



**Management's Discussion & Analysis**  
For the three-month and the nine-month periods  
ended September 30, 2020

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# HIGHLIGHTS FOR

## Q3 2020

- ✓ Increased its Net Operating Income (NOI) from \$264,619 in Q2 2020 up to \$341,944 in Q3 2020.
- ✓ Increased its nine-month period NOI ratio from 33.2% in 2019 to 41.9% for the same period in 2020.
- ✓ Entered into a 50-50 joint venture to own and develop its 185, Dorval Investment Property.
- ✓ Closed part of its private placement of units of up \$15,000,000 for an amount of approximately \$7M and pursued its discussions with investors in regards to the balance of \$8M of its private placement, which has been extended until December 17, 2020 and the maturity date of the Warrant extended to December 31, 2022
- ✓ Reduced its total short-term liabilities by \$10,505,954 by the end of Q3 2020 as compared with Q2 2020.
- ✓ Management pursued the discussions with lenders to negotiate better terms and conditions of the existing financings and succeeded in reducing some of the Corporation's financial obligations.

# MESSAGE TO SHAREHOLDERS

As indicated in our December 31, 2019 MD&A, filed on SEDAR on June 16, 2020, 2019 has been a transformation year for Emergia, as it redefined its business model and plan and worked to strengthen its balance sheet. This included a private placement in the equity of the Corporation, the sale of some assets and the creation of joint ventures to allow the Corporation to reduce its short-term debt and allow the launching of some development projects. The measures undertaken in 2019 were pursued in 2020, in order to prepare the grounds for the current and following years.

In the course of this process, the Corporation initiated a private placement offering ("**Private Placement**"), consisting of 20M Units at a price of CAD \$0.75 for a total of CAD \$15M, destined to reimburse its short-term debt and have working capital to pursue the execution of its business plan. Each Unit consists of one common share and one common share purchase warrant, each warrant entitling the holder to purchase one additional share of the Corporation at an exercise price of CAD \$1.25 per share until December 31, 2021. The Private Placement has been extended to December 17, 2020 and the term of exercise of the warrants extended to December 31, 2022.

The Corporation succeeded in closing part of its Private Placement in July and August 2020 mostly by the conversion of short-term debt into equity for total amount of \$6.8M in Units of the Private Placement, resulting in the issuance of 9,066,928 Units. By the addition of the debt conversion of May 2020 in Private Placement Units (\$165,900 in 221,200 Units), the total investment in the Private Placement has reached \$6,966,096 for a total issuance of 9,288,128 Units. Management is pursuing its discussions with investors to complete the Private Placement.

These Private Placement closings are a very good step in the Corporation's process to strengthen its balance sheet as it reduces its short-term debt ratio from 54.6% on June 30<sup>th</sup> to 48.7% at the end of Q3. The impact is also felt on the total LTV ratio as it reduces the global debt ratio from 71.4% at the end of June 2020 to 66.8% at the end of Q3, improving the balance sheet accordingly. This conversion process also demonstrates confidence by the creditors in the Corporation.

In the execution of its business plan and strengthening of its balance sheet, the Corporation also succeeded in creating a joint venture agreement whereby the Corporation transferred, in September, an office revenue generating property with excess land to develop a multi-residential apartment building in Dorval, which development has started in Q4 2020, and the construction is expected to begin in Q2 2021. Another property, retail and office building in its lease up phase located in Gatineau, is in the process of being transferred in the same joint venture, with a closing planned for November 30, 2020. This structure is to the advantage of the Corporation as it is 50% partner in the joint venture and benefits from a property management contract whereby it manages both properties. Furthermore, the Corporation has a 3-year buy back option of the other 50% share in the joint venture. Such actions by the Corporation allow it to reduce its short-term debt by \$10.8M and to launch earlier the development of the Dorval project and to lower the financial risk on the lease-up period of the Gatineau property, and allow the Corporation to benefit afterwards of the value-add created by the exercise of its buy-back option, should it decide to do so.

Although the financial results for the year 2020 up to Q3 are not yet profitable and Q4 is not expected to be profitable either, Emergia's transformation process has now reached an interesting milestone as the execution of the business plan has started to materialize by concrete transactions. This is aligned with its business plan and its aim of creating value and growth of its assets and to generate profits.



**HENRI PETIT**  
PRESIDENT & CHIEF EXECUTIVE OFFICER

## INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Interim Management's Discussion and Analysis ("**MD&A**") is provided to enable the reader to assess the results of operations of Emergia Inc. ("**Emergia**" or the "**Corporation**") for the quarter ended September 30, 2020, in comparison with the quarter ended September 30, 2019. Dated November 18, 2020, this MD&A reflects all significant information available as of that date and should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes of Emergia for the periods ended September 30, 2020 and September 30, 2019 (the "**Q3 2020 Financial Statements**").

Unless otherwise indicated, all amounts are in thousands of Canadian dollars and are based on the Q3 2020 Financial Statements prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**").

Additional information on Emergia is available on Emergia's website at [www.emergia.com](http://www.emergia.com) and on the Canadian Securities Administrators' ("**CSA**") website at [www.sedar.com](http://www.sedar.com).

The Board of Directors of the Corporation, under the recommendation of the Audit Committee, has approved the contents of this MD&A on November 18, 2020.

### Basis of Presentation

#### Going Concern

The Q3 2020 Financial Statements and this MD&A 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.

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.

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.

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 2<sup>nd</sup>. 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.

### (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.

### Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Corporation's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Corporation's financial information reported under IFRS.

The Corporation believes non-IFRS measures are important supplemental measures of financial performance because they eliminate items that have less bearing on the Corporation's financial performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS measures. Because other companies may calculate these non-IFRS measures differently than the Corporation does, these metrics are not comparable to similarly titled measures reported by other companies.

### Non-IFRS Performance Indicators

**Net operating income ("NOI"):** NOI is a measure presented in the statement of comprehensive income in the Corporation's unaudited interim condensed consolidated financial statements, which is calculated as revenues less property operating expenses such as utilities, repairs and maintenance and realty taxes. NOI does not include charges for interest or other expenses not specific to the day-to-day operation of Emergia's properties. Emergia considers NOI to be a valuable measure for evaluating the operating performance of its properties.

**Net Asset Value ("NAV"):** NAV is an adjusted asset value reflecting the market values of real estate properties held by Emergia. The NAV is measured on a per share basis where the aggregated net value of the portfolio is divided by the Corporation's total number of shares outstanding. The Corporation's properties are valued regularly at least once a year, depending on the Corporation's requirements, and the NAV is measured and reported at the end of the accounting period. Liabilities are valued using the carrying value at the end of the reporting period.



**Occupancy rate:** Occupancy rate is a measure used by Emergia to give an indication of the current economic health of the Corporation's portfolio by taking the leasable area occupied by clients divided by the leasable area of Emergia's portfolio, excluding the areas currently under development or redevelopment.

Reconciliation with closest IFRS measures and other relevant information regarding the above performance indicators are provided in the appropriate sections of this MD&A.

## Forward-Looking Statements

Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Corporation's current objectives, goals, targets, strategic priorities, expectations, and plans, and in obtaining a better understanding of the Corporation's business. Readers are cautioned that such information may not be appropriate for other purposes.

Forward-looking statements, by their very nature, involve inherent risks and uncertainties and are based on a number of assumptions, both general and specific, as further described below. The Corporation cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although believed reasonable at the time they were made, subject to greater uncertainty.

Assumptions that could cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, the following risks factors, which are discussed in greater detail under the heading "Risk and Uncertainties" of the annual MD&A of the Corporation for the year ended December 31, 2019: the impact of the ongoing coronavirus (known as COVID-19) health crisis, access to capital and debt financings, risks associated with the ownership of the immovable properties, including climate change, industry competition and interest rate fluctuations, high level of indebtedness, risks associated with future property acquisitions, dispositions or developments, the recruitment and retention of employees and executives, legislative and/or regulatory developments, compliance with environmental laws and regulations, insurances, any failure to comply with covenants in financing and other material agreements; volatility in the market price of the shares. These factors are not intended to represent a complete list of the factors that could affect the Corporation; however, these factors should be considered carefully.

The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and the Corporation has no intention and undertakes no obligation to update or revise any forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable securities regulations. In the event that the Corporation does update any forward-looking statements contained in this MD&A, no inference should be made that the Corporation will make additional updates with respect to that statement, related matters or any other forward-looking statement.

## 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, for which approximately \$7M has been closed by the Corporation, 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.

## Business Overview

Emergia 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 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 the 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 primary focus of the Corporation is on small to medium size portfolios of mixed-use properties in Canada, mainly in the provinces of Quebec and Ontario. Emergia aims to create diversified portfolios that are resilient to changing markets and macro-economic conditions, and to provide long-term returns that outperform the real estate industry.

Energia is distinctively integrated both vertically and horizontally. The Corporation's operational strategy is to identify orphan pools of real estate assets, structure and close high yielding acquisitions, optimize revenue-generating properties, and monetize development properties.

Energia capitalizes on the many advantages the mixed-use segment offers including the creation of synergies between the different real estate asset classes, value creation opportunities at all stages of the real estate value chain, and a diversification effect that reduces portfolio volatility and increases resilience to economic downturns. The diversification in all segments offers attractive opportunities throughout real estate cycles.

The Corporation is now pursuing the execution of its 2019 reviewed business plan which includes the strengthening of its balance sheet, the execution of a Private Placement, the sale of some assets, the creation of joint ventures, and the conclusion of strategic acquisitions. The current measures being executed are aligned with the Corporation's goal of creating long-term value for its shareholders.

We strive to:

- Become a leader in mixed-use real estate ownership, development and management;
- Ensure sustained and solid returns to shareholders;
- Build a high-yielding portfolio focussing mainly on the provinces of Quebec and Ontario;
- Capitalize on established network to source investment and development opportunities; and
- Implement financial structures engineered to ensure long-term profitability and market downturn resilience.

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

## Investment Focus

We follow a value-based approach to investing and allocating capital. We believe our disciplined action, global reach and our expertise in recapitalizations and operational turnarounds enable us to identify a wide range of potential opportunities. The Corporation has positioned itself to be efficient with different acquisition and development models, including acquisitions of portfolios of revenue generating assets, optimization of revenue generating assets that need to be repositioned or redeveloped, and development projects from land up. The real estate market in Canada, especially in Ontario and Quebec, offers segment specific opportunities that fit particularly well with Energia's business model of short-term value creation and long-term revenue generation.

- **Retail Segment:** The retail market is changing drastically, bringing opportunities that include the redevelopment or repurposing of urban malls into higher density sites with mixed-use properties combining retail with higher-density residential, services, green space and experiential attractions. Energia specifically targets these retail properties with the objective to complete redevelopment within a short time frame to increase asset value and revenue generation potential for long-term holding while focussing on proximity services and retail properties with value-add potential.

- **Industrial Segment:** There is an increase for industrial space driven by online retail distribution and return centers and other niche segments. Significant rental increases are expected with demand exceeding supply for the next years. Emergia is targeting specific geographical areas that offer important logistical advantages to long-term tenants and develop properties in functions of firm long-term leasing arrangements.
- **Office Segment:** The leasing activity in the office buildings sector is fuelled by changing tenants' expectations driven by the tech industry and demand for unique technology-enabled space with amenities in the buildings and its close vicinity. Emergia developed a tenant-oriented acquisition and redevelopment strategy that enables the Corporation to lock long-term tenants based on addressing their specific needs.
- **Multi-Suite Residential Segment:** The changes in the market conditions in the recent year have had an impact on affordability in certain markets, but the province of Quebec still enjoys greater affordability and pricing is expected to remain firm. There are interesting opportunities in this sector in various cities in the province of Quebec such as Montreal, Dorval, Gatineau, some areas of Quebec City. The Province of Ontario also offers interesting opportunities, in cities such as Ottawa, Niagara Falls, London and secondary line cities of larger cities like Toronto, where Emergia is actively involved.

The Corporation acquires and develops its assets according to well-defined parameters. Its acquisition and development strategy can be summarized as follows:

- Acquire and develop diversified assets in each of the segments described above;
- Focus retail activities on proximity services properties and high rated tenants in specific categories of retail, highway service properties, in large centers as well as in secondary markets;
- Concentrate industrial assets acquisition mainly in peripheries of larger cities such as Montreal, Ottawa, Toronto and Quebec City;
- Target office assets in secondary markets with high potential in optimization;
- Develop multi-suite residential as part of the wider mixed-use strategy, where Emergia can increase density in portfolio properties or new acquisitions such as urban malls to be redeveloped; and
- Control the development and construction costs by establishing a documented and structured control policy reflected in all construction contracts.

## Growth Vectors and Future Developments

2019 has been a reorganisation year for Emergia, where it sold some assets that did not fit into the Corporation's business model, and renegotiated the terms and conditions of some of its debt, which plan and measures have been pursued in 2020, in order to complete its financial reorganisation and structure. Emergia has succeeded in closing part of its Private Placement and to create joint ventures. As a result, Emergia is now strategically positioned to start development projects in the coming months and years, including with some of its existing properties and the green field development of owned land, most of which are expected to start in 2021. These

developments are expected to increase the net asset value of the Corporation's portfolio as well as the Corporation's aggregated current revenues.

The Corporation is in discussions to put in place a financing package specifically structured to facilitate such developments in order to accelerate the different projects and ensure the best returns possible for the Corporation and shareholders.

## Portfolio Composition

At the end of September 2020, EMERGIA's portfolio included retail, office and industrial buildings as well as land for future development. EMERGIA's corporate structure and business model have been designed to capitalize on the many advantages the mixed-use segment offers including, the creation of synergies between the different real estate asset types, value creation opportunities at all stages of the value chain, and a diversification effect that reduces portfolio volatility and increases resilience to economic downturns.

EMERGIA is positioned to be agile and opportunistic in different property types including acquisitions of portfolios of revenue generating assets, optimization of existing revenue generating assets that need to be repositioned or redeveloped, development from land up, creating high value add in these assets.

The combination of stabilized revenues and returns to investors as well as higher yields from its development activities provides an important element of differentiation for EMERGIA when compared to other existing public real estate investment vehicles. The stabilized revenue generating properties ensure liquidities for operations of the Company as well as capital to invest in additional properties and to, eventually, allow distribution of dividends to shareholders. The optimization and development sectors allow higher yields and growth in the net asset value of the Corporation.

- **Revenue Generating:** Stabilized income-producing properties with high occupancy rates held in the portfolio for long-term revenue generation.
  - ✓ Performing properties in established markets
  - ✓ Allows rapid achievement of critical mass in a specific market
  - ✓ Equilibrates the portfolio with high profile tenants and long-term leases
  - ✓ Enables access to large and strategic sites with potential to out-parcel for development projects
- **Optimization:** Properties with a high potential for short to medium term value creation through segment re-focusing, densification, retrofitting or re-zoning opportunities.
- **Development:** Properties held for development based on modular design and build programs to mitigate risk and capture value increases.
  - ✓ Redevelopment of underperforming assets
  - ✓ Driving values and IRR by repositioning existing properties and increasing sites densification

- ✓ Development of strategic asset classes ensuring a higher cost control and construction management efficiencies and value creation
- ✓ Partial sale of peripheral or non core assets to focus on high yielding development projects

The value of Emergia's portfolio at the end of September 2020 reached \$101,882,556, composed in majority of development assets. However, the Corporation is in the process of bringing the composition of its portfolio in the range of its business model and plan, which is as follows: a) Revenue Generating, 60%; b) Optimization: 20%; c) Development: 20%. See hereinafter the tables showing the current assets allocation by sector. The Corporation intends to reach the allocation percentages of its model by early 2021.

## Summary by Operating Segment

Property Type	Fair market value	Percentage
Revenue-Generating	\$ 23,837,597	23.4%
Held for Optimization	\$ 7,850,000	7.7%
Held for Development	\$ 70,194,960	68.9%
<b>Total</b>	<b>\$ 101,882,557</b>	<b>100%</b>

## Portfolio Properties: Revenue-Generating Properties

Property	Location	Segment	Fair Market Value
Orly	Dorval, QC	Industrial	\$ 5,779,600
St-Jean-Baptiste	Montreal, QC	Industrial	\$ 1,951,275
Le Breton 1	Longueil, QC	Industrial	\$ 1,358,000
Le Breton 2	Longueil, QC	Industrial	\$ 1,838,775
Lépine	Gatineau, QC	Retail	\$ 4,570,000
Des Érables	Valleyfield	Retail	\$ 7,425,000
Oka	Deux-Montagnes, QC	Retail	\$ 914,947
<b>Total</b>			<b>\$ 23,837,597</b>

### Portfolio Properties: Properties Held for Development

Property	Location	Segment	Fair Market Value
Bromont - Commercial Land	Bromont, QC	Retail	\$ 37,356,207
Bromont- Residential Lots	Bromont, QC	Residential	\$ 14,298,800
Knowlton	Lac Brome, QC	Retail	\$ 2,968,054
Parc Industriel Lévis	Levis, QC	Industrial, Retail	\$ 10,914,359
Curé-Labelle	Blainville, QC	Retail	\$ 1,693,646
Cité-des-Jeunes	St-Lazare, QC	Retail	\$ 1,313,894
Panagopoula	Greece	Hospitality	\$1,650,000
<b>Total</b>			<b>\$ 70,194,960</b>

### Portfolio properties: Properties Held for Optimization

Property	Location	Segment	Fair Market Value
9700, St-Laurent Blvd	Montreal, QC	Office	\$ 1,400,000
117, Lépine Avenue	Gatineau, QC	Retail, Office	\$ 6,450,000
<b>Total</b>			<b>\$ 7,850,000</b>

### Portfolio Properties: Investment in Joint venture

During the third quarter of 2020, the Corporation transferred one of its property in a Joint venture to allow an early launch of a development project located in Dorval. The transaction considered an office revenue-generating property and related excess land to develop a multi-residential apartment building in a 50-50 Joint Venture with a third party. Management of the property and development project is being performed by the Corporation; Emergia also benefits of a 3-year option to buy back the entire project once completed.

The investment in joint venture is comprised of a revenue-generating property and a development project and amounted for \$2,651,581 as at September 30, 2020 using the equity method.

### Portfolio Properties: Properties Held for Sale

At the end of the year 2018, the Corporation changed its intent of usage of the following previous investment properties and decided to dispose of them. Accordingly, these properties have been reclassified as properties held for sale. Management has re-evaluated the fair market value of these properties and is in the process of assessing the optimal disposition opportunity for each of these properties.

Following the restructuring of a segment of its portfolio, the Corporation held properties for sale totalling \$887,000 in aggregate value as at September 30, 2020. Properties for sale were mainly

comprised of hospitality properties including Blueberry Lake Resort, Lake Alphonse, and Domaine Balmoral Development Project.

In April 2020, the Corporation sold all its interest in the 42 Degrees North Resort Project for net proceeds of \$100,000 applied as a reduction of an existing long-term debt.

### Net Asset Value

The Net Asset Value ("**NAV**") is an adjusted asset value reflecting the market values of real estate properties held by Emergia. The NAV is measured on a per share basis where the aggregated net value of the portfolio is divided by the Corporation's total number of shares outstanding. The Corporation's properties are valued regularly at least once a year, depending on the Corporation's requirements, and the NAV is measured and reported at the end of the accounting period. Liabilities are valued using the carrying value at the end of the reporting period. The net asset value was as follows:

<i>(In \$, Except Number of Shares)</i>	<i>As at September 30, 2020</i>
Aggregated Portfolio Value	105,421,138
Aggregated Portfolio Liabilities	61,885,060
Cash, Receivables, Prepaids, Investments and Property and equipment, less Deferred income tax liabilities	2,199,743
Payables	9,868,211
Net Value	35,867,610
Total Shares Outstanding	23,952,235
<b>Net Asset Value per Share</b>	<b>1.50</b>

The NAV is not a GAAP or IFRS financial measure and does not have a standardized meaning and therefore may not be comparable with similar measures presented by other issuers. It is intended to provide investors with a synthesized view of the Corporation's portfolio value evolution from one reporting period to another.



## Summary of Quarterly Results

The following table provides select information pertaining to the Emergia's operations for the periods noted.

	2020			2019				2018
In dollars, except per-share amounts	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	797,540	573,118	817,130	766,060	767,735	678,238	698,714	615,363
Operating expenses	455,596	308,499	506,484	325,243	401,649	299,976	730,510	421,001
Net Operating Income	341,944	264,619	310,646	440,817	366,086	378,262	(31,796)	194,362
Administration	673,684	449,388	574,820	161,745	496,375	675,121	388,650	1,326,979
Fair value adjustment	1,731,346	-	-	67,187	-	-	-	12,395,200
Financing expenses	2,005,797	989,479	754,907	871,035	970,335	890,489	617,840	727,893
Impairment of intangible assets	-	-	-	-	1,117,510	-	-	-
Listing fees	-	-	-	-	-	-	-	14,931
Loss and comprehensive loss	(4,068,883)	(1,174,248)	(1,019,081)	(1,627,382)	(1,875,729)	(1,236,697)	(1,244,490)	(12,240,618)
Basic and diluted loss per share	(0.18)	(0.08)	(0.07)	(0.11)	(0.13)	(0.09)	(0.09)	(1.08)

## Results for the Nine-month Period Ended September 30, 2020

Increase in rental income, operating costs and net operating income is a direct consequence of Emergia's acquisition and growth strategy, partially offset by the impacts of COVID-19. The Corporation decreased its square footage of operating properties by 10,906 sq. ft. as of September 30, 2020 as compared to September 30, 2019, following the sale of some properties, which did not fit the business strategy. Such a decision also had an impact on reducing some high interest rate loans. Rental income remained stable at \$2,187,788 as compared to \$2,144,687 during the nine-month period ended September 30, 2020 even if the Corporation implemented the CECRA program to provide its tenants some relief during the pandemic; as a consequence, \$89,822 of the revenue decrease is due to the COVID-19 and related CECRA program.

Operating costs reached \$1,270,589 for the nine-month period ended September 30, 2020 as compared to \$1,432,135 during the same period in 2019. The Corporation recorded a Net Operating Income of \$917,199, or 42%, during the first nine months of 2020 as compared to \$712,552 or 33% during the same period in 2019.

Administrative expenses increased by \$137,735, to \$1,697,881 during the nine-month period ended September 30, 2020 from \$1,560,146 for the same period in 2019. The increase in the operating costs is consulting fees to promote current financing efforts.

The Corporation sold one of its Assets held for sale at cost during the period. Management performed an impairment analysis of its remaining Assets held for sale as of September 30, 2020 and concluded that none of its Investments Properties were impaired.

The Corporation has selected the fair value method to account for real estate classified as investment property and records properties at their purchase price (less any purchase price adjustments) in the quarter of acquisition. Any changes in the fair value of investment properties are recognized as fair value adjustments in the statement of income and comprehensive income in the quarter in which they occur.

Emergia determines the fair value of investment properties by developing a range of acceptable values based on the discounted cash flow method and direct capitalization method, both of which are generally accepted appraisal methodologies. Fair value is based on, among other things, assumptions of future cash flows in respect of current and future leases, capitalization rates, terminal capitalization rates, discount rates, market rents, tenant inducements and leasing cost assumptions and expected lease renewals. Fair values are supported by a combination of internal financial information, market data and external independent valuations. As of September 30, 2020, the Corporation performed a review of its portfolio and concluded that the fair value of its investment properties was properly established.

Financing costs were \$3,750,184 during the nine-month period ended on September 30, 2020, an increase of \$1,233,784 as compared to the same period in 2019 as a consequence of additional financing fees related with renewals and renegotiation of some terms and conditions and also a direct effect from some acquisitions made throughout the previous year.

The Corporation recorded a net loss and comprehensive loss of \$6,262,212 or \$0.36 per share, for the nine-month period ended September 30, 2020, compared to a net loss and comprehensive loss of \$4,477,392 or \$0.32 per share, for the nine-month period ended September 30, 2019.

## **Results for the Three-Month Period Ended September 30, 2020**

The Corporation reported a slight decrease in revenue and net operating income during the three-month period ended September 30, 2020 as a consequence of COVID-19. Revenue increased \$29,805, or 4%, to \$797,540 during the period as compared to \$767,735 during the same period from the previous year. Revenue considered a \$44,040 decrease (or 27.6%) due to the COVID-19. As stated before, the Corporation implemented the CECRA program to provide some reliefs to its tenants.

Operating costs increased \$53,946 from \$401,649 during the three-month period ended September 30, 2019 to \$455,596 during the same period in 2020.

Occupancy for the revenue generating and optimization properties reached 92% in Q3-2020.

Administrative expenses increased by \$177,309, to \$673,684 during the three-month period ended September 30, 2020 as compared to \$496,375 for the same period in 2019 since the increased its efforts to promote its current financing.

Financing costs were \$2,005,797 during the three-month period ended September 30, 2020, an increase of \$1,035,462 as compared to \$970,335 recognized in the same period in 2019, and are related with the renegotiation of some terms and conditions combined with financing fees for related with current negotiations underway.

The Corporation recorded a net loss and comprehensive loss of \$4,068,883 or \$0.18 per share, for the three-month period ended September 30, 2020, compared to a net loss and comprehensive loss of \$1,996,204, or \$0.14 per share, for the three-month period ended September 30, 2019.

## **Liquidity and Capital Resources**

As at September 30, 2020, the Corporation had a cash position of \$34,203 and reimbursed \$3,950,000 of its credit line as compared to a cash position of \$72,678 reduced by the credit line of \$3,950,000 as at September 30, 2019.

The current cash on hand is not sufficient to meet Emergia's cash requirements for the next twelve months. The Corporation expects to receive increasing revenues from its rental properties and management fees. The management also continues with the process of raising funds for its operations and acquisitions to further increase the liquidities of the Corporation. Should these measures not be sufficient to meet ongoing costs, the Corporation will require additional financing to fund our administrative expenses and for any proposed acquisitions. Accordingly, the Corporation is investigating various business opportunities that would potentially increase the Corporation's cash flow. The Corporation has historically satisfied its capital needs primarily by issuing equity securities and convertible debentures. The management is also negotiating with some creditors to convert some debts in equity, therefore reducing the need in cash to service or reimburse such debts.

The Corporation's future capital requirements will depend on many factors, including, among others, cash flow from operations and sale of assets held for resale. The Corporation will need to raise additional funds through debt or equity financing to pursue its plans and objectives. If additional funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced, and such equity securities may have rights, preferences, or privileges senior to those of the holders of the Corporation's common stock. No assurance can be given that additional financing will be available, or that it can be obtained on terms acceptable to the Corporation and its shareholders.

The Corporation is currently negotiating further funding commitments or arrangements for additional financing, including through equity, but there is no assurance that it will obtain any additional financing on terms acceptable to it. Any additional funds raised will be used for general and administrative expenses, the reimbursement or refinancing of short-term debt, and for the acquisition of properties, as applicable. The amount of funds to be raised and the terms of any equity financing that may be undertaken will be negotiated by the Corporation's management as opportunities to raise funds arise.

The Corporation used \$7,487,980 from its operating activities during the nine-month period ended September 30, 2020 as compared to \$388,981 being used for the same period from last year. Most of the difference is attributable to changes in the working capital items.

Cash flows from the investing activities during the nine-month period ended September 30, 2020 were \$6,448,419 and considered the transfer of assets into a joint venture. During the same period from last year the Corporation used \$7,118,263, mostly driven by the acquisition of investment properties.

Financing activities considered an inflow of \$1,117,447 attributable to the issuance of common shares for \$6,983,592 and convertible debentures for \$4,420,000, the repayment of the credit line of \$3,950,000 and the repayment of bank mortgages for \$5,369,349 as compared to an inflow of \$6,701,114 for the same period from the previous year related with the financing on acquired properties.

## Information on Shares Outstanding

The Corporation's authorized share capital consists of an unlimited number of Class A common shares (the "**Class A Shares**") and an unlimited number of Class B common shares (the "**Multiple Voting Shares**"), an unlimited number of Class C preferred shares issuable in one or more series and an unlimited number of class D preferred shares issuable in one or more series (the "**Preferred Shares**").

As of September 30, 2020, there were 19,441,344 Class A Shares and 4,510,891 Multiple Voting Shares issued and outstanding, and no Preferred shares were issued and outstanding, for a total of 23,952,235 shares. As at the date of this MD&A, there were 19,599,677 Class A Shares and 4,510,891 Multiple Voting Shares issued and outstanding and no Preferred Shares, for a total of 24,110,568 shares outstanding.

Under the Corporation's articles, each Class A Share carries the right to one vote and each Multiple Voting Share carries the right to one hundred (100) votes. Pursuant to a voting agreement entered into on March 13, 2018 between Gestion H. Petit Inc. and 9334-1063 Quebec Inc. on one hand, and Granada Canada Inc. and HKS Family Trust, on the other hand, as well as with the other holders of Multiple Voting Shares, the holders of Multiple Voting Shares shall unanimously agree on the manner to vote their Multiple Voting Shares failing which each such shareholder shall abstain from voting. The Voting Agreement also provides for a right of first refusal to both parties in case one or the other decided to sell part or all of its shares.

Of the shares issued and outstanding, 1,084,086 Class A Shares and 4,259,224 Multiple Voting Shares were subject to an escrow agreement and are subject to release in agreement with the provisions provided in the escrow agreement. As at September 30, 2020 and as at the date of this MD&A, 162,613 Class A Shares and 638,884 Multiple Voting Shares remain subject to the escrow agreement.

As at September 30, 2020, 9,278,128 warrants were issued. At the date of this MD&A, there were 9,426,461 warrants outstanding. See the "Subsequent Events" section for details.

The Corporation also had \$5,291,266 of convertible debentures at face value as at September 30, 2020 as compared to \$725,356 as at September 30, 2019. At the date of this MD&A, there were \$5,191,266 of convertible debenture at face value outstanding. The conversion price varies from \$0.75 to \$2.32, for an average price of \$1.18.

The Corporation has adopted an incentive stock option plan, which provides that the Board of Directors of the Corporation may, from time to time, in its discretion, and in accordance with the CSE requirements, grant to directors, officers, employees and technical consultant to the Corporation, non-transferable stock options to purchase common stock. There were no stock options outstanding as at September 30, 2020 and as at the date of this MD&A there have been no options granted.

## **Financial Instruments**

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value, subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognized when contractual rights to the cash flows from the financial asset expires, or when the financial asset and subsequently all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

The Corporation's financial instruments consist of cash, receivables, assets held for sale, debenture receivable, refundable deposits, advances to companies under common control, trade and other payables, other current liabilities, conversion features of the convertible debentures and long-term debt.

## **Risks and Uncertainties**

Emergia's focus is on small to medium size portfolios of mixed-use properties in Canada, mainly in the provinces of Quebec and Ontario, which diversified portfolio is more resilient to changing markets and macro-economic conditions. However, there are certain risks inherent in an investment in the shares of the Corporation and the activities of Emergia. For a detailed description of such risks, refer to the "Risks and Uncertainties" section of the Corporation's annual MD&A for the year ended December 31, 2019. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

## **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 Corporation's unaudited interim condensed consolidated financial statements as its policies were in line with the guidance.

### **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.

### **Off-Balance Sheet Arrangements**

The Corporation does not currently have any off-balance sheet arrangements.

### **Related Parties Transactions**

During the nine-month period ended September 30, 2020, the Corporation entered into transactions with related parties, which include the Corporation's key personnel and entities that are controlled by officers or directors of the Corporation. Key management includes directors and senior executives. All transactions with related parties occurred in the normal course of operations and are measured at their fair value as determined by management and the Board of Directors.

During the nine-month period ended September 30, 2020, the Corporation incurred \$569,808 in management fees as compared to \$535,780 during the same period in 2019.

Furthermore, during the nine-month period ended September 30, 2020, the Corporation incurred \$232,933 in consulting fee with a company controlled by a director and officer and a company controlled by a director of the Corporation compared to \$330,000 as of September 30, 2019.

Also, during the nine-month period ended September 30, 2020, the Corporation accrued a fee varying between 1% and 2% (\$504,436) 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 as compared to \$nil during the same period from the previous year.

Amounts owed to companies controlled by directors and officers reached \$1,308,587 as at September 30, 2020 as compared to \$2,088,090 as at December 31, 2019 to consider consulting fees and financing fees related to the nine-month period ended September 30, 2020. Amounts payable owed to directors and officers also increased from \$281,792 as at December 31, 2019 to \$445,328 to consider quarterly board and management fees.

During the period, related parties converted \$2,228,924 of trade and accrued payables in Units from the Private placement.

## **Additional Information**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Corporation. This MD&A should be read in conjunction with other disclosure documents provided by the Corporation, which can be accessed at [www.sedar.com](http://www.sedar.com).