

**GOING FORWARD**

---

**EMERGIA**

**Unaudited Interim Condensed  
Consolidated Financial Statements**

For the three-month periods ended March 31, 2022 and March 31, 2021



# TABLE OF CONTENTS

<b>MANAGEMENT'S REPORT</b>	92
<b>UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	93
<b>UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)</b>	94
<b>UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY</b>	95
<b>UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	96
<b>NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS</b>	97

# Management's Report

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

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

The Board of Directors of Emergia (the "**Board**") is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving These unaudited interim condensed consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee (the "**Committee**"). The Committee reviews these unaudited interim condensed consolidated financial statements with management and the independent auditors. The Committee reports its findings to the Board, which approves these unaudited interim condensed consolidated financial statements before they are submitted to the shareholders of Emergia.



---

**HENRI PETIT**  
Chairman, President and CEO



---

**RATHA SIV**, CPA auditor, CMA  
Chief financial officer

# Unaudited Interim Condensed Consolidated Statements of Financial Position

As at March 31, 2022 and December 31, 2021  
(in Canadian dollars)

	Notes	As at March 31, 2022	As at December 31, 2021
<b>Assets</b>		\$	\$
<b>Current assets</b>			
Cash		275,812	437,936
Receivables and other receivables	9	2,610,277	2,989,083
Prepays and deposits	8	160,305	1,789,125
Properties held for sale	5	1,800,000	1,800,000
<b>Total current assets</b>		<b>4,846,394</b>	<b>7,016,144</b>
<b>Non-current assets</b>			
Investment properties	4	120,642,934	119,325,000
Investment in a joint venture	6	-	3,306,460
Investment in associates	6	21,349,047	1,650,000
Property and equipment		49,519	2,500
<b>Total non-current assets</b>		<b>142,041,500</b>	<b>124,283,960</b>
<b>Total assets</b>		<b>146,887,894</b>	<b>131,300,104</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	3,181,490	5,951,958
Income tax payable		307,732	307,732
Current portion of convertible debentures	11	2,224,472	2,247,304
Current portion of bank mortgages	12	2,983,011	3,005,653
Current portion of long-term debt	13	1,938,377	2,443,811
<b>Total current liabilities</b>		<b>10,635,082</b>	<b>13,956,458</b>
<b>Non-current liabilities</b>			
Convertible debentures	11	14,764,120	14,341,023
Bank mortgages	12	-	-
Long-term debt	13	30,184,564	28,733,324
Deferred income tax liabilities		4,995,129	4,995,129
<b>Total non-current liabilities</b>		<b>49,943,813</b>	<b>48,069,476</b>
<b>Total liabilities</b>		<b>60,578,895</b>	<b>62,025,934</b>
<b>Shareholders' equity</b>			
Share capital	15	93,860,355	80,488,486
Warrants	16	6,347,279	6,327,418
Contributed surplus	11	1,742,912	1,744,157
Deficit		(15,641,547)	(19,645,891)
<b>Total shareholders' equity</b>		<b>86,308,999</b>	<b>69,274,170</b>
<b>Total liabilities and shareholders' equity</b>		<b>146,887,894</b>	<b>131,300,104</b>

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

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

For the three-month periods ended March 31, 2022 and 2021  
(in Canadian dollars except for share amounts)

	Notes	March 31, 2022	March 31, 2021
		\$	\$
<b>Revenue</b>	<b>7</b>	<b>374,524</b>	235,607
Operating expense		<b>161,271</b>	161,462
<b>Operating income</b>		<b>213,253</b>	74,145
Administrative expenses	<b>20</b>	<b>538,239</b>	458,587
Financing costs	<b>20</b>	<b>554,120</b>	508,328
Depreciation of property and equipment		<b>6,717</b>	-
Increase in fair value of investment in associates	<b>6</b>	<b>(6,000,000)</b>	-
Share of net income from joint venture	<b>6</b>	<b>22,260</b>	(945,994)
Loss on settlement of current and non-current liabilities		-	206,635
Loss on settlement of long-term debt	<b>6</b>	<b>1,087,573</b>	-
<b>Income (Loss) before income taxes</b>		<b>4,004,344</b>	(153,411)
Income taxes		-	-
<b>Net income (loss) and comprehensive income (loss) for the year</b>		<b>4,004,344</b>	(153,411)
<b>Basic and diluted net income (loss) per outstanding common share</b>	<b>17</b>		
- Basic		<b>0.09</b>	(0.01)
- Diluted		<b>0.08</b>	(0.01)
<b>Weighted average number of outstanding common shares</b>	<b>17</b>		
- Basic		<b>45,073,301</b>	24,768,000
- Diluted		<b>57,906,225</b>	24,768,000

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

# Unaudited Interim Condensed Consolidated Statements of Shareholders' Equity

For the three-month periods ended March 31, 2022 and 2021  
(in Canadian dollars except for share amounts)

Share capital						
	Number of shares	Amount	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
	#	\$	\$	\$	\$	\$
<b>Balance on December 31, 2021</b>	<b>32,904,085</b>	<b>80,848,486</b>	<b>6,327,418</b>	<b>1,744,157</b>	<b>(19,645,891)</b>	<b>69,274,170</b>
Settlement of current and non-current liabilities	4,134,659	2,811,568	-	-	-	2,811,568
Issued under a private placement	536,332	327,002	19,861	-	-	346,863
Issued for consultation services	141,911	96,499	-	-	-	96,499
Issuance at reimbursement of a convertible debenture	-	-	-	(1,245)	-	(1,245)
Issued for an acquisition	9,776,800	9,776,800	-	-	-	9,776,800
Net income and comprehensive income	-	-	-	-	4,004,344	4,004,344
<b>Balance at March 31, 2022</b>	<b>47,493,787</b>	<b>93,860,355</b>	<b>6,347,279</b>	<b>1,742,912</b>	<b>(15,641,547)</b>	<b>86,308,999</b>
<b>Balance on 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	588,207	514,690	77,729	-	-	592,419
Issued under a private placement	163,685	138,050	-	-	-	138,050
Net loss and comprehensive loss	-	-	-	-	(153,412)	(153,412)
<b>Balance at March 31, 2021</b>	<b>25,037,157</b>	<b>73,806,413</b>	<b>6,191,556</b>	<b>264,819</b>	<b>(52,446,453)</b>	<b>27,816,335</b>

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

# Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2022 and 2021  
(in Canadian dollars)

	Notes	March 31, 2022	March 31, 2021
<b>Operating activities</b>		\$	\$
Net Income (Loss)		<b>4,004,344</b>	(153,412)
Adjustments for			
Consulting services paid in shares	15	<b>96,499</b>	-
Amortization of transaction costs on convertible debentures	14	<b>43,298</b>	-
Increase in fair value of investment in associates	6	<b>(6,000,000)</b>	
Distributions from associates		<b>(248,000)</b>	
Depreciation of property and equipment		<b>6,717</b>	-
Share of net income (loss) from joint venture	6	<b>22,260</b>	(945,994)
Loss on settlement of current and non-current liabilities		-	206,635
Loss (Gain) on settlement of long-term debt	6	<b>1,087,573</b>	-
		<b>(987,309)</b>	(892,771)
Changes in working capital items	19	<b>632,370</b>	54,001
Cash flows from operating activities		<b>(354,939)</b>	(838,770)
<b>Investing activities</b>			
Additions to property plant and equipment		<b>(53,738)</b>	-
Additions to investment in associates, net of related debt	3b	<b>(650,000)</b>	-
Distributions from associates		<b>248,000</b>	
Additions to investment properties	4	<b>(77,424)</b>	-
Cash flows from investing activities		<b>(533,162)</b>	-
<b>Financing activities</b>			
Issuance of units and warrants	15	<b>327,002</b>	124,401
Repayment of convertible debentures	14	<b>(98,755)</b>	-
Repayment of bank mortgages	14	<b>(22,642)</b>	(35,660)
Long-term debt	14	<b>550,000</b>	825,000
Repayment of long-term debt	14	<b>(29,628)</b>	78,067
Cash flows from financing activities		<b>725,977</b>	835,674
<b>Net change in cash</b>		<b>(162,124)</b>	(3,096)
Cash (bank overdraft), beginning of year		<b>437,936</b>	81,861
<b>Cash, end of year</b>		<b>275,812</b>	78,765

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



# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

## NOTE 1. INFORMATION ON THE CORPORATION AND GOING CONCERN

Emergia Inc. together with its subsidiaries (collectively referred to as "**Emergia**" or the "**Corporation**") operates in the development, acquisition, and management of multi-purpose real-estate properties, including retail, multi-residential, office and industrial buildings as well as land for future development and excess land. As at December 31, 2021, the Corporation holds income producing properties, properties under development and properties held for sale.

The Corporation was incorporated on April 7, 2014 under the laws of the province of British Columbia, and is governed, since January 19, 2018, by the Canada Business Corporations Act. The Corporation is publicly listed on the Canadian Securities Exchange ("**CSE**") and its ticker symbol is "EMER". The principal address and records office of the Corporation are located at 402 – 185 Avenue Dorval, Dorval, Quebec, Canada H9S 5J9.

In the preparation of these unaudited interim condensed consolidated financial statements, management is required to identify when events or conditions indicate that there is material uncertainty related to such events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. Significant doubt about the Corporation's ability to continue as a going concern would exist when relevant conditions and events, considered in the aggregate, indicate that the Corporation will not be able to meet its obligations as they become due for the period of at least, but not limited to, twelve months from the end of the reporting period. When the Corporation identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Corporation considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, which presumes that the Corporation will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations. 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 pay or refinance its debts as they come due and to execute its contemplated business plan and ultimately achieve profitable operations. As at March 31, 2022, the Corporation has improved its unaudited interim condensed consolidated statements of financial position with its achievements in 2021 and the acquisition completed in March 2022, as described further below. The Corporation continues to take actions to strengthen its financial position, with concrete transactions executed as of the date of these consolidated financial statements, including debt and equity financing, debt conversion and acquisition of an interest in a portfolio of income producing properties (refer to Note 3 -Acquisitions and Dispositions). The unaudited interim condensed consolidated statements of comprehensive income (loss) disclosed a net income of 4,004,344 for the three months ended March 31, 2022, compared to a net loss of \$153,411 for the three months ended March 31, 2021 mainly due to fair value adjustment on investment in associates at acquisition, partially offset by the loss on settlement of a long-term debt (refer to Note 6 – Investment in a Joint Venture and Associates).

The Corporation's conclusions about its ability to continue as a going concern for the next twelve months involves significant judgment and is dependent on the Corporation's ability to successfully sell the properties held for sale in accordance with its plan or obtain additional debt or equity funding or manage its discretionary spending to maintain sufficient cash flows from operations. Management believes that it has the ability to realize all of the afore-indicated actions in accordance to its plan. There is no guarantee that the Corporation will succeed in the selling of assets or obtaining additional debt or equity financing or be able to alter the future cash flow forecast. However, with the Corporation's success in 2020 and in 2021 to obtain equity financing, to dispose of assets, to significantly reduce its short-term debt, to renegotiate the terms and conditions of its senior debts, including the maturity date of the debt relating to the Bromont property to



June 2023 and the discussions underway to refinance the said debt before the end of its term, and with the Corporation's success since the beginning of 2022 (refer to Note 3 -Acquisitions and Dispositions), Emergia has proven its ability to meet its obligations as they become due. After considering its plans to mitigate the going concern risk, management has concluded that it has been able to reduce certain material uncertainties related to events or conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern and is continuing to execute on its business plans to ultimately achieve profitable operations.

These 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.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

### A. Statement of Compliance

The unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022 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, 2021 which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

These unaudited interim consolidated financial statements were approved and authorized for issuance by the Corporation's Board of Directors on May 30, 2022.

### B. 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, 2021.

## NOTE 3. ACQUISITIONS AND DISPOSITIONS

### Acquisitions and Dispositions of Properties in 2022

#### a) *Disposition of 25% interest in the Joint Venture*

In February 4, 2022, the Corporation disposed of half of its 50% interest in the joint venture to its co-shareholder to reimburse the loan with the carrying value of \$560,000. The Corporation maintained its option to buy back all the shares of its partner in the said joint venture until September 2023.

#### b) *Acquisition in March 2022 of a 30% interest in a 6-Plaza Portfolio in Ontario, Canada*

In March 2022, Emergia has purchased an interest of approximately 30% of the total value of a portfolio comprised of six retail plazas in six cities in Ontario. The portfolio includes approximately 568,000 sq. ft. of GLA that is almost fully leased, with an additional development potential of approximately 196,000 sq. ft. of GLA, part of which are under negotiations for 2022. The total purchase price for the acquisition of Emergia's interest is \$41,031,152, which has been paid through the assumption of \$28,968,732 of existing mortgages, the issuance of 9,776,800 Class "A" common shares at \$1.00 per share, and the balance being paid in cash of \$650,000 and the initial deposits of \$1,635,620. At the acquisition date, the total fair value of the portfolio appraised by a third-party appraiser was \$157,500,000, bringing the Corporation's share of fair value to \$47,191,371 compared to the purchase price of

\$41,031,152, that would result in a plus value of \$6,160,219. While the Corporation is finalizing the accounting treatment, the Corporation recorded the initial acquisition at cost using the consideration given. No subsequent equity pick has been subsequently taken at the reporting period.

## Acquisitions and Dispositions of Properties in 2021

### **c) Disposition of 9700 St-Laurent Boulevard, Montreal, Quebec, Canada**

In the second quarter of 2021, the Corporation disposed of the property located at 9700 St-Laurent Boulevard for proceeds of \$1,550,000. The purchaser assumed the associated mortgage, payables and liabilities.

### **d) Disposition of 475-489 Le Breton Street and 505-531 Le Breton Street, Longueuil, Quebec, Canada**

In the second quarter of 2021, the Corporation disposed of the properties located at 475-489 and 505-531 Le Breton Street for total proceeds of \$3,665,000. The purchaser assumed the associated mortgage, payables and liabilities.

### **e) Acquisition of Three Lots in Bromont, Quebec, Canada**

In the second quarter of 2021, the Corporation bought three lots from the City of Bromont at the cost of 1\$ as these lots were part of a retrocession agreement of the said lots resulting from a former expropriation by the City and the Ministry of Transport of larger lands to build road infrastructures on the Bromont site owned by the Corporation approximately fifteen years ago. They were recorded initially at cost, and with their undetermined use, management deemed that the criteria for the classification as investment properties in accordance with IAS 40 was satisfied and those lands would subsequently be measured using fair value as of December 31, 2021. Refer to Note 3h below with respect to the disposal of one of these three lots.

### **f) Acquisition of Land in Alliston, Ontario, Canada**

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 taxes). 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" common shares of the Corporation (Note 15 – Share Capital). 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 May 3, 2023 (Note 11 – Convertible Debentures), plus a participation in the profits of the project.

### **g) Disposition of 860 Cite-des-Jeunes Boulevard, St-Lazare, Quebec, Canada**

In the third quarter of 2021, the Corporation disposed of its property located at 860 Cité-des-Jeunes Boulevard, for proceeds of \$1,380,000. The proceeds were used to repay the associated mortgage, payables and liabilities.

### **h) Disposition of One Lot in Bromont, Quebec, Canada**

Subsequently to the purchase of three lots mentioned in Note 3e above, management changed the intention of use of one lot during negotiations with a lender. The said lot would be used to reimburse part of the loan at an agreed-upon selling price, which gave rise to a fair value adjustment of \$1,200,000, using the criteria set out by a third-party appraisal for the same type of transactions. The deal was closed in December 2021 whereby it was agreed to reduce the debt amounting to \$1,310,474, to \$1,292,449 to be paid as follows: (i) transfer of the land at a price of \$1,208,021, and (ii) payment of the balance of \$84,428 in ten equal monthly payments starting in January 2022. The settlement resulted in a gain on settlement of long-term debt of \$18,025, as separately disclosed in the unaudited interim condensed consolidated statements of comprehensive income (loss).

### **i) Disposition of a Minority Interest Into a Company**

In the fourth quarter of 2021, the Corporation disposed of the investment of its minority interest in a private company, resulting in a \$250,000 loss on disposal of an investment.

## NOTE 4. INVESTMENT PROPERTIES

As at March 31, 2022 and December 31, 2021, a reconciliation of the investment properties is as follows:

	NOTES	Income Producing Properties		Properties Under Development		Total	
		March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Balance, beginning of the year		4,600,000	9,166,775	114,725,000	40,322,276	119,325,000	49,489,051
Disposal of 9700 St-Laurent Blvd., Montreal, Canada	3c	-	(1,550,000)	-	-	-	(1,550,000)
Disposal of 475-489 Le Breton and 505-531 Le Breton, Longueuil, Quebec, Canada	3d	-	(3,665,000)	-	-	-	(3,665,000)
Disposal of 860 Cite-des-Jeunes, St-Lazare, Quebec, Canada	3g	-	-	-	(1,380,000)	-	(1,380,000)
Transfer of assets in a joint venture	3j	-	-	-	-	-	-
Settlement of liabilities	3l, 3k	-	-	-	(1,208,021)	-	(1,208,021)
Acquisition of the Land in Alliston, Ontario, Canada	3f	-	-	-	15,038,019 <sup>a)</sup>	-	15,038,019
Other acquisitions	3e	-	-	-	1 <sup>a)</sup>	-	1
(Decrease) Increase in fair value of investment properties	3j	-	648,225	-	40,581,539	-	41,229,764
Borrowing costs <sup>b)</sup>		-	-	1,240,510	4,552,744 <sup>b)</sup>	1,240,510	4,552,744
Development costs		-	-	77,424	503,279	77,424	503,279
Reclassified from Land held for development		-	-	-	18,115,163	-	18,115,163
Reclassified to properties held for sale		-	-	-	(1,800,000)	-	(1,800,000)
<b>Balance, end of year</b>		<b>4,600,000</b>	<b>4,600,000</b>	<b>116,042,934</b>	<b>114,725,000</b>	<b>120,642,934</b>	<b>119,325,000</b>

<sup>a)</sup> In the cash flow from investing activities, the additions to investment properties of \$77,424 resulted from development cost expenditures.

<sup>b)</sup> The weighted average borrowing rate, excluding convertible debentures, is 14.35% (2021 – 14.35%). For the borrowing rate related to convertible debentures, refer to Note 11 – Convertible Debentures.

### Income Producing Properties

The income producing properties are composed of the following:

	March 31, 2022	December 31, 2021
	\$	\$
121 Lépine Avenue, Gatineau, Quebec, Canada	4,600,000	4,600,000
	<b>4,600,000</b>	<b>4,600,000</b>

### Properties Under Development

The properties under development are composed of the following:

	NOTES	March 31, 2022	December 31, 2021
		\$	\$
Land in Bromont, Quebec, Canada	3e, 4	92,312,215	91,325,000
Land in Alliston, Ontario, Canada	3f	21,721,415	21,400,000
Land in Blainville, Quebec, Canada		2,009,304	2,000,000
		<b>116,042,934</b>	<b>114,725,000</b>

## Valuation Methodology and Process

Investment properties are remeasured to fair value on a recurring basis, using the following methodologies:

- a) Discounted cash flow method - Under this income approach, discount rates are applied to the projected annual operating cash flows, generally over a ten-year period, including a terminal value of the properties based on a capitalization rate applied to the estimated net operating income, a non-IFRS measure, in the terminal year. This method is primarily used to value the rental portfolio.
- b) Comparable sales method – This market approach compares a subject property's characteristics with those of comparable properties which have recently sold. The process uses one of several techniques to adjust the price of the comparable transactions according to the presence, absence, or degree of characteristics which influence value. These characteristics include the cost of construction incurred at a property under development. This method is primarily used to value the development portfolio, including ancillary parking facilities and investment properties held for sale.

The application of these valuation methods results in these measurements being classified as Level 3 in the fair value hierarchy.

### Significant Inputs

At the end of each quarterly reporting period, management also conducts an internal valuation with significant unobservable inputs in the Level 3 valuation:

- » Capitalization rate – based on actual location, size and quality of the property and taking into consideration available market data as at the valuation date;
- » Stabilized net operating income – revenue less direct operating expenses adjusted for items such as average lease up costs, vacancies, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. For properties under development forecasted net operating income is based on location, type and quality of the property, supported by the terms of actual or anticipated future leasing;
- » Discount rate – reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- » Terminal capitalization rate – taking into account assumptions regarding vacancy rates and market rents;
- » Estimated costs to complete for properties under development – based on expected completion dates considering development and leasing risk specific to each property and the status of approvals and/or permits; and
- » Cash flows – based on the physical location, type and quality of the property and supported by the terms of existing leases, other contracts or external evidence such as current market rents for similar properties.

An increase in the cash flow or stabilized net operating income results in an increase in fair value of investment property whereas an increase in the capitalization rate, discount rate or terminal capitalization rate decreases the fair value of the investment property.

In determining the fair value of our investment properties, judgement is required in assessing the "Highest and best use" as required under IFRS 13 - Fair value measurement. We have determined that the current uses of our investment properties are their "highest and best use".

Management is responsible for determining the fair value measurements on a quarterly basis, including verifying all major inputs included in the valuation and reviewing the results. Management, along with the Audit Committee, discuss the valuation process and significant assumptions on a quarterly basis. The valuations are performed in due course by qualified external valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

The COVID-19 pandemic has increased the risk and uncertainty surrounding valuation estimates due to limited market activity for comparable transactions, as well as uncertainty regarding the expected length of the pandemic and the resulting impact on the Corporation's cash flows from investment properties. In developing its estimates, management performed an assessment of its tenants and portfolio of investment properties, as well as an evaluation of the changes in the overall market conditions for the asset classes in the Corporation's portfolio since the impact of the pandemic began in early March 2020.

The following table summarizes the valuation approach, significant assumptions, and the relationship between the assumptions and the fair value:

Assets	Valuation approach	Significant assumptions	Relationship between assumptions and fair value
Income producing properties	Direct capitalization or discounted cash flow	Capitalization rate Discount rate Terminal rate Stabilized Net Operating Income ("NOI") Cash Flows	Inverse relationship between capitalization, discount, and terminal rates and fair value (higher rates result in decreased fair value); whereas higher stabilized NOI or cash flows results in increased fair value.
Properties under development	Direct capitalization less cost to complete	Capitalization rate Stabilized NOI Costs to complete	Inverse relationship between capitalization rate and fair value (higher capitalization rate results in lower fair value); whereas higher stabilized NOI results in increased fair value.
Properties under development – Excess land	Comparable sales method	Comparison to market transactions for similar assets	Land value reflects market value.

## NOTE 5. PROPERTIES HELD FOR SALE

As of March 31, 2022, Emergia has a property held for sale as described below:

	March 31, 2022	December 31, 2021
	\$	\$
472 Knowlton Rd, Lac Brome, Canada	1,800,000	1,800,000
<b>Total aggregate value</b>	<b>1,800,000</b>	<b>1,800,000</b>

## NOTE 6. INVESTMENT IN A JOINT VENTURE AND ASSOCIATES

As at March 31, 2022, Emergia had interests in the seven following associates:

	NOTES	Effective Ownership	
		March 31, 2022	December 31, 2021
12028735 Canada Inc., Quebec, Canada	a,b	25%	50%
Villarboit Kingsberg Limited Partnership	b	21.15%	n/a
Villarboit (Brantford) Holdings 2012 LP	b	9.05%	n/a
Villarboit (Niagara Falls) Holdings LP	b	15.06%	n/a
Villarboit (Pembroke) Holdings LP	b	32.20%	n/a
Brookdale Square Co-ownership (Brookdale Square Inc.)	b	48.87%	n/a
Aigialeia, S.A., Greece		30%	30%

<sup>a</sup> In February 2022, Emergia had a change in ownership interest in the joint venture (Note 3a) which became an investment in an associate, with the Corporation continuing to apply the equity method without remeasuring the retained interests.

<sup>b</sup> On March 31, 2022, the Corporation completed the acquisition of interests in a 6-Plaza portfolio (Note 3b).



a) The following table shows the changes in the carrying value of Emergia's investment in joint venture as at March 31, 2022 and December 31, 2021.

	March 31, 2022	December 31, 2021
	\$	\$
Beginning balance	3,306,460	2,664,527
Disposal of interest	(1,647,573) <sup>a)</sup>	-
Transferred to investment in associates	(1,647,573) <sup>a)</sup>	-
Contributions	-	-
Share of net income	(11,314) <sup>a)</sup>	641,933
<b>Ending balance</b>	<b>-</b>	<b>2,664,527</b>

<sup>a)</sup> On February 4, 2022, before the disposal, the carrying amount of the investment was \$3,925,146, composed of the beginning balance of \$3,306,406 as of December 31, 2021 plus the equity pick-up of -\$11,314 for January 2022. The disposal of interests, to settle the loan of \$560,000, involved transferring 50% of the Corporation's shares valued at \$1,647,573 to its joint venture partner, reducing the Corporation's interest from 50% to 25% starting February 4, 2022. The difference between the disposal amount (\$1,647,573) and the loan value (\$560,000) is recorded as the loss on settlement of a long-term debt of 1,087,573 in the Statement of Income (loss).

b) The following table shows the changes in the carrying value of Emergia's investment in associates as at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
	\$	\$
Beginning balance	1,650,000	1,650,000
Transferred from investment in a joint venture	1,647,573	-
Acquisition of interest	12,062,420	-
Increase in fair value	6,000,000 <sup>a)</sup>	-
Contributions	-	-
Share of net loss	(10,946) <sup>b)</sup>	-
<b>Ending balance</b>	<b>21,349,047</b>	<b>1,650,000</b>

<sup>a)</sup> Difference between the cost of the investment and the Corporation's share of the net fair value of the portfolio's identifiable assets and liabilities according to the fair value appraised by a third-party on acquisition of the investment. No equity pick-up was done as at March 31, 2022.

<sup>b)</sup> Share of net loss, incurred at 12028735 Canada inc, at 25% from the February to March 31, 2022.

Summarized financial information of the associates at 100% basis as at March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022	December 31, 2021
	\$	\$
Current assets	4,431,432	888,644
Non-currents assets	171,061,027	17,238,877
Current liabilities	2,505,734	604,991
Non-current liabilities	112,217,259	9,259,611
Revenues	3,431,635	900,119
Change in fair value of investment properties <sup>a)</sup>	15,390,899	2,000,000
Net income (loss) and comprehensive income (loss) for the period	16,428,735	1,283,866

<sup>a)</sup> To adjust for the fair-value done by a third-party appraiser.

## NOTE 7. REVENUES

The components of revenues are as follows:

	For the three-months ended	
	March 31, 2022	March 31, 2021
	\$	\$
<b>Rental income</b>	-	-
Lease revenues	<b>58,904</b>	141,364
Operating cost recoveries	<b>47,348</b>	94,243
	<b>125,824</b>	235,607
<b>Other revenues</b>		
Management fees	-	-
Dividend and interest income	<b>268,272</b>	-
	<b>374,524</b>	235,607

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:

	March 31, 2022	December 31, 2021
	\$	\$
Within 1 year	<b>403,097</b>	403,097
1 to 5 years	<b>1,665,778</b>	1,665,778
After 5 years	<b>168,587</b>	168,587
	<b>2,237,462</b>	2,237,462

## NOTE 8. PREPAIDS AND REFUNDABLE DEPOSITS

The prepaids and refundable deposits are as follows:

	March 31, 2022	December 31, 2021
	\$	\$
Deposits related to an acquisition of interests in associates (Note 3b)	-	1,635,620
Other deposits and prepaid expenses	<b>160,305</b>	153,505
	<b>160,305</b>	1,789,125



## NOTE 9. RECEIVABLES AND OTHER RECEIVABLES

The receivables are detailed as follows:

	March 31, 2022	December 31, 2021
	\$	\$
Trade receivables	100,499	91,177
Government remittances	57	407,799
Balance of sales and other receivables <sup>a)</sup>	2,509,721	2,490,107
	2,610,277	2,989,083
Current portion	2,610,277	2,989,083
	-	-

<sup>a)</sup> The balance of sales and other receivables are detailed as follows:

	NOTES	March 31, 2022	December 31, 2021
		\$	\$
Other receivables and other current balance of sales	3k	141,549	141,464
Balance of sale, 5% interest starting January 1, 2022, maturing in December 2022	3l	2,368,172	2,348,643
		2,610,277	2,490,107

## NOTE 10. TRADE AND OTHER PAYABLES

	March 31, 2022	December 31, 2021
	\$	\$
Trade payables and accrued liabilities	2,648,665	5,551,612
Interest payable on other current liabilities and long-term debt	532,825	400,346
	3,181,490	5,951,958

## NOTE 11. CONVERTIBLE DEBENTURES

The principal amount outstanding and the carrying value for the convertible debentures issued by the Corporation are as follows:

							March 31, 2022	December 31, 2021
	NOTES	Issuance Date	Maturity Date	Coupon Rate	Effective Rate	Outstanding Principal	Carrying Value	Carrying Value
							\$	\$
Convertible Debenture	a	2021-03-10	2023-05-02	6.00%	15.00%	9,000,000	8,636,743	8,320,796
Convertible Debenture	b	2020-02-01	2023-06-30	12.00%	15.00%	3,877,200	3,745,372	3,721,828
Convertible Debenture	c	2021-10-29 2021-11-29	2023-10-29 2023-11-29	8.00%	15.00%	3,000,000	2,382,005	2,298,399
Convertible Debenture	d	2021-04-15 2021-05-14 2021-07-02	2022-04-15 2022-05-14 2022-07-02	20.00% 20.00% 24.00%	15.00%	500,000 500,000 500,000	1,782,904	1,717,683
Convertible Debenture	e	2019-07-31	2022-02-28	10.00%	10.00%	778,033	441,568	430,941
Convertible Debenture	f	2020-06-15	2022-06-14	12.00%	15.00%	-	-	98,680
							<b>16,988,592</b>	<b>16,588,327</b>
Current portion							<b>2,224,472</b>	<b>2,247,304</b>
							<b>14,764,120</b>	<b>14,341,023</b>

- a) On March 10, 2021, the Corporation issued convertible debentures in the amount of \$9,000,000. The convertible debentures, secured by investment properties, have the interests and the principal payable at the maturity, and embedded with a conversion option into Class "A" Common shares at a price of \$1.00 per share. They were issued to acquire the land in Alliston, as described in Note 3d.
- b) On February 1, 2020, the Corporation issued secured convertible debentures in the amount of \$4,420,000. The convertible debentures, secured by investment properties, have the interests and the principal payable at the maturity, and are embedded with a conversion option into Class "A" common shares at a price of \$1.00 per share. Any early redemption is without any penalty, provided a 30-day notice is provided to the investor to allow it to exercise its conversion right, should it decide to do so. In the event the investor decides to exercise its conversion right, 4% interest on such amount will be forfeited by the investor.

The convertible debenture was partially reimbursed for an amount of \$1,250,000 in May 2021, with \$707,200 first allocated to the accrued interests payable and \$542,800 to the principal. The early redemption generated adjustment to the fair value of the financial liability and conversion component. The Corporation allocated the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the redemption. According to IFRS 9 – Financial Instruments, the Corporation has the choice to record the difference between the carrying amount allocated to the part derecognized and the consideration paid for the part derecognized, either as a gain or loss in the unaudited interim condensed consolidated statements of comprehensive income (loss) or as an element of other comprehensive income through contributed surplus. The Corporation recorded that difference in other comprehensive income, presented in the fair-value adjustment on the conversion options in the reconciliation of the convertible debentures.

In December 2021, the Corporation has been granted an extension of the term, which was initially on January 31, 2022, to June 30, 2023 with no other changes than an added guarantee on the shares held in the joint venture and a mortgage on the 121, Lepine property in Gatineau. Adjustment to the fair value of the financial liability was recorded.

- c) On October 29, 2021 and November 29, 2021, the Corporation issued for a total amount of \$3,000,000 of unsecured convertible debentures. The unsecured convertible debentures are issued as part of the Corporation's private placement. The interests are payable semi-annually at an annual rate of 8% either in cash or in shares. They are embedded with a conversion option into "Unit" consisting of one Class "A" common share, one warrant to acquire one Class "A" common share exercisable at \$1.25 until October 31, 2023, and one additional warrant to acquire one Class "A" common share exercisable at a price of \$1.50 per share until October 31, 2024. The Corporation may force the conversion if the volume weighted trading price of the Class "A" common shares for a consecutive period of 20 days on the CSE is equal or higher than \$1.50. The cash in the amount of \$240,000 and warrant broker commissions in the amount of 282,352 warrants (valued at \$147,594 using Black-Scholes Model), are treated as financing costs and amortized throughout the term of the convertible debentures.
- d) On April 15, 2021, May 14, 2021 and July 2, 2021, the Corporation issued \$500,000 of convertible debentures on each such date for a total of \$1,500,000. The convertible debentures, guaranteed by a director, have the interests and the principal payable at the maturity, and are embedded with a conversion option into Class "A" common shares at a price of \$1.00 per share. This specific financing was contracted in view of the acquisition of an income producing portfolio in Ontario (Note 3b).
- e) On July 31, 2019, the Corporation issued convertible debentures in an amount of \$743,382. The convertible debentures, initially secured by all present and future residential properties of the Corporation, are payable along with the promissory notes listed into long-term debt (current portion) by monthly installments of \$100,000, initially payable in full by December 31, 2020. On April 21, 2021, the maturity date was amended to December 31, 2021, with accrued interests and principal payable on February 28, 2022. Partial redemption in the amount of \$700,000 was done on December 2, 2021. The convertible debenture is still outstanding and payable on demand with all accrued interests as of the approval date of the financial statements.
- f) On June 15, 2020, the Corporation issued convertible debentures in the amount of \$100,000. The convertible debenture, unsecured and held by an officer, has the interests and the principal payable at the maturity, and are embedded with a conversion option into units comprising one Class "A" common share and one warrant exercisable at a price of \$1.25 per Class "A" common share until October 31, 2023. The conversion price is the lesser of \$0.75 or the price of the shares issued to investors through a public financing of the Corporation prior to the maturity date. This convertible debenture was redeemed in January 2022.

A reconciliation of the convertible debentures is as follows:

	Host instruments	Conversion Options	Total
	\$	\$	\$
<b>Balance at December 31, 2020</b>	<b>5,109,103</b>	<b>259,750</b>	<b>5,368,853</b>
Issuance of new convertible debentures, net of transaction costs	11,196,391	1,916,015	13,112,406
Deferred income tax liability – conversion option	-	(533,368)	(533,368)
Amortization of transaction costs	24,436	-	24,436
Accretion on convertible debentures	1,138,017	-	1,138,017
Fair value adjustment on conversion options	-	96,691	96,691
Capitalized interests	53,871	-	53,871
Repurchase	(933,491)	-	(933,491)
Conversion	-	-	-
<b>Balance at December 31, 2021</b>	<b>16,588,327</b>	<b>1,739,088</b>	<b>18,327,415</b>
Issuance of new convertible debentures, net of transaction costs	-	-	-
Deferred income tax liability – conversion option	-	-	-
Amortization of transaction costs	43,298	-	43,298
Accretion on convertible debentures	445,096	-	445,096
Fair value adjustment on conversion options	-	-	-
Capitalized interests	10,626	-	10,626
Redemption	(98,755)	(1,245)	(100,000)
<b>Balance at March 31, 2022</b>	<b>16,988,592</b>	<b>1,737,843</b>	<b>18,726,435</b>

A reconciliation of the conversion options and the contributed surplus is as follows:

	Contributed Surplus
	\$
<b>Balance as at December 31, 2020</b>	<b>264,819</b>
Issuances of convertible debentures	1,916,015
Fair value adjustment on conversion options	96,691
Deferred income tax liability – conversion option	(533,368)
<b>Balance as at December 31, 2021</b>	<b>1,744,157</b>
Issuances of convertible debentures	-
Fair value adjustment on conversion options	-
Deferred income tax liability – conversion option	-
Redemption of a convertible debenture	(1,245)
<b>Balance as at March 31, 2022</b>	<b>1,742,912</b>

## NOTE 12. BANK MORTGAGES

	NOTES	INTEREST RATE	MATURITY	March 31, 2022	December 31, 2021
				\$	\$
Secured fixed rate mortgages	a)	3.85 % (2021 – 3.85%)	November 2022	<b>2,983,011</b>	3,005,653
				<b>2,983,011</b>	3,005,653
Current portion				<b>2,983,011</b>	3,005,653
				-	-

- a) The mortgage loan, initially in the amount of \$3,300,000, is secured by an investment property (121 Lepine avenue) and a guarantee from a director, bearing a fixed interest rate of 3.85%, capital and interest payable in monthly payments of \$17,094, maturing in November 2022.

## NOTE 13. LONG-TERM DEBT

	NOTES	WEIGHTED AVERAGE INTEREST RATE	MATURITY	March 31, 2022	December 31, 2021
				\$	\$
Secured	a)	9.38 % (2021 – 9.38 %)	June 2023	<b>6,578,435</b>	6,434,582
Secured, and guaranteed	b)	17.19 % (2021 – 17.16 %)	June 2023*	<b>22,851,580</b>	22,053,539
Unsecured	c)	8.09 % (2021 – 8.54 %)	June 2023*	<b>2,263,694</b>	2,268,308
Unsecured, and guaranteed	d)	7.23% (2021 – 7.23 %)	June 2023*	<b>429,232</b>	420,706
Total				<b>32,122,941</b>	31,177,135
Current portion				<b>1,938,377</b>	2,443,811
				<b>30,184,564</b>	28,733,324

\* The loans with different maturity dates from June 2023 are detailed in their respective paragraph a) to d) below. As of December 31, 2021, the Corporation has been granted an extension of the maturity to June 30, 2023 for the majority of the loans, with the interests and capital being paid at the maturity. The weighted average of interest rates in 2021 is higher than in 2020 because the 2021 interest expenses, for some extended loans, are calculated based on the new principal amount, consisting of the accumulated unpaid interests calculated at the previous maturity dates and the original principal amounts. There is no other change in the loan agreements at the extension date.

- a) Loans are secured by investment properties.
- b) Loans are secured by investment properties and personally guaranteed by a director in exchange of the 2% guarantee fee recorded as financing fees and disclosed as financing and other fees in Note 20 - Additional Information – Comprehensive Loss. The current portion of the loans consists of a \$225,000 term loan bearing 8% interest, maturing June 2022 with interests being paid monthly, and a \$685,114 term loan bearing 13.8% interest with interests and principal payable on demand.
- c) Loans are neither secured by any investment property nor guaranteed by a director. The current portion of the loans consists of \$712,273 advances from the joint venture bearing no interest rate, \$79,321 advances from companies controlled by a director bearing 9%-10% interest with interests and principal payable on demand, and \$321,397 promissory note bearing 10% interests with interests and principal payable in February 2022.
- d) Loans are not secured by any investment property but are personally guaranteed by a director in exchange of the 2% guarantee fee, recorded as financing fees and disclosed as financing and other fees in Note 20 - Additional Information – Comprehensive Loss . The current portion of the loans consists of a \$420,706 term loan bearing 8% interest with interests and principal payable on demand.

As at March 31, 2022, the Corporation was either in compliance with or had received accommodations from its creditors with respect to their debt covenants.

## 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:

March 31, 2022				\$
	MORTGAGES	LONG-TERM DEBT	CONVERTIBLE DEBENTURES	TOTAL
<b>Balance, beginning of year</b>	3,005,653	31,177,135	16,588,327	50,771,115
Cash				
Repayment	(22,642)	(29,628)	(98,755)	(151,025)
New borrowings, net of transaction costs	-	550,000	-	550,000
Non-Cash				
Settlement into class "A" common shares	-	-	-	-
Settlement from asset transactions	-	(560,000)	-	(560,000)
Unpaid interest capitalized	-	985,434	10,626	996,060
Issuance of warrants-broker commission	-	-	-	-
Amortization of transaction costs	-	-	43,298	43,298
Accretion on convertible debentures	-	-	445,096	445,096
Conversion option	-	-	-	-
Reclass from trade and other payables	-	-	-	-
<b>Balance, end of year</b>	<b>2,983,011</b>	<b>32,122,941</b>	<b>16,988,592</b>	<b>52,094,544</b>

December 31, 2021

\$

	MORTGAGES	LONG-TERM DEBT	CONVERTIBLE DEBENTURES	TOTAL
<b>Balance, beginning of year</b>	4,717,696	32,987,718	5,109,103	42,814,517
Cash				
Repayment	(97,668)	(3,260,331)	(933,491)	(4,291,490)
New borrowings, net of transaction costs	-	1,350,000	13,260,000	14,610,000
Non-Cash				
Settlement into class "A" common shares	-	(19,500)	-	(19,500)
Settlement from asset transactions	(1,614,375)	(4,476,046)	-	(6,090,421)
Unpaid interest capitalized	-	4,310,450	53,871	4,364,321
Issuance of warrants-broker commission	-	-	(147,594)	(147,594)
Amortization of transaction costs	-	-	24,436	24,436
Accretion on convertible debentures	-	-	1,138,017	1,138,017
Conversion option	-	-	(1,916,015)	(1,916,015)
Reclass from trade and other payables	-	284,844	-	284,844
<b>Balance, end of year</b>	<b>3,005,653</b>	<b>31,177,135</b>	<b>16,588,327</b>	<b>50,771,115</b>

## 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 convertible into Class "A" common shares on March 23, 2023 and convertible at the option of the holder at any time, on a basis of 1 Class "A" common share for 1 Class "B" common share.

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

- » Class "C" preferred shares; and
- » Class "D" preferred shares.

Shares issued and outstanding as of March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022		December 31, 2021	
	NUMBER	\$	NUMBER	\$
Class "A" common shares	42,982,896	87,707,069	28,393,194	74,695,200
Class "B" common shares	4,510,891	6,153,286	4,510,891	6,153,286
	<b>47,493,787</b>	<b>93,860,355</b>	32,904,085	80,848,486

On January 10, 2022, Emergia completed the closing of its previously announced private placement and issued an additional 4,812,902 units (excluding 294,118 units reserved for issuance as of December 31, 2021) and 250,000 Class "A" common shares for total amount of \$3,235,069, composed of \$327,002 in cash (excluding \$200,000 received in advance for 294,118 units reserved for issuance as of December 31, 2021) and \$2,908,067 in payment of outstanding debts



(\$2,811,568) and consulting fees (\$96,499). Each unit, issued at \$0.68 per unit, was 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 Class "A" common share at a price of \$1.25 per share until October 31, 2023.

This closing included the conversion of an important portion of the directors' and the Management's accrued compensation for an amount of \$990,239 (representing 1,456,234 units) and the conversion of debts by creditors for an amount of \$1,935,671 (representing 2,872,816 units) and \$546,862 (representing 804,210 units) in cash.

At March 31, 2022 and December 31, 2021, there was no share in escrow.

## NOTE 16. WARRANTS

The following is a continuity of the warrants outstanding and exercisable:

	EXPIRATION DATE	As at March 31, 2022		As at December 31, 2021	
		Weighted Average Exercisable Price		Weighted Average Exercisable Price	
		NUMBER	\$	NUMBER	\$
<b>Beginning balance</b>		<b>13,689,930</b>	<b>1.25</b>	9,651,158	1.25
Issuance of warrants	October 31, 2023	<b>4,812,902</b>	<b>1.25</b>	3,744,654 <sup>a)</sup>	1.25
Issuance of warrants	October 31, 2023	-	-	294,118 <sup>b)</sup>	1.25
		<b>18,502,832</b>	<b>1.25</b>	13,689,930	1.25

<sup>a)</sup> Including 284,952 warrants issued as broker warrant commission.

<sup>b)</sup> Warrants reserved for issuance, along with 294,118 Class "A" common Shares (reserved for issuance), for the \$200,000 received in advance of the private placement offering in January 2022.

The Corporation deems the Black-Scholes 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 \$0.90 (2021 – \$0.90), an exercise price of \$1.25 (2021 – \$1.25), a risk-free rate of 0.72% (2021 – 0.72%), volatility of 122.33% (2021 – 122.33%), vesting immediately, and an average life of 2.02 years (2021 – 2.02 years) from the extension approval date, resulting in a fair value of the warrant of \$0.34 (2021 – \$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.

## NOTE 17. NET INCOME (LOSS) PER SHARE

As at March 31, 2022, the Corporation generated a net income of \$4,004,344 (March 31, 2021 – net loss of \$153,411). The net income is mainly due to fair value adjustment on investment in associates at acquisition, partially offset by the loss on settlement of a long-term debt (refer to Note 6).

The calculation of basic net income (loss) per Class "A" common share as at March 31, 2022 was based on the income (loss) attributable to common shareholders which corresponds to the income for the three-month period ended March 31, 2022 of \$4,004,344 (March 31, 2021 – loss of \$153,411) and a weighted average number of common shares of 45,073,301 (March 31, 2021 – 24,768,000).

The calculation of diluted net income (loss) per share on March 31, 2022 was based on the income (loss) (after adjusting for interest on the convertible debentures) attributable to net potential common shareholders upon their conversion into Class "A" common shares. As a result, the dilutive net income as at December 31, 2021 was \$4,345,038 (March 31, 2021 – net loss of \$153,411), and a weighted average number of dilutive common shares of 57,906,225 (March 31, 2021 – 24,768,000). All warrants (Note 16 – Warrants) have not been included in the diluted net income due to their anti-dilutive effect. As at March 31, 2021, the dilutive shares were equal to the basic shares due to the anti-dilutive effect of deficit accumulated by the Corporation.



The calculation of the diluted earning per share of Class "A" common shares is as follows:

	March 31, 2022	March 31, 2021
	\$	\$
<b>Net income (loss)</b>	<b>4,004,344</b>	(153,411)
Effect of interest on convertible debentures on net income (loss)	340,694	-
<b>Net income (loss) adjusted for the effect of dilution</b>	<b>4,345,038</b>	(153,411)
Weighted average number of Class "A" common shares	45,073,301	24,768,000
Dilutive effect of convertible debentures on weighted average number of common shares	12,832,924	-
	57,906,225	24,768,000
<b>Diluted earnings per share</b>	<b>0.08</b>	(0.01)

## NOTE 18. RELATED PARTY TRANSACTIONS

Related parties include the Corporation's key management personnel. The compensation to key management is either settled in cash or in Class "A" common shares or other instruments as initially agreed upon by key management and the Corporation.

The remuneration of key management personnel includes the following:

	For the three-months ended	
	March 31, 2022	March 31, 2021
	\$	\$
Management fees	263,489	200,550

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	
	March 31, 2022	March 31, 2021
	\$	\$
Consulting fees and professional fees	69,117	96,505
Financing fees	160,096	82,345

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

	March 31, 2022	December 31, 2021
	\$	\$
Companies controlled by directors and officers	372,060	2,225,651
Accrual compensation of directors and officers	346,484	619,982

The Corporation has additional loans and advances with related parties disclosed in Note 13 - Long-Term Debt. As at December 31, 2021, the Corporation accrued a fee of 2% for the personal guarantees given by a director on the Corporation's secured and unsecured liabilities. This 2% fee was recorded as Financing Cost and presented within Financing Fees. In January 2022, the director waived and renounced to the payment of such fee, accrued over the periods ending in December 2021 and 2020, thus reducing the associated accrued liability accordingly.

## NOTE 19. ADDITIONAL INFORMATION – CASH FLOW

The changes in working capital items are detailed as follows:

	For the three-months ended	
	March 31, 2022	March 31, 2021
	\$	\$
Receivables and other receivables	378,806	266,924
Prepays and deposits	304,798	800,402
Trade and other payables	(51,234)	(1,013,325)
	632,370	54,001
Additional cash flow information:		
Interest paid	64,837	97,213

## NOTE 20. ADDITIONAL INFORMATION – COMPREHENSIVE INCOME (LOSS)

Administrative expenses are composed of the following:

	For the three-months ended	
	March 31, 2022	March 31, 2021
	\$	\$
Consulting and professional fees	274,750	230,537
Management fees	263,489	228,050
	538,239	458,587

Financing costs are composed of the following:

	For the three-months ended	
	March 31, 2022	March 31, 2021
	\$	\$
Interest	504,120	508,328
Financing and other fees	50,000	-
	554,120	508,328

## NOTE 21. FINANCIAL ASSETS AND LIABILITIES

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

	March 31, 2022		December 31, 2021	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<b>Financial assets</b>	\$	\$	\$	\$
Financial assets at amortized cost				
Cash	275,812	275,812	437,936	437,936
Receivables and other receivables	2,610,277	2,610,277	2,581,284	2,581,284
Refundable deposits	-	-	1,635,620	1,635,620
<b>Total financial assets</b>	<b>2,886,089</b>	<b>2,886,089</b>	<b>4,654,840</b>	<b>4,654,840</b>
<b>Financial liabilities</b>				
Financial liabilities at amortized cost				
Trade and other payables	3,181,490	3,181,490	5,951,958	5,951,958
Convertible debentures	16,988,592	16,988,592	16,588,327	16,588,327
Bank mortgages	2,983,011	2,983,011	3,005,653	3,005,653
Long-term debt	32,122,941	32,122,941	31,177,135	31,177,135
<b>Total financial liabilities</b>	<b>55,276,034</b>	<b>55,276,034</b>	<b>56,723,073</b>	<b>56,723,073</b>

Financial assets and financial liabilities measured at fair value in the unaudited interim condensed consolidated statements 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, and trade and accrued 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, long-term debts, and convertible debentures 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, long-term debts, and convertible debentures 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 interest rate risk, credit risk, liquidity and availability of capital risk and liquidity of real estate risk. The following analysis enables users to evaluate the nature and extent of the risks at the end of the reporting period.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Emergia monitors its interest rate exposure on an ongoing basis. The Corporation requires financial resources to complete the implementation of its strategy which includes refinancing of short-term debt, acquisition of income producing properties and development of currently owned projects. The successful implementation of Emergia's strategy will require cost effective access to additional funding. There is a risk that interest rates may

increase which could impact long-term borrowing costs and negatively impact financial performance. As at March 31, 2022 and December 31, 2021, bank mortgages, convertible debentures, long-term debts are at fixed interest rates, and the refinancing of any short-term debt underway is expected to reduce the current interest rates, therefore mitigating the Corporation's risk to interest rates.

### Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk is the full carrying value of the financial instrument. Exposure to credit risk relates to cash, receivables and other receivables. Emergia is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Corporation. Emergia mitigates the risk of credit loss through careful selection of tenants and look to obtain national tenants or tenants in businesses with a long-standing history or perform financial background checks including business plan reviews for smaller tenants. We manage our concentration risk by renting to an expansive tenant base, with no dependency on rents from any one specific tenant. The maximum exposure as at March 31, 2022, and December 31, 2021 is the carrying amount of these instruments, the credit risk is not significant.

### Liquidity and Capital Availability Risk

Liquidity risk is the risk that Emergia cannot meet a demand for cash or fund 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 and other equity instruments, and convertible debentures.

The Corporation's financial liabilities have contractual maturities as summarized below:

March 31, 2022	WITHIN 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	LATER THAN 5 YEARS
Trade and other payables	3,181,490	-	-	-
Convertible debentures	2,356,533	-	18,007,500	-
Bank mortgages	2,983,011	-	-	-
Long term debt	1,938,377	-	33,561,798	-
<b>Total</b>	<b>10,459,411</b>	<b>-</b>	<b>51,569,298</b>	<b>-</b>

December 31, 2021	WITHIN 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	LATER THAN 5 YEARS
Trade and other payables	5,951,958	-	-	-
Convertible debentures	1,736,533	620,000	18,007,500	-
Bank mortgages	46,547	2,959,106	-	-
Long term debt	2,443,811	-	33,561,798	-
<b>Total</b>	<b>10,178,849</b>	<b>3,579,106</b>	<b>51,569,298</b>	<b>-</b>

As at March 31, 2022, the Corporation was either in compliance with or had received accommodations from its creditors with respect to their debt covenants.

The Corporation is mitigating the liquidity risk by negotiating new equity and debt financing, and may also sell certain investment properties. The private placement offering in January 2022 settled a large amount of liabilities, and other private placement offerings took place in early April 2022 (refer to Note 26 - Subsequent Events). There is no guarantee that the Corporation will succeed in the selling of such properties or obtaining additional debt or equity financing or be

able to alter the future cash flow forecast. However, with the Corporation's success in 2020 and in 2021 and again in early 2022, to obtain equity financing and to dispose of assets, to significantly reduce its short-term debt, and to renegotiate the terms and conditions of its senior debts, Emergia has proven its ability to meet its obligations as they become due. Based on its performance to date and the support of its lenders and creditors, management believes that the liquidity risk described above is not significant and that there are limited material uncertainties related to the Corporation's capacity to meet its obligations when they become due.

### Liquidity of Real Property

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit Emergia's ability to adjust its portfolio promptly in response to changing economic or investment conditions or in the event it seeks to sell real estate assets as a source of liquidity. In recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession Emergia may be faced with ongoing expenditures with a declining prospect of incoming revenue. In such circumstances, it may be necessary for Emergia to dispose of properties at lower prices to generate sufficient cash for operations. Considering Emergia's diversified portfolio, management considers this risk as being not significant.

## NOTE 23. CAPITAL MANAGEMENT

The Corporation's primary objective when managing capital is to provide financial capacity and flexibility to meet its strategic objectives.

The Corporation's liquidity needs are for development costs, potential property acquisitions, scheduled debt maturities and non-recurring capital expenditures. The Corporation's strategy is to meet these needs with one or more of the following: cash flow from operations, credit facilities, and refinancing opportunities as well as issuances of shares or units.

The following schedule details the components of the Corporation's capital:

	March 31, 2022	December 31, 2021
	\$	\$
<b>Liabilities</b>		
Convertible debentures	16,988,592	16,588,327
Bank mortgages	2,983,011	3,005,653
Long-term debt	32,122,941	31,177,135
<b>Shareholders' equity</b>		
Share capital	93,860,355	80,848,486
<b>Total Capital</b>	<b>145,954,899</b>	131,619,601
<b>Capital Structure (Total Liabilities to Equity)</b>	<b>56%</b>	63 %

## NOTE 24. SEGMENT INFORMATION

The Corporation operates in three different segments of the real estate industry: (i) ownership of revenue-producing multi-residential, commercial, industrial and office properties ("**Rental Income**"), (ii) development and sale of investment properties ("**Development Income**"), (iii) management of investment properties from associates and joint ventures ("**Management Fees**"). Operating performance of the Corporation is evaluated primarily based on the development of the properties and their change in fair value as well as operating income of these three segments. Centrally managed expenses such as interest, amortization, and general administrative costs are not included or allocated to operating segment results. As at March 31, 2022 and 2021, the Corporation does not have Development Income.

The following summarizes the Corporation's assets as at March 31, 2022 and December 31, 2021:

	Income Producing Properties		Properties Under Development		Associate and Joint Venture		Corporation <sup>a)</sup>		Consolidation	
	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Total Assets	4,600,000	4,600,000	116,042,934	114,725,000	15,349,046	4,956,460	4,895,914	7,018,644	140,887,894	131,300,104

<sup>a)</sup> Represents the assets and revenues not included in the income producing properties, properties under development and associates and joint ventures, but includes assets such as properties held for sale, the investment in companies, the receivables and other cash or cash equivalent assets.

The following summarizes the Corporation's operating results for the three-month ended March 31, 2022 and 2021:

	Income Producing Properties		Properties Under Development		Associate and Joint Venture		Corporation		Consolidation	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Rental income	106,252	235,607	-	-	-	-	-	-	106,252	235,607
Management Fees, dividends, interests	-	-	-	-	-	-	268,272	-	268,272	-
Operating income	(55,019)	74,145	-	-	-	-	268,272	-	213,253	74,145

## NOTE 25. COMMITMENTS AND CONTINGENCIES

Emergia is involved in litigation and claims which arise from time to time in the normal course of business. None of these contingencies, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Corporation.

## NOTE 26. SUBSEQUENT EVENTS

### Private Placements

On April 8, 2022, the Corporation completed another closing of a private placement for a total amount of \$1,305,000 in cash, composed of \$705,000 of unsecured convertible debentures and \$600,000 in units of the Corporation at a price of \$0.80 per unit. The Debentures bear interest at the rate of 8% per year, accruing in arrears, payable semi-annually in cash or in Class "A" common shares of the Corporation. The debentures are convertible at the holder's option into one unit (the "Debentures Units") of the Corporation at a conversion price of \$0.90. Each Debenture Unit is composed of one Class "A" common share in the capital of the Corporation and two (2) warrants of the Corporation: (i) a warrant of the Corporation entitling the holder thereof to purchase one Class "A" common share at a price of \$1.25 per share until October 31, 2023 and (ii) a warrant of the Corporation entitling the holder thereof to purchase one Class "A" common share at a price of \$1.50 per share until October 31, 2024. In the event that, during the term of the debentures, the volume weighted trading price of the Class "A" common shares for the last 20 days on the CSE is equal to, or greater than \$1.50 per share, the Corporation may then force the conversion of the debentures into Debenture Units. Each unit, issued at \$0.80 per Unit, is 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 Class "A" common share at a price of \$1.25 per share until October 31, 2023.

On April 14, 2022, an holder of unsecured convertible debentures converted an amount of \$425,000 of its debentures into units of the Corporation at \$0.85 per unit, each unit being composed of one Class "A" common share in the capital of the Corporation and two (2) warrants of the Corporation: (i) a warrant of the Corporation entitling the holder thereof to purchase one Class "A" common share at a price of \$1.25 per share until October 31, 2023 and (ii) a warrant of the Corporation entitling the holder thereof to purchase one Class "A" common share at a price of \$1.50 per share until October 31, 2024.



# EMERGIA



## **EMERGIA INC.**

402-185 Avenue Dorval  
Dorval QC  
Canada H9S 5J9

1 888 520-1414

[investors@emergia.com](mailto:investors@emergia.com)

CSE :EMER

**EMERGIA.COM**