



Unaudited Interim Condensed Consolidated
Financial Statements
September 30, 2024 and 2023
(expressed in Canadian dollars)

November 25, 2024

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 as issued by the International Accounting Standards Board (IFRS Accounting Standards). 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 auditor of the Company.

(signed) "*Stavro Stathonikos*"
Chief Executive Officer
Toronto, Ontario

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

NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at September 30, 2024 and December 31, 2023

(expressed in Canadian dollars)

	September 30, 2024 \$	December 31, 2023 \$
Assets		
Current assets		
Cash	8,242,581	5,340,476
Accounts receivable	289,266	180,341
Deposits, prepaids and other assets	2,484,110	1,088,355
	<u>11,015,957</u>	<u>6,609,172</u>
Investment properties (note 4)	<u>449,381,000</u>	<u>240,618,000</u>
	<u>460,396,957</u>	<u>247,227,172</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	8,842,870	1,307,784
Current portion of mortgages payable (note 5)	41,347,886	40,985,242
	<u>50,190,756</u>	<u>42,293,026</u>
Mortgages payable (note 5)	273,496,952	129,400,704
Deferred income taxes	2,800,000	900,000
	<u>326,487,708</u>	<u>172,593,730</u>
Equity (note 6)	<u>133,909,249</u>	<u>74,633,442</u>
	<u>460,396,957</u>	<u>247,227,172</u>
Subsequent events (note 12)		

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

NexLiving Communities Inc.

Unaudited Interim Condensed Statements of Income and Comprehensive Income For the three-month and nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2024 \$	2023 \$	2024 \$	2023 \$
Revenue	5,779,436	4,747,734	15,560,221	13,664,596
Property operating expenses	(2,274,106)	(1,785,089)	(6,201,927)	(5,533,789)
Net property operating income	3,505,330	2,962,645	9,358,294	8,130,807
Expenses				
Administrative expenses	(319,724)	(377,750)	(1,208,773)	(1,255,359)
Stock-based compensation (note 6)	(95,800)	(87,600)	(282,300)	(210,800)
	(415,524)	(465,350)	(1,491,073)	(1,466,159)
Finance costs				
Interest expense	(1,859,559)	(1,563,654)	(5,026,745)	(4,384,633)
Accretion expense (note 5)	(107,900)	–	(107,900)	–
Amortization expense (note 5)	(138,861)	(103,699)	(388,920)	(302,409)
	(2,106,320)	(1,667,353)	(5,523,565)	(4,687,042)
Other income				
Interest income	63,161	3,029	152,823	3,573
Gain on sale of investment property (note 4)	5,332	–	513,223	–
Fair value adjustment to investment properties	8,868,836	(4,192,667)	9,261,128	(1,145,305)
	8,937,329	(4,189,638)	9,927,174	(1,141,732)
Net income (loss) before income taxes	9,920,815	(3,359,696)	12,270,830	835,874
Deferred income tax (expense) recovery (note 11)	(1,900,000)	350,000	(1,900,000)	–
Net income (loss) and comprehensive income (loss) for the periods	8,020,815	(3,009,696)	10,370,830	835,874
Net income (loss) per share – basic (notes 2, 8)	\$0.36	(\$0.18)	\$0.56	\$0.05
Net income (loss) per share – diluted (notes 2, 8)	\$0.36	(\$0.18)	\$0.56	\$0.05

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 nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

	Number of shares # (note 2)	Share capital \$	Contributed surplus \$	Retained earnings \$	Total \$
Balance – December 31, 2023	16,464,483	63,567,867	5,076,172	5,989,403	74,633,442
Net income and comprehensive income for the period	–	–	–	10,370,830	10,370,830
Shares issued pursuant to acquisition (note 4)	16,333,682	49,292,797	–	–	49,292,797
Repurchase of common shares (note 6)	(6,800)	(26,254)	13,347	–	(12,907)
Dividends paid	–	–	–	(657,213)	(657,213)
Stock-based compensation (note 6)	–	–	282,300	–	282,300
Balance – September 30, 2024	32,791,365	112,834,410	5,371,819	15,703,020	133,909,249

	Number of shares # (note 2)	Share capital \$	Warrants \$	Contributed surplus \$	Retained earnings \$	Total \$
Balance – December 31, 2022	14,664,133	56,391,078	913,537	3,738,742	8,853,468	69,896,825
Net income and comprehensive income for the period	–	–	–	–	835,874	835,874
Shares issued pursuant to acquisition, net of issue costs (note 6)	1,875,000	7,465,006	–	–	–	7,465,006
Expiration of warrants (note 6)	–	–	(913,537)	913,537	–	–
Repurchase of common shares (note 6)	(64,650)	(249,608)	–	98,147	–	(151,461)
Dividends paid	–	–	–	–	(495,587)	(495,587)
Stock-based compensation (note 6)	–	–	–	210,800	–	210,800
Balance – September 30, 2023	16,474,483	63,606,476	–	4,961,226	9,193,755	77,761,457

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

NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Net income and comprehensive income for the years	10,370,830	835,874
Charges to income not affecting cash		
Interest on mortgages payable	411,308	438,432
Stock-based compensation expense (note 6)	282,300	210,800
Change in fair value of investment properties (note 4)	(9,261,128)	1,145,305
Amortization expense	388,920	302,409
Accretion expense	107,900	–
Gain on sale of investment property	(513,223)	–
Deferred income tax expense	1,900,000	–
	<u>3,686,907</u>	<u>2,932,820</u>
Net changes in non-cash working capital balances related to operations		
Accounts receivable	(108,925)	395,596
Deposits and prepaids	(1,395,755)	(167,102)
Accounts payable and accrued liabilities	6,116,203	(473,223)
	<u>8,298,430</u>	<u>2,688,091</u>
Financing activities		
Proceeds from mortgage financing, net of costs	17,405,570	48,383,307
Proceeds from capital expenditure facility	–	429,311
Repayments of mortgage principal	(18,042,545)	(17,187,100)
Payment of dividends	(657,213)	(495,587)
	<u>(1,294,188)</u>	<u>31,129,931</u>
Investing activities		
Acquisition of investment properties (note 4)	(7,428,687)	(31,513,176)
Net proceeds from sale of investment property	4,763,734	–
Additions to investment properties (note 4)	(1,437,184)	(1,802,128)
	<u>(4,102,137)</u>	<u>(33,315,304)</u>
Change in cash during the period	2,902,105	502,718
Cash – Beginning of period	<u>5,340,476</u>	<u>813,765</u>
Cash – End of period	<u>8,242,581</u>	<u>1,316,483</u>

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

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2024 and 2023

(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 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 and 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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, 2023.

Effective August 3, 2023, the Company completed a consolidation of all of the issued and outstanding common shares of the Company on the basis of one post-consolidation common share for every 20 pre-consolidation common shares. Common shares, and per common share and share-related amounts, disclosed herein reflect the post-consolidation common shares, and prior periods have been adjusted retrospectively.

The Board of Directors approved the consolidated financial statements for issue on November 25, 2024.

3 Material accounting policy information

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, 2023. Refer to note 3 Material accounting policy information, of the Company's annual consolidated financial statements for the year ended December 31, 2023 for information on accounting policies, as well as, new accounting standards not yet effective.

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

4 Investment properties

The following table summarizes the changes in investment properties for the nine-month period ended September 30, 2024 and the year ended December 31, 2023

	September 30, 2024	December 31, 2023
	\$	\$
Balance – Beginning of period	240,618,000	203,071,000
Acquisitions during the period	216,585,688	40,008,177
Additions during the period	1,437,184	2,280,513
Sale of investment property	(18,521,000)	–
Fair value adjustments	9,261,128	(4,741,690)
Balance – End of period	449,381,000	240,618,000

On August 30, 2024, the Company completed the acquisition of a portfolio of multi-family assets in eastern Ontario and Quebec, consisting of 16 properties and 991 units from 8985979 Canada Inc. and Devcore Group Inc. (collectively, “Devcore”). As consideration for the transaction, the Company issued 16,333,682 common shares and assumed existing mortgages with a face value of \$164,675,262 (note 5) and paid cash consideration of \$295,680. The transaction was approved by the shareholders of the Company on April 3, 2024.

The Company has evaluated the transaction under the guidelines of IFRS 3, Business Combinations, and the Company elected to apply the optional concentration test as outlined in the standard. The test determined that substantially all of the fair value of the gross assets acquired was concentrated in a single identifiable asset or group of similar assets, specifically the investment properties. As such, the transaction was accounted for as an asset acquisition. The acquisition of the Devcore portfolio resulted in an increase to investment properties of \$216,585,688, including transaction costs of \$8,428,688.

On June 24, 2024, the Company completed the sale of the 127-suite property located at 145-155 McLaughlin Road, Moncton, NB for \$19,400,000 and as a result of transaction, the Company has recorded a gain on sale of investment property of \$513,223.

On February 28, 2023, the Company completed the acquisition of a 100% interest in Northpoint Management Inc. (Northpoint) from Sheaco Holdings Inc. for \$40,008,177, including closing costs. Northpoint’s assets consist of two multifamily buildings comprising 75 units each located at 2251 and 2261 Mountain Road, Moncton, New Brunswick.

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, forecasted rental income and vacancies and forecasted operating expenses for each specific property. For two properties, representing 25 units, the Company utilizes the direct comparison

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

approach, which estimates fair value based on recent sales of comparable properties in the same market or similar market. The selection of valuation methodology is based on the availability and relevance of market data as well as the specific characteristics of each property.

The September 30, 2024 capitalization rates used to value the Company's investment properties ranged from 4.50% to 5.25%, and the weighted average capitalization rate was 4.79% (December 31, 2023 – ranged from 4.50% to 5.25% with a weighted average capitalization rate of 4.79%).

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 stabilized NOI				
		(2.00)% \$	(1.00)% \$	–% \$	1.00% \$	2.00% \$
Change in capitalization rate	(0.50)%	41,759,000	46,720,000	51,681,000	56,641,000	61,602,000
	(0.25)%	14,997,000	19,685,000	24,372,000	29,060,000	33,747,000
	–%	(8,972,000)	(4,530,000)	–	4,356,000	8,799,000
	0.25%	(30,565,000)	(26,342,000)	(22,119,000)	(17,897,000)	(13,674,000)
	0.50%	(50,116,000)	(46,093,000)	(42,070,000)	(38,047,000)	(34,024,000)

5 Mortgages payable

	September 30, 2024 \$	December 31, 2023 \$
Mortgages payable	324,719,158	173,951,858
Less: Fair value adjustment on assumed mortgages	(5,703,159)	–
Less: Unamortized deferred financing costs	(4,171,161)	(3,565,912)
	<u>314,844,838</u>	<u>170,385,946</u>
Less: Current portion	(41,347,886)	(40,985,242)
	<u>273,496,952</u>	<u>129,400,704</u>

As at September 30, 2024, all of the Company's investment properties had been pledged as security against the mortgages payable. As part of the Devore acquisition, the Company assumed mortgages with a face value of \$164,675,262 and fair value of \$158,864,203 on August 30, 2024. During the three-month period ended September 30, 2024, the Company recorded \$107,900 of accretion expense, reflecting the amortization of the discount arising from the initial recognition of the assumed mortgages at fair value.

The Company has access to two variable rate non-revolving demand construction loans for the purpose of funding capital improvements totalling \$2,175,000. As at September 30, 2024, \$431,311 was drawn on the construction loans (December

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

31, 2023 – \$431,311). Payments are to be made monthly on an interest-only basis. The construction loans are expected to be replaced with permanent mortgage financing in the next six months.

The Company's mortgages bear interest at a weighted average effective rate of 3.27% (December 31, 2023 – 3.71%) with a remaining weighted average term to maturity of 4.3 years (December 31, 2023 – 4.6 years). The fair value of mortgages payable is approximately \$300.2 million and has been determined by discounting the future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

The following table summarizes the changes in the aggregate mortgage values for the periods ended September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
	\$	\$
Balance – Beginning of period	170,385,946	133,938,374
Mortgage proceeds	18,744,283	66,505,483
Mortgages assumed, net of fair value adjustment	158,864,203	–
Mortgages on sold properties, net of costs	(14,265,157)	–
Repayments	(18,042,545)	(27,820,996)
Accretion expense	107,900	–
Additions to finance costs	(1,338,712)	(2,647,623)
Amortization of finance costs	388,920	410,708
	<hr/>	<hr/>
Balance – End of period	314,844,838	170,385,946

The annual principal and interest payments in relation to the mortgages payable over the 12-month periods ending September 30 are as follows:

	Interest payable	Principal repayment	Maturing weighted average interest rate
	\$	\$	%
2025	9,382,223	41,347,886	5.23%
2026	8,118,165	40,330,654	1.98%
2027	7,185,071	43,324,928	2.44%
2028	5,835,173	71,815,641	3.54%
2029	3,398,659	31,043,315	3.80%
Thereafter	10,317,418	96,856,734	3.04%

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

6 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

Common shares issued and fully paid:

	Number of shares # (note 2)	Amount \$
Balance – December 31, 2022	14,664,133	56,391,078
Shares issued pursuant to acquisitions	1,875,000	7,465,006
Shares repurchased for cancellation	(64,500)	(249,608)
Balance – September 30, 2023	<u>16,474,483</u>	<u>63,606,476</u>
Balance – December 31, 2023	16,464,483	63,567,867
Shares issued pursuant to acquisitions	16,333,682	49,292,797
Shares repurchased for cancellation	(6,800)	(26,254)
Balance – September 30, 2024	<u>32,791,365</u>	<u>112,834,410</u>

The shares outstanding as of November 25, 2024, is 32,900,582.

b) Share consolidation

The consolidation of the Company's common shares on the basis of one post-consolidation common share for every 20 pre-consolidation shares issued and outstanding was effective as of the opening of TSXV on August 3, 2023. The share consolidation was approved by the Company's shareholders at the annual and special meeting held on June 27, 2023. No fractional shares were issued as a result of the consolidation. Fractional interests were rounded to the nearest whole number of shares without any consideration payable therefor. All vested and unvested stock options and DSUs were adjusted on a pro-rata basis of one post-consolidation share to 20 pre-consolidation shares.

c) Equity financings

On February 28, 2023, the Company issued 1,875,000 common shares at a price of \$4.00 per share as part of the acquisition of a 100% interest in Northpoint (note 4).

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

d) Security-based compensation plans

The Company has a deferred share unit plan (“DSU Plan”) and a common share purchase option plan. Pursuant to the DSU Plan, 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.

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.

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 who 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.

Each DSU held by a participant must be redeemed by the Company within ten years of grant for common 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 May 15, 2024, the Board of Directors approved the issuance of 220,000 DSUs to directors and management 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 \$1.68.

On August 17, 2023, the Board of Directors approved the issuance of 30,000 DSUs to an officer 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 \$2.15.

On May 25, 2023, the Board of Directors approved the issuance of 138,950 DSUs to directors and management 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 \$2.50.

The Company charged \$95,800 in non-cash stock-based compensation to operations for the three months ended September 30, 2024 (September 30, 2023 – \$87,600), of which \$86,100 (September 30, 2023 – \$86,500) related to DSUs issued to officers and directors of the Company.

The Company charged \$282,300 in non-cash stock-based compensation to operations for the nine months ended September 30, 2024 (September 30, 2023 – \$210,800), of which \$266,600 (September 30, 2023 – \$206,100) related to DSUs issued to officers and directors of the Company.

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three-month and nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

The following table summarizes the changes in the Company's DSUs for the nine month ended September 31, 2024 and 2023.

	Number of DSUs # (note 2)
Balance – December 31, 2022	257,500
Granted May 25, 2023	138,950
Granted August 17, 2023	<u>30,000</u>
Balance – September 30, 2023	<u>426,450</u>
Balance –December 31, 2023	426,450
Granted May 15, 2024	<u>220,000</u>
Balance – September 30, 2024	<u>646,450</u>

As at September 30, 2024, a total of 646,450 (December 31, 2023 – 426,450) DSUs were outstanding, of which 354,483 (December 31, 2023 – 167,417) DSUs have vested.

The Company has a share option plan for directors, officers, employees and consultants. 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.

No options were issued during the nine month ended September 30, 2024, and 2023. Options granted and outstanding at September 30, 2024, and December 31, 2023, totalled 52,500, of which 15,000 have an exercise price of \$4.80 and expire May 15, 2030, and 37,500 have an exercise price of \$3.80 and expire April 20, 2031.

Options vested and exercisable as at September 30, 2024, and December 31, 2023, totalled 52,500 with a weighted average exercise price of \$4.09 per share.

The maximum number of common shares issuable under the two compensation plans is equal to 10% of the total issued and outstanding common shares. As at September 30, 2024, the maximum number of common shares remaining available for issuance under both compensation plans is 2,476,786.

e) Warrants

The Company did not have any warrants outstanding as at September 30, 2024. The table summarizes the changes in the Company's warrants for the nine month ended September 30, 2024, and 2023:

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

	Expiry date	Exercise price \$	Number # (note 2)	Ascribed value \$
Balance – December 31, 2022			475,000	913,537
Warrants expired	March 16, 2023	5.40	(350,000)	(641,555)
Warrants	August 31, 2023	5.40	(125,000)	(271,982)
Balance – September 30, 2023			<u>–</u>	<u>–</u>
Balance – December 31, 2023 and September 30, 2024			<u>–</u>	<u>–</u>

f) Share repurchases

Pursuant to a notice of intention to make a normal course issuer bid (NCIB) filed with the TSXV, the Company may repurchase for cancellation up to 1,300,000 common shares in its own capital stock during the period from May 30, 2023 to May 30, 2024. The Company filed with the TSXV a second notice of intention to make a NCIB whereby the Company may repurchase for cancellation up to a further 1,300,000 common shares in its own capital stock during the period from May 31, 2024 to May 31, 2025.

A total of 6,800 common share repurchases were made under either NCIB during the nine months ended September 30, 2024 (September 30, 2023 - 64,650 common shares).

The price that the Company will pay for any such common shares will be the prevailing market price at the time of acquisition. All common share purchases under the NCIB will be made on the open market through the facilities of the TSXV, other designated exchanges and/or alternative Canadian trading systems and will be purchased for cancellation. The funding for any purchase pursuant to the NCIB will be financed out of the working capital of the Company.

7 Management and board compensation

The following summarizes the compensation for the Company's management including the Company's Chief Executive Officer and Chief Financial Officer along with the board of directors.

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

	Three months ended September 30,	
	2024 \$	2023 \$
Cash and accrued compensation	59,032	161,825
Stock-based compensation (note 6(d))	86,100	86,500
	<u>145,432</u>	<u>248,325</u>
	Nine months ended September 30,	
	2024 \$	2023 \$
Cash and accrued compensation	696,780	606,208
Stock-based compensation (note 6(d))	266,600	206,100
	<u>963,380</u>	<u>812,308</u>

8 Earnings per share

	Three months ended September 30,					
	2024			2023		
	Income \$	Weighted average shares # (note 2)	Per share amount \$ (note 2)	Income \$	Weighted average shares # (note 2)	Per share amount \$ (note 2)
Net income (loss) per share – basic	8,020,815	22,263,497	0.36	(3,009,696)	16,682,982	(0.18)
Dilutive impact of stock options, warrants and DSUs	–	80,911	–	–	62,739	–
Net income (loss) per share – diluted	<u>8,020,815</u>	<u>22,344,407</u>	<u>0.36</u>	<u>(3,009,696)</u>	<u>16,745,721</u>	<u>(0.18)</u>

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

	Nine months ended September 30,			2023		
	2024			2023		
	Income	Weighted average shares	Per share amount	Income	Weighted average shares	Per share amount
	\$	#	\$	\$	#	\$
		(note 2)	(note 2)		(note 2)	(note 2)
Net income per share – basic	10,370,830	18,540,285	0.56	835,874	16,266,807	0.05
Dilutive impact of stock options, warrants and DSUs	–	75,315	–	–	84,017	–
Net income per share – diluted	10,370,830	18,615,600	0.56	835,874	16,350,824	0.05

The Company's potentially dilutive instruments include the stock options, warrants and DSUs. For the three months and nine months ended September 30, 2024 and 2023, the stock options were anti-dilutive and the DSUs were dilutive.

9 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 September 30, 2024 totalled \$133,909,249 (December 31, 2023 - \$74,633,442). 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.

10 Financial instruments and other

Interest rate risk

The Company is exposed to interest rate risk on its borrowings and could be adversely affected if it were unable to obtain cost-effective financing. This risk is mitigated as approximately 99% of the Company's interest bearing financial liabilities have fixed rates of interest. Assuming a 100 basis point increase in interest rates for the Company's entire current mortgage portfolio, annual financing costs would increase by approximately \$3,247,000.

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. 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 low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company has financed acquisitions of investment properties with mortgages, which are periodically required to be refinanced based on

NexLiving Communities Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2024 and 2023

(expressed in Canadian dollars)

the prevailing market conditions at the end of the mortgage term. Within the next 12 months, mortgages totalling \$36,855,210 will mature.

Management believes it has access, through its working capital, operating cash flows and expected mortgages renewals, to sufficient capital to meet the Company's obligations for the next 12 months.

11 Deferred income taxes

For the three and nine-month periods ended September 30, 2024, the Company recorded a deferred income tax expense of \$1,900,000, primarily driven by the change in fair value of the investment properties recognized during the quarter, which is tax effected at the capital gains rate. The effective tax rate for the three- and nine-month periods ended September 30, 2024 is 19% and 15%. The other items impacting the effective tax rate include non-deductible items and the different statutory tax rates in the provinces in which the Company operates.

12 Subsequent events

Subsequent to September 30, 2024, the Company redeemed a total of 153,250 DSUs for outgoing directors with the issuance of 113,317 common shares on a net of statutory remittance basis.

The Company entered into an agreement to sell its 35-suite property located at 39 Pleasant Street, Moncton, for \$5.8 million. The Company anticipates proceeds of approximately \$2.5 million after repayment of the property's \$3.3 million mortgage. The transaction price represents a 16% premium to the property's IFRS fair value as of June 30, 2024 and a 4.56% capitalization rate based on the trailing twelve months of operations as of September 30, 2024. All conditions have been waived by the purchaser and the transaction is expected to close on or before December 13, 2024.

On October 29, the Company completed the acquisition of the final unowned suite at Place Nelson Morin, a 60-unit complex in Gatineau, QC. NexLiving had previously acquired 59 of the 60 units as part of the Devcore transaction, and the remaining suite, which was owned by a local resident, was purchased for \$247,500.

On November 25, the Company declared a dividend of \$0.01 per common share for the quarter ending December 31, 2024, representing \$0.04 per share on an annualized basis. The dividend is payable on December 27, 2024, to shareholders of record on December 6, 2024.

The Company repurchased a total of 4,100 common shares at a cost of \$9,216 pursuant to its NCIB.

