

GOING FORWARD

EMERGIA

**Unaudited Interim Condensed
Consolidated Financial Statements**

For the three and six months ended June 30, 2022



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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 June 30, 2022 and December 31, 2021

(in Canadian dollars)

	Notes	As at June 30, 2022	As at December 31, 2021
Assets		\$	\$
Current assets			
Cash		92,652	437,936
Receivables and other receivables	9	2,751,439	2,989,083
Prepays and deposits	8	584,041	1,789,125
Properties held for sale	5	1,800,000	1,800,000
Total current assets		5,228,132	7,016,144
Non-current assets			
Investment properties	4	122,112,692	119,325,000
Investment in a joint venture	6	-	3,306,460
Investment in associates	6	21,633,775	1,650,000
Property and equipment		42,804	2,500
Total non-current assets		143,789,271	124,283,960
Total assets		149,017,403	131,300,104
Liabilities			
Current liabilities			
Trade and other payables	10	3,544,339	5,951,958
Income tax payable		386,976	307,732
Current portion of convertible debentures	11	15,006,808	2,247,304
Current portion of bank mortgages	12	2,960,152	3,005,653
Current portion of long-term debt	13	32,916,812	2,443,811
Total current liabilities		54,815,087	13,956,458
Non-current liabilities			
Convertible debentures	11	2,668,035	14,341,023
Bank mortgages	12	-	-
Long-term debt	13	-	28,733,324
Deferred income tax liabilities		4,995,129	4,995,129
Total non-current liabilities		7,663,164	48,069,476
Total liabilities		62,478,251	62,025,934
Shareholders' equity			
Share capital	15	95,152,230	80,848,486
Warrants	16	6,353,619	6,327,418
Contributed surplus	11	1,786,900	1,744,157
Deficit		(16,753,597)	(19,645,891)
Total shareholders' equity		86,539,152	69,274,170
Total liabilities and shareholders' equity		149,017,403	131,300,104

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 and six-month periods ended June 30, 2022 and 2021
(in Canadian dollars except for share amounts)

	Notes	For the Three Months Ended		For the Six Months Ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
		\$	\$	\$	\$
Revenue	7	(115,635)	48,879	258,889	284,486
Operating expense		(22,837)	44,512	138,434	205,973
Operating income		(92,798)	4,367	120,455	78,513
Administrative expenses	20	710,111	965,133	1,248,350	1,423,720
Financing costs	20	456,630	614,736	1,010,750	1,123,064
Bad debts		8,113	-	8,113	-
Depreciation of property and equipment		6,718	-	13,435	-
Increase in fair value of investment properties		-	(1,818,224)	-	(1,818,224)
Increase in fair value of investment in associates	6	-	-	(6,000,000)	-
Share of net (income) loss from a joint venture and associates	6	(186,067)	54,373	(163,807)	(891,621)
(Gain) Loss on settlement of current and non-current liabilities		-	(130,723)	-	75,912
Loss on settlement of long-term debt	6	-	-	1,087,573	-
Income (Loss) before income taxes		(1,088,303)	319,072	2,916,041	165,662
Income taxes		23,747	-	23,747	-
Net income (loss) and comprehensive income (loss) for the year		(1,112,050)	319,072	2,892,294	165,662
Basic and diluted net income (loss) per outstanding common share	17				
- Basic		(0.02)	0.01	0.06	0.01
- Diluted		(0.02)	0.01	0.06	0.01
Weighted average number of outstanding common shares	17				
- Basic		46,437,631	22,040,787	46,437,631	22,040,787
- Diluted		69,409,642	22,040,787	69,409,642	22,040,787

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

Unaudited Interim Condensed Consolidated Statements of Shareholders' Equity

For the six-month periods ended June 30, 2022 and 2021
(in Canadian dollars except for share amounts)

	Share capital					
	Number of shares	Amount	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
	#	\$	\$	\$	\$	\$
Balance at December 31, 2021	32,904,085	80,848,486	6,327,418	1,744,157	(19,645,891)	69,274,170
Settlement of current and non-current liabilities	4,134,659	2,811,568	-	-	-	2,811,568
Issued under a private placement	1,286,332	927,002	19,861	-	-	946,863
Issued for consultation services	414,080	363,374	6,340	-	-	369,714
Issued at conversion of a convertible debenture	500,000	425,000	-	(40,830)	-	384,170
Issued for a convertible debenture	-	-	-	84,818	-	84,818
Issued 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 (loss) and comprehensive income (loss)	-	-	-	-	2,892,294	2,892,294
Balance at June 30, 2022	49,015,956	95,152,230	6,353,619	1,786,900	(16,753,597)	86,539,152
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	1,766,249	1,377,454	1,141	-	-	1,378,595
Issued for consultation services	373,719	291,501	-	-	-	291,501
Issued for a convertible debenture	-	-	-	(42,122)	-	(42,122)
Issued for an acquisition	4,800,000	4,800,000	-	-	-	4,800,000
Net income (loss) and comprehensive income (loss)	-	-	-	-	165,662	165,662
Balance at June 30, 2021	32,499,262	80,567,213	6,179,824	222,697	(52,127,379)	34,842,355

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

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the three and six-month periods ended June 30, 2022 and 2021
(in Canadian dollars)

	Notes	For the Three Months Ended		For the Six Months Ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Operating activities		\$	\$	\$	\$
Net Income (Loss)		(1,112,050)	319,074	2,892,294	165,662
Adjustments for					
Consulting services paid in shares	15	266,875	-	363,374	-
Amortization of transaction costs on convertible debentures	14	48,775	-	92,073	-
Increase in fair value of investment in associates	6	-	-	(6,000,000)	-
Distributions from associates	7	248,000	-	-	-
Increase in fair value of investment properties		-	(1,818,224)	-	(1,818,224)
Depreciation of property and equipment		6,718	-	13,435	-
Bad debt expense		8,113	-	8,113	-
Share of net (income) loss from a joint venture and associates	6	(186,067)	54,373	(163,807)	(891,621)
Loss on settlement of current and non-current liabilities		-	(130,723)	-	75,912
Loss (Gain) on settlement of long-term debt	6	-	-	1,087,573	-
		(719,636)	(1,575,500)	(1,706,945)	(2,468,271)
Changes in working capital items	19	17,609	1,056,221	649,979	1,110,222
Cash flows from operating activities		(702,027)	(519,279)	(1,056,966)	(1,358,049)
Investing activities					
Additions to property plant and equipment		-	-	(53,738)	-
Additions to investment in associates, net of related debt	3b	-	-	(650,000)	-
Contributions to associates		(395,512)	-	(395,512)	-
Distributions from associates	7	48,851	-	296,851	-
Additions to investment properties	4	(71,814)	(8,753,680)	(149,238)	(8,753,680)
Cash flows from investing activities		(418,475)	(8,753,680)	(951,637)	(8,753,680)
Financing activities					
Issuance of units and warrants	15	600,000	1,253,053	927,002	1,377,454
Convertible debentures	14	667,800	-	667,800	-
Repayment of convertible debentures	14	-	(542,800)	(98,755)	(542,800)
Repayment of bank mortgages	14	(22,859)	(8,137)	(45,501)	(43,797)
Long-term debt	14	300,000	9,325,000	850,000	10,150,000
Repayment of long-term debt	14	(607,599)	(755,798)	(637,227)	(833,865)
Cash flows from financing activities		937,342	9,271,318	1,663,319	10,106,992
Net change in cash		(183,160)	(1,641)	(345,284)	(4,737)
Cash (bank overdraft), beginning of period		275,812	78,765	437,936	81,861
Cash, end of period		92,652	77,124	92,652	77,124

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, multifamily, office and industrial buildings as well as land for future development and excess land. As at June 30, 2022, 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 June 30, 2022, the Corporation has improved its income-producing assets with its achievements in 2021 and the acquisition completed in March 2022, as described further below while most of the long-term debts have become current. 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 2,892,294 for the six months ended June 30, 2022, compared to a net income of \$165,662 for the six months ended June 30, 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 and to Note 26 - Subsequent Events), 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 six months ended June 30, 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 August 29, 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*

On 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. \$6,000,000 was recorded as fair value adjustment, net of tax, in the statement of income (loss) at the acquisition date.

Acquisitions and Dispositions of Properties in 2021

c) Disposition of 9700 St-Laurent Blvd, Montreal, QC, 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, QC, 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, QC, 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, ON, 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, QC, 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, QC, 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 June 30, 2022 and December 31, 2021, a reconciliation of the investment properties is as follows:

NOTES	Income Producing Properties		Properties Under Development		Total	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 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, QC, Canada	3c	-	(1,550,000)	-	-	(1,550,000)
Disposal of 475-489 Le Breton and 505-531 Le Breton, Longueuil, QC, Canada	3d	-	(3,665,000)	-	-	(3,665,000)
Disposal of 860 Cite-des-Jeunes, St-Lazare, QC, Canada	3g	-	-	(1,380,000)	-	(1,380,000)
Settlement of liabilities	3h	-	-	(1,208,021)	-	(1,208,021)
Acquisition of the Land in Alliston, ON, Canada	3f	-	-	15,038,019 ^(a)	-	15,038,019
Other acquisitions	3e	-	-	1	-	1
Increase in fair value of investment properties		648,225	-	40,581,539	-	41,229,764
Borrowing costs ^(b)		-	-	2,638,454^(b)	4,552,744	2,638,454
Development costs		-	-	149,238^(a)	503,279	149,238
Reclassified from Land held for development		-	-	18,115,163	-	18,115,163
Reclassified to properties held for sale		-	-	(1,800,000)	-	(1,800,000)
Balance, end of year		4,600,000	4,600,000	117,512,692	114,725,000	122,112,692

^(a) In the cash flow from investing activities, the additions to investment properties of \$149,238 resulted from development cost expenditures.

^(b) 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:

	June 30, 2022	December 31, 2021
	\$	\$
121 Lépine Avenue, Gatineau, QC, Canada	4,600,000	4,600,000
	4,600,000	4,600,000

Properties Under Development

The properties under development are composed of the following:

	NOTES	June 30, 2022	December 31, 2021
		\$	\$
Land in Bromont, QC, Canada	3e, 4	93,431,969	91,325,000
Land in Alliston, ON, Canada	3f	22,062,805	21,400,000
Land in Blainville, QC, Canada		2,017,918	2,000,000
		117,512,692	114,725,000

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 June 30, 2022, Emergia has a property held for sale as described below:

	June 30, 2022	December 31, 2021
	\$	\$
472 Knowlton Rd, Lac Brome, QC, Canada	1,800,000	1,800,000
Total aggregate value	1,800,000	1,800,000

NOTE 6. INVESTMENT IN A JOINT VENTURE AND ASSOCIATES

As at June 30, 2022, Emergia had interests in the seven following associates:

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

^(a) 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.

^(b) 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 12028735 Canada Inc. (joint venture) as at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
	\$	\$
Beginning balance	3,306,460	2,664,527
Disposal of interest	(1,647,573) ^(a)	-
Transferred to investment in associates	(1,647,573) ^(a)	-
Contributions	-	-
Share of net income	(11,314) ^(a)	641,933
Ending balance	-	3,306,460

^(a) 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 June 30, 2022 and December 31, 2021:

	June 30, 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	-
Fair value adjustment at acquisition	6,000,000 ^(a)	-
Contributions	395,512	-
Distributions	(296,851) ^(b)	-
Share of net income	175,121 ^(c)	-
Ending balance	21,633,775	1,650,000

^(a) 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.

^(b) In March 2022 management received \$248,000 distributions from associates which were recorded as dividend income, included in the acquisition of the said associates (interest in the Ontario 6-plaza portfolio). Subsequent to this acquisition, management, in Q2-2022, performed the equity pick-up and reclassified the distributions from dividend income to investment in associates (See Note 7).

^(c) Including equity pick-up after the acquisition date of the acquired associates.

Summarized financial information of the associates at 100% basis as at June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Current assets	9,092,030	888,644
Non-currents assets	171,251,372	17,238,877
Current liabilities	2,223,913	604,991
Non-current liabilities	112,034,288	9,259,611
Revenues	3,792,907	900,119
Change in fair value of investment properties ^(a)	15,390,899	2,000,000
Net income (loss) and comprehensive income (loss) for the period	15,982,241	1,283,866

^(a) 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		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$		
Rental income				
Lease revenues	74,266	44,145	133,170	185,509
Operating cost recoveries	26,094	(17,393)	73,442	76,850
	100,360	26,752	206,612	262,359
Other revenues				
Management fees		20,004	-	20,024
Dividend and interest income ^(a)	(215,995)	2,103	52,277	2,103
	(115,635)	48,879	258,889	284,486

^(a) In March 2022 management received \$248,000 distributions from associates which were recorded as dividend income, included in the acquisition of the said associates (interest in the Ontario 6-plaza portfolio). Subsequent to this acquisition, management, in Q2-2022, performed the equity pick-up and reclassified the distributions from dividend income to investment in associates (See Note 6 b.).

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:

	June 30, 2022	December 31, 2021
	\$	\$
Within 1 year	274,289	403,097
1 to 5 years	1,007,690	1,665,778
After 5 years	298,338	168,587
	1,580,317	2,237,462

NOTE 8. PREPAIDS AND REFUNDABLE DEPOSITS

The prepaids and refundable deposits are as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Deposits related to an acquisition of interests in associates ^(a)	100,000	1,635,620
Other deposits and prepaid expenses	484,041	153,505
	584,041	1,789,125

^(a) In May 2022, the Corporation made a deposit to acquire interests in an associate.

NOTE 9. RECEIVABLES AND OTHER RECEIVABLES

The receivables are detailed as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Trade receivables	216,992	91,177
Government remittances	-	407,799
Balance of sales and other receivables ^(a)	2,534,447	2,490,107
	2,751,439	2,989,083
Current portion	2,751,439	2,989,083
	-	-

^(a) The balance of sales and other receivables are detailed as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Other receivables and other current balance of sales	166,275	141,464
Balance of sale, 5% interest starting January 1, 2022, maturing in December 2022 ^(a)	2,368,172	2,348,643
	2,534,447	2,490,107

^(a) Related to a disposition of 9371-9904 Quebec inc in December 31, 2020. On December 31, 2020, the Corporation entered into an agreement with respect to selling its shares of its subsidiary 9371-9904 Quebec Inc. and related 395-425 Des Erables property for a total counterpart of \$7,425,000, paid as follows: (i) assumption of mortgages in the amount of \$5,076,357, and other liabilities and (ii) a balance of sale of \$2,348,643. A gain on disposal of a subsidiary of \$270,980 was realized on this transaction.

NOTE 10. TRADE AND OTHER PAYABLES

	June 30, 2022	December 31, 2021
	\$	\$
Trade payables and accrued liabilities	2,958,494	5,551,612
Interest payable on other current liabilities and long-term debt	585,845	400,346
	3,544,339	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:

							June 30, 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	8,964,686	8,320,796
Convertible Debenture	b	2020-02-01	2023-06-30	12.00%	15.00%	3,877,200	3,769,810	3,721,828
Convertible Debenture	c	2021-10-29 2021-11-29	2023-10-29 2023-11-29	8.00%	15.00%	2,575,000	2,078,645	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	1,820,000	1,717,683
Convertible Debenture	e	2019-07-31	2022-02-28	10.00%	10.00%	778,033	452,312	430,941
Convertible Debenture	f	2022-04-08	2024-04-08	8.00%	15.00%	705,000	589,390	-
Convertible Debenture		2020-06-15	2022-06-14	12.00%	15.00%	-	-	98,680
							17,674,843	16,588,327
Current portion							15,006,808	2,247,304
							2,668,035	14,341,023

- 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, Lépine 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.

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.

- 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 April 8, 2022, the Corporation issued unsecured convertible debentures in the amount of \$705,000. The unsecured convertible 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. 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 to or higher than \$1.50 per share.

A reconciliation of the convertible debentures is as follows:

	Host instruments	Conversion Options	Total
	\$	\$	\$
Balance at December 31, 2020	5,109,103	259,750	5,368,853
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
Redemption	(933,491)	-	(933,491)
Balance at December 31, 2021	16,588,327	1,739,088	18,327,415
Issuance of new convertible debentures, net of transaction costs	576,642	84,818	661,460
Amortization of transaction costs	92,073	-	92,073
Accretion on convertible debentures	879,356	-	879,356
Capitalized interests	21,370	-	21,370
Conversion	(384,170)	(40,830)	(425,000)
Redemption	(98,755)	(1,245)	(100,000)
Balance at June 30, 2022	17,674,843	1,781,831	19,456,674

A reconciliation of the conversion options and the Contributed Surplus is as follows:

	Contributed Surplus
	\$
Balance as at December 31, 2020	264,819
Issuances of convertible debentures	1,916,015
Fair value adjustment on conversion options	96,691
Deferred income tax liability – conversion option	(533,368)
Balance as at December 31, 2021	1,744,157
Issuances of convertible debentures	84,818
Issued at conversion of a convertible debenture	(40,830)
Redemption of a convertible debenture	(1,245)
Balance as at June 30, 2022	1,786,900

NOTE 12. BANK MORTGAGES

	NOTES	INTEREST RATE	MATURITY	June 30, 2022	December 31, 2021
				\$	\$
Secured fixed rate mortgages	a.	3.85 % (2021 – 3.85%)	November 2022	2,960,152	3,005,653
				2,960,152	3,005,653
Current portion				2,960,152	3,005,653
				-	-

- a. The mortgage loan, initially in the amount of \$3,300,000, is secured by an investment property (121 Lépine 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	June 30, 2022	December 31, 2021
				\$	\$
Secured	a	9.38 % (2021 – 9.38 %)	June 2023 ^(a)	7,064,486	6,434,582
Secured, and guaranteed	b	15.96 % (2021 – 17.16 %)	June 2023 ^(a)	23,446,627	22,053,539
Unsecured	c	10.78 % (2021 – 8.54 %)	June 2023 ^(a)	1,742,769	2,268,308
Unsecured, and guaranteed	d	7.26% (2021 – 7.23 %)	June 2023 ^(a)	662,930	420,706
Total				32,916,812	31,177,135
Current portion				32,916,812	2,443,811
				-	28,733,324

^(a) On December 31, 2021, the Corporation was 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. There is no other change in the loan agreements at the extension date.

- a. Loans are secured by investment properties. All loans are current as of June 30, 2022
- 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 Income (Loss). All loans are current as of June 30, 2022.
- c. Loans are neither secured by any investment property nor guaranteed by a director. All loans are current as of June 30, 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 Income (Loss). All loans are current as of June 30, 2022.

As of June 30, 2022, while the Corporation remained in compliance, with most of the loans becoming current, the Corporation continued on working to obtain 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:

June 30, 2022				\$
	MORTGAGES	LONG-TERM DEBT	CONVERTIBLE DEBENTURES	TOTAL
Balance, beginning of year	3,005,653	31,177,135	16,588,327	50,771,115
Cash				
Repayment	(45,501)	(637,227)	(98,755)	(781,483)
New borrowings, net of transaction costs	-	850,000	667,800	1,517,800
Non-Cash				
Settlement into class "A" common shares	-	-	(384,170)	(384,170)
Settlement from asset transactions	-	(560,000)	-	(560,000)
Unpaid interest capitalized	-	2,004,597	21,370	2,025,967
Issuance of warrants-broker commission	-	-	(6,340)	(6,340)
Amortization of transaction costs	-	-	92,073	92,073
Accretion on convertible debentures	-	-	879,356	879,356
Conversion option	-	-	(84,818)	(84,818)
Reclass from trade and other payables	-	82,307	-	82,307
Balance, at June 30, 2022	2,960,152	32,916,812	17,674,843	53,551,807

December 31, 2021				\$
	MORTGAGES	LONG-TERM DEBT	CONVERTIBLE DEBENTURES	TOTAL
Balance, beginning of year	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
Balance, at December 31, 2021	3,005,653	31,177,135	16,588,327	50,771,115

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 June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022		December 31, 2021	
	NUMBER	\$	NUMBER	\$
Class "A" common shares	44,505,065	88,998,944	28,393,194	74,695,200
Class "B" common shares	4,510,891	6,153,286	4,510,891	6,153,286
	49,015,956	95,152,230	32,904,085	80,848,486

On January 10, 2022, the Corporation 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.

On March 15 and March 31, 2022, the Corporation completed the first and second closings of the acquisition of an investment in associates, by issuing 9,494,800 and 282,000 Class "A" common share respectively, at \$1.00 per share.

On April 8, 2022, the Corporation completed another closing of a private placement and issued an additional \$600,000 in units of the Corporation at a price of \$0.80 per unit. Each 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.

On May 25, 2022, the Corporation issued 272,169 Class "A" common share in order to settle \$266,875 of consulting fees with a third-party consultant.

At June 30, 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 June 30, 2022		As at December 31, 2021	
		Weighted Average Exercisable Price		Weighted Average Exercisable Price	
		NUMBER	\$	NUMBER	\$
Beginning balance		13,689,930	1.25	9,651,158	1.25
Issuance of warrants	October 31, 2023	5,854,235	1.25	3,744,654 ^(a)	1.25
Issuance of warrants	October 31, 2023	-	-	294,118 ^(b)	1.25
Issuance of warrants	October 31, 2024	500,000	1.50	-	-
		20,044,165		13,689,930	1.25

^(a) Including 284,952 warrants issued as broker warrant commission.

^(b) 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 \$1.07 (2021 – \$0.90), an exercise price of \$1.25 (2021 – \$1.25), a risk-free rate of 2.03% (2021 – 0.72%), volatility of 98.3% (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 \$0.32 (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 June 30, 2022, the Corporation generated a net income of \$2,892,294 (June 30, 2021 – net loss of \$165,662). 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 June 30, 2022 was based on the income (loss) attributable to common shareholders which corresponds to the income for the six-month period ended June 30, 2022 of \$2,892,294 (June 30, 2021 – loss of \$165,662) and a weighted average number of common shares of 46,437,631 (June 30, 2021 – 22,040,787).

The calculation of diluted net income (loss) per share on June 30, 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 June 30, 2022 was \$3,897,268 (June 30, 2021 – net gain of \$165,661), and a weighted average number of dilutive common shares of 69,409,642 (June 30, 2021 – 22,040,787). All warrants (Note 16 – Warrants) have not been included in the diluted net income due to their anti-dilutive effect. As at June 30, 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:

	June 30, 2022	June 30, 2021
	\$	\$
Net income (loss)	2,892,294	165,662
Effect of interest on convertible debentures on net income (loss)	1,004,974	-
Net income (loss) adjusted for the effect of dilution	3,897,268	165,662
Weighted average number of Class "A" common shares	46,437,631	22,040,787
Dilutive effect of convertible debentures on weighted average number of common shares	22,972,012	-
	69,409,642	22,040,787
Diluted earnings per share	0.06	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		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$		
Management fees	270,016	166,950	533,505	367,500

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

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$		
Consulting fees and professional fees	47,371	48,253	116,488	144,758
Interests and other financing fees	27,087	90,845	187,183	173,190

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

	June 30, 2022	December 31, 2021
	\$	\$
Companies controlled by directors and officers	360,846	2,225,651
Accrual compensation of directors and officers	539,984	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 Six Months Ended	
	June 30, 2022	June 30, 2021
	\$	\$
Receivables and other receivables	(256,816)	265,349
Prepays and deposits	193,193	858,542
Trade and other payables	556,750	(13,669)
Income tax payable	156,852	-
	649,979	1,110,222
Additional cash flow information:		
Interest paid	266,880	781,551

NOTE 20. ADDITIONAL INFORMATION – COMPREHENSIVE INCOME (LOSS)

Administrative expenses are composed of the following:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$		
Consulting fees and professional fees	440,095	878,201	714,845	1,336,788
Management fees	270,016	86,932	533,505	86,932
	710,111	965,133	1,248,350	1,423,720

Financing costs are composed of the following:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$		
Interest	506,630	283,264	1,010,750	791,592
Financing and other fees	(50,000) ^(a)	331,472	-	331,472
	456,630	614,736	1,010,750	1,123,064

^(a) This financing fee was paid in March 2022 and is related to an on-going financing project. As of June 30, 2022, it was reclassified as a prepaid expense. Once the financing project realised, the related financing fee will be amortised with the same terms and conditions as the financing.

NOTE 21. FINANCIAL ASSETS AND LIABILITIES

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

	June 30, 2022		December 31, 2021	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets	\$	\$	\$	\$
Financial assets at amortized cost				
Cash	92,652	92,652	437,936	437,936
Receivables and other receivables	2,751,439	2,751,439	2,581,284	2,581,284
Refundable deposits	100,000	100,000	1,635,620	1,635,620
Total financial assets	2,944,091	2,944,091	4,654,840	4,654,840
Financial liabilities				
Financial liabilities at amortized cost				
Trade and other payables	3,544,339	3,544,339	5,951,958	5,951,958
Convertible debentures	17,674,843	17,674,843	16,588,327	16,588,327
Bank mortgages	2,960,152	2,960,152	3,005,653	3,005,653
Long-term debt	32,916,812	32,916,812	31,177,135	31,177,135
Total financial liabilities	57,096,146	57,096,146	56,723,073	56,723,073

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 June 30, 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 June 30, 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 the Corporation 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:

June 30, 2022	WITHIN 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	LATER THAN 5 YEARS
Trade and other payables	3,544,339	-	-	-
Convertible debentures	2,272,312	12,734,496	2,668,035	-
Bank mortgages	2,960,152	-	-	-
Long term debt	2,327,743	30,589,069	-	-
Total	11,104,546	43,323,565	2,668,035	-

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	-
Total	10,178,849	3,579,106	51,569,298	-

As of June 30, 2022, while the Corporation remained in compliance, with most of the loans becoming current, the Corporation continued on working to obtain 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 and April 2022 settled a large amount of liabilities and injected a convertible long-term financing. The Corporation has been in on-going negotiations with some lenders to either re-extend the loans or convert into shares, and with some potential investors in order to inject more equity and / or

secure more long-term financings, as it did in July 2022, converting convertible debentures in the amount of \$2,345,000 into units (refer to Note 26 - Subsequent Events), thus reducing its debts accordingly. 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 mid-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:

	June 30, 2022	December 31, 2021
	\$	\$
Liabilities		
Convertible debentures	17,674,843	16,588,327
Bank mortgages	2,960,152	3,005,653
Long-term debt	32,916,812	31,177,135
Shareholders' equity		
Share capital	95,152,230	80,848,486
Total Capital	148,704,037	131,619,601
Capital Structure (Total Liabilities to Equity)	56%	63 %

NOTE 24. SEGMENT INFORMATION

The Corporation operates in three different segments of the real estate industry: (i) ownership of revenue-producing multifamily, 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 June 30, 2022 and 2021, the Corporation does not have Development Income.

The following summarizes the Corporation's assets as at June 30, 2022 and December 31, 2021:

	Income Producing Properties		Properties Under Development		Associate and Joint Venture		Corporation ^(a)		Consolidation	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Total Assets	4,600,000	4,600,000	117,512,692	114,725,000	21,633,775	4,956,460	5,270,936	7,018,644	149,017,403	131,300,104

^(a) 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 months ended June 30, 2022 and 2021:

	Income Producing Properties		Properties Under Development		Associate and Joint Venture		Corporation ^(a)		Consolidation	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Rental income	100,360	26,752	-	-	-	-	-	-	100,360	26,752
Management Fees, Interests, Other Income	-	-	-	-	-	-	(215,995)^(b)	22,127	(215,995)	22,127
Operating income	123,197	(17,759)	-	-	-	-	(215,995)^(b)	22,127	(92,798)	4,368

^(a) 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.

^(a) Reclassification of distributions from investment in Associates.

The following summarizes the Corporation's operating results for the six month periods ended June 30, 2022 and 2021:

	Income Producing Properties		Properties Under Development		Associate and Joint Venture		Corporation ^(a)		Consolidation	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Rental income	206,612	262,359	-	-	-	-	-	-	206,612	262,359
Management Fees, Interests, Other Income	-	-	-	-	-	-	52,277	22,127	52,277	22,127
Operating income	(68,178)	56,386	-	-	-	-	52,277	22,127	120,455	78,513

^(a) 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.

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

Conversion of Convertible Debentures

On July 15, 2022, a holder of a series of three convertible debentures, maturing from April to July 2022 converted the total amount of principal and accumulated interests into Emergia's units (comprising one Class "A" common share and one warrant exercisable at a price of \$1.25 until December 31, 2022. This conversion resulted in the reduction of the debt by \$1.92 million.

On July 28, 2022, a holder of a convertible debenture, maturing in October 2022 converted another portion of the principal into Emergia's Units (comprising one Class "A" common share and two warrants, one exercisable at a price of \$1.25 until October 31, 2023 and one exercisable at a price of \$1.50 until October 31, 2024), and the related accumulated interests into Emergia's Class "A" Common Share. This conversion resulted in the reduction of the debt by \$0.43 million.

Sale of Asset Held for Sale

We have accepted an offer to sell the property held for sale at the value indicated in the financial statements of year-end 2021 and Q1-2022, being \$1,800,000. The closing is expected to occur in the coming weeks. The proceeds of such sale will reduce the debt.

EMERGIA



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