

ViveRE Communities Inc.

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

March 31, 2021

May 27, 2021

Management's Report

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

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

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

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

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

ViveRE Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at March 31, 2021 and December 31, 2020

(expressed in Canadian dollars)

	March 31, 2021 \$	December 31, 2020 \$
Assets		
Current assets		
Cash	2,097,137	2,445,519
Accounts receivable	26,387	25,002
Deposits and prepaids (note 4)	673,497	252,021
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	2,797,021	2,722,542
Investment properties (note 5)	79,360,743	79,916,527
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	82,157,764	82,639,069
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Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	875,892	862,370
Convertible debentures (note 8)	2,034,537	618,426
Current portion of mortgage payable (note 9)	7,349,815	4,868,957
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	10,260,244	6,349,753
Convertible debentures (note 8)	2,787,323	3,926,234
Mortgages payable (note 9)	49,900,390	52,727,583
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	62,947,957	63,003,570
Equity	19,209,807	19,635,499
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	82,157,764	82,639,069
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Subsequent events (note 13)		

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

ViveRE Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

	2021 \$	2020 \$
Revenue		
Rental income	1,752,067	487,068
Property operating expenses		
Operating expenses	799,794	194,218
Net property operating income	952,273	292,850
Administrative expenses		
Consulting fees	196,562	147,463
Filing and other fees	8,805	44,312
Insurance	6,187	6,826
Office and other	12,537	4,969
Professional fees	30,100	31,071
	254,191	236,641
Finance costs		
Interest expense	413,585	138,915
Amortization expense (notes 8 and 9)	64,083	28,985
Accretion expense (note 8)	256,804	143,705
	734,472	311,605
Depreciation expense (note 5)	560,099	147,789
Net loss and comprehensive loss for the periods	(596,489)	(401,185)
Loss per share - basic and diluted	(0.004)	(0.01)
Weighted average outstanding common shares – basic and diluted	131,313,346	51,864,861

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

ViveRE Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

	Number of shares	Share capital \$	Warrants \$	Convertible debentures \$	Contributed surplus \$	Deficit \$	Total \$
Balance – December 31, 2020	131,313,346	25,639,603	2,310,192	1,416,832	1,179,000	(10,910,128)	19,635,499
Net loss and comprehensive loss for the period	–	–	–	–	–	(596,489)	(596,489)
Shares issued in settlement of debt obligations, net of issue costs (note 10(g))	1,152,636	236,454	–	–	–	–	236,454
Expiration of warrants (note 10(d))	–	–	(80,000)	–	80,000	–	–
Dividends paid	–	–	–	–	–	(65,657)	(65,657)
Balance – March 31, 2021	132,465,982	25,876,057	2,230,192	1,416,832	1,259,000	(11,572,274)	19,209,807

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

ViveRE Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

	Number of shares	Share capital \$	Warrants \$	Convertible debentures \$	Contributed surplus \$	Deficit \$	Total \$
Balance – December 31, 2019	49,189,824	11,632,720	624,600	712,867	352,500	(8,827,986)	4,494,701
Net loss and comprehensive loss for the period	–	–	–	–	–	(401,185)	(401,185)
Shares issued for cash, net of issue costs	7,291,666	998,430	–	–	–	–	998,430
Shares issued pursuant to acquisitions	2,083,333	500,000	–	–	–	–	500,000
Shares issued in settlement of interest payable on convertible debentures, net of issue costs	94,515	19,660	–	–	–	–	19,660
Shares issued pursuant to conversion of 2018 Debentures	8,666,662	536,019	–	(441,567)	–	–	94,452
Warrants issued pursuant to Bridge Loans (note 10(d))	–	–	80,000	–	–	–	80,000
Warrants issued pursuant to conversion of 2018 Debentures (note 10(d))	–	–	900,000	–	–	–	900,000
Convertible debentures issued, net of issue costs (note 8(c))	–	–	–	619,000	–	–	619,000
Warrants issued pursuant to financing (note 10(d))	–	–	780,000	–	–	–	780,000
Balance – March 31, 2020	67,326,000	13,686,829	2,384,600	890,300	352,500	(9,229,171)	8,085,058

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

ViveRE Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Cash Flows For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the periods	(596,489)	(401,185)
Charges to income not affecting cash		
Interest on convertible debentures and mortgage payable	169,471	50,423
Depreciation expense	560,099	147,789
Amortization expense	64,083	28,985
Accretion expense	256,804	143,705
	<u>453,968</u>	<u>(30,283)</u>
Net changes in non-cash working capital balances related to operations		
(Increase) decrease in accounts receivable	(1,385)	5,915
(Increase) in deposits and prepaid expenses	(421,476)	(414,768)
Increase in accounts payable and accrued liabilities, net of amount settled through share issuances	80,209	30,510
	<u>111,316</u>	<u>(408,626)</u>
Financing activities		
Proceeds from issuance of common shares and warrants, net of issue costs	–	1,703,430
Proceeds from issuance of Convertible Debentures, net of issue costs	–	1,750,000
Proceeds from Bridge Loans	–	150,000
Proceeds from mortgage financing	–	10,125,000
Repayments of mortgage principal	(389,726)	(193,271)
Payment of dividends	(65,657)	–
	<u>(455,383)</u>	<u>13,535,159</u>
Investing activities		
Acquisition of investment properties	–	(13,089,825)
Purchase of equipment	(4,315)	–
	<u>(4,315)</u>	<u>(13,089,825)</u>
Net change in cash for the period	(348,382)	36,708
Cash – Beginning of period	<u>2,445,519</u>	<u>133,848</u>
Cash – End of period	<u>2,097,137</u>	<u>170,556</u>

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

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

1 Nature of operations

ViveRE Communities Inc. (the "Company") was incorporated under the Canada Business Corporations Act on August 9, 2011. The Company's business is the ownership and management of multi-unit residential real estate with a focus on low and mid-rise properties in bedroom communities in Eastern Canada. The common shares of the Company are listed on the TSX Venture Exchange ("TSXV" or the "Exchange") under the symbol "VCOM".

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, 2020.

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 27, 2021.

Basis of measurement

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

3 Significant accounting policies

These unaudited interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual financial statements of the Company for the year ended December 31, 2020. Refer to note 3 Significant Accounting Policies, of the Company's annual consolidated financial statements for the year ended December 31, 2020 for information on accounting policies, as well as, note 4 for information on new accounting standards not yet adopted.

4 Deposits and prepaids

Deposits and prepaid expenses at March 31, 2021 includes refundable deposits of \$500,000 relating to properties under agreement.

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

5 Investment properties

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

Consolidated investment properties at March 31, 2021 and December 31, 2020 are summarized below.

	March 31, 2021 \$	December 31, 2020 \$
Balance - beginning of period	79,916,527	18,209,620
Cost of acquisitions	–	62,789,936
Additions	4,315	55,955
Depreciation	(560,099)	(1,138,984)
Balance - end of period	<u>79,360,743</u>	<u>79,916,527</u>

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

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

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	<u>13,737,613</u>

The acquisition of the Denaco Properties was financed as follows.

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

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

5 Investment properties (continued)

The Company uses the cost method of accounting for investment properties and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment is recognized at time of impairment. The estimated fair value of the Company's investment properties is \$82,957,000. The total fair value of investment properties exceeds cost by \$1,550,716 at March 31, 2021.

The fair value of investment properties in 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 in 2020 were arm's length transactions and the purchase prices were supported by independent appraisals. For these investment properties management believes cost at December 31, 2020 approximates fair value. For the investment properties acquired prior to January 1, 2020, fair value is estimated using the capitalized net operating income method with the 12 month forward net operating income multiplied by a market capitalization rate. The key assumption is the capitalization rate for each specific property. A weighted average capitalization rate of 5.3% was utilized.

6 Accounts payable and accrued liabilities

	March 31, 2021 \$	December 31, 2020 \$
Accounts payable	271,006	449,057
Accrued liabilities	604,886	413,313
	<u>875,892</u>	<u>862,370</u>

At March 31, 2021, \$54,757 (December 31, 2020, \$nil) of accounts payable and accrued liabilities is due to corporations owned by officers and directors of the Company.

During the period ended March 31, 2021, the Company settled accounts payable aggregating \$238,400 with the issuance of 1,152,636 common shares.

7 Bridge loans

On January 20, 2020, the Company issued \$150,000 of promissory notes to arm's length lenders which have a maximum maturity date of one year. In consideration of the risk to the lenders in respect of the loans extended, the Company granted 714,000 warrants to the lenders as a loan bonus pursuant to Policy 5.1 of the Exchange.

The bridge loans were repaid in full during the second quarter of 2020.

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

8 Convertible debentures

	March 31, 2021 \$	December 31, 2020 \$
2019 Convertible debentures	656,279	618,426
2020 Convertible debentures (Denaco acquisition)	1,378,258	1,294,935
2020 Convertible debentures (Emma acquisition)	892,710	833,829
2020 Convertible debentures (McLaughlin acquisition)	1,894,613	1,797,470
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	4,821,860	4,544,660
Current portion of debentures	<hr/>	<hr/>
	(2,034,537)	(618,426)
	<hr/>	<hr/>
	2,787,323	3,926,234

a) 2018 Convertible debentures

During the year ended December 31, 2020, the holders of the 2018 Debentures converted the outstanding principal of \$1,300,000 into 8,666,662 units, with each unit consisting of one common share and 0.75 warrant, with each full warrant entitling the holder to acquire one common share at a price of \$0.175 per common share until March 16, 2022. Upon conversion the \$32,000 that had been held in trust as security for future interest payments on the Series A Debentures was released to the Company.

For the period ended March 31, 2021, interest expense of \$nil (2020 - \$32,055), accretion expense of \$nil (2020 - \$114,450) and amortization expense of \$nil (2019 - \$21,412) have been recorded.

b) 2019 Convertible debentures

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

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

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

For the period ended March 31, 2021 interest expense of \$12,729 (2020 - \$12,730), accretion expense of \$37,104 (2020 - \$29,256) and amortization expense of \$749 (2020 - \$590) have been recorded.

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

8 Convertible debentures (continued)

c) 2020 Convertible debentures (Denaco acquisition)

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

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

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

For the year ended March 31, 2021, interest expense of \$30,205 (2020 - \$nil), accretion expense of \$81,586 (2020 - \$nil) and amortization expense of \$1,736 (2020 - \$nil) have been recorded.

d) 2020 Convertible debentures (Emma acquisition)

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

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

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

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

8 Convertible debentures (continued)

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

For the period ended March 31, 2021, interest expense of \$9,277 (2020 - \$nil), accretion expense of \$57,514 (2020 - \$nil) and amortization expense of \$1,366 (2020 - \$nil) have been recorded.

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

e) 2020 Convertible debentures (McLaughlin acquisition)

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

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

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

For the period ended March 31, 2021, interest expense of \$45,034 (2020 - \$nil), accretion expense of \$80,600 (2020 - \$nil) and amortization expense of \$16,545 (2020 - \$nil) have been recorded.

ViveRE Communities Inc.
Notes to Consolidated Financial Statements
For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

9 Mortgages payable

	March 31, 2021 \$	December 31, 2020 \$
Mortgage payable bears a fixed interest rate of 4.097% maturing August 23, 2021. The loan is being amortized over 30 years, is payable in monthly payments of \$15,874, principal and interest, and is secured by a first charge over 41 Noel Avenue.	3,200,558	3,215,569
Mortgage payable bears a fixed interest rate of 2.55% maturing September 1, 2026. The loan is being amortized over 25 years, is payable in monthly payments of \$25,901, principal and interest, and is secured by a first charge over 50 Noel Avenue.	4,770,128	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.	3,964,593	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.	2,331,902	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.	7,505,810	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.	4,634,671	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.	11,347,703	11,442,656
Mortgage payable bears a fixed interest rate of 1.39% maturing January 10, 2022. The loan is being amortized over 25 years, is payable in monthly payments of \$6,080, principal and interest, and is secured by a first charge over 27 Edmond Street	1,532,133	1,540,739

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

9 Mortgages payable (continued)

	March 31, 2021 \$	December 31, 2020 \$
Mortgage payable bears a fixed interest rate of 1.39% maturing January 10, 2022. The loan is being amortized over 25 years, is payable in monthly payments of \$4,039, principal and interest, and is secured by a first charge over 50 Maplewood Drive	1,017,922	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	8,999,272	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	8,588,526	8,625,000
	<u>57,893,218</u>	<u>58,282,944</u>
Less: deferred financing costs net of accumulated amortization of \$127,300 (December 31, 2020 - \$82,361)	(643,014)	(686,404)
Less: current portion	<u>(7,349,815)</u>	<u>(4,868,957)</u>
	<u>49,900,390</u>	<u>52,727,583</u>

The following table summarizes the changes in the aggregate mortgage values for the three month period ended March 31, 2021 and year ended December 31, 2020.

	March 31, 2021 \$	December 31, 2020 \$
Balance – beginning of period	57,596,540	12,239,301
Mortgage proceeds	–	46,669,011
Repayments	(389,726)	(741,536)
Fair value and other adjustments	–	33,065
Finance costs, net of amortization	43,390	(603,301)
Balance – end of period	<u>57,250,204</u>	<u>57,596,540</u>

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

9 Mortgages payable (continued)

The annual principal payments, net of finance costs, in relation to the mortgages payable over the next five years are as follows:

	\$
Year ending December 31, 2022	7,349,815
2023	16,492,981
2024	17,886,167
2025	4,063,318
2026	449,316
After 5 years	11,008,607

10 Share capital

a) Authorized capital stock

Unlimited number of common shares, without nominal or par value

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

	# of shares	Amount \$
Common shares issued and fully paid		
Balance – December 31, 2019	49,184,824	11,632,720
Shares issued for cash, net of issue costs	7,291,666	978,770
Shares issued pursuant to acquisitions	2,083,333	500,000
Shares issued in settlement of interest payable on debentures	94,515	19,660
Shares issued pursuant to conversion of 2018 Debentures	8,666,662	536,019
Balance – March 31, 2020	<u>67,236,000</u>	<u>13,667,169</u>
Balance – December 31, 2020	131,313,346	25,639,603
Shares issued in settlement of debt obligations	1,152,636	236,454
Balance – March 31, 2021	<u>132,465,982</u>	<u>25,876,057</u>

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

10 Share capital (continued)

b) Equity financings

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 thirty-eight Tier 1 units at a price of \$25,000 per Tier 1 unit and three Tier 2 units at a price of \$250,000 per Tier 2 unit were sold. Each Tier 1 unit comprises 52,083 common shares and a \$12,500 convertible debenture. Each Tier 2 unit comprises 520,833 common shares of 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 9c) and 7,000,000 warrants having a 3 year term and an exercise price of \$0.27 per common share. The capital stock value of the 7,291,667 common shares issued is net of the warrants valuation of \$652,000 and share issue costs of \$13,360.

On September 30, 2019, in connection with the Ryan acquisition, the Company completed a non-brokered private placement offering of Tier 1 and Tier 2 Units. A total of nineteen Tier 1 units at a price of \$25,000 per Tier 1 unit and four Tier 2 units at a price of \$250,000 per Tier 2 unit were sold for aggregate gross proceeds of \$1,475,000. Each Tier 1 Unit is comprised of 56,818 common shares of ViveRE and a \$12,500 convertible debenture. Each Tier 2 Unit is comprised of 568,181 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 \$0.25 per share for a period of two years after the closing date. The capital stock value of the 3,352,266 shares issued is net of the warrants valuation of \$191,000 and share issue costs of \$2,400.

On April 9, 2019, in connection with the acquisition of VV2LP, the Company completed a short form prospectus offering of 14,226,834 common shares at a price of \$0.20 per common share for aggregate gross proceeds of \$2,845,367. A portion of the gross proceeds of the Offering was used to finance the acquisition of VV2LP. The Company paid the agents a cash commission of \$97,196 and issued to the agents 485,980 common share purchase warrants, with each warrant exercisable into one common share of the Company at an exercise price of \$0.20 for a period of 24 months from the date of issuance. The capital stock value of the 14,226,834 shares issued is net of the warrants valuation of \$90,000 and share issue costs of \$336,463.

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

10 Share capital (continued)

c) Options

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

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

The weighted average assumptions used in the pricing model for options issued during the year ended December 31, 2019 are as follows; risk-free rate 2.25%, expected volatility 150%, expected dividend yield \$nil and expected life 10 years.

The following table summarizes the changes in the Company's stock options for the years ended December 31, 2020 and 2019:

	Weighted average exercise price \$	Number of options	Weighted average remaining life (years)	Expiry date
		—		
Balance – December 31, 2019 and March 31, 2020	0.12	200,000		January 21, 2029
Exercised during remainder of 2020	0.12	(200,000)		
Granted during remainder of 2020	0.24	<u>300,000</u>	9.1	May 15, 2030
Balance – December 31, 2020 and March 31, 2021	0.24	<u>300,000</u>		

As at March 31, 2021, 12,946,598 options were available for future grants under the Plan. Options vested and exercisable at March 31, 2020, totaled 200,000 with an exercise price of \$0.24 per share.

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

10 Share capital (continued)

d) Warrants

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

	Expiry date	Exercise price \$	Number	Ascribed value \$
Balance – December 31, 2019			7,385,915	624,600
Warrants issued pursuant to Bridge Loans	January 20, 2021	0.21	714,000	80,000
Warrants issued pursuant to conversion of 2018 Debentures	March 16, 2022	0.175	6,500,000	482,000
Warrants issued pursuant to Denaco financing	March 16, 2023	0.27	7,000,000	641,555
Balance – March 31, 2020			<u>21,599,915</u>	<u>2,384,600</u>
Balance – December 31, 2020			25,274,357	2,310,192
Warrants expired		0.21	<u>(714,000)</u>	<u>(80,000)</u>
Balance – March 31, 2021			<u>24,560,357</u>	<u>2,230,192</u>

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

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

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

10 Share capital (continued)

d) Warrants (continued)

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

e) Deferred share units

The Company has a deferred share unit plan (the "DSU Plan") whereby participants may elect to receive all or a portion of their annual compensation or bonus compensation, if any, in deferred share units ("DSU's"). The election, if it is made, must be for a minimum of 10%, or a multiple thereof, of such compensation in DSU's. The number of DSU's received is equal to the amount of compensation elected to be received in DSU's, divided by the volume-weighted average trading price of the Common Shares on the TSX for the 5 trading days immediately prior to the payment date. DSU's awarded under the DSU Plan in lieu of annual or bonus compensation will vest immediately.

In addition, the Board of Directors has the authority to make discretionary awards of DSU's to participants under the DSU Plan. DSU's granted pursuant to discretionary awards will vest in accordance with the vesting schedule determined by the Board of Directors. Generally, DSU's will vest equally over three years, with one-third of the awarded DSU's vesting on each of the first, second and third anniversaries of the date of the award.

All unvested DSU's 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 DSU's will vest immediately. The Board of Directors may at any time shorten the vesting period of any or all DSU's.

The maximum number of common shares issuable under the DSU Plan is 7,000,000. 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 of the separation date for DSU Plan shares issued from treasury.

On May 14, 2020, the Board of Directors approved the issuance of 2,775,000 DSU's to directors and officers of the Company. This was the initial grant of DSU's under the DSU Plan. The 2,775,000 DSU's 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 (2019 - \$Nil).

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

10 Share capital (continued)

f) Contributed surplus

	\$
Balance –December 31, 2019 and March 31, 2020	<u>352,500</u>
Balance – December 31, 2020	1,179,000
Expiration of warrants	<u>80,000</u>
Balance – March 31, 2021	<u>1,259,000</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.

During the period ended March 31, 2020, the Company issued 94,515 common shares to settle \$19,660 of convertible debenture interest payable.

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

11 Related party transactions

a) Compensation of directors and officers

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

The Company has agreements with its officers whereby it has the option to pay consulting fees with the issuance of common shares. The deemed price of the common shares to be issued will be determined at the end of each three month period at market price after the consulting services are provided. No such shares were issued during the periods ended March 31, 2021 and 2020.

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

11 Related party transactions (continued)

b) Advisory and legal services

Advisory services were provided during the period ended March 31, 2021 by a non-executive director and a corporation owned by two non-executive directors of the Company. The cost of these advisory services during the period was \$39,552 (March 31, 2020 – \$24,775).

The Company has agreements with the providers of the advisory services whereby it has the option to pay advisory fees with the issuance of common shares. The deemed price of the common shares to be issued will be determined at the end of each three month period at market price after the consulting services are provided. No such shares were issued during the periods ended March 31, 2021 and 2020.

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 year was \$14,250 (2020 - \$17,307).

12 Financial instruments and other

Interest rate risk

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

Credit risk

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

Liquidity risk

The Company has financed acquisitions of investment properties with mortgages which will periodically be required to be re-financed based on the prevailing market conditions at the end of the mortgage term. Within the next 12 months mortgages totaling \$5,779,947 will mature. Of this amount, \$2,564,378 relates to the 27 Edmond Street and 50 Maplewood Drive mortgages which were assumed by a third party purchaser subsequent to March 31, 2021 (note 13). The balance of \$3,215,569 relates to the 41 Noel Avenue mortgage. Although the Company expects to renew the 41 Noel Avenue mortgage, there can be no assurance that it will have access to sufficient capital or access to capital on favorable terms.

COVID-19

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

ViveRE Communities Inc.

Notes to Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(expressed in Canadian dollars)

13 Subsequent events

On April 20, 2021, the board of directors, in accordance with the terms of the company's DSU plan, approved the issuance of 2,185,000 DSUs to directors, management and consultants of the company. The DSUs vest over three years in accordance with the provisions of the company's DSU plan.

On April 20, 2021, the board of directors, in accordance with the provisions of the company's stock option plan, approved the issuance of 750,000 options to a consultant of the company. The options are exercisable at 19 cents per common share, vest in two equal tranches of 375,000 options on April 15, 2021, and Oct. 15, 2021, and are exercisable for a 10-year term.

On April 30 and May 7, 2021, the Company completed the sale of its investment properties located at 27 Edmond Street and 50 Maplewood Drive. Total proceeds on the sale amounted to \$3,053,000. The proceeds were satisfied by the Purchaser's assumption of mortgages payable in the amount of \$2,543,211 and \$509,789 paid in cash.

On May 18, 2021, the Company announced it 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 will be used to finance targeted acquisitions of premium multi-unit properties 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.

On May 25, 2021, the shareholders of the Company approved the change of the Company's legal name from ViveRE Communities Inc. to NexLiving Communities Inc.