

ViveRE Communities Inc.
(Formerly NSX Silver Inc.)

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

September 30, 2018

November 27, 2018

Management's Report

The accompanying unaudited interim condensed consolidated financial statements of **ViveRE Communities Inc. (formerly NSX Silver 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.

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

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

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at September 30, 2018 and December 31, 2017

(expressed in Canadian dollars)

	September 30, 2018 \$	December 31, 2017 \$
Assets		
Current assets		
Cash (note 10)	227,159	–
Amounts receivable	8,253	7,911
Deposits and prepaids (note 5)	29,484	10,000
	<hr/>	<hr/>
	264,896	17,911
Investment property (note 6)	5,257,642	–
	<hr/>	<hr/>
	5,522,538	17,911
	<hr/>	<hr/>
Liabilities		
Current liabilities		
Bank indebtedness	–	2,450
Accounts payable and accrued liabilities (note 7)	284,775	303,635
Amount due to shareholders (note 9)	1,676	59,676
Current portion of mortgage payable (note 11)	57,487	–
	<hr/>	<hr/>
	343,938	365,761
Convertible debentures (note 10)	444,775	–
Mortgage payable (note 11)	3,206,078	–
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	3,994,791	365,761
Equity (note 12)	1,527,747	(347,850)
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	5,522,538	17,911
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Nature of operations and going concern (note 1)

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

Approved by the Board of Directors

(signed) “Richard Turner”, Director

(signed) “Jeffrey Dean”, Director

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

	Number of shares	Share capital \$ (note 12)	Warrants \$ (note 12)	Convertible debentures \$ (note 10)	Contributed surplus \$ (note 12)	Deficit \$	Total \$
Balance – December 31, 2016	9,592,949	5,869,221	25,000	–	310,000	(6,287,328)	(83,107)
Net loss and comprehensive loss for the period	–	–	–	–	–	(238,412)	(238,412)
Shares issued for cash, exercise of warrants	499,998	62,500	(2,500)	–	–	–	60,000
Expiration of warrants	–	–	(22,500)	–	22,500	–	–
Balance – September 30, 2017	10,092,947	5,931,721	–	–	332,500	(6,525,740)	(261,519)
Balance – December 31, 2017	10,092,947	5,931,396	–	–	332,500	(6,611,746)	(347,850)
Net loss and comprehensive loss for the period	–	–	–	–	–	(640,403)	(640,403)
Bonus warrants issued	–	–	180,000	–	–	–	180,000
Shares issued in settlement of debt obligations	6,175,475	731,221	–	–	–	–	731,221
Shares issued for cash, net of issue costs	7,170,067	890,212	–	–	–	–	890,212
Shares issued pursuant to acquisition of investment property	666,667	100,000	–	–	–	–	100,000
Warrants issued pursuant to financing	–	(261,000)	261,000	–	–	–	–
Convertible debentures issued	–	–	–	591,742	–	–	591,742
Broker warrants issued pursuant to financing	–	(30,000)	60,000	(17,550)	–	–	12,450
Advisor’s warrants issued	–	–	25,000	(14,625)	–	–	10,375
Balance – September 30, 2018	24,105,156	7,361,829	526,000	559,567	332,500	(7,252,149)	1,527,747

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

ViveRE Communities Inc. (formerly NSX Silver Inc.)**Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the periods ended September 30, 2018 and 2017**

(expressed in Canadian dollars)

	Three months ended September 30, 2018 \$	Three months ended September 30, 2017 \$	Nine months ended September 30, 2018 \$	Nine months ended September 30, 2017 \$
Revenue				
Rental income	46,442	–	46,442	–
Property operating expenses				
Operating expenses	14,229	–	14,229	–
Net property operating income	<u>32,213</u>	<u>–</u>	<u>32,213</u>	<u>–</u>
Administrative expenses				
Consulting fees	140,424	46,335	323,211	173,442
Filing and other fees	17,700	6,209	21,747	9,245
Insurance	2,663	765	6,641	3,801
Office and other	3,217	3,838	6,297	8,952
Professional fees	112,139	17,350	181,394	34,962
Travel	5,583	2,745	12,611	8,010
	<u>281,726</u>	<u>77,242</u>	<u>551,901</u>	<u>238,412</u>
Finance costs				
Interest expense (notes 10, 11)	31,174	–	31,174	–
Amortization expense (notes 10, 11)	8,712	–	8,712	–
Accretion expense (note 10)	39,562	–	39,562	–
	<u>79,448</u>	<u>–</u>	<u>79,448</u>	<u>–</u>
Depreciation expense (note 6)	<u>20,739</u>	<u>–</u>	<u>20,739</u>	<u>–</u>
Other expense (income)				
Loss on settlement of Bridge Loans (note 7)	180,000	–	180,000	–
Gain on settlement of accounts payable	(159,472)	–	(159,472)	–
	<u>20,528</u>	<u>–</u>	<u>20,528</u>	<u>–</u>
	<u>402,441</u>	<u>77,242</u>	<u>672,616</u>	<u>238,412</u>
Net loss and comprehensive loss for the period	<u>(370,228)</u>	<u>(77,242)</u>	<u>(640,403)</u>	<u>(238,412)</u>
Loss per share - basic and diluted	<u>(\$0.02)</u>	<u>(\$0.01)</u>	<u>(\$0.05)</u>	<u>(\$0.02)</u>
Weighted average outstanding common shares – basic and diluted	<u>15,880,599</u>	<u>9,839,325</u>	<u>12,043,364</u>	<u>9,675,977</u>

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

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

	Nine months ended September 30,	
	2018	2017
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the periods	(640,403)	(238,412)
Charges to income not affecting cash		
Interest on Convertible Debentures and mortgage payable	31,174	–
Amortization expense	29,451	–
Accretion expense	39,562	–
Loss on settlement of Bridge Loans	180,000	–
Gain on settlement of accounts payable	(159,472)	–
	<u>(519,688)</u>	<u>(238,412)</u>
Net changes in non-cash working capital balances related to operations		
Decrease (increase) in amounts receivable	(342)	(21,563)
Decrease (increase) in deposits and prepaid expenses	(19,484)	15,364
Increase in accounts payable and accrued liabilities	394,659	74,480
	<u>(144,855)</u>	<u>(170,131)</u>
Financing activities		
Proceeds from exercise of warrants	–	60,000
Advances from shareholders	38,000	–
Proceeds from Bridge Loans	350,000	–
Proceeds from issuance of common shares, net of issue costs	890,212	–
Proceeds from issuance of Convertible Debentures, net of transaction costs of \$287,622	1,012,378	–
Proceeds from mortgage financing, net of deferred finance costs of \$37,745	3,262,255	–
	<u>5,552,845</u>	<u>60,000</u>
Investing Activities		
Acquisition of investment property	(5,178,381)	–
	<u>229,609</u>	<u>(110,131)</u>
Net change in cash for the periods		
	<u>229,609</u>	<u>(110,131)</u>
Cash (bank indebtedness) – Beginning of periods		
	<u>(2,450)</u>	<u>133,046</u>
Cash – End of periods		
	<u>227,159</u>	<u>22,915</u>
Cash is comprised of		
Cash on deposit with banks	195,159	22,915
Cash held in trust (note 10)	32,000	–
	<u>227,159</u>	<u>22,915</u>

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

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

1 Nature of operations and going concern

Nature of operations

ViveRE Communities Inc. (formerly NSX Silver Inc.) (the "Company") was incorporated under the Canada Business Corporations Act on August 9, 2011 and the common shares of the Company commenced trading on the TSX Venture Exchange ("TSXV" or the "Exchange") on March 14, 2012, as a mining issuer.

On August 23, 2018 the Company completed a change of business transaction whereby it acquired all of the real property located at 41 Noel Avenue, Saint John, New Brunswick ("41 Noel Avenue") (the "Transaction"). 41 Noel Avenue is a multi-unit residential property totaling 31 units. Concurrently, the Company changed its name to ViveRE Communities Inc.

The common shares of the Company resumed trading on the TSXV on September 12, 2018 as a real estate issuer under the symbol VCOM. The Company's business is the ownership and management of multi-unit residential real estate.

Going concern

These interim condensed consolidated financial statements as at September 30, 2018 and September 30, 2017 have been prepared on the basis of International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. There are material uncertainties that may cast significant doubt about the appropriateness of the going concern assumption, as the Company has incurred losses and negative cash flows from operations in the three and nine-month periods ended September 30, 2018.

The ability of the Company to continue as a going concern, and to realize its assets and discharge its liabilities when due, is dependent upon its ability to secure sufficient financing to fund ongoing operations and its general and administrative costs. During the quarter ended September 30, 2018, the Company secured aggregate gross financing proceeds of \$5,775,510 comprised of \$1,075,510 from a private placement units offering, \$1,300,000 from the issuance of Convertible Debentures, \$3,300,000 mortgage proceeds and \$100,000 vendor take-back financing. The proceeds of these financings were used to fund the acquisition of 41 Noel Avenue and for general corporate and working capital purposes. Management cannot provide assurance that the Company will ultimately achieve profitable operations, become cash flow positive, or raise additional debt and/or equity capital to fund additional acquisitions of investment properties.

These interim condensed consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these interim condensed consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

2 Basis of presentation

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with 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, 2017.

These 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 unaudited interim condensed consolidated financial statements for issue on November 27, 2018.

Basis of measurement

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

Use of estimates and judgments

The preparation of the interim condensed consolidated financial statements requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current as well as expected economic conditions. Actual results may differ from these estimates.

3 Significant accounting policies

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation and are subject to the same accounting policies and methods of computation and are subject to the same use of estimates and judgments as the annual financial statements of the Company for the year ended December 31, 2017, except as noted below. This is the first set of financial statements where IFRS 15 and IFRS 9 have been applied, as noted in note 4.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of ViveRE and its wholly-owned subsidiary, 10664316 Canada Inc. (which holds the investment property at 41 Noel Avenue), over which ViveRE has control. Control exists where ViveRE is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Basis of Consolidation (continued)

Inter-group transactions and balances are eliminated in preparing the interim condensed consolidated financial statements. The interim condensed consolidated financial statements reflect the financial position, results of operations and cash flows of ViveRE and its subsidiary.

Property acquisitions

Where property is acquired, management considers the substance of the agreement in determining whether the acquisition represents the acquisition of property or a business combination. The basis of the judgment is set out in note 5.

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

Investment property

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

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses in accordance with IAS 16, Property, plant and equipment.

Significant components of the buildings have different useful lives and are accounted for as separate components of the property. The cost of replacing a major component of a building is recognized in the carrying amount of the building if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of ongoing repairs and maintenance of the properties are recognized in profit or loss as incurred.

Depreciation is recorded in profit or loss on a straight-line basis over the estimated useful lives of the components of the property including structure, mechanical equipment and roof. The Company is using an estimated life of 25 years for all components. The Company is evaluating the separate building components to determine if changes in the estimated useful lives are required.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate.

Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated.

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Impairment (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets which generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets (the “cash-generating-unit” or “CGU”).

Convertible debentures

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

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

Significant accounting judgments and estimates

Judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

In the process of applying the Company’s accounting policies, management has made the following critical judgment, which has the most significant effect on the amounts recognized in the interim condensed consolidated financial statements:

Asset acquisitions

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

The acquisition of the investment property at 41 Noel Avenue was determined to be an asset acquisition.

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

4 New and revised IFRS accounting pronouncements

i) IFRS 15, Revenue from Contracts with Customers

The IASB issued IFRS 15 “Revenue from Contracts and Customers” (“IFRS 15”) effective for annual periods beginning on or after January 1, 2018, although the standard is available for early adoption. IFRS 15 replaces IAS 18, “Revenue” and IAS 11, “Construction Contracts”, and some revenue related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. The standard requires entities to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with customers.

The Company adopted IFRS 15 effective with the completion of its change of business transaction on August 23, 2018 at which time the Company became a real estate issuer and began to generate revenue. Rental revenue is generated through standard residential leases with the tenants.

ii) IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments: Classification and Measurements (“IFRS 9”), replacing IAS 39, Financial instruments: Recognition and Measurement. IFRS 9 is effective for the annual period beginning on January 1, 2018, with early adoption permitted. The Company adopted IFRS 9 on January 1, 2018 with no restatement of comparative periods.

Under IFRS 9, financial assets are classified on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets after initial recognition are classified and measured either as: (a) amortized cost; (b) fair value through other comprehensive income with fair value gains and losses recycled to net income on derecognition; or (c) fair value through profit and loss. Financial liabilities are classified and measured on two categories: (a) amortized cost or (b) fair value through profit and loss.

The Company’s mortgage payable is measured at amortized cost using the effective interest method. The mortgage is secured by a first charge against 41 Noel Avenue. The unamortized finance charges are comprised of fees and costs incurred to obtain the mortgage financing less accumulated amortization.

iii) IFRS 16, Leases

IFRS 16, “Leases” (“IFRS 16”) a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company’s financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

4 New and revised IFRS accounting pronouncements (continued)

iv) IFRIC 23, Uncertainty over income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Early application is permitted. The interpretation clarifies the accounting for income tax treatments (current and deferred tax) that have yet to be accepted by the tax authorities. The Company intends to adopt the Interpretation in its financial statement for the annual period beginning on January 1, 2019 and does not expect the Interpretation to have a material impact on the financial statements.

5 Deposits and prepaids

	September 30, 2018	December 31, 2017
	\$	\$
Deposit relating to 41 Noel Avenue acquisition	–	10,000
Prepaid property taxes	28,034	–
Utility deposit	1,450	–
	<u>29,484</u>	<u>10,000</u>

6 Investment property

On August 23, 2018, the Company's wholly-owned subsidiary, 10664316 Canada Inc., completed the acquisition of 41 Noel Avenue. The acquired property consists of a 31-unit multi-family apartment building constructed in 2014. The acquisition cost was comprised of the purchase price of \$5,161,500 plus standard closing costs and adjustments aggregating \$116,881.

In accounting for the Transaction, 41 Noel Avenue was not considered a business for accounting purposes, and therefore, the Transaction was considered to be an asset purchase. The Agreement of Purchase and Sale was for the property only. No personnel or processes were acquired and given the Company changed from a resource company to a real estate entity, processes in support of the real estate business are being created rather than integrated. Furthermore, the acquired investment property does not have any processes to support the revenue being generated as there is a contract in place with an external party to provide property management services.

The acquisition cost of 41 Noel Avenue was allocated to the fair value of the assets acquired as follows.

	\$
Land	480,517
Building	4,752,314
Furniture and equipment	<u>45,550</u>
Investment property acquisition cost recorded	<u>5,278,381</u>

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

6 Investment property (continued)

The Company has recorded the investment property on an amortized cost basis.

	Land	Building	Furniture and equipment	Total
	\$	\$	\$	\$
Acquisition cost	480,517	4,752,314	45,550	5,278,381
Less: depreciation for the period and accumulated depreciation	–	19,791	948	20,739
Net book value at September 30, 2018	480,517	4,732,523	44,602	5,257,642

7 Accounts payable and accrued liabilities

	September 30, 2018	December 31, 2017
	\$	\$
Accounts payable	232,778	252,135
Accrued liabilities	51,997	51,500
	<u>284,775</u>	<u>303,635</u>

As at September 30, 2018, \$74,394 (December 31, 2017 - \$49,450) of accounts payable and accrued liabilities is due to corporations owned by officers and directors of the Company and is related to consulting fees (note 12).

8 Bridge loans payable

The Company secured \$350,000 bridge loan financing during the first half of 2018. The bridge loans were evidenced by promissory notes and are non-interest bearing, unsecured and had a maturity date of May 30, 2019. The lenders of bridge loans aggregating \$300,000 were granted the maximum number of non-transferable warrants permitted to be issued as a loan bonus to such lender pursuant to Exchange Policy 5.1, being the principal sum outstanding under each promissory note divided by the market price (as such term is defined in Exchange Policy 1.1) of the common shares of the Company. This resulted in a total of 2,499,998 warrants being issued to the lenders. Each warrant is exercisable into one common share for a period of 12 months from the date of issuance, at an exercise price of \$0.12 per share (note 11).

On August 23, 2018, the bridge loans were settled in full with the issuance of 2,916,667 common shares having a fair value of \$350,000.

9 Amount due to shareholders

The amount due to shareholders is comprised of cash advances which are non-interest bearing, unsecured and are payable upon demand. On August 23, 2018, the Company settled \$96,000 of shareholder loans with the issuance of 800,000 common shares.

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

10 Convertible debentures

On August 22, 2018, the Company completed the private placement of 800 Series A (\$800,000) and 500 Series B (\$500,000) convertible debentures (the “Debentures”) for aggregate gross proceeds of \$1,300,000. The Debentures are secured against certain assets of the Company and its subsidiary, are for a 2-year term and bear interest at a rate of 12%, payable on a quarterly basis, half in shares and half in cash. The Debentures are convertible into units of the Company at a price of \$0.15 per unit, such units consisting of one common share in the capital of the Company and one common share purchase warrant, each such warrant entitling the holder to acquire one common share for a period of 24 months from the date of issuance of the warrant at a price of \$0.175 per Common Share.

For accounting purposes, the Debentures are separated into their liability and equity components. The fair value of the equity portion of the convertible debentures of \$760,000 was calculated using partial differential equation methods taking into account the added value of the warrants issued as part of the convertible unit. The assumptions used in the valuation model include; share price \$0.12, expected volatility 107%, risk free interest rate 2.04%, credit spread 60% and all-in rate 62.04%.

The fair value of the liability component of the Debentures was determined at time issue as the difference between the face value of the Debentures and the fair value of the equity component.

Financing costs of \$342,622 were incurred and have been recorded pro rata against the equity (\$200,433) and liability (\$142,189) components. The liability component is measured at amortized cost and will be accreted to the \$1,300,000 maturity amount over the term using the effective interest method. Amortization of transaction costs of \$7,402 was recorded for the three month period ended September 30, 2018.

Interest expense of \$16,668 and accretion expense of \$39,562 have been recorded during the three month period ended September 30, 2018.

The Company has deposited \$32,000 in trust as security for future interest payments on the Series A Debentures.

11 Mortgage payable

On August 23, 2018, the Company’s wholly owned subsidiary, 10664316 Canada Inc., entered into a mortgage financing with CIBC Mortgages Inc. for gross proceeds of \$3,300,000 to fund in part the closing of the Transaction. The mortgage has an interest rate of 4.097%, a term of 3 years and an amortization period of 30 years. The monthly blended principal and interest payments are \$15,874. The mortgage is secured by a first charge over 41 Noel Avenue.

	September 30, 2018	December 31, 2017
	\$	\$
Mortgage payable	3,300,000	—
Less: deferred financing costs (net of amortization of \$1,310)	(36,435)	—
Less: current portion	(57,487)	—
	<u>3,206,078</u>	<u>—</u>

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

12 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, 2016	9,592,949	5,869,221
Shares issued for cash, exercise of warrants net of issue costs	499,998	62,500
Balance – September 30, 2017	<u>10,092,947</u>	<u>5,931,721</u>
Balance – December 31, 2017	10,092,947	5,931,396
Shares issued for cash, net of share issue costs	7,170,067	629,212
Shares issued pursuant to acquisition of 41 Noel Avenue	666,667	100,000
Broker Warrants issued pursuant to financings	–	(30,000)
Shares issued in settlement of debt obligations	6,175,475	731,221
Balance – September 30, 2018	<u>24,105,156</u>	<u>7,361,829</u>

Pursuant to Exchange regulations a total of 2,360,165 common shares are subject to a Tier 1 value escrow agreement and a total of 5,366,457 common shares, 2,883,332 warrants and \$775,000 of convertible debentures are subject to a Tier 2 value escrow agreement. On September 10, 2018, the Exchange issued its final approval for the Transaction and 571,941 common shares were released under the Tier 1 value escrow agreement and 536,645 common shares, 288,333 warrants and \$77,500 of convertible debentures were released under the Tier 2 value escrow agreement.

b) Private placement and vendor take-back financing

On August 22, 2018, the Company completed the brokered private placement of 7,070,067 subscription receipts (“Subscription Receipts”) of the Company at a price of \$0.15 per Subscription Receipt (the “Brokered Offering”) for gross proceeds of \$1,060,510. In addition, the Company closed a non-brokered private placement of 100,000 Subscription Receipts on the same terms as the Brokered Offering for gross proceeds of \$15,000. The aggregate proceeds of \$1,075,510 were held in escrow in accordance with the terms of the Subscription Receipts pending completion of the Transaction.

The Transaction was completed on August 23, 2018, and the outstanding Subscription Receipts automatically converted into an aggregate of 7,170,067 common shares of the Company and 3,585,034 warrants, and the aggregate subscription receipts proceeds of \$1,075,510 were released to the Company. Each warrant entitles the holder to acquire one common share for a period of 24 months from the date of issuance of the warrant at a price of \$0.25 per common share.

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

12 Share capital (continued)

b) Private placement and vendor take-back financing (continued)

In connection with the Transaction, the Company issued to the vendor 666,667 units of the Company at a price of \$0.15 per unit representing a market value of \$100,000 (the "Vendor Take-back Financing"). Each unit consisted of one common share and one-half of one common share purchase warrant, each full warrant entitles the holder to acquire one common share for a period of 24 months from the date of issuance of the warrant at a price of \$0.25 per common share.

The capital stock value of the 7,170,067 shares issued is net of the warrant valuation of \$261,000 and share issue costs of \$185,298.

c) Shares for debt

During the three month period ended September 30, 2018, the Company issued 6,175,475 common shares to settle debt obligations aggregating \$741,057 and incurred issuance costs of \$9,836. This is a non-cash transaction and accordingly has been excluded from the statement of cash flows.

d) 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.

During the nine month period ended September 30, 2018, the Company did not grant any stock options. At September 30, 2018 and September 30, 2017, the Company did not have any stock options granted and outstanding.

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Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

12 Share capital (continued)

e) Warrants

The following table summarizes the changes in the Company's warrants for the periods ended September 30, 2018 and 2017:

	Expiry date	Exercise price \$	Number	Ascribed value \$
Balance – December 31, 2016	August 16, 2017	0.12	4,999,992	25,000
Warrants exercised during the period	August 16, 2017	0.12	(499,998)	(2,500)
Warrants expired during the period	August 16, 2017	0.12	<u>(4,499,994)</u>	<u>(22,500)</u>
Balance – September 30, 2017 and December 31, 2017			–	–
Warrants issued pursuant to Bridge Loans	May 30, 2019	0.12	2,499,998	180,000
Warrants issued pursuant to private placement financing	August 23, 2020	0.25	3,585,034	239,000
Warrants issued pursuant to vendor take- back financing	August 23, 2020	0.25	333,333	22,000
Broker Warrants issued pursuant to private placement financing	August 23, 2020	0.15	681,572	60,000
Advisor's warrants issued in connection with the Transaction	August 23, 2020	0.15	<u>300,000</u>	<u>25,000</u>
Balance – September 30, 2018			<u>7,399,937</u>	<u>526,000</u>

The fair value of the Warrants issued on May 30, 2018 in connection with Bridge Loans aggregating \$300,000 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 \$0.15, risk-free rate 2.04%, expected volatility 107%, expected dividend yield \$nil and expected life 1 year.

The fair value of the warrants issued pursuant to the private placement financing and the vendor take-back financing, along with the Broker Warrants issued pursuant to the private placement financing and the advisor's warrants issued pursuant to convertible debenture 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 \$0.15, risk-free rate 2.04%, expected volatility 107%, expected dividend yield \$nil and expected life 2 years.

ViveRE Communities Inc. (formerly NSX Silver Inc.)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

12 Share capital (continued)

f) Contributed surplus

	\$
Balance – December 31, 2016	310,000
Expiration of warrants	<u>22,500</u>
Balance – September 30, 2017 and September 30, 2018	<u>332,500</u>

13 Related party transactions

a) Compensation of directors and officers

	September 30, 2018 \$	September 30, 2017 \$
CEO – consulting fees	13,033	–
Executive VP – consulting fees	66,125	72,000
CFO – consulting fees	42,262	15,000
	<u>121,420</u>	<u>87,000</u>

b) Advisory services

Advisory services were provided during the nine month period ended September 30, 2018 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 \$13,732 (September 30, 2017 – nil).

c) Advances

During the nine month period ended September 30, 2018, a director and corporations owned by officers and directors advanced to the Company loans aggregating \$38,000 and bridge loans aggregating \$300,000 (September 30, 2017 - nil).

d) Shares for debt and forgiveness

During the nine month period ended September 30, 2018, corporations owned by officers and directors of the Company settled accounts payable aggregating \$205,975 with the issuance of 1,716,458 common shares.

During the nine month period ended September 30, 2018, directors and corporations owned by officers and directors of the Company settled loans payable and bridge loans payable aggregating \$358,000 with the issuance of 2,983,334 common shares.

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Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

(expressed in Canadian dollars)

13 Related party transactions (continued)

e) Subscription to units and convertible debentures

During the nine month period ended September 30, 2018, directors subscribed either individually or through corporations they owned to an aggregate of 1,150,000 units and 825 convertible debentures, with each debenture having a face value of \$1,000, issued by the Company pursuant to private placement financings for aggregate proceeds of \$997,500.

At September 30, 2018, accrued interest on convertible debentures aggregating \$10,578 was payable to a director and two corporations owned by directors.

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. The Company's mortgage payable has a three year term with an interest rate of 4.097%.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company must secure financing during 2018 to avoid disruption in planned expenditures.

15 Subsequent events

Subsequent to September 30, 2018, the Company issued 106,094 common shares in settlement of interest payable on convertible debentures aggregating \$15,173.