EMERGIA

# Unaudited Interim Condensed Consolidated Financial Statements

**For the nine-month periods ended September 30, 2021 and 2020**

# Table of Contents

# 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.

**HENRI PETIT**
PRESIDENT AND CHIEF EXECUTIVE OFFICER

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

# Emergia Inc.

## Unaudited Interim Condensed Consolidated Statements of Financial Position

## As at September 30, 2021 and December 31, 2020

***(in Canadian dollars) as at September 30, 2021***

| | Notes | **As at September 30 2021** | As at December 31 2020 |
|---|---|---|---|
| **Assets** | | **$** | $ |
| **Current assets** | | | |
| Cash | | **36,027** | 81,861 |
| Receivables | | **33,975** | 147,611 |
| Prepaid and refundable deposits | | **2,450,691** | 1,913,545 |
| **Total current assets** | | **2,520,693** | 2,143,017 |
| **Non-current assets** | | | |
| Other receivables | **5** | **2,515,748** | 2,679,378 |
| Investment properties | **6** | **46,428,424** | 51,139,051 |
| Land held for development | **7** | **36,483,664** | 18,115,163 |
| Investment in a joint venture | **8** | **3,514,155** | 2,664,527 |
| Investment in a private company | | **250,000** | 250,000 |
| Property and equipment | | **2,500** | 2,500 |
| **Total non-current assets** | | **89,194,491** | 74,850,619 |
| **Total assets** | | **91,715,184** | 76,993,636 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | **9** | **6,208,945** | 6,520,975 |
| Income tax payable | | **43,866** | 43,866 |
| Other current liabilities | **10** | **3,078,954** | 21,460,185 |
| Current portion of convertible debentures | **11** | **4,773,834** | 778,033 |
| Current portion of bank mortgages | **12** | **47,370** | 144,693 |
| Current portion of long-term debt | **13** | **2,251,046** | 4,393,593 |
| **Total current liabilities** | | **16,404,015** | 33,341,345 |
| **Non-current liabilities** | | | |
| Convertible debentures | **11** | **9,671,254** | 4,331,070 |
| Bank mortgages | **12** | **2,980,710** | 4,573,003 |
| Long-term debt | **13** | **26,288,889** | 7,133,940 |
| Deferred income tax liabilities | | **375,000** | 375,000 |
| **Total non-current liabilities** | | **39,315,853** | 16,413,013 |
| **Total liabilities** | | **55,719,868** | 49,754,358 |
| **Shareholders' equity** | | | |
| Share capital | **15** | **80,848,486** | 73,153,673 |
| Warrants | **16** | **6,179,824** | 6,113,827 |
| Contributed surplus | | **1,765,226** | 264,819 |
| Deficit | | **(52,798,220)** | (52,293,041) |
| **Total shareholders' equity** | | **35,995,316** | 27,239,278 |
| **Total liabilities and shareholders' equity** | | **91,715,184** | 76,993,636 |

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

On behalf of the Board of Directors:

*(Signed) Joseph Cianci*, Director

*(Signed) François Castonguay*, Director

# Emergia Inc.

## Unaudited Interim Condensed Consolidated Statements of Comprehensive Gain (Loss)
## For the nine-month periods ended September 30, 2021 and 2020

***(in Canadian dollars except for share amounts)***

| | | For the three-months ended | | For the nine-months ended | |
|---|---|---|---|---|---|
| | | **September 30** | September 30 | **September 30** | September 30 |
| | **Notes** | **2021** | 2020 | **2021** | 2020 |
| | | **$** | $ | **$** | $ |
| **Rental income** | | **104,606** | 797,540 | **389,092** | 2,187,788 |
| Operating expense | | **62,337** | 455,596 | **268,311** | 1,270,589 |
| **Net operating income** | | **42,269** | 341,944 | **120,781** | 917,199 |
| Administrative expenses | **17** | **336,695** | 673,684 | **1,760,415** | 1,697,881 |
| Financing costs | **17** | **593,037** | 2,005,797 | **1,716,101** | 3,750,184 |
| Decrease (increase) in fair value of investment properties | **6** | **-** | 1,731,346 | **(1,200,000)** | 1,731,346 |
| Loss (gain) on sale of properties | **6** | **305** | - | **(617,919)** | - |
| Share of net (income) loss from joint venture | **8** | **52,316** | - | **(839,305)** | - |
| Loss (gain) on settlement of current and non-current liabilities | **15** | **-** | - | **75,912** | - |
| **Gain (Loss) before income taxes** | | **(940,084)** | (4,068,883) | **(774,423)** | (6,262,212) |
| Income taxes | | | | | |
| **Net gain (loss) and comprehensive gain (loss) for the year** | | **(940,084)** | (4,068,883) | **(774,423)** | (6,262,212) |
| **Basic and diluted net loss per outstanding common share** | | | | | |
| - Basic | **18** | **(0.03)** | (0.18) | **(0.03)** | (0.36) |
| - Diluted | **18** | **(0.03)** | (0.16) | **(0.03)** | (0.28) |
| **Weighted average number of Outstanding common shares** | | | | | |
| - Basic | | **29,744,701** | 22,303,253 | **29,744,701** | 17,253,903 |
| - Diluted | | **29,744,701** | 26,088,128 | **29,744,701** | 22,211,042 |

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

# Emergia Inc.

## Unaudited Interim Condensed Consolidated Statements of Shareholders' Equity

### As at September 30, 2021 and December 31, 2020

***(in Canadian dollars except share amounts)***

| | Share Capital | | | | | |
|---|---|---|---|---|---|---|
| | Number of shares | Amount | Warrants | Contributed Surplus | Deficit | Total Equity |
| | # | $ | $ | $ | $ | $ |
| **Balance on December 31, 2020** | **24,350,265** | **73,153,673** | **6,113,827** | **264,819** | **(52,293,041)** | **27,239,278** |
| Settlement of current and non-current liabilities | **1,209,029** | **944,585** | **64,856** | **-** | **-** | **1,009,441** |
| Issued under a private placement | **1,848,749** | **1,436,726** | **1,141** | **-** | - | **1,437,867** |
| Issued for consultation services | **696,042** | **513,502** | **-** | - | - | **513,502** |
| Issuance of a convertible debenture | - | - | - | **1,500,407** | **-** | **1,500,407** |
| Issued for an acquisition | **4,800,000** | **4,800,000** | **-** | - | - | **4,800,000** |
| Adjustment opening balance | - | - | - | - | **269,244** | **269,244** |
| Net loss and comprehensive loss | **-** | **-** | **-** | **-** | **(774,423)** | **(774,423)** |
| **Balance at September 30, 2021** | **32,904,085** | **80,848,486** | **6,179,824** | **1,765,226** | **(52,798,220)** | **35,995,316** |
| | | | | | | |
| **Balance on December 31, 2019** | 14,619,107 | 60,216,541 | 5,069 | - | (25,100,379) | 35,121,231 |
| Settlement of current and non-current liabilities | 9,384,492 | 12,668,282 | 6,113,827 | - | - | 18,782,109 |
| Issued under a private placement | 266,666 | 200,000 | **-** | **-** | **-** | 200,000 |
| Issued for consultation services | 40,000 | 29,850 | - | - | - | 29,850 |
| Issuance of a convertible debenture | - | - | - | 259,750 | - | 259,750 |
| Issued as interest on debentures | 40,000 | 39,000 | - | - | - | 39,000 |
| Warrants expiration | - | - | (5,069) | 5,069 | - | - |
| Net loss and comprehensive loss | - | - | - | - | (27,192,662) | (27,192,662) |
| **Balance at December 31, 2020** | **24,350,265** | **73,153,673** | **6,113,827** | **264,819** | **(52,293,041)** | **27,239,278** |

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

# Emergia Inc.

## Unaudited Interim Condensed Consolidated Statements of Cash Flows
## For the nine-month periods ended September 30, 2021 and 2020
***(in Canadian dollars)***

| | Notes | For the three-months ended September 30 2021 | September 30 2020 | For the nine-months ended September 30 2021 | September 30 2020 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Operating activities** | | | | | |
| Net (gain) loss | | **(940,085)** | (4,068,883) | **(774,423)** | (6,262,212) |
| Adjustments for | | | | | |
| Consulting services paid in shares | | **-** | (179,400) | **-** | 25,000 |
| Decrease (Increase) in fair value of convertible debentures | | **-** | 202,469 | **-** | 321,438 |
| Decrease (Increase) in fair value of investment properties | **6** | **-** | 1,731,347 | **(1,200,000)** | 1,731,347 |
| Loss (gain) on sale of properties | **6** | **305** | - | **(617,919)** | - |
| Share of net income from joint venture | **8** | **52,316** | - | **(839,305)** | - |
| Loss (gain) on settlement of current and non-current liabilities | **15** | **-** | - | **75,912** | - |
| | | **(887,464)** | (2,314,467) | **(3,355,735)** | (4,184,427) |
| Changes in working capital items | **20** | **(1,682,132)** | (2,982,905) | **(571,910)** | (3,303,553) |
| Cash flows from operating activities | | **(2,569,596)** | (5,297,372) | **(3,927,645)** | (7,487,980) |
| **Investing activities** | | | | | |
| Investment in a Joint venture | | **-** | (2,651,581) | **-** | (2,651,581) |
| Proceeds on disposal of Investment properties | **6,14** | **1,747,208** | 9,000,000 | **1,747,208** | 9,000,000 |
| Proceeds on disposal of assets held for sale | | **-** | 100,000 | **-** | 100,000 |
| Additions to land held for development | **7,13,14,15,16** | **-** | - | **(8,753,680)** | - |
| Cash flows from investing activities | | **1,747,208** | 6,448,419 | **(7,006,472)** | 6,448,419 |
| **Financing activities** | | | | | |
| Credit line | | **-** | - | **-** | (3,950,000) |
| Issuance of units | **15** | **59,272** | 6,983,592 | **1,436,726** | 6,983,592 |
| Convertible debentures | **14** | **10,500,000** | - | **10,500,000** | 4,520,000 |
| Repayment of convertible debentures | **14** | **-** | - | **(542,800)** | (100,000) |
| Other current liabilities | **14** | **-** | 1,763,307 | **800,000** | 3,555,249 |
| Repayment of other current liabilities | **14** | **(799,998)** | (3,570,026) | **(1,628,100)** | (3,587,059) |
| Bank mortgages | | **-** | - | **-** | - |
| Repayment of bank mortgages | **14** | **(31,444)** | (5,224,706) | **(75,241)** | (5,369,349) |
| Long-term debt | **14** | **(8,775,000)** | 129,599 | **575,000** | 540,401 |
| Repayment of long-term debt | **14** | **(171,539)** | (1,330,000) | **(177,302)** | (1,475,387) |
| Cash flows from financing activities | | **781,291** | (1,248,234) | **10,888,283** | 1,117,447 |
| **Net change in cash** | | **(41,097)** | (97,187) | **(45,834)** | 77,886 |
| Cash (bank overdraft), beginning of year | | **77,124** | 131,390 | **81,861** | (43,683) |
| **Cash (bank overdraft), end of year** | | **36,027** | 34,203 | **36,027** | 34,203 |

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

## Note 1 – Information on the Corporation

Emergia Inc. together with its subsidiaries (together referred to as "**Emergia**" or the "**Corporation**") operates in the development, acquisition and management of multi-purpose real-estate properties, including retail, multi-residential, office and industrial buildings. 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 nine months ended September 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 November 29, 2021.

### B. Going Concern

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

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

As at September 30, 2021, the Corporation has started to improve the profitability of its operations with a net loss of $774,423 for the nine-months ended September 30, 2021 compared to a net loss of $6,262,212 for the nine-months ended September 30, 2020 and compared to a net loss of $27,148,796 for the year ended December 31, 2020.

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 to realize its assets and discharge its liabilities in the normal course of its operations in order to complete its contemplated business plan and ultimately achieve profitable operations. The significant reduction in the losses during the current year to date along with the extension of the debt related to the Bromont land and reclassification of such debt as long-term debt place the Corporation in a more favorable position financially which should therefore enhance its financing options in the future. The ongoing fund-raising transactions detailed in Note 25 (Subsequent Events) and other alternative fundings as described below will ensure the Corporation's solvency, with the capital raised, the settlement of debts that are past due, the repayment schedule of any new debts and cash on hand. From July 2020 to September 30, 2021, the Corporation closed private placements of units for an aggregate amount of $10,207,394 (mainly in debt conversion and partly in cash). Since September 30, 2021, the Corporation has undertaken a private placement of $5 million of convertible debentures, $3,000,000 of which has closed as of the date these unaudited condensed financial statements were approved. In addition to ongoing discussions with interested investors, management pursues other financing alternatives to fund the Corporation's operations, including potential agreements with current lenders and creditors for share-based payments and debt conversions. While the Corporation is continuing to execute its plan of improving its financial position, improving its profitability and raising funds, there exists uncertainties that may cast significant doubt regarding the Corporation's 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 September 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.

## Note 4 - Transactions

### Acquisition and disposal of Investment properties in 2021

***a) Disposal of 9700 St-Laurent Blvd., Montreal, Canada***

In the second quarter, the Corporation disposed of 9700 St-Laurent for the proceed of $1,550,000, generating a profit of $150,000. The proceeds were used to repay the associated mortgage, and payables, and liabilities.

***b) Disposal of 475-489 Le Breton and 505-531 Le Breton, Longueuil, Canada***

In the second quarter, the Corporation disposed of 475-489 and 505-531 Le Breton for the total proceeds of $3,665,000, generating a profit of $468,224. The proceeds were used to repay the associated mortgage, and payables and liabilities.

***c) Disposal of 860 Cite-des-Jeunes, St-Lazare, Canada***

In the third quarter, the Corporation disposed of 860 Cité-des-Jeunes, for the proceed of $1,380,000, generating a loss of $2,236, or a net loss of $305 after some minor adjustment related to the transaction costs. The proceeds were used to repay the associated mortgage, and payables and liabilities.

***d) Acquisition of three Lands in Bromont***

In the second quarter, the Corporation bought three lands from the City of Bromont at the cost of 1$. As of September 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.

***e) Acquisition of land in Alliston***

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 15 – 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 through two convertible debenture subscription agreements at an interest rate of 6% per year payable at maturity on March 10, 2023 (**Note 11 – Convertible Debentures**), plus a participation in the profits of the project. The amount includes the conversion of an existing $0.5M long-term debt in 2020.

### Note 4 – Transactions (Continued)

#### Disposal of Investment properties in 2020

#### *f) Transfer of assets in a joint venture*

On September 4, 2020, the Corporation entered into a joint venture agreement to own and develop some of its investment properties. The joint venture was formed in a separate legal entity, 12028735 Canada Inc. On September 4, 2020, the Corporation sold to the JV its 185, Dorval Avenue property at a price of $9,000,000 in exchange of 2,651,581 Class "A" common shares of 12028735 Canada Inc. and the transfer of the following liabilities: bank mortgages of $4,777,500, long-term debt of $1,150,000 and accounts payable and accrued liabilities of $420,920. The Corporation benefits of an option to buy-back all the shares of the partner in the JV at any time during a period of 3 years from the date of closing. The Corporation remains in charge of the management and development of the property in virtue of a management contract.

#### *g) Land in Levis.*

On November 11, 2020, the Corporation entered into an agreement with a senior lender for the repayment of a $3,500,000 term loan, related accrued interest, financing costs and taxes in the amount of $2,429,783 by handing over, on December 31, 2020, the mortgaged land in Levis. The agreement also considered the right for the Corporation to buy-back the property at the earliest of 12 months following January 1, 2021 or ten (10) business days following the receipt of a bona fide not at arms length offer by a third-party to the Lender.

The Lender also assumed payment of other current liabilities of $250,000 and accrued liabilities related to the property of $509,549.

#### *h) Disposal of 9307-9077 Québec Inc.*

On December 31, 2020, the Corporation entered into an agreement to dispose of its subsidiary 9307-9077 Quebec Inc. which includes the 1221-1225 St-Jean-Baptiste, 610-640 Orly and 2001 Chemin Oka properties for gross proceeds of $330,735 which are receivables as at December 31, 2020 (note 6). A gain on disposal of a subsidiary of $171, 248 was realized on this transaction.

#### *i) Disposal of 9371-9904 Quebec Inc.*

On December 31, 2020, the Corporation entered into an agreement with respect to selling its shares of 9371-9904 Quebec Inc. and related 395-425 Des Erables property for gross proceeds of $2,348,643 which are receivables as at December 31, 2020 (note 6). A gain on disposal of a subsidiary of $270,980 was realized on this transaction

#### *j) 117, Lepine, Gatineau*

On October 22, 2020, the Corporation entered into an agreement with lenders for the reimbursement of $3,880,000 loans and related accrued interest of $255,918 by transferring the 117, Lepine property.

*(in Canadian dollars)*

## Note 4 – Transactions (Continued)

Overall impacts of these Investment properties transactions on the financial statements were as follows:

| | As at December 31 2020 |
|---|---:|
| | $ |
| Balance of sale receivable | 2,679,378 |
| Investment properties | (41,785,251) |
| Investment in a joint venture | 2,651,581 |
| Bank mortgages | (14,757,514) |
| Other current liabilities | (4,781,217) |
| Long-term debt | (6,129,302) |
| Trade and other payables | (4,689,378) |
| Gain on disposal of subsidiaries | 442,228 |
| Loss on settlement of long-term debt | (4,225,027) |
| Loss on settlement of other current liabilities | (2,314,082) |

## Note 5 - Other Receivables

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

| | **As at September 30 2021** | As at December 31 2020 |
|---|---:|---:|
| | **$** | $ |
| Balance of sale | **167,105** | 330,735 |
| Balance of sale, 5% interest starting January 1, 2022, maturing in December 2022 | **2,348,643** | 2,348,643 |
| | **2,515,748** | 2,679,378 |
| Current portion of balance of sale | **-** | - |
| **Non-current portion of balance of sale** | **2,515,748** | 2,679,378 |

***(in Canadian dollars)***

## Note 6 - Investment Properties

A reconciliation of the Investment properties is as follows:

| | Notes | **As at September 30 2021** | As at December 31 2020 |
|---|---|---|---|
| | | **$** | $ |
| Balance, beginning of the year | | **51,139,051** | 96,140,545 |
| Disposal of 9700 St-Laurent Blvd., Montreal, Canada | 4a | **(1,400,000)** | - |
| Disposal of 475-489 Le Breton and 505-531 Le Breton, Longueuil, Canada | 4b | **(3,196,776)** | - |
| Disposal of 860 Cite-des-Jeunes, St-Lazare, Canada | 4c | **(1,382,236)** | |
| Transfer of assets in a joint-venture | 4f | **-** | (9,000,000) |
| Disposal of 9307-9077 Quebec Inc. | 4h | **-** | (7,995,892) |
| Disposal of 9371-9904 Quebec Inc. | 4i | **-** | (7,425,000) |
| Settlement of liabilities | 4g, 4j | **-** | (17,364,358) |
| Other acquisitions | 4d | **1** | - |
| Decrease (Increase) in fair value of investment properties | 4d | **1,200,000** | (2,383,001) |
| Borrowing costs | | **40,929** | 783,992 |
| Development costs | | **27,455** | - |
| Reclassified as land in development | | **-** | (1,617,235) |
| | | **46,428,424** | 51,139,051 |

The Investment properties are composed of the following:

| | Notes | **As at September 30 2021** | As at December 31 2020 |
|---|---|---|---|
| | | **$** | $ |
| Land in Bromont, Canada[a)] | | **35,538,736** | 34,330,751 |
| 9700 St-Laurent Blvd. Montreal, Canada | 4a | **-** | 1,400,000 |
| 475-489 Le Breton and 505-531 Le Breton, Longueuil. Canada | 4b | **-** | 3,196,775 |
| 860 Cite-des-Jeunes, St-Lazare, Canada | 4c | **-** | 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 | | **1,701,634** | 1,694,030 |
| | | **46,428,424** | 51,139,051 |

a). This land was evaluated by a third-party valuator in May 2021.

***(in Canadian dollars)***

## Note 6 - Investment Properties (Continued)

### Valuation process

Fair value of the Corporation's investment properties is estimated based on appraisals performed by independent, professionally qualified property valuators or internal valuations. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors at each reporting date.

The fair value is categorized in Level 2 (Note 22). The appraisals for each of the investment properties at fair value were carried out using a market approach or an income approach, depending on the intended use of the property. The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location and current use. The extent and direction of this adjustment depends on the number of characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. The income approach is based on the estimated net income derived from the property. Although this is a subjective judgment, management considers that the overall valuation could not be materially affected by reasonably possible alternative assumptions. As at September 30, 2021 and December 31, 2020, there was no significant change in the fair value of the remaining investment properties.

### Minimum lease payments receivable

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

| | **As at September 30 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 |
| | **2,439,304** | 2,071,164 |

(in Canadian dollars)

## Note 7 – Land Held for Development

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

| | Notes | **As at September 30 2021** | As at December 31 2020 |
|---|---|---|---|
| | | **$** | $ |
| Balance, beginning of the year | | **18,115,163** | 13,359,986 |
| Acquisition of the Land in Alliston | 4e | **15,136,912** | - |
| Borrowing costs | | **3,165,609** | 3,122,042 |
| Development costs | | **65,980** | 15,989 |
| Reclassified from Investment Properties | | **-** | 1,617,146 |
| | | **36,483,664** | 18,115,163 |

The Land held for development is composed of the following:

| | Notes | **As at September 30 2021** | As at December 31 2020 |
|---|---|---|---|
| | | **$** | $ |
| Land in Bromont, Canada[a)] | 4d | **20,698,846** | 18,115,163 |
| Land in Alliston, Canada[b)] | 4e | **15,784,818** | - |
| | | **36,483,664** | 18,115,163 |

[a)] This land was evaluated by a third-party valuator in May 2021.
[b)] This land was evaluated by a third-party valuator in March 2021.

*(in Canadian dollars)*

## Note 8 - Investment in Joint Venture

The Corporation has ownership interest in the following joint venture (refer to Note Transactions 4f.):

| | **As at September 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 nine-month period ended September 30, 2021:

| | **As at September 30 2021** | As at December 31 2020 |
|---|---|---|
| | **$** | $ |
| Beginning balance | **2,664,527** | - |
| Adjustment of beginning balance [a)] | **10,323** | - |
| Contributions | - | 2,651,581 |
| Share of net income | **839,305** | 12,946 |
| **Ending balance** | **3,514,155** | 2,664,527 |

[a)] To adjust for the capitalisation of the construction of Phase 2, 185 Dorval incurred in previous year (2020).

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

| | **As at September 30 2021** | As at December 31 2020 |
|---|---|---|
| | **$** | $ |
| Current assets | **954,836** | 1,249,387 |
| Non-currents assets | **15,578,086** | 13,163,000 |
| Current liabilities | **214,112** | 148,686 |
| Non-current liabilities | **9,290,500** | 8,940,500 |
| Revenues | **638,381** | 193,316 |
| Change in fair value of Investment properties [a)] | **2,000,000** | - |
| Net income and comprehensive income for the period | **1,678,610** | 25,892 |

[a)] To adjust for the fair-value done by a third-party valuator in May 2021

***(in Canadian dollars)***

## Note 9 - Trade and Other Payables

| | **As at September 30 2021** | As at December 31 2020 |
|---|---|---|
| | **$** | $ |
| Trade payables and accrued liabilities | **6,004,249** | 6,173,732 |
| Interest payable on other current liabilities and long-term debt | **196,264** | 347,243 |
| Deposits and other payables | **8,432** | - |
| | **6,208,945** | 6,520,975 |

## Note 10 - Other Current Liabilities

| | **Notes** | **As at September 30 2021** | As at December 31 2020 |
|---|---|---|---|
| | | **$** | $ |
| Loan, 13.8%, secured by 121 Lepine and a guarantee from a director | | **668,912** | 500,000 |
| Promissory notes, 10% | | **617,689** | 576,312 |
| Loan, 15%, secured by Land in Bromont and Land held for development and a guarantee from a director | | **-** | 17,947,048 |
| Loan, 8%, secured by a guarantee from a company controlled by a director | | **566,826** | 850,349 |
| Loan from a company controlled by a director, 12% | | **469,084** | 330,044 |
| Loans, 10% | | **254,667** | 254,667 |
| Loan, 10% secured by 472 Chemin Knowlton and a guarantee from a director | | **200,000** | 200,000 |
| Advances from a company controlled by a director, 10% | | **105,000** | 105,000 |
| Loans, 12% | | **100,000** | 100,000 |
| Advances from companies controlled by a director, 9% and 10% | | **96,775** | 96,765 |
| 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 | 4e, 11a | **-** | 500,000 |
| | | **3,078,954** | 21,460,185 |

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

***(in Canadian dollars)***

## Note 11 - Convertible Debentures

| | Notes | As at September 30 2021 | As at December 31 2020 |
|---|---|---|---|
| | | **$** | $ |
| Convertible debenture, 6%, secured by the land in Alliston, convertible into class A shares at a price of $1.00 per share, maturing in May, 2023 | 4e, 11a | **8,016,407** | - |
| 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 | 11b | **3,839,612** | 4,231,070 |
| Convertible debentures, face value of $1,500,000, 20% and 24%, secured by a hypothec over specific assets, convertible into common shares at $1.00 per share, matures from April 2022 to July 2022. | 11c | **1,654,847** | - |
| 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 | | **836,226** | 778,033 |
| 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 | | **97,996** | 100,000 |
| | | **14,445,088** | 5,109,103 |
| Current portion | | **4,773,834** | 778,033 |
| | | **9,671,254** | 4,331,070 |

**a)** In the second quarter, in order to acquire the Alliston land, the Corporation entered into two similar convertible debenture agreements with the total face values of $9M, which includes the conversion of an existing $0.5M long-term debt in 2020. The fair values of the convertible debenture were allocated between the debenture and the derivative financial instrument related to the conversion feature. The debentures, with 6% coupon rate, were estimated using an effective discounted rate of 15%. At inception, fair value calculations resulted in an allocation of $7,376,964 for the convertible debentures and $1,623,036 to the conversion option, which was classified as equity within the contributed surplus.

## Note 11 - Convertible Debentures (Continued)

**b)** 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.

**c)** In the third quarter, the Corporation finalised a series of three one-year term convertible debenture agreements with a private investor with the total face values of $1.5M. The fair values of the convertible debentures were allocated between the debentures and the derivative financial instrument related to the conversion feature. The debentures were estimated using an effective discounted rate of 15% whereas the coupon rates range from 20% to 24%. At inception, fair value calculations resulted in an allocation of $1,567,946 for the convertible debentures and a negative amount of -$67,946 to the conversion option, which was classified as equity within the contributed surplus.

***(in Canadian dollars)***

## Note 12 - Bank Mortgages

| | Note | As at September 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 | | **3,028,080** | 3,094,091 |
| Term loan, 3.88%, capital and interest payable in monthly payments of $9,815, secured by 475-489 Le Breton, 505-531 Le Breton and a guarantee from two third parties, maturing in April 2022 | 4b | **-** | 1,623,605 |
| | | **3,028,080** | 4,717,696 |
| Current portion | | **47,370** | 144,693 |
| | | **2,980,710** | 4,573,003 |

***(in Canadian dollars)***

## Note 13 - Long-Term Debt

| | Notes | As at September 30 2021 | As at December 31 2020 |
|---|---|---|---|
| | | **$** | $ |
| Loan, 15%, secured by Land in Bromont and Land held for development and a guarantee from a director | | **20,063,922** | - |
| Advances, 9%, secured by Land in Bromont, maturing in March 2023 | | **5,154,256** | 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 December 2022 | | **1,137,849** | 1,064,044 |
| Term loan, 10%, secured by land in Bromont and a guarantee from a director, maturing in June 2022 | | **1,226,046** | 2,163,697 |
| Advances from the joint venture | | **682,862** | 304,442 |
| Term loan, 8%, secured by 472 Knowlton and guaranteed by a director, maturing in June 2022 | | **225,000** | 350,000 |
| Advances, maturing in June 2023 | | **50,000** | - |
| Term loan, 11.5%, secured by 9700 St-Laurent and by a guarantee from a director and a third party, maturing in May 2021 | 4a | **-** | 1,000,000 |
| Term loan, 12%, secured by 475-489 and 505-531 Le Breton a guarantee from a director, maturing in February 2022 | 4b | **-** | 1,250,000 |
| Term loan, 12%, maturing in June 2022 | 4c | **-** | 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 | 4c | **-** | 412,500 |
| Advances, 12% matured in December 2021 | | **-** | 19,500 |
| | | **28,539,935** | 11,527,533 |
| Current portion | | **2,251,046** | 4,393,593 |
| | | **26,288,889** | 7,133,940 |

***(in Canadian dollars)***

## Note 14 - Reconciliation of liabilities arising from financing activities

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

| **September 30, 2021** | | | **$** |
|---|---|---|---|
| | **Short-term borrowings** | **Long-term borrowings** | **Total** |
| **Balance, beginning of year** | **22,238,218** | **20,596,299** | **42,834,517** |
| Cash | | | |
| Repayment | **(1,628,100)** | **(795,343)** | **(2,423,443)** |
| New borrowings | **800,000** | **11,075,000** | **11,875,000** |
| Non-Cash | | | |
| Settlement into class “A” shares | **-** | **(219,500)** | **(219,500)** |
| Settlement from asset transactions | **-** | **(5,401,875)** | **(5,401,875)** |
| Non-cash interest | **373,919** | **2,917,254** | **3,312,769** |
| Conversion option | **-** | **(885,411)** | **(885,411)** |
| Reclassification | **(18,705,081)** | **18,705,081** | **-** |
| **Balance, ending of year** | **3,078,954** | **46,013,103** | **49,092,057** |

| **December 31, 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** |

*(in Canadian dollars)*

## Note 15 - Share Capital

The Corporation's authorized share capital is as follows:

Unlimited number of common shares as follows:

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

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

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

Shares issued and outstanding were as follows:

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | **Number** | **$** | **Number** | **$** |
| Class “A” common shares | **28,393,194** | **74,695,200** | 19,839,374 | 67,000,387 |
| Class “B” common shares | **4,510,891** | **6,153,286** | 4,510,891 | 6,153,286 |
| | **32,904,085** | **80,848,486** | 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 and reserved for issuance Units at a price of $0.68, 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 October 31, 2023.

As at September 30, 2021, 3,459,702 Units were issued for a total of $2,694,813 consisting of $1,436,726 paid in cash, $944,585 for accounts payable and debt settlement, $313,502 as payment for consultation services. 294,118 Units were reserved for issuance, at a unit price of $0.68, as a payment of a consultation service which is amounted to $200,000. In addition to these 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 while 4,500,000 Common Class A Shares were reserved for issuance at the same price of one dollar per share.

The settlement of those current and non-current liabilities resulted in an increase of $2,994,813 in Common shares, $65,997 in Warrants and $75,912 in loss from the settlement of current and non-current liabilities.

***(in Canadian dollars)***

## Note 16 - Warrants

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

| | | **As at September 30, 2021** | | As at December 31, 2020 | |
|---|---|---|---|---|---|
| | | | **Weighted Average Exercisable Price** | | Weighted Average Exercisable Price |
| | **Expiration date** | **Number** | **$** | Number | $ |
| **Beginning balance** | | **9,651,158** | **1.25** | 15,000 | 2.00 |
| Issuance of warrants | December 31, 2021 | **1,059,541** | **1.25** | 9,651,158 | 1.25 |
| Issuance of warrants | December 31, 2022 | **2,402,761** | **1.25** | - | - |
| Issuance of warrants | October 31, 2023 | **294,118** [a)] | **1.25** | - | - |
| Expiration of warrants | | - | - | (15,000) | 2.00 |
| | | **13,407,578** | **1.25** | 9,651,158 | 2.00 |

[a)] Warrants reserved for issuance, along with 294,118 Class A reserved shares, as a payment for a consultation service which is amounted to $200,000 (refer to Note 15)

The weighted average remaining contractual life for the warrants outstanding as of September 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 $0.46. 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.

***(in Canadian dollars)***

## Note 17 - Additional Information – Comprehensive Loss

Administrative expenses are composed of the following:

| | For the three-months ended | | For the nine-months ended | |
|---|---|---|---|---|
| | **September 30 2021** | September 30 2020 | **September 30 2021** | September 30 2020 |
| | **$** | $ | **$** | $ |
| Consulting fees | **284,105** | 472,376 | **1,413,195** | 1,012,487 |
| Management fees | **2,828** | 176,308 | **89,760** | 370,328 |
| Professional fees | **49,762** | 25,000 | **257,460** | 315,066 |
| | **336,695** | 673,684 | **1,760,415** | 1,697,881 |

Financing costs are composed of the following:

| | For the three-months ended | | For the nine-months ended | |
|---|---|---|---|---|
| | **September 30 2021** | September 30 2020 | **September 30 2021** | September 30 2020 |
| | **$** | $ | **$** | $ |
| Interest | **360,228** | 1,013,002 | **1,151,820** | 2,453,803 |
| Change in fair value of the convertible debenture | **-** | (250,653) | **-** | (321,438) |
| Financing and other fees | **232,809** | 1,243,448 | **564,281** | 1,617,819 |
| | **593,037** | 2,005,797 | **1,716,101** | 3,750,184 |

## Note 18 - Net Gain (Loss) per Share

The calculation of basic net loss per share at September 30, 2021 was based on the loss attributable to common shareholders which corresponds to the loss for the year of $774,423 (September 30, 2020 – loss of $6,262,212) and a weighted average number of common shares of 29,744,701 (September 30, 2020 – 17,253,903).

The calculation of diluted net loss per share on September 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 (September 30, 2020 – dilutive shares 22,211,042).

***(in Canadian dollars)***

## Note 19 - 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 nine-months ended** | |
|---|---|---|---|---|
| | **September 30 2021** | September 30 2020 | **September 30 2021** | September 30 2020 |
| | **$** | $ | **$** | $ |
| **Management fees** | **312,100** | 199,808 | **679,600** | 569,808 |

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 nine-months ended** | |
|---|---|---|---|---|
| | **September 30 2021** | September 30 2020 | **September 30 2021** | September 30 2020 |
| | **$** | $ | **$** | $ |
| Consulting fees and professional fees | **102,506** | 47,331 | **247,264** | 232,933 |
| Financing fees | **96,660** | 193,331 | **269,850** | 504,436 |

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

| | **As at September 30 2021** | As at December 31 2020 |
|---|---|---|
| | **$** | $ |
| Companies controlled by directors and officers | **3,707,655** | 3,369,252 |
| Accrual compensation of directors and officers | **360,496** | 592,608 |

The Corporation has additional loans and advances with related parties disclosed in Notes 9, 10 and 13. 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.

***(in Canadian dollars)***

## Note 20 - Additional Information – Cash Flow

The changes in working capital items are detailed as follows:

| | **As at September 30 2021** | As at December 31 2020 |
|---|---|---|
| | **$** | $ |
| Receivables and other receivables | **277,266** | 342,096 |
| Prepaids and refundable deposits | **(537,146)** | (648,207) |
| Advances | **-** | 32,381 |
| Trade and other payables | **(312,030)** | 5,057,995 |
| Income tax payable | **-** | 43,866 |
| | **(571,910)** | 4,828,131 |
| Additional cash flow information: | | |
| Interest paid | **810,622** | 1,294,033 |
| Additions to investment properties included in trade and other payables | **27,455** | 4,150,257 |
| Additions to land held for residential development included in trade and other payables | **65,979** | 3,464,299 |

## Note 21 - Financial Assets and Liabilities

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

| | **September 30, 2021** | | **December 31, 2020** | |
|---|---|---|---|---|
| | **Carrying amount** | Fair value | **Carrying amount** | Fair value |
| **Financial assets** | **$** | $ | **$** | $ |
| Financial assets at amortized cost | | | | |
| Cash | **36,027** | **36,027** | 81,861 | 81,861 |
| Receivables and other receivables | **2,549,723** | **2,549,723** | 2,826,989 | 2,826,989 |
| Refundable deposits | **2,450,691** | **2,450,691** | 1,540,604 | 1,504,640 |
| | **5,036,441** | **5,036,441** | 4,449,454 | 4,413,490 |
| Financial assets at FVTPL | | | | |
| Receivables and other receivables | **250,000** | **250,000** | 250,000 | 250,000 |
| **Total financial assets** | **5,286,441** | **5,286,441** | 4,699,454 | 4,663,490 |
| **Financial liabilities** | | | | |
| Financial liabilities at amortized cost | | | | |
| Trade and other payables | **6,208,945** | **6,208,945** | 6,250,975 | 6,250,975 |
| Other current liabilities | **3,078,954** | **3,078,954** | 21,460,485 | 21,460,485 |
| Bank mortgages | **3,028,080** | **3,028,080** | 4,717,696 | 4,717,696 |
| Long term debt | **28,539,935** | **28,539,935** | 11,527,533 | 11,527,533 |
| Convertible debentures | **14,445,088** | **14,445,088** | 5,109,105 | 5,109,105 |
| **Total financial liabilities** | **55,301,002** | **55,301,002** | 49,065,794 | 49,065,794 |

## Note 21 - 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 advance receivables, 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 debts 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 debts is equivalent to its carrying amount and is categorized in Level 2.

## Note 22 - Financial Instrument Risk

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

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

*Market risk*

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

The Corporation is exposed to interest rate risk on its other current liabilities and its fixed rate and variable rate bank mortgages and long-term debt financings. As at September 30, 2021 and December 31, 2020 bank mortgages, convertible debentures, long-term debts 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 September 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.

*(in Canadian dollars)*

## Note 22 - 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 advance receivables. The maximum exposure as at September 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 debts as well as the issuance of shares. The Corporation assesses the liquidity risk as high.

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

| **September 30, 2021** | | | | **$** |
|---|---|---|---|---|
| | **Within 6 months** | **6 to 12 months** | **1 to 5 years** | **Later than 5 years** |
| Trade and other payables | **6,208,945** | **-** | **-** | **-** |
| Other current liabilities | **3,078,954** | **-** | **-** | **-** |
| Convertible debentures | **-** | **4,773,834** | **9,671,254** | **-** |
| Bank mortgages | **-** | **47,370** | **2,980,710** | **-** |
| Long term debt | **-** | **2,251,046** | **26,288,889** | **-** |
| **Total** | **9,287,899** | **7,072,250** | **38,940,853** | **-** |

| 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 | - | - | - |
| Other current liabilities | 20,720,518 | 865,634 | - | - |
| Convertible debentures | - | 778,033 | 5,669,888 | - |
| Bank mortgages | 162,441 | 162,441 | 4,605,159 | - |
| Long term debt | 4,393,593 | - | 7,133,970 | - |
| **Total** | **31,797,527** | **1,806,108** | **17,409,017** | **-** |

***(in Canadian dollars)***

## Note 23 - 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 based on the 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 fiscal year. The objectives and strategy are reviewed annually.

## Note 24 - Segment Information

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

| | **As at September 30, 2021** | As at December 31, 2020 |
|---|---|---|
| | $ | $ |
| Canada | **84,778,743** | 70,271,241 |
| Greece | **1,650,000** | 1,650,000 |

The rental income is 100% in Canada.

## Note 25 – Subsequent Events

*Private placement offering and debt settlement*

A private placement offering has been put in place for an amount of up to $5,000,000 in convertible debentures with the following terms and conditions: interests payable semi-annually at an annual rate of 8%; one warrant exercisable at $1.25 until October 31, 2023; one additional warrant exercisable at a price of $1.50 per share; and a forced conversion if the volume weighted trading price of the shares for the last 20 days on the CSE is equal or higher than $1.50. This private placement offering expires on December 10, 2021.

At the date of approval of these unaudited condensed consolidated financial statements, $3,000,000 was invested in this private placement. This amount has been used to further reduce the short-term debt for an equivalent amount ($275,000 reduction in Other current liabilities, and $2,725,000 reduction in Trades and Other payables) as at the date these unaudited condensed consolidated financial statements were approved.

On November 5, 2021, the maturity date of all the outstanding warrants has been extended to October 31,2023.