Unaudited Interim Condensed Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2020 and 2019

Table of Contents

Management's Responsibility for Financial Reporting

The accompanying unaudited interim condensed consolidated financial statements are the responsibility of the Management of Emergia Inc. ("**Emergia**") and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and where appropriate, include amounts which are based on judgments, estimates and assumptions of Management. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Management has developed and maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized.

The Board of Directors of Emergia (the "**Board**") is responsible for ensuring that Management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee (the "**Committee**"). The Committee reviews the unaudited interim condensed consolidated financial statements with Management. The Committee reports its findings to the Board, which approves the unaudited interim condensed consolidated financial statements before their filing.

Raymond Chabot Grant Thornton LLP (the "**Auditors**"), the independent auditors of Emergia, have not performed a review of the unaudited interim condensed consolidated financial statements.

HENRI PETIT	**BRUNO DUMAIS**, CPA, CA
PRESIDENT AND CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER

Emergia Inc. (formerly The Delma Group Inc.)

Unaudited Interim Condensed Consolidated Statements of Financial Position

(in Canadian dollars)

	Note	As at September 30, 2020	As at December 31, 2019
Assets		$	$
Current assets			
Cash		**34,203**	72,678
Receivables and other receivables	**6**	**273,686**	189,706
Assets held for sale	**7**	**887,000**	987,000
Prepaid and refundable deposits		**1,457,114**	1,265,338
Advances to companies under common control, without interest		**250,000**	250,000
Other advances receivable, without interest		**5,500**	32,381
Total current assets		**2,907,503**	2,797,103
Non-current assets			
Other receivables	**6**	**300,000**	300,000
Investment properties	**5, 8**	**87,583,757**	96,140,545
Investment in joint venture	**5, 9**	**2,651,581**	—
Land held for development		**14,298,800**	13,359,986
Investment in a private company		**250,000**	250,000
Property and equipment		**4,239**	4,241
Total non-current assets		**105,088,377**	110,054,772
Total assets		**107,995,880**	112,851,875
Liabilities			
Current liabilities			
Bank overdraft		**—**	116,361
Credit line	**10**	**—**	3,950,000
Trade and other payables	**11**	**9,868,211**	9,637,402
Other current liabilities	**12**	**32,819,265**	32,851,076
Current portion of convertible debentures	**13**	**871,266**	1,043,382
Current portion of bank mortgages and long-term debt	**15, 16**	**9,075,242**	15,033,398
Total current liabilities		**52,633,984**	62,631,619
Non-current liabilities			
Convertible debentures	**13**	**3,976,096**	—
Derivative financial instruments	**14**	**765,342**	—
Bank mortgages	**5, 15**	**14,377,848**	14,585,074
Long-term debt	**5, 16**	**—**	138,951
Deferred income tax liabilities		**375,000**	375,000
Total non-current liabilities		**19,494,286**	15,099,025
Total liabilities		**72,128,270**	77,730,644
Shareholders' equity			
Share capital	**17**	**61,087,048**	60,216,541
Warrants	**18**	**6,138,084**	5,069
Contributed surplus		**5,069**	5,069
Deficit		**(31,362,591)**	(25,100,379)
Total shareholders' equity		**35,867,610**	35,121,231
Total liabilities and shareholders' equity		**107,995,880**	112,851,875

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

On behalf of the Board of Directors:

Yves Séguin (signed), Director | *Joseph Cianci (signed)*, Director

Emergia Inc. (formerly The Delma Group Inc.)

Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss

(in Canadian dollars except for share amounts)

	Note	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
		$	$	**$**	$
Rental income		**797,540**	767,735	**2,187,788**	2,144,687
Operating expenses		**455,596**	401,649	**1,270,589**	1,432,135
Net operating income		**341,944**	366,086	**917,199**	712,552
Administrative expenses	**19**	**673,684**	496,375	**1,697,881**	1,560,146
Financing costs	**19**	**2,005,797**	970,335	**3,750,184**	2,516,400
Decrease in fair value of Investment Properties	**5**	**1,731,346**	—	**1,731,346**	—
Loss on sale of assets held for sale		**—**	41,900	**—**	224,032
Loss on sale of property and equipment		**—**	—	**—**	66,002
Amortization of trademarks and domain names		**—**	—	**—**	225,000
Impairment of trademarks and domain names		**—**	1,117,510	**—**	1,117,510
Gain on settlement of other current liabilities		**—**	(2,990)	**—**	(129,153)
Gain on settlement of other current liabilities and payables		**—**	(260,840)	**—**	(389,993)
Loss before income taxes		**(4,068,883)**	(1,996,204)	**(6,262,212)**	(4,477,392)
Income taxes		**—**	—	**—**	—
Net loss and comprehensive loss for the period		**(4,068,883)**	(1,996,204)	**(6,262,212)**	(4,477,392)
Basic and diluted net loss per outstanding common share					
- Basic	**20**	**(0,18)**	(0,14)	**(0,36)**	(0,32)
- Diluted	**20**	**(0,18)**	(0,14)	**(0,36)**	(0,32)
Weighted average number of outstanding common shares					
- Basic		**22,303,253**	14,359,513	**17,253,903**	13,850,114
- Diluted		**26,088,128**	14,359,513	**22,211,042**	13,850,114

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

Emergia Inc. (formerly The Delma Group Inc.)

Unaudited Interim Condensed Consolidated Statements of Shareholders' Equity

For the nine-month periods ended September 30, 2020 and 2019

(in Canadian dollars except share amounts)

	Share Capital					
	Number of shares	Amount	Warrants	Contributed surplus	Deficit	Total Equity
	#	$	$		$	$
Balance on December 31, 2019	14,619,107	60,216,541	5,069	—	(25,100,379)	35,121,231
Settlement of other current liabilities and payables	**9,041,461**	**788,857**	**5,994,734**	**—**	**—**	**6,783,591**
Issued under a private placement	**266,667**	**56,650**	**143,350**	**—**	**—**	**200,000**
Consultation services paid in shares	**25,000**	**25,000**	**—**	**—**	**—**	**25,000**
Warrants expiration	**—**	**—**	**(5,069)**	**5,069**	**—**	**—**
Net loss and comprehensive loss	**—**	**—**	**—**	**—**	**(6,262,212)**	**(6,262,212)**
Balance at September 30, 2020	**23,952,235**	**61,087,048**	**6,138,084**	**5,069**	**(31,362,591)**	**35,867,610**
Balance at December 31, 2018	13,335,992	57,309,522	—	—	(19,116,179)	38,193,343
Settlement of other current liabilities and payables	434,283	907,288	—	—	—	907,288
Consulting services paid in shares	63,253	89,755	—	—	—	89,755
Acquisition	785,092	1,909,976	—	—	—	1,909,976
Net loss and comprehensive loss	—	—	—	—	(4,477,392)	(4,477,392)
Balance at September 30, 2019	14,618,620	60,216,541	—	—	(23,593,571)	36,622,970

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

Emergia Inc. (formerly The Delma Group Inc.)

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2020 and 2019

(in Canadian dollars)

	Note	For the three months ended September 30, 2020	2019	For the nine months ended September 30, 2020	2019
Operating activities		**$**	$	**$**	$
Net loss		**(4,068,883)**	(1,875,729)	**(6,262,212)**	(4,356,917)
Adjustments					
Consulting services paid in shares		**(179,400)**	—	**25,000**	147,372
Change in FV of convertible debentures	**13,14**	**202,469**	—	**321,438**	—
Amortization		**—**	112,500	**—**	225,000
Change in FV of investment properties	**8**	**1,731,347**	(120,475)	**1,731,347**	(120,475)
Loss on the sale of Assets held for sale		**—**	41,900	**—**	224,032
Loss on the sale of Property		**—**	—	**—**	66,002
Impairment of intangible assets		**—**	1,117,510	**—**	1,117,510
Gain on settlement of Other current liabilities and payables		**—**	—	**—**	(126,163)
Gain on settlement of loans		**—**	(263,830)	**—**	(392,983)
		(2,314,467)	(1,100,624)	**(4,184,427)**	(3,216,622)
Changes in working capital items	**22**	**(2,883,838)**	1,370,792	**(3,303,553)**	3,605,603
Cash flow from operating activities		**(5,198,305)**	270,168	**(7,487,980)**	388,981
Investing activities					
Advances to companies under common control		**—**	7,513	**—**	—
Other advances receivable		**—**	219,171	**—**	256,381
Cash acquired from acquisitions		**—**	58,374	**—**	58,374
Investment properties		**—**	(7,183,384)	**—**	(8,918,112)
Proceeds on disposal of Investment properties	**5, 8**	**9,000,000**	900,000	**9,000,000**	900,000
Investment in a Joint venture	**5, 9**	**(2,651,581)**	—	**(2,651,581)**	—
Land held for residential development		**—**	—	**—**	(194,072)
Proceeds on disposal of Assets for sale	**7**	**100,000**	767,668	**100,000**	767,668
Additions to Property and equipment		**(933)**	—	**—**	—
Proceeds on disposal of Property and equipment		**—**	11,498	**—**	11,498
Cash flow from investing activities		**6,349,352**	(5,230,658)	**6,448,419**	(7,118,263)
Financing activities					
Credit line		**—**	14,970	**(3,950,000)**	105,000
Issuance of Common shares	**17**	**6,983,592**	—	**6,983,592**	—
Convertible debentures	**13**	**—**	—	**4,520,000**	—
Repayment of Convertible debentures		**—**	—	**(100,000)**	—
Other current liabilities		**1,763,307**	(82,861)	**3,555,249**	631,101
Repayment of Other current liabilities		**(3,570,026)**	(122,347)	**(3,587,059)**	(474,350)
Bank mortgages		**—**	5,165,947	**—**	5,165,947
Repayment of Bank mortgages	**5**	**(5,224,706)**	—	**(5,369,349)**	(787,083)
Long-term debt		**129,599**	(17,261)	**540,401**	2,190,499
Repayment of Long-term debt	**5**	**(1,330,000)**	(26,167)	**(1,475,387)**	(130,000)
Cash flow from financing activities		**(1,248,234)**	4,932,322	**1,117,447**	6,701,114
Net change in cash		**(97,187)**	(28,169)	**77,886**	(28,168)
Cash (bank overdraft), beginning of the period		**131,390**	131,159	**(43,683)**	131,159
Cash, end of the period		**34,203**	102,991	**34,203**	102,991

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

Note 1 – Information on the Corporation

Emergia Inc. together with its subsidiaries (together referred to as "**Emergia**" or the "**Corporation**") operates in the development, acquisition and management of multi-purpose real-estate properties, including retail, multi-residential, office and industrial buildings as well as land for future development.

Emergia was incorporated on April 7, 2014 under the laws of the province of British Columbia, and is governed, since January 19, 2018, by the *Canada Business Corporations Act*. The Corporation is the resulting issuer of a reverse takeover completed on March 23, 2018 by Aydon Income Properties Inc. and started trading on the Canadian Securities Exchange ("**CSE**") under the name The Delma Group Inc. and ticker symbol DLMA.CN on March 23, 2018. On January 21, 2020, the Corporation changed its name for Emergia Inc. and its ticker symbol for EMER.

The principal address and records office of the Corporation is located at 160-640 Orly Avenue, Dorval, QC, H9P 1E9.

Note 2 – Statement of Compliance, Going Concern, Judgments and Estimation Uncertainty

A. Statement of Compliance

The unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2020 have been prepared in accordance with IAS 34, Interim Financial Reporting.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2019 (the "Annual Financial Statements") which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

These consolidated financial statements were approved and authorized for issuance by the Corporation's Board of Directors on November 18, 2020.

B. Going Concern

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, which presumes that the Corporation will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations.

Note 2 – Statement of Compliance, Going Concern, Judgments and Estimation Uncertainty (Continued)

As of September 30, 2020, the Corporation has not yet generated positive cash flows from its operations, nor has it achieved profitable operations and has a negative working capital of $49,726,481 ($59,834,516 - December 31, 2019). The Corporation's ability to continue as a going concern is dependent upon its ability to raise sufficient equity or other forms of financing and refinance its short-term debt or other debts as they come due in order to complete its contemplated business plan and ultimately achieve profitable operations. These factors indicate the existence of material uncertainties that may cast significant doubt regarding the Corporation's ability to continue as a going concern. The Corporation is implementing various cost initiatives to improve profitability.

The Corporation has ongoing negotiations to obtain financings to be used for short-term and long-term needs. The Corporation pursues its $15 million private placement offering and, at the time these consolidated financial statements were approved, the Corporation had executed the Private Placement for a total amount of $6,958,596. At the time these unaudited interim consolidated financial statements were approved, discussions with interested investors were ongoing. This financing, while significant, may not be sufficient to enable the Corporation to fund all aspects of its operations and, accordingly, management may need to pursue other financing alternatives to fund the Corporation's operations or agree with current lenders to possibly extend maturity dates and or related terms and conditions on existing loans, so it can continue as a going concern. There is no assurance that these initiatives will be successful and that such extensions will be granted.

These unaudited interim condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Corporation's going concern assumption not be appropriate. While management has been successful in obtaining sufficient funding for its operating and capital requirements in the past, there is no assurance that additional funding will be available to the Corporation, when required, or on terms which are acceptable to management including any financing currently being negotiated.

C. Significant Accounting Estimates, Assumptions and Judgments

Critical accounting estimates and judgments

The preparation of the unaudited interim condensed consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Note 2 – Statement of Compliance, Going Concern, Judgments and Estimation Uncertainty (Continued)

The critical accounting estimates and judgments have been set out in note 2 to Emergia's consolidated financial statements for the year ended December 31, 2019. There have been no changes to the critical accounting estimates and judgments during the nine-month period ended September 30, 2020, except as noted below.

(i) COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world.

The Covid-19 pandemic has created and is still creating unprecedented challenges to the global economy and stock markets. The Corporation's Board of Directors and management have taken and are still taking all necessary measures to ensure the health of its employees, support its tenants and best manage the short-term challenges to its business. With the current market uncertainties, the Corporation was limited in its financing activities also during the months of July, August and September. Nonetheless, the Corporation continued its discussions to refinance current short-term facilities and loans and succeeded in closing part of its PPO, as indicated above. The Corporation has also temporarily reduced its work force and obtained from some of its lenders capital and or interests payment relief for up to 3 months, covering the months of April, May and June. The Corporation also took measures to reduce spending as much as possible in the short term. The Corporation has had a loss of revenues in the amount of $54,778 for the months of March to June 2020 and of $44,040 for the months of July to September 2020 due to Covid-19.

Management is uncertain of the effects of the global changes resulting from the COVID-19 on its financial statements. Although management believes that any disturbance may be temporary, there is uncertainty about the length and potential impact of the disturbance. As a result, we are unable to estimate the potential impact on the ability to obtain further financing and on the Corporation's operations as at the date of these financial statements.

(ii) Canada Emergency Commercial Rent Assistance (CECRA)

CECRA provided relief for small businesses experiencing financial hardship due to COVID-19. Over the course of the program, it allowed property owners to reduce rent by 75 % from April to September 2020 for their small business tenants. CECRA covered 50 % of the rent, with the tenant paying 25 % and the property owner forgiving 25 %. The Quebec government announced a program, which is expected to cover 50% of the owner's forgiveness of 25% of the second quarter rent, but up to now, has not been enforced. This program has been confirmed by the provincial government on November 2nd. This will allow the Corporation to recuperate 50% of the losses of revenues indicated above. Such amounts have not been considered in the Q3 financial statements.

Note 2 – Statement of Compliance, Going Concern, Judgments and Estimation Uncertainty (Continued)

(iii) Investment properties

Investment properties are recorded at fair value at the balance sheet date. There have been no changes to the techniques used which include the direct capitalized net operating income method that involves stabilized net operating income and overall capitalization rates, and the discounted cash flow method that involves estimating expected future cash flows, as well as discount and terminal capitalization rates. The COVID-19 impacts regarding stabilized net operating income, expected future cash flows, overall capitalization rates, discount and terminal capitalization rates have been considered in these condensed interim consolidated financial statements. To reflect the estimated current impacts of COVID-19 on its portfolio, Emergia used data by property type and geographic market from internal and external valuations and available market data and concluded no material fair value adjustments in the unaudited interim condensed consolidated statements of comprehensive income was required.

Note 3 - Significant Accounting Policies

As of September 30, 2020, there have been no material changes to the significant accounting policies as outlined in Note 3 of the Annual Financial Statements, except as disclosed in Note 4. The unaudited interim consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Note 4 - Changes in Accounting Policies

Adoption of new standards as at January 1, 2020

Certain new standards and amendments that have an impact on the unaudited interim condensed consolidated financial statements of the Corporation became effective on January 1, 2020 are as follows:

The IASB issued Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for ‘Definition of Material,’ to clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Corporation has adopted the amendments and determined the application did not have a material impact on the Company’s consolidated financial statements as its policies were in line with the guidance.

(in Canadian dollars)

Note 4 - Changes in Accounting Policies (Continued)

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Corporation

The following are new standards that have been issued but are not yet in effect and which are relevant to the Corporation:

On January 23, 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Corporation is in the process of evaluating the impact of the standard on its consolidated financial statements.

Note 5 - Transaction

Transfer of assets in a joint venture

On August 21, 2020, the Corporation entered into a joint venture agreement to own and develop its 185, Dorval Investment Property. The transaction considered the transfer of assets at a price of $9,000,000 in exchange of 2,651,591 Class “A” common shares, representing 50% of the voting shares of 12028735 Canada Inc. Related debt and accrued liabilities of $6,348,420 were also transferred at the time of the agreement. The assets and liabilities associated with the properties were derecognized.

Net assets transferred	$
Investment property	9,000,000
Bank mortgage	(4,777,500)
Long-term debt	(1,150,000)
Trade and other payables	(420,919)
Total	**2,651,581**

The Corporation recognized a change in the fair value of its property of $1,731,346 during the period.

(in Canadian dollars)

Note 6 - Receivables and Other Receivables

	As at September 30, 2020	As at December 31, 2019
	$	$
Trade receivables	**173,686**	89,706
Balance of sale	**100,000**	100,000
	273,686	189,706

The Balance of sale is detailed as follows:

	As at September 30, 2020	As at December 31, 2019
	$	$
Balance of sale, without interest, maturing in August 2020	**100,000**	100,000
Balance of sale, 3%, maturing in August 2021	**300,000**	300,000
	400,000	400,000
Current portion of balance of sale	**(100,000)**	(100,000)
Non-current portion of balance of sale	**300,000**	300,000

Note 7 - Assets Held for Sale

Assets held for sale are composed of the following:

	As at September 30, 2020	As at December 31, 2019
	$	$
Blueberry Lake Resort, Labelle, Canada	**259,000**	259,000
42 Degrees North Resort, Ellicotville, USA	**—**	100,000
Lake Alphonse, La Minerve, Quebec, Canada	**128,000**	128,000
Domaine Balmoral Development Project, Quebec, Canada	**500,000**	500,000
	887,000	987,000

At the end of 2018, management decided to sell the above assets to focus on investment properties. Consequently, these assets were classified as held for sale. The fair value of some of these properties was estimated by independent valuators.

On April 9, 2020, Delma Hospitality Corporation sold all its interest in the 42 Degrees North Resort for net proceeds of $100,000 applied as a reduction of an existing Long-term debt.

(in Canadian dollars)

Note 8 - Investment Properties

A reconciliation of the investment properties is as follows:

	As at September 30, 2020	As at December 31, 2019
	$	$
Balance, beginning of the period	**96,140,545**	49,948,665
9371 Acquisition	**—**	7,425,000
Disposals	**(9,000,000)**	(5,338,144)
Other acquisitions	**—**	100,424
Decrease in fair value of investment properties	**(1,731,346)**	(67,187)
Borrowing costs	**2,174,558**	2,979,540
Development costs	**—**	849,700
Reclassified from assets held for sale	**—**	1,650,000
Balance, end of the period	**87,583,757**	96,140,545

The investment properties are composed of the following:

	As at September 30, 2020	As at December 31, 2019
	$	$
Land in Bromont, Canada	**37,356,207**	35,947,985
9700 St-Laurent Blvd, Montreal, Canada	**1,400,000**	1,400,000
475-489 Le Breton and 505-531 Le Breton, Longueuil, Canada	**3,196,775**	3,196,775
1221-1225 St-Jean-Baptiste Blvd., Montreal, Canada	**1,951,275**	1,951,275
185 Dorval Avenue, Montreal, Canada	**—**	10,684,847
610-640 Orly, Montreal, Canada	**5,779,600**	5,779,600
860 Cite-des-Jeunes, St-Lazare, Canada	**1,313,894**	1,268,915
2001 Chemin Oka, Deux-Montagnes, Canada	**914,947**	909,773
Land in Levis, Canada	**10,914,359**	10,508,488
472-474 Knowlton, Lac Brome, Canada	**2,968,054**	2,968,054
117 Lepine, Gatineau, Canada	**6,450,000**	6,200,000
121 Lepine, Gatineau, Canada	**4,570,000**	4,570,000
395-425, Des Erables, Valleyfield, Canada	**7,425,000**	7,425,000
Panagopoula Resort, Panagopoula, Greece	**1,650,000**	1,650,000
Land in Blainville, Canada	**1,693,646**	1,679,833
	87,583,757	96,140,545

(in Canadian dollars)

Note 8 - Investment Properties (Continued)

Minimum lease payments receivable

The lease contracts are all non-cancellable for 1 to 10 years from the commencement of the leases. Future minimum lease rentals are as follows:

	As at September 30, 2020	As at December 31, 2019
	$	$
Within 1 year	**2,782,816**	2,868,089
1 to 5 years	**7,015,302**	7,760,240
After 5 years	**1,624,437**	2,516,536
	11,422,555	13,144,865

Note 9. Investment in Joint Venture

The Corporation has ownership interest in the following joint venture:

Name	**As at September 30, 2020**	As at December 31, 2019
185, Avenue Dorval, Dorval, Quebec	50%	n.a.

During the period ended September 30, 2019, the Corporation entered a new joint venture arrangement for 185, Avenue Dorval, a mixed-use development project in the Dorval Area, Quebec. The Corporation has assessed the above investment property as a joint venture. The Corporation has determined the type of arrangement based upon the ownership structure of the investment property and considered the fact that decisions about the relevant activities require unanimous consent of the parties sharing control.

The Corporation is contingently liable for the obligations of the joint venture. As at September 30, 2020, the co-owners share long term debt of $4,777,500 (December 31, 2019 - $nil). Management believes that the assets available from its joint venture are sufficient for the purpose of satisfying such obligations.

The following table shows the changes in the carrying value of Emergia's investment in joint venture for the nine months ended September 30, 2020:

	$
Beginning balance	—
Contributions	**2,651,581**
Share of net income	—
Ending balance	**2,651,581**

(in Canadian dollars)

Note 10 - Credit Line

The credit line for an authorized amount of $4,000,000 prior its reimbursement in March 2020 was bearing interest at prime rate plus 0.60% (4.55%; 4.55% as of December 31, 2018).

The Credit line was secured by a guarantee from a director and two third parties of $4,000,000 each. The Corporation accrued an amount of $40,000 (September 30, 2019 - $80,000) in exchange for such guarantee from one of the third parties.

Note 11 - Trade and Other Payables

	As at September 30, 2020	As at December 31, 2019
	$	$
Trade payables and accrued liabilities	**6,963,887**	6,791,342
Interest payable on other current liabilities and long-term debt	**2,685,482**	2,550,209
Deposits and other payables	**218,842**	295,851
	9,868,211	9,637,402

(in Canadian dollars)

Note 12 - Other Current Liabilities

	As at September 30, 2020	As at December 31, 2019
	$	$
Promissory notes, 10% (2019 -24%)	**568,201**	665,983
Advances, 9%, secured by Lands in Bromont	**4,852,176**	7,274,660
Loan (including $6,288,017 accrued interest; 2019 – $4,462,543), 15%, secured by Land in Bromont and Land held for residential development and a guarantee from a director	**17,287,017**	15,461,543
Advances from a company controlled by a director, 9%, secured by Land in Bromont and Land held for residential development	**1,040,585**	972,773
Advances from a company controlled by a director, 10% (2019– 10%)	**105,000**	105,000
Loan from a company controlled by a director, 11%, secured by 117 Lepine	**329,843**	525,000
Term loan, 12%, secured by 9700 St-Laurent, 475-505 Le Breton and 1221 St-Jean Baptiste and a guarantee from a director	**1,000,000**	1,300,000
Loan, 8%, secured by a guarantee from a company controlled by a director	**843,460**	744,290
Loan, 12%, secured by Land in Levis and a guarantee from a director	**250,000**	250,000
Loan, 8%, secured by 2001 Chemin Oka	**525,000**	525,000
Loan, 12%, secured by 472 Chemin Knowlton and a guarantee from a director	**200,000**	200,000
Loan, 13.8%, secured by 121 Lepine and a guarantee from a director	**500,000**	500,000
Loan, 8%, secured by 117 Lepine and a guarantee from a director	**3,880,000**	3,880,000
Loan, 11.5%, secured by 9700 St-Laurent and a guarantee from a director and a third-party, matures on February 28, 2021	**1,000,000**	—
Advances, 12%	**115,000**	115,000
Loan	**—**	15,000
Advances from companies controlled by a director, 9% and 10%	**96,766**	90,610
Other	**226,217**	226,217
	32,819,266	32,851,076

Unless otherwise indicated, other current liabilities are payable on demand.

(in Canadian dollars)

Note 13 - Convertible Debentures

	As at September 30, 2020	As at December 31, 2019
	$	$
Convertible debentures, including $229,166 interest payable ($134,457 in 2019), 10% (8.8% and 10% in 2019), secured by all present and future residential properties of the Corporation, convertible into common shares at $2.32 per share, payable along with the promissory notes listed into Other current liabilities by monthly installments of $100,000 and in full by December 31, 2020	**771,266**	743,382
Convertible debentures, face value of $4,420,000, 12%, secured by a hypothec over specific assets, convertible into common shares at $1.00 per share, matures in January 2022	**3,976,096**	—
Convertible debentures, 18%, unsecured, mature in July 2020, convertible into common shares and warrants at the lesser of $1.00 or the unit price under a private placement	**—**	100,000
Convertible debenture, 15%, unsecured, converted in July 2020	**—**	100,000
Convertible debenture, 12%, unsecured, convertible into common shares at 75% of the price of the most recent financing, subject to securities regulatory rules, matured in July 2020, payable on demand	**100 000**	100 000
	4,847,362	1,043,382
Current portion	**871,266**	1,043,382
	3,976,096	—

In March 2020, the Corporation entered into a subscription agreement with a private investor who has agreed to provide funding of $4,420,000 by way of a secured convertible debenture to reimburse the Corporation's line of credit and to settle outstanding debt of the Corporation. The debenture has a maturity date of January 31, 2022 and bears interest at a rate of 12% per annum, payable at maturity. The Debenture and the interest are convertible into common shares of the Corporation at a conversion price of $1.00 per Common Share. The Debenture is secured by a hypothec over specific assets that were already mortgaged to secure the RBC line of credit. The debenture may be reimbursed at any time until maturity without any penalty, provided a 30-day notice is given to the investor to allow him to exercise his conversion right, should he decide to do so. In the event the investor decides to exercise its conversion right, 4% interest on such amount will be forfeited by the investor.

The fair value of the convertible debenture was allocated between the debenture and the derivative financial instrument related to the conversion feature. The debenture was estimated using an effective discounted rate of 8%. The Black-Scholes pricing model was used to determine the fair value of the conversion feature using a share price at the time of the issuance of $0.70, exercise price of $1.00, risk free rate of 0.78%, volatility of 60%, vesting immediately, and life of 1.9 years from date of grant. At inception, fair value calculations resulted in an allocation of $3,796,591 for the convertible debenture and $663,769 for the derivative financial instruments. The difference between the fair value and the face value of the convertible debenture is being accreted over the term to maturity using the effective interest method. During the period, a gain of $49,369 was recorded as variation of the fair value.

(in Canadian dollars)

Note 14 – Derivative Financial Instruments

	As at September 30, 2020	As at December 31, 2019
	$	$
Convertible debenture convertible into common shares at $1.00, matures in January 2022	**765,342**	—
	756,342	—

The fair value of the derivative financial instruments was estimated at the end of the period using the Black-Scholes pricing model using a share price at the time of issuance of $0.85, exercise price of $1.00, risk free rate of 0.76%, volatility of 60%, vesting immediately, and life of 1.9 years from date of grant. During the period, a gain of $272,069 was recorded as variation of the fair value.

(in Canadian dollars)

Note 15 - Bank Mortgages

	As at September 30, 2020	As at December 31, 2019
	$	$
Term loan, 3.85%, capital and interest payable in monthly payments of $17,094, maturing in November 2022, secured by 121 Lepine and a guarantee from a director	**3,115,679**	3,128,903
Term loan, 3.02%, capital and interest payable in monthly payments of $5,928, maturing in September 2021, secured by 1221-1225 St-Jean-Baptiste and a guarantee from a third party	**1,107,323**	1,135,358
Term loan, 3.88%, capital and interest payable in monthly payments of $9,815, secured by 474-489 Le Breton, 505-541 Le Breton and a guarantee from two third parties, maturing in April 2022	**1,650,106**	1,690,159
Term loan, 4.62%, secured by 600-650 Orly and a guarantee from a director and a third party, maturing in February 2024	**3,829,038**	3,829,012
Term loan, 4.98%, capital and interest payable in monthly payments of $5,247, secured by 9700 St-Laurent and a guarantee from a company controlled by a director, reimbursed in September 2020	**—**	510,638
Mortgage, 4.62%, secured by 395-425, Des Erables, and a guarantee from a director and a third party, capital and interest payable in monthly payments of $29,129, maturing in February 2024	**5,105,452**	5,105,376
Term loan, prime rate at plus 1% (4.95%) payable on demand, secured by 185, Dorval and a guarantee from a director, reimbursed in August 2020	**—**	4,777,500
	14,807,598	20,176,946
Current portion	**429,750**	5,591,872
	14,377,848	14,585,074

(in Canadian dollars)

Note 16 - Long-Term Debt

	As at September 30, 2020	As at December 31, 2019
	$	$
Term loan, 10%, matured, payable on demand and secured by Blueberry Lake Resort	**293,000**	293,000
Term loan, 10%, matured and payable on demand, secured by 395-425 Des Erables and a guarantee from a director	**2,132,522**	1,792,112
Term loan, 12%, payable on demand	**139,183**	106,000
Term loan, 5%, secured by 860 Cité-des-Jeunes and by a guarantee from a director, matured in December 2019, payable on demand	**400,000**	400,000
Term loan, 8%, secured by 860 Cité-des-Jeunes and by a guarantee from a director, payable on demand	**350,000**	350,000
Term loan, 12%, secured by Land in Levis and by a guarantee from a director, matured and payable on demand	**3,500,000**	3,500,000
Loan, matured in April 2019, secured by a balance of sale of $400,000 and payable on demand	**250,000**	530,000
Term loan, 12.5%, secured by 185, Dorval and by a guarantee from a director and a third party, matured in April 2020, reimbursed in August 2020	**—**	1,150,000
Term loan, 8%, secured by 600-650 Orly and a guarantee from a director, additional not to convert, payable on demand	**1,083,059**	1,000,000
Term loan, 46.9%, capital and interest, payable in weekly payments of $6,112 (2018 - $6,132), maturing in October 2020, secured by a guarantee from a director and a third party, payable on demand	**311,478**	356,865
Loan, matured in December 2019, payable on demand	**186,250**	102,500
	8,645,492	9,580,477
Current portion	**8,645,492**	9,441,526
	—	138,951

(in Canadian dollars)

Note 17 - Share Capital

The Corporation's authorized share capital is as follows:

Unlimited number of common shares as follows:

- Class “A” common shares, conferring 1 vote per share; and
- Class “B” common shares, conferring 100 votes per share, automatically converted into Class “A“ common shares on March 23, 2023 and convertible at the option of the holder at any time, on a basis of 1 Class “A“ common share for 1 Class “B“ common share.

Unlimited number of preferred shares issuable in one or more series, having no voting rights, as follows:

- Class “C” preferred shares; and
- Class “D” preferred shares.

Shares issued and outstanding as of September 30, 2020 and 2019 are as follows:

	September 30, 2020		September 30, 2019	
	Number	**$**	Number	$
Class “A” common shares	**19,441,344**	**54,933,762**	9,152,911	52,045,113
Class “B” common shares	**4,510,891**	**6,153,286**	4,510,891	6,153,286
	23,952,235	**61,087,048**	13,663,802	58,198,399

During the period, the Corporation conducted a Private Placement consisted of units of the Corporation (the “Units”) at a price of $0.75 per Unit, each Unit being composed of one Class A Common Share in the capital of the Corporation and a Common Share purchase warrant entitling the holder to purchase one Common Share at a price of $1.25 per Common Share until December 31, 2021. As at September 30, 2020, 9,056,928 units were issued for gross proceeds of $6,792,696.

At September 30, 2020, 162,613 outstanding Class “A” common shares (2019 – 487,839) and 638,884 outstanding Class “B” common shares (2019 – 1,916,651) are subject to an escrow agreement and are to be released on Marsh 23, 2021.

(in Canadian dollars)

Note 18 - Warrants

The following is a continuity of the warrants outstanding and exercisable as at September 30, 2020:

	Number	Weighted average Exercisable price $
Beginning balance	15,000	2.00
Issuance of warrants	9,278,128	1.25
Expiration of warrants	(15,000)	2.00
Ending balance	9,278,128	1.25

The weighted average remaining contractual life for the warrants outstanding as of September 30, 2020 was 2.25 years.

In May 2020, the Corporation issued 221,200 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price at the time of issuance of $0.60, exercise price of $1.25, risk free rate of 0.55%, volatility of 81%, vesting immediately, and life of 1.6 years from date of grant resulting in a fair value of $26,188.

In July 2020, the Corporation issued 8,717,152 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price at the time of issuance of $1.40, exercise price of $1.25, risk free rate of 0.50%, volatility of 100%, vesting immediately, and life of 1.5 years from date of grant resulting in a fair value of $5,945,610.

In August 2020, the Corporation issued 339,776 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price at the time of issuance of $1.40, exercise price of $1.25, risk free rate of 0.50%, volatility of 100%, vesting immediately, and life of 1.4 years from date of grant resulting in a fair value of $166,286.

Each Warrant will entitle its holder to purchase one common Share at a price of $1.25 at any time until they expire in December 2022.

(in Canadian dollars)

Note 19 - Additional Information – Comprehensive Loss

Administrative expenses are composed of the following:

	For the three-months ended September 30,		For the nine-months ended September 30,	
	2020	2019	**2020**	2019
	$	$	$	$
Consulting fees	**472,376**	177,122	**1,012,487**	502,244
Management fees	**176,308**	161,640	**370,328**	453,640
Professional fees	**25,000**	157,613	**315,066**	604,262
	673,684	496,375	**1,697,881**	1,560,146

Financing costs are composed of the following:

	For the three-months ended September 30,		For the nine-months ended September 30,	
	2020	2019	**2020**	2019
	$	$	$	$
Interest	**1,013,002**	634,930	**2,453,803**	1,979,014
Change in fair value of the convertible debenture	**(250,653)**	—	**(321,438)**	—
Financing and other fees	**1,243,448**	335,405	**1,617,819**	537,386
	2,005,797	970,335	**3,750,184**	2,516,400

Note 20 - Net Loss per Share

The calculation of basic net loss per share at September 30, 2020 was based on the loss attributable to common shareholders which corresponds to the loss for the period of $6,262,212 (September 30, 2019 – $4,477,392), and a weighted average number of common shares of 17,253,903 (September 30, 2019 – 13,850,114).

The calculation of diluted net loss per share on September 30, 2020 is the same as the basic net loss per share as all options and warrants had an anti-dilutive effect (September 30, 2019 - same).

Note 21 - Related Party Transactions

Related parties include the Corporation's key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives.

The remuneration of key management personnel includes the following:

	For the three-months ended September 30,		For the nine-months ended September 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Management fees	**199,808**	243,760	**569,808**	535,780

(in Canadian dollars)

Note 21 - Related Party Transactions (Continued)

Furthermore, the Corporation had the following operations with a company controlled by a director and officer:

	For the three-months ended September 30,		For the nine-months ended September 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Management fees and professional fees	**47,331**	110,000	**232,933**	330,000
Financing fees	**193,331**	—	**504,436**	—

The Corporation has the following trade and other payables with related parties:

	As at September 30, 2020	As at December 31, 2019
	$	$
Companies controlled by directors and officers	**1,308,587**	2,088,090
Payable to directors and officers	**445,328**	281,792

The Corporation has additional loans and advances with related parties disclosed in Note 12. The Corporation accrues a fee varying between 1% and 2% for the personal guarantees given by a director on the Corporation's secured liabilities. The expense related to this fee is presented within financing costs. During the period, related parties converted $2,228,924 of trade and accrued payables in Units from the private placement.

Note 22 - Additional Information – Cash Flow

The changes in working capital items are detailed as follows:

	As at September 30, 2020	As at September 30, 2019
	$	$
Receivables and other receivables	**(83,980)**	(52,572)
Prepaids and refundable deposits	**(191,776)**	(725,906)
Advances	**23,881**	—
Trade and other payables	**(3,051,678)**	4,389,081
	(3,303,553)	3,605,603

Additional cash flow information:

Interest paid	**957,332**	537,346
Additions to investment properties included in trade and other payables	**2,174,814**	1,296,711
Additions to land held for residential development included in trade and other payables	**938,814**	194,072

(in Canadian dollars)

Note 23 - Financial Assets and Liabilities

The carrying amounts and fair values of financial assets and financial liabilities in each category are as follows:

	September 30, 2020		December 31, 2019	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets	**$**	**$**	$	$
Financial assets at amortized cost				
Cash	**34,203**	**34,203**	72,678	72,678
Receivables and other receivables	**573,686**	**573,286**	489,706	489,706
Advances to companies under common control	**250,000**	**250,000**	250,000	250,000
Other advances receivable	**5,500**	**5,500**	32,381	32,381
	863,389	**863,389**	844,765	844,765
Financial assets at FVTPL				
Investment in a private company	**250,000**	**250,000**	250,000	250,000
Total financial assets	**1,113,389**	**1,113,389**	1,094,765	1,094,765
Financial liabilities				
Financial liabilities at amortized cost				
Bank overdraft	—	—	116,361	116,361
Credit line	—	—	3,950,000	3,950,000
Trade and other payables	**9,868,211**	**9,868,211**	9,637,402	9,637,402
Other current liabilities	**32,819,265**	**32,819,265**	32,851,076	32,851,076
Bank mortgages	**14,807,598**	**14,807,598**	20,176,949	20,176,946
Long term debt	**8,645,492**	**8,645,492**	9,580,477	9,580,477
Convertible debentures	**4,847,362**	**4,847,362**	1,043,382	1,043,382
Derivative financial instruments	**756,342**	**756,342**	—	—
Total financial liabilities	**71,744,270**	**71,744,270**	77,355,647	77,355,647

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The net carrying amounts of cash, receivables and other receivables, advances to companies under common control, other advances receivable, credit line, trade and other current liabilities are considered a reasonable approximation of fair value since all amounts are short-term in nature. The estimated fair value of the bank mortgages and long-term debt was calculated based on the discounted value of future payments using interest rates that the Corporation could have obtained as at the reporting date for similar instruments with similar terms and maturities. The fair value of the bank mortgages and long-term debt is equivalent to its carrying amount and is categorized in Level 2.

Note 24 - Financial Instrument Risk

The Corporation is exposed to various risks in relation to financial instruments.

The main types of risks are market risk, credit risk and liquidity risk. The following analysis enables users to evaluate the nature and extent of the risks at the end of the reporting period.

Market risk

The Corporation is exposed to market risk though its use of financial instruments and specifically to interest rate risk and other price risk which result from its financing and investing activities.

The Corporation is exposed to interest rate risk on its other current liabilities and its fixed rate and variable rate bank mortgages and long-term debt financings. As at September 30, 2020 the Corporation is exposed to changes in market interest rates through certain bank mortgages and long-term debt at variable interest rates. Certain bank mortgages, long-term debt and other current liabilities are at fixed interest rates and subject the Corporation to a fair value risk. Certain long-term debts are at variable interest rates and subject the Corporation to cash flow risks. Variations in the interest rate would not affect profit or loss significantly.

The Corporation is exposed to other price risk in respect to its investments in a private company. The exposure is not significant.

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Corporation. The Corporation is exposed to credit risk from financial assets including cash, receivables and other receivables, advances to companies under common control and other advances receivable. The maximum exposure as at September 30, 2020 and 2019 is the carrying amount of these instruments, the credit risk is not significant.

Liquidity risk

Liquidity risk is that the Corporation might be unable to meet its obligations as they come due. The Corporation manages its liquidity needs by monitoring scheduled debt servicing payments for short and long-term liabilities as well as forecasting cash inflows and outflows due in day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis below.

The Corporation's funding is provided in the form of short and long-term debt as well as the issuance of shares. The Corporation assesses the liquidity risk as high.

(in Canadian dollars)

Note 24 - Financial Instrument Risk (Continued)

As at September 30, 2020 and December 31, 2019, the Corporation's financial liabilities have contractual maturities as summarized below:

				September 30, 2020
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
Trade and other payable	**9,868,211**	**—**	**—**	**—**
Convertible debentures	**871,266**	**—**	**4,420,000**	**—**
Other current liabilities	**32,719,265**	**100,000**	**—**	**—**
Bank mortgages	**195,932**	**233,818**	**9,393,069**	**4,984,779**
Long term debt	**8,472,533**	**172,959**	**—**	**—**
Total	**52,127,207**	**506,777**	**13,813,069**	**4,984,779**

				December 31, 2019
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
Credit line	3,950,000	—	—	—
Trade and other payable	9,632,402	—	—	—
Convertible debentures	1,043,382			
Other current liabilities	32,751,076	100,000	—	—
Bank Mortgages	5,320,462	954,985	16,037,110	—
Long term debt	9,380,161	61,365	138,951	—
Total	**62,077,483**	**1,116,350**	**16,176,061**	**—**

Note 25 - Capital Management

The Corporation's objectives when managing capital are to ensure the Corporation’s ability to continue as a going concern, maintain financial flexibility in order to preserve its ability to meet its financial obligations, including potential liabilities resulting from additional acquisitions, maintain a capital structure that allows it to finance its growth strategy with cash flows from its operations and its debt capacity and optimize the use of its capital to provide an appropriate return on investment.

The capital structure of the Corporation consists of the bank mortgages, long-term debt and equity.

The Corporation’s financial strategy is developed and adapted on the basis of market conditions to maintain a flexible capital structure consistent with the objectives stated above and to respond to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Corporation may refinance an existing debt, take out new borrowings or repurchase shares or issue new shares.

The Corporation’s financial strategy and objectives have remained substantially unchanged for the past year fiscal year. The objectives and strategy are reviewed annually.

(in Canadian dollars)

Note 26 - Segment Information

Non-current assets are owned in the following countries:

	As at September 30, 2020	As at December 31, 2019
	$	$
Canada	**106,345,880**	107,854,772
Greece	**1,650,000**	1,650,000

The rental income is 100% in Canada.

Note 27 – Subsequent Events

Joint venture in Gatineau

On October 29, 2020, the Corporation entered into an agreement with respect to its 117, Lepine property located in Gatineau which is in its optimization phase, whereby the Corporation will dispose of the said property into the same joint venture as for the 185, Dorval property. The transaction considers a revenue-generating property in such 50-50 joint venture with a third party, whereby the Corporation remains in charge of the management of the property and also benefits of a 3-year option to buy back the project once completed. The closing is scheduled for November 30, 2020.

Extension of the Private Placement

The previously announced Private Placement of Units for up to $15,000,000 has been extended until December 17, 2020 and the maturity date of the Warrants extended to December 31, 2022. On November 10, 2020, the Corporation issued 133,333 units, each unit being comprised of one Class A common share and one common share purchase warrant following the conversion of a debenture.

Transaction agreement

On November 11, 2020, the Corporation entered into a transaction agreement with a Senior lender. The agreement considers the reimbursement of a $3,500,000 term loan, related accrued interest and taxes of $2,815,814 and another mortgage of $340,000 by handling over, on December 31, 2020, mortgaged land in Levis, valued at $10,914,359 as of September 30, 2020.

The agreement also considers the right for the Corporation to buy-back the property at the earliest of 12 months following January 1, 2021 or a proposed transaction date with a third-party.