



**Unaudited Interim Condensed  
Consolidated Financial Statements**

For the six-month periods ended  
June 30, 2021 and 2020

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## Management's Responsibility for Financial Reporting

The accompanying 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 consolidated financial statements with Management. The Committee reports its findings to the Board, which approves the consolidated financial statements before their filing.



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**HENRI PETIT**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



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**RATHA Siv**, CPA AUDITOR, CMA  
CHIEF FINANCIAL OFFICER

# Emergia Inc.

## Unaudited Interim Condensed Consolidated Statements of Financial Position

(in Canadian dollars)

	Note	As at June 30, 2021	As at December 31, 2020
<b>Assets</b>		\$	\$
<b>Current assets</b>			
Cash		77,124	81,861
Receivables and other receivables		60,166	147,611
Prepaid and refundable deposits		1,055,003	1,913,545
<b>Total current assets</b>		<b>1,192,293</b>	<b>2,143,017</b>
<b>Non-current assets</b>			
Other receivables	4	2,501,474	2,679,378
Investment properties	5	47,802,621	51,139,051
Land held for development	6	34,950,714	18,115,163
Investment in a joint venture	7	3,556,148	2,664,527
Investment in a private company		250,000	250,000
Property and equipment		2,500	2,500
<b>Total non-current assets</b>		<b>89,063,457</b>	<b>74,850,619</b>
<b>Total assets</b>		<b>90,255,750</b>	<b>76,993,636</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	6,507,306	6,520,975
Income tax payable		43,866	43,866
Other current liabilities	9	22,869,121	21,460,185
Current portion of convertible debentures	10	816,615	778,033
Current portion of bank mortgages and long-term debt	11, 12	1,801,547	4,538,286
<b>Total current liabilities</b>		<b>32,038,455</b>	<b>33,341,345</b>
<b>Non-current liabilities</b>			
Convertible debentures	10	3,912,620	4,331,070
Bank mortgages	11	2,956,377	4,573,003
Long-term debt	12	16,130,943	7,133,940
Deferred income tax liabilities		375,000	375,000
<b>Total non-current liabilities</b>		<b>23,374,940</b>	<b>16,413,013</b>
<b>Total liabilities</b>		<b>55,413,395</b>	<b>49,754,358</b>
<b>Shareholders' equity</b>			
Share capital	14	76,067,213	73,153,673
Reserved shares	14	4,500,000	—
Warrants	15	6,179,824	6,113,827
Contributed surplus		222,697	264,819
Deficit		(52,127,379)	(52,293,041)
<b>Total shareholders' equity</b>		<b>34,842,355</b>	<b>27,239,278</b>
<b>Total liabilities and shareholders' equity</b>		<b>90,255,750</b>	<b>76,993,636</b>

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

On behalf of the Board of Directors:

(s) Joseph Cianci, Director

(s) François Castonquay, Director

## Emergia Inc.

### Unaudited Interim Condensed Consolidated Statements of Comprehensive Gain (Loss)

(in Canadian dollars except for share amounts)

	Note	For the three months ended		For the six months ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
		\$	\$	\$	\$
<b>Rental income</b>		<b>48,879</b>	573,118	<b>284,486</b>	1,390,248
Operating expenses		<b>44,511</b>	308,499	<b>205,973</b>	814,983
<b>Net operating income</b>		<b>4,368</b>	264,619	<b>78,513</b>	575,265
Administrative expenses	16	<b>965,133</b>	449,388	<b>1,423,720</b>	1,024,208
Financing costs	16	<b>614,736</b>	989,479	<b>1,123,064</b>	1,744,387
Increase in fair value of investment properties	5	<b>(1,200,000)</b>	—	<b>(1,200,000)</b>	—
Gain on sale of property and equipment	5	<b>(618,224)</b>	—	<b>(618,224)</b>	—
Share of net income from joint venture	7	<b>54,373</b>	—	<b>(891,621)</b>	—
(Gain) loss on settlement of current and non-current liabilities	14	<b>(130,723)</b>	—	<b>75,912</b>	—
<b>Gain (loss) before income taxes</b>		<b>319,073</b>	(1,174,248)	<b>165,662</b>	(2,193,330)
Income taxes		—	—	—	—
<b>Net gain (loss) and comprehensive gain (loss) for the period</b>		<b>319,073</b>	(1,174,248)	<b>165,662</b>	(2,193,330)
<b>Basic and diluted net gain (loss) per outstanding common share</b>					
- Basic	17	<b>0.01</b>	(0.08)	<b>0.01</b>	(0.15)
- Diluted	17	<b>0.01</b>	(0.08)	<b>0.01</b>	(0.15)
<b>Weighted average number of outstanding common shares</b>					
- Basic		<b>22,324,320</b>	14,767,158	<b>22,040,787</b>	14,699,891
- Diluted		<b>22,324,320</b>	14,767,158	<b>22,040,787</b>	14,699,891

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

## Emergia Inc.

### Unaudited Interim Condensed Consolidated Statements of Shareholders' Equity

For the six-month periods ended June 30, 2021 and 2020

(in Canadian dollars except share amounts)

	Share Capital		Reserved Shares		Warrants	Contributed surplus	Deficit	Total Equity
	Number of shares	Amount	Number of shares	Amount				
	#	\$	#	\$	\$		\$	\$
<b>Balance at December 31, 2020</b>	<b>24,350,265</b>	<b>73,153,673</b>	—	—	<b>6,113,827</b>	<b>264,819</b>	<b>(52,293,041)</b>	<b>27,239,278</b>
Settlement of current and non-current liabilities	1,209,029	944,585	—	—	64,856	—	—	1,009,441
Issued under a private placement	1,766,249	1,377,454	—	—	1,141	—	—	1,378,595
Issued for consultation services	373,719	291,501	—	—	—	—	—	291,501
Issued for convertible debenture repayment	—	—	—	—	—	(42,122)	—	(42,122)
Issued for an acquisition	300,000	300,000	4,500,000	4,500,000	—	—	—	4,800,000
Net gain (loss) and comprehensive gain (loss)	—	—	—	—	—	—	165,662	165,662
<b>Balance at June 30, 2021</b>	<b>27,999,262</b>	<b>76,067,213</b>	<b>4,500,000</b>	<b>4,500,000</b>	<b>6,179,824</b>	<b>222,697</b>	<b>(52,127,379)</b>	<b>34,842,355</b>
Balance at December 31, 2019	14,619,107	60,216,541	—	—	5,069	—	(25,100,379)	35,121,231
Settlement of other current liabilities and payables	266,200	178,212	—	—	26,188	—	—	204,400
Net loss and comprehensive loss	—	—	—	—	—	—	(2,193,330)	(2,193,330)
Balance at June 30, 2020	14,885,307	60,394,753	—	—	31,257	—	(27,293,709)	33,132,301

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

# Emergia Inc.

## Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the six-month periods ended June 31, 2021 and 2020

(in Canadian dollars)

	Note	For the three months ended		For the six months ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Operating activities</b>		\$	\$	\$	\$
Net gain (loss)		319,073	(1,174,248)	165,662	(2,193,330)
Adjustments					
Consulting services paid in shares		—	179,400	—	204,400
Change in FV of convertible debentures		—	89,391	—	118,969
Increase in FV of investment properties	5	(1,200,000)	—	(1,200,000)	—
Gain on the sale of Property	5	(618,224)	—	(618,224)	—
Share of net income from joint venture	7	54,373	—	(891,621)	—
Loss on settlement of current and other current liabilities and payables	14	(130,723)	—	75,912	—
		(1,575,501)	(905,457)	(2,468,271)	(1,869,961)
Changes in working capital items	19	1,056,221	(21,456)	1,110,222	(419,711)
Cash flow from operating activities		(519,280)	(926,913)	(1,358,049)	(2,282,672)
<b>Investing activities</b>					
Land held for development	6,12,13,14	(8,753,680)	—	(8,753,680)	—
Proceeds on disposal of Assets for sale		—	100,000	—	100,000
Additions to Property and equipment		—	—	—	(933)
Cash flow from investing activities		(8,753,680)	100,000	(8,753,680)	99,067
<b>Financing activities</b>					
Credit line		—	—	—	(3,950,000)
Issuance of Units		1,253,053	—	1,377,454	—
Convertible debentures		—	42,479	—	4,520,000
Repayment of Convertible debentures		(542,800)	—	(542,800)	(100,000)
Other current liabilities		300,000	978,194	800,000	1,791,942
Repayment of Other current liabilities		(755,798)	(2,033)	(828,102)	(17,033)
Repayment of Bank mortgages		(8,137)	(49,745)	(43,797)	(144,643)
Long-term debt		9,025,000	71,492	9,350,000	410,802
Repayment of Long-term debt		—	(99,189)	(5,763)	(145,388)
Cash flow from financing activities		9,271,318	941,288	10,106,992	2,365,682
<b>Net change in cash</b>		(1,642)	114,375	(4,737)	175,073
Cash (bank overdraft), beginning of the period		78,766	17,015	81,861	(43,683)
<b>Cash (bank overdraft), end of the period</b>		77,124	131,390	77,124	131,390

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

## **Emergia Inc.**

### **Notes to the Unaudited Interim Condensed Consolidated Financial Statements**

**As at June 30, 2021**

*(in Canadian dollars)*

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## **Emergia Inc.**

### **Notes to the Unaudited Interim Condensed Consolidated Financial Statements**

**As at June 30, 2021**

*(in Canadian dollars)*

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#### **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. The Corporation also holds 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*. On March 23, 2018, Emergia became a publicly listed company on the Canadian Securities Exchange ("**CSE**") under the name "The Delma Group Inc." and the symbol "DLMA.CN" through a reverse takeover transaction by Aydon Income Properties Inc. 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 402 – 185 Avenue Dorval, Dorval, Quebec, Canada H9S 5J9.

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

##### **A. Statement of Compliance**

The unaudited interim condensed consolidated financial statements for the six months ended June 30, 2021 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 Corporation's annual audited consolidated financial statements for the year ended December 31, 2020 (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 unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Corporation's Board of Directors on August 25, 2021.

##### **B. Going Concern**

These 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.

As of June 30, 2021, the Corporation has not yet generated positive cash flows from its operations with a negative working capital of \$30,846,162 (\$31,198,328 – December 31, 2020).



# **Emergia Inc.**

## **Notes to the Unaudited Interim Condensed Consolidated Financial Statements**

**As at June 30, 2021**

*(in Canadian dollars)*

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

The Corporation has however started to achieve profitable operations with a net income of \$165,661. 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 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. Notwithstanding the foregoing, subsequent events (note 24) allowed to further reduce the short-term debt and management continues its financing activities as mentioned below. 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 \$10,207,394 as at June 30, 2021. At the time these unaudited interim condensed consolidated financial statements were approved, discussions with interested investors were ongoing. In addition to the latter, management pursues other financing alternatives to fund the Corporation's operations, including potential agreements with current lenders and creditors to possibly convert their debt in equity and or extend maturity dates and or related terms and conditions on existing loans, to reinforce its ability to continue as a going concern.

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**

There have been no significant changes to the Corporation's critical accounting judgments, estimates and assumptions made since our annual financial reporting for the year ended December 31, 2020.

### **Note 3 - Significant Accounting Policies**

As of June 30, 2021, there have been no material changes to the significant accounting policies as outlined in Note 3 of the 2020 Annual Financial Statements. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

# Emergia Inc.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

### Note 4 - Other Receivables

The other receivables are composed of the balance of sale detailed as follows:

	As at June 30, 2021	As at December 31, 2020
	\$	\$
Balance of sale	152,831	330,735
Balance of sale, 5% interest starting January 1, 2022, maturing in December 2022	2,348,643	2,348,643
	2,501,474	2,679,378
Current portion of balance of sale	—	—
Non-current portion of balance of sale	2,501,474	2,679,378

### Note 5 - Investment Properties

A reconciliation of the Investment properties is as follows:

	As at June 30, 2021	As at December 31, 2020
	\$	\$
Balance, beginning of the year	51,139,051	88,541,212
Disposal of 9700 St-Laurent Blvd. Montreal. Canada	(1,400,000)	—
Disposal of 475-489 Le Breton and 505-531 Le Breton. Longueuil. Canada	(3,196,776)	—
Disposal	—	(9,000,000)
Disposal of 9307-9077 Quebec Inc. (Note 5c)	—	(7,995,892)
Disposal of 9371-9904 Quebec Inc. (Note 5d)	—	(7,425,000)
Settlement of liabilities (Notes 5b and 5e)	—	(17,364,358)
Decrease in fair value of investment properties	—	(2,383,001)
Other acquisitions	1	—
Increase in fair value of investment properties	1,200,000	—
Borrowing costs	39,954	783,992
Development costs	20,391	—
Reclassified as land in development	—	(1,617,235)
Balance, end of the year	47,802,621	51,139,051

## Emergia Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

#### Note 5 - Investment Properties (Continued)

The Investment properties are composed of the following:

	As at June 30, 2021	As at December 31, 2020
	\$	\$
Land in Bromont, Canada	35,531,672	34,330,751
9700 St-Laurent Blvd, Montreal, Canada	—	1,400,000
475-489 Le Breton and 505-531 Le Breton, Longueuil, Canada	—	3,196,775
860 Cite-des-Jeunes, St-Lazare, Canada	1,382,236	1,329,441
472-474 Knowlton, Lac Brome, Canada	2,968,054	2,968,054
121 Lepine, Gatineau, Canada	4,570,000	4,570,000
Panagopoula Resort, Panagopoula, Greece	1,650,000	1,650,000
Land in Blainville, Canada	1,700,659	1,694,030
	<b>47,802,621</b>	<b>51,139,051</b>

#### 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 June 30, 2021	As at December 31, 2020
	\$	\$
Within 1 year	408,857	613,931
1 to 5 years	1,734,242	1,215,416
After 5 years	296,205	241,817
	<b>2,439,304</b>	<b>2,071,64</b>

During the second quarter, the Corporation bought three lands from the City of Bromont at the cost of 1\$. As of June 30, 2021, the Corporation estimated the fair value of one of the three lands, using the criteria set out by a third-party appraisal for the same type of transactions, to be approximately \$1,200,000.

The Corporation also disposed two investment properties for the total proceeds of \$5,215,000. The proceeds were used to repay the associated mortgage, payables and liabilities.

# Emergia Inc.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

### Note 6 – Land Held for Development

A reconciliation of the Land held for development is as follows:

	As at June 30, 2021	As at December 31, 2020
	\$	\$
Balance, beginning of the year	<b>18,115,163</b>	13,359,986
Acquisition of the land in Alliston, Canada	<b>15,136,912</b>	—
Borrowing costs	<b>1,645,709</b>	3,122,042
Development costs	<b>52,930</b>	15,989
Reclassified from Investment Properties	—	1,617,146
Balance, end of the year	<b>34,950,714</b>	18,115,163

The Land held for development is composed of the following:

	As at June 30, 2021	As at December 31, 2020
	\$	\$
Land in Bromont, Canada	<b>18,115,163</b>	18,115,163
Land in Alliston, Canada	<b>15,136,912</b>	—
	<b>34,950,714</b>	18,115,163

On May 3, 2021, the Corporation purchased a land of approximately 100 acres in Alliston, Ontario for a purchase price of \$14.4 million (excluding closing costs and land transfer tax). The acquisition of the land was done at arm's length and the purchase price was paid as follows: (i) \$9,600,000 in cash and (ii) \$4,800,000 in Class A shares of the Corporation of which 300,000 have been issued and 4,500,000 are reserved for issuance (**Note 13 – Share Capital**) upon receipt of the allocation of such shares between the vendors. To satisfy a portion of the purchase price, the Corporation entered into a financing of \$9,000,000 at an interest rate of 6% per year payable at maturity on March 10, 2023 (**Note 12 – Long-Term Debt**), plus a participation in the profits of the project.

# Emergia Inc.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

### Note 7 - Investment in Joint Venture

The Corporation has ownership interest in the following joint venture:

	As at June 30, 2021	As at December 31, 2020
12028735 Canada Inc.	50%	50%

The following table shows the changes in the carrying value of Emergia's investment in joint venture for the three-month period ended June 30, 2021:

	\$
Beginning balance	2,664,527
Share of net income	891,621
Ending balance	3,556,148

Summarized financial information of the joint venture as at June 30, 2021 is as follows:

	As at June 30, 2021	As at December 31, 2020
	\$	\$
Current assets	460,166	1,249,387
Non-currents assets	15,792,442	13,163,000
Current liabilities	296,967	148,686
Non-current liabilities	8,940,500	8,940,500
Revenues	429,739	193,316
Change in fair value of Investment properties	2,000,000	—
Net income and comprehensive income for the period	1,783,242	25,892

### Note 8 - Trade and Other Payables

	As at June 30, 2021	As at December 31, 2020
	\$	\$
Trade payables and accrued liabilities	6,468,553	6,173,732
Interest payable on other current liabilities and long-term debt	38,773	347,243
	6,507,306	6,520,975

# Emergia Inc.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

### Note 9 - Other Current Liabilities

	As at June 30, 2021	As at December 31, 2020
	\$	\$
Loan, 12%, maturing in May 2022	<b>800,000</b>	—
Promissory notes, 10%	<b>603,203</b>	576,312
Loans, 10%, maturing in August 2021	<b>139,667</b>	139,667
Loan, 15%, secured by Land in Bromont and Land held for development and a guarantee from a director	<b>19,324,068</b>	17,947,048
Advances from a company controlled by a director, 10%	<b>105,000</b>	105,000
Loan from a company controlled by a director, 12%,	<b>330,044</b>	330,044
Loan, 8%, secured by a guarantee from a company controlled by a director	<b>555,364</b>	850,349
Loan, 10%, secured by 472 Chemin Knowlton and a guarantee from a director	<b>200,000</b>	200,000
Loan, 13.8%, secured by 121 Lepine and a guarantee from a director	<b>500,000</b>	500,000
Loan, 20%, secured by a company controlled by a director, maturing in December 2021, convertible into Units at a conversion price of \$0.75 per unit, each unit comprising 1 common share and 1 warrant	—	500,000
Loans, 10% and 12%, maturing in June and August 2021	<b>215,000</b>	215,000
Advances from companies controlled by a director, 9% and 10%	<b>96,775</b>	96,765
	<b>22,869,121</b>	21,460,185

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

# Emergia Inc.

## Notes to the Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

### Note 10 - Convertible Debentures

	As at June 30, 2021	As at December 31, 2020
	\$	\$
Convertible debentures, 10%, secured by all present and future residential properties of the Corporation, payable along with the promissory notes listed into Other current liabilities by monthly installments of \$100,000 and in full by December 31, 2020. On April 21, 2021, the maturity date was amended to December 31, 2021	816,615	778,033
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	3,812,620	4,231,070
Convertible debenture, 12%, unsecured, convertible into Units at the lesser of \$0.75 or the price of most recent financing, matures on June 14, 2022	100,000	100,000
	<b>4,729,235</b>	5,109,103
Current portion	816,615	778,033
	<b>3,912,620</b>	4,331,070

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 the land in Blainville and the property located at 472, Knowlton Road in Lac Brome. 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.

In May 2021, the Corporation partially repurchased \$1,250,000 of the debenture, and the payment was made in June 2021. The agreement permits the Corporation to early redeem at anytime until maturity. The early redemption was first allocated to the accrued interest payable of \$707,200, and \$542,800 to the principal. The Corporation allocated the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the repurchase. According to IFRS 9, the Corporation has the choice to record the difference between the carrying amount allocated to the part derecognised and the consideration paid for the part derecognised, either as a gain or loss in the income statement or as an element of other comprehensive income through contributed surplus. The Corporation recorded that difference in other comprehensive income.

# Emergia Inc.

## Notes to the Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

### Note 11 - Bank Mortgages

	As at June 30, 2021	As at December 31, 2020
	\$	\$
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	<b>3,050,294</b>	3,094,091
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	—	1,623,605
	<b>3,050,294</b>	4,717,696
Current portion	<b>93,917</b>	144,693
	<b>2,956,377</b>	4,573,003

### Note 12 - Long-Term Debt

	As at June 30, 2021	As at December 31, 2020
	\$	\$
Term loan, 6%, maturing May 2023	<b>9,000,000</b>	4,819,926
Term loan, 20%, maturing June 2023	<b>350,000</b>	4,819,926
Advances, 9%, secured by Lands in Bromont, maturing in March 2023	<b>5,039,079</b>	4,819,926
Advances from a company controlled by a director, 9%, secured by Land in Bromont and Land held for residential development, maturing in March 2023	<b>1,112,423</b>	1,064,044
Term loan, 10%, matured and payable on demand, secured by land in Bromont and a guarantee from a director, maturing in May 2023	<b>1,226,046</b>	2,163,697
Term loan, 12%, payable on demand	<b>131,583</b>	143,424
Term loan, 10%, secured by 860 Cité-des-Jeunes and by a guarantee from a director, matured in December 2020, payable on demand	—	412,500
Term loan, 8%, secured by 860 Cité-des-Jeunes and by a guarantee from a director, payable on demand	<b>350,000</b>	350,000
Term loan, 11.5%, secured by 9700 St-Laurent and by a guarantee from a director and a third party, maturing in May 2021	—	1,000,000
Term loan, 12%, secured by 475-489 and 505-531 Le Breton a guarantee from a director, maturing in February 2022	—	1,250,000
Advances from the joint venture	<b>629,442</b>	304,442
Advances, 12% maturing in December 2021	—	19,500
	<b>13,059,486</b>	11,527,533
Current portion	<b>1,707,630</b>	4,393,593
	<b>8,315,481</b>	7,133,940



# Emergia Inc.

## Notes to the Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

### Note 13 - Reconciliation of liabilities arising from financing activities

A change in the Corporation's liabilities arising from financing activities can be classified as follows:

2021			\$
	Short-term borrowings	Long-term borrowings	Total
<b>Balance, beginning of year</b>	<b>22,238,218</b>	<b>20,596,299</b>	<b>42,834,517</b>
Cash			
Repayment	(828,102)	(592,360)	(1,420,462)
New borrowings	800,000	9,350,000	10,150,000
Non-Cash			
Settlement into class "A" shares	—	(19,500)	(19,500)
Settlement from asset transactions	—	(4,986,668)	(4,986,668)
Non-cash interest	1,438,636	490,700	1,929,336
Conversion option	—	—	—
Reclassification	(779,631)	779,631	—
<b>Balance, ending of the period</b>	<b>22,869,121</b>	<b>25,618,102</b>	<b>48,487,223</b>

  

2020			\$
	Short-term borrowings	Long-term borrowings	Total
Balance, beginning of year	37,844,458	29,757,423	67,601,881
Cash			
Repayment	(5,655,445)	(1,400,932)	(7,056,377)
New borrowings	500,000	7,155,996	7,655,996
Non-Cash			
Settlement into class "A" shares	(3,366,101)	(254,795)	(3,620,896)
Settlement from asset transactions	(4,781,217)	(20,866,816)	(25,648,033)
Non-cash interest	3,580,463	581,233	4,161,696
Conversion option	—	(259,750)	(259,750)
Reclassification	(5,883,940)	5,883,940	—
Balance, ending of year	22,238,218	20,596,299	42,834,517

### Note 14 - 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.

# Emergia Inc.

## Notes to the Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

### Note 14 - Share Capital (Continued)

Shares issued and outstanding were as follows:

	June 30, 2021		December 31, 2020	
	Number	\$	Number	\$
Class "A" common shares	23,488,371	80,567,213	19,839,374	67,000,387
Class "B" common shares	4,510,891	6,153,286	4,510,891	6,153,286
	<b>27,999,262</b>	<b>86,720,499</b>	24,350,265	73,153,673

During the period, the Corporation issued Units (the "Units") at a price of \$0.76 and \$0.78 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 June 30, 2023. As at June 30, 2021, 3,348,997 Units were issued for a total of \$2,613,540 consisting of \$1,377,454 paid in cash, \$931,320 for accounts payable and debt settlement, \$291,501 as payment for consultation services. In addition to the above, 300,000 Common Class A Shares were issued at a total price of \$300,000 as payment for the acquisition of the land in Alliston. The settlement of those current and non-current liabilities resulted in an increase of \$2,913,540 in Common shares, \$65,997 in Warrants and \$75,912 in loss from the settlement of current and non-current liabilities.

### Note 15 - Warrants

The following is a continuity of the warrants outstanding and exercisable as at June 30, 2021:

		As at June 30, 2021		As at December 31, 2020	
	Expiration date	Number	Weighted average Exercisable price \$	Number	Weighted average Exercisable price \$
Beginning balance		9,651,158	1.25	15,000	2.00
Issuance of warrants	December 31, 2022	1,059,541	1.25	9,651,158	1.25
Issuance of warrants	December 31, 2021	2,292,056	1.25	9,651,158	1.25
Expiration of warrants		—	—	(15,000)	2.00
Ending balance		<b>13,002,755</b>	<b>1.25</b>	9,651,158	1.25

The weighted average remaining contractual life for the warrants outstanding as of June 30, 2021 was 1.5 year.

The Corporation deems the Black-Scholes pricing model appropriate to calculate the fair value of these warrants, considered as equity instruments, and uses the following compounded values of a share price at the time of issuance of \$0.98, exercise price of \$1.25, risk free rate of 0.94%, volatility of 53%, vesting immediately, and life of 0.9 year from date of grant resulting in a fair value of the warrant of \$0.11. The expected underlying volatility was based on the historical data of the Corporation's shares over a period equivalent to the expected average life of the warrants.

# Emergia Inc.

## Notes to the Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

### Note 16 - Additional Information – Comprehensive Loss

Administrative expenses are composed of the following:

	For the three-months ended		For the six-months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Consulting fees	756,535	142,901	1,129,090	296,367
Management fees	86,932	180,056	86,932	382,500
Professional fees	121,666	126,340	207,698	345,341
	965,133	449,388	1,423,720	1,024,208

Financing costs are composed of the following:

	For the three-months ended		For the six-months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Interest	283,264	543,438	791,592	1,210,698
Change in fair value of the convertible debenture	—	188,906	—	159,328
Financing and other fees	331,472	257,135	331,472	374,361
	614,736	989,479	1,123,064	1,744,387

### Note 17 - Net Gain (Loss) per Share

The calculation of basic net loss per share at June 30, 2021 was based on the loss attributable to common shareholders which corresponds to the gain for the year of \$165,662 (June 30, 2020 – loss of \$2,193,330) and a weighted average number of common shares of 22,040,787 (June 30, 2020 – 14,699,891).

The calculation of diluted net loss per share on June 30, 2021 is the same as the basic net loss per share as all conversion option of the debentures, stock options and warrants had an anti-dilutive effect (June 30, 2020 - same).

# Emergia Inc.

## Notes to the Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

### Note 18 - 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		For the six-months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Management fees	166,950	180,056	367,500	382,500

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

	For the three-months ended		For the six-months ended	
	June 30, 2020	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Management fees and professional fees	48,253	100,000	144,758	210,967
Financing fees	90,845	208,070	173,190	312,105

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

	As at June 30, 2021	As at December 31, 2020
	\$	\$
Companies controlled by directors and officers	3,976,851	3,369,252
Accrual compensation of directors and officers	803,795	592,608

The Corporation has additional loans and advances with related parties disclosed in Note 8 and 11. The Corporation accrues a fee of 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.

# Emergia Inc.

## Notes to the Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

### Note 19 - Additional Information – Cash Flow

The changes in working capital items are detailed as follows:

	For the three-months ended	
	June 30, 2021	June 30, 2020
	\$	\$
Receivables and other receivables	265,349	(244,117)
Prepays and refundable deposits	858,542	(389,970)
Advances	—	11,578
Trade and other payables	(13,669)	202,798
	<b>1,110,222</b>	<b>(419,711)</b>
Additional cash flow information:		
Interest paid	781,551	567,827
Additions to investment properties included in trade and other payables	60,346	1,541,555
Additions to land held for residential development included in trade and other payables	52,930	790,940

### Note 20 - Financial Assets and Liabilities

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

	June 30, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>	\$	\$	\$	\$
Financial assets at amortized cost				
Cash	77,124	77,124	81,861	81,861
Receivables and other receivables	2,561,640	2,561,640	2,826,989	2,826,989
Refundable deposits	1,055,003	1,055,003	1,504,640	1,504,640
	<b>3,693,767</b>	<b>3,693,767</b>	4,449,454	4,449,454
Financial assets at FVTPL				
Investment in a private company	250,000	250,000	250,000	250,000
<b>Total financial assets</b>	<b>3,943,767</b>	<b>3,943,767</b>	4,699,454	4,699,454
<b>Financial liabilities</b>				
Financial liabilities at amortized cost				
Trade and other payables	6,507,306	6,507,306	6,520,975	6,520,975
Other current liabilities	22,869,121	22,869,121	21,460,185	21,460,185
Bank mortgages	3,050,294	3,050,294	4,717,696	4,717,696
Long term debt	17,838,573	17,838,573	11,527,533	11,527,533
Convertible debentures	4,729,235	4,729,235	5,109,105	5,109,105
<b>Total financial liabilities</b>	<b>54,994,529</b>	<b>54,994,529</b>	49,335,494	49,335,494

# Emergia Inc.

## Notes to the Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

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### Note 20 - Financial Assets and Liabilities (Continued)

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, refundable deposits, advances to companies under common control, other advances receivable, bank overdraft, 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 21 - 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 through 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 June 30, 2021 and December 31, 2020 bank mortgages, convertible debentures, long-term debt and other current liabilities are at fixed interest rates and subject the Corporation to a fair value risk (certain bank mortgages, other current liabilities and long-term debt in 2019). As at June 30, 2021 and December 31, 2020, 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.

# Emergia Inc.

## Notes to the Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

### Note 21 - Financial Instrument Risk (Continued)

#### 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 June 30, 2021 and December 31, 2020 is the carrying amount of these instruments, the credit risk is not significant.

#### Liquidity risk

Liquidity risk is the risk 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.

As at June 30, 2021 and December 31, 2020, the Corporation's financial liabilities have contractual maturities as summarized below:

	June 30, 2021			
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Trade and other payables	6,507,306	—	—	—
Convertible debentures	—	816,615	3,912,620	—
Other current liabilities	22,869,121	—	—	—
Bank mortgages	46,547	47,370	2,956,377	—
Long term debt	1,707,630	—	16,130,943	—
<b>Total</b>	<b>31,130,604</b>	<b>863,985</b>	<b>22,999,940</b>	<b>—</b>

  

	December 31, 2020			
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Trade and other payables	6,520,975	—	—	—
Convertible debentures	—	778,033	5,669,888	—
Other current liabilities	20,720,518	865,634	—	—
Bank mortgages	162,441	162,441	4,605,159	—
Long term debt	4,393,593	—	7,133,970	—
<b>Total</b>	<b>31,797,527</b>	<b>1,806,108</b>	<b>17,090,017</b>	<b>—</b>

# Emergia Inc.

## Notes to the Consolidated Financial Statements

As at June 30, 2021

(in Canadian dollars)

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### Note 22 - 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.

### Note 23 - Segment Information

Non-current assets (other than financial instruments) are owned in the following countries:

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	<b>As at June 30, 2021</b>	As at December 31, 2020
	\$	\$
Canada	<b>84,661,983</b>	70,271,241
Greece	<b>1,650,000</b>	1,650,000

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The rental income is 100% in Canada.



# **Emergia Inc.**

## **Notes to the Consolidated Financial Statements**

**As at June 30, 2021**

*(in Canadian dollars)*

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### **Note 24 – Subsequent Events**

#### *Private placement offering and debt settlement*

The previously announced a private placement offering of Units, composed of 1 common share and one common share purchase warrant, for up to \$15,000,000, for which 10.2M has been closed by the Corporation as at June 30, 2021, has been terminated. A new private placement offering has been put in place for an amount of \$5,000,000 until September 6, 2021. The maturity date of the warrants extended to June 30, 2023.

On July 19, 2021, the Corporation issued 110,705 Units, representing \$58,500 in cash and \$27,850 in consulting fees.

#### *Sale of the property located at 860, Cité-des-Jeunes, Saint-Lazare*

On August 19, 2021, the Corporation sold the property located at 860, Cité-des-Jeunes in Saint-Lazare at a price of \$1,380,000, which amount served to reimburse short-term debts.