposed capital requirements.

# NexLiving Communities Inc.

Notes to the Financial Statements

**For the periods ended March 31, 2022 and 2021**

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(expressed in Canadian dollars)

## **14 Financial instruments and other**

### **Interest rate risk**

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

### **Credit risk**

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 be 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 \$30,978,753 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

# NexLiving Communities Inc.

Notes to the Financial Statements

For the periods ended March 31, 2022 and 2021

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(expressed in Canadian dollars)

## 15 Subsequent events

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.

On April 14, 2022, the Company completed the acquisition of a 58-suite building in Lindsay, ON ("35 Angeline") for \$13.4 million. The acquisition will be financed with a combination of cash on hand and \$10.1 million of new short-term debt, which will include a capital expenditure facility. 35 Angeline is a six-storey building located in Lindsay, Ontario, a secondary market approximately 60 minutes east of Toronto. The institutional quality building was constructed in 1977 and the Company plans to undertake a targeted value-add capital program to reposition the building and suites to satisfy the growing demand for premium rental suites in Eastern Ontario.

On April 19, 2022, the Company redeemed, without any penalty or premium, \$850,000 of the 7% convertible debentures issued in 2020 in connection with the 75 Emma St. acquisition.

On April 25, 2022, the Company completed the refinancing of the mortgage for 75 Emma Street. The maturing mortgage was replaced with a CMHC insured first mortgage loan in the amount of \$5,971,575. The loan has a 5 year term, 40 year amortization period and bears interest at the annual rate of 3.32% calculated semi-annually. The mortgage loan is secured by the 75 Emma Street property and a guarantee by NexLiving.

On May 16, 2022, the board of directors, in accordance with the terms of the company's DSU plan, approved the issuance of 2,260,000 DSUs to directors, management and consultants of the company. The DSUs vest over three years in accordance with the provisions of the company's DSU plan.

On May 12, 2022, the Company secured a non-revolving acquisition loan facility in the amount of \$10,125,000 and a capex loan facility in the amount of \$1,500,000. Both loan facilities are secured by the 35 Angeline Street property and a guarantee by NexLiving, and have a 2 year term. The acquisition loan facility bears interest at the fixed rate of 5.15% calculated daily and compounded semi-annually. The capex loan facility bears interest at a variable rate equal to the bank's prime rate plus 1.5%. To date the Company has drawn down the full amount of the acquisition loan facility.