EMERGIA

Consolidated Financial Statements

For the years ended
December 31, 2019 and 2018

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Management's Responsibility for Financial Reporting

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

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

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

Raymond Chabot Grant Thornton LLP (the "**Auditors**"), the independent auditors of Emergia, have audited the consolidated financial statements of Emergia in accordance with Canadian generally accepted auditing standards to enable them to express to the Shareholders their opinion on the consolidated financial statements. The Auditors have direct and full access to, and meet periodically with the Committee, both with and without Management present.

HENRI PETIT PRESIDENT AND CHIEF EXECUTIVE OFFICER	**BRUNO DUMAIS**, CPA, CA CHIEF FINANCIAL OFFICER

Independent Auditor's Report

Raymond Chabot
Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec
H3B 4L8

T 514-878-2691

To the Shareholders of
Emergia Inc. (formerly The Delma Group Inc.)

Opinion

We have audited the consolidated financial statements of Emergia Inc. (formerly The Delma Group Inc.) (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, the consolidated statements of shareholders' equity and the consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note2 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the consolidated financial statements and the auditor’s report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor’s report thereon, included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mario Venditti.

Raymond Chabot Grant Thornton LLP[1]

Montréal
June 15, 2020

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[1] CPA auditor, CA public accountancy permit no. A121855

Emergia Inc. (formerly The Delma Group Inc.)
Consolidated Statements of Financial Position
As at December 31, 2019 and 2018
(in Canadian dollars)

	Note	2019	2018
Assets		**$**	$
Current assets			
Cash		**72,678**	131,159
Receivables and other receivables	**6**	**189,706**	123,569
Assets held for sale	**7**	**987,000**	4,064,331
Prepaid and refundable deposits		**1,265,338**	862,028
Advances to companies under common control, without interest		**250,000**	788,240
Other advances receivable, without interest		**32,381**	280,762
Total current assets		**2,797,103**	6,250,089
Non-current assets			
Other receivables	**5, 6**	**300,000**	—
Investment properties	**8**	**96,140,545**	88,541,212
Land held for residential development		**13,359,986**	12,190,522
Investment in a private company		**250,000**	250,000
Property and equipment		**4,241**	81,154
Trademarks and domain names	**9**	**—**	1,342,509
Total non-current assets		**110,054,772**	102,405,397
Total assets		**112,851,875**	108,655,486
Liabilities			
Current liabilities			
Bank overdraft		**116,361**	—
Credit line	**10**	**3,950,000**	3,895,000
Trade and other payables	**11**	**9,637,402**	8,288,408
Convertible debentures	**12**	**1,043,382**	670,457
Other current liabilities	**13**	**32,851,076**	29,601,121
Current portion of bank mortgages and long-term debt	**14, 15**	**15,033,398**	20,544,063
Total current liabilities		**62,631,619**	62,999,049
Non-current liabilities			
Bank mortgages	**14**	**14,585,074**	6,679,057
Long-term debt	**15**	**138,951**	409,037
Deferred income tax liabilities	**17**	**375,000**	375,000
Total non-current liabilities		**15,099,025**	7,463,094
Total liabilities		**77,730,644**	70,462,143
Shareholders' equity			
Share capital	**18**	**60,216,541**	57,309,522
Warrants	**19**	**5,069**	—
Deficit		**(25,100,379)**	(19,116,179)
Total shareholders' equity		**35,121,231**	38,193,343
Total liabilities and shareholders' equity		**112,851,875**	108,655,486

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

On behalf of the Board of Directors:

(signed) Yves Séguin, Director

(signed) François Castonguay, Director

Emergia Inc. (formerly The Delma Group Inc.)
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2019 and 2018
(in Canadian dollars except for share amounts)

	Note	2019	2018
		$	$
Rental Income		**2,910,747**	1,515,096
Operating Expenses		**1,757,378**	788,906
Net operating income		**1,153,369**	726,190
Administrative expenses	**21**	**1,721,890**	3,641,121
Bad debt		**507,144**	—
Decrease in fair value of Assets held for sale	**7**	**336,100**	—
Loss on sale of Assets held for sale and related deposits	**5**	**224,032**	—
Decrease in fair value of Investment properties	**8**	**67,187**	12,395,200
Financing costs	**21**	**3,387,434**	1,477,053
Depreciation of property and equipment		**4,416**	49,477
Loss on sale of property and equipment		**66,002**	—
Amortization of trademarks and domain names		**225,000**	450,000
Impairment of trademarks and domain names	**9**	**1,117,510**	—
Gain on settlement of other current liabilities		**(129,153)**	—
Gain on settlement of other current liabilities and payables		**(389,993)**	—
Listing fees		**—**	1,454,518
Loss before income taxes		**(5,984,200)**	(18,741,179)
Income taxes		**—**	375,000
Net loss and comprehensive loss		**(5,984,200)**	(19,116,179)
Basic and diluted net loss per share			
- Basic	**22**	**(0.43)**	(1.78)
- Diluted	**22**	**(0.43)**	(1.78)
Weighted average number of outstanding common shares			
- Basic	**22**	**14,043,942**	10,711,346
- Diluted	**22**	**14,043,942**	10,711,346

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

Emergia Inc. (formerly The Delma Group Inc.)

Consolidated Statements of Shareholders' Equity

For the years ended December 31, 2019 and 2018

(in Canadian dollars except share amounts)

		Share Capital					
	Note	Number of shares	Amount	Warrants	Deficit	Non-controlling interests	Total Equity
		#	$	$	$	$	$
Balance on December 31, 2018		13,336,479	57,309,522	—	(19,116,179)	—	38,193,343
Settlement of other current liabilities and payables		434,283	907,288	—	—	—	907,288
Consulting services paid in shares		63,253	89,755				89,755
Acquisition	**5a)**	785,092	1,909,976	—	—	—	1,909,976
Issuance of warrants	**19**	—	—	5,069	—	—	5,069
Net loss and comprehensive loss		—	—	—	(5,984,200)	—	(5,984,200)
Balance on December 31, 2019		**14,619,107**	**60,216,541**	**5,069**	**(25,100,379)**	**—**	**35,121,231**
Balance at December 31, 2017		**135,086**	14,298,608	—	—	2,641,057	16,939,665
Reverse Takeover		5,474,318	452,038	—	—	—	452,038
Purchase of Non-controlling interests	**5f)**	232,851	2,641,057	—	—	(2,641,057)	—
Acquisition of Bromont Group	**5g)**	4,083,334	23,990,424	—	—	—	23,990,424
Acquisition of Lupa investments	**5h)**	633,890	2,206,666	—	—	—	2,206,666
Acquisition of Lupa Real Estate Corporation	**5j)**	266,299	1,569,788	—	—	—	1,569,788
Acquisition of Corporation Immobilière GHP	**5i)**	2,468,698	11,898,923	—	—	—	11,898,923
Debt Settlement		8,334	50,004	—	—	—	50,004
Consulting services paid in shares		33,669	202,014	—	—	—	202,014
Transactions with owners		13,336,479	43,010,014	—	—	(2,641,057)	40,369,857
Net loss and comprehensive loss		—	—	—	(19,116,179)	—	(19,116,179)
Balance at December 31, 2018		13,336,479	57,309,522	—	(19,116,179)	—	38,193,343

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

Emergia Inc. (formerly The Delma Group Inc.)
Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(in Canadian dollars)

	Note	2019	2018
Operating activities		**$**	$
Net loss		**(5,984,200)**	(19,116,179)
Adjustments			
Consulting services paid in shares		**89,755**	202,014
Non-cash interest expense		**182,175**	152,859
Listing fees		**—**	1,439,587
Decrease in fair value of Assets held for sale		**336,100**	—
Decrease in fair value of Investment properties		**67,187**	12,395,200
Depreciation		**4,416**	49,477
Amortization		**225,000**	450,000
Bad debt		**538,240**	—
Loss on the sale of Assets held for sale		**224,032**	—
Loss on sale of Property and equipment		**66,002**	—
Gain on settlement of Other current liabilities		**(129,153)**	—
Gain on settlement of Other current liabilities and payables		**(389,993)**	—
Impairment of Intangible assets		**1,117,510**	—
Impairment of Debenture receivable		**—**	50,000
Deferred Income taxes		**—**	375,000
		(3,652,929)	(4,002,042)
Changes in working capital items	**24**	**454,902**	3,736,692
Cash flows from operating activities		**(3,198,027)**	(265,350)
Investing activities			
Other advances receivable		**248,381**	(250,762)
Cash acquired from acquisitions	**5**	**58,374**	(120,069)
Investment properties		**(1,386,145)**	(6,302,268)
Proceeds on disposal of Investment properties		**5,338,144**	—
Land held for residential development			(17,020)
Proceeds on disposal of Assets held for sale		**629,770**	—
Additions to Property and equipment		**(5,000)**	—
Proceeds on disposal of Property and equipment		**11,498**	—
Trademarks and domain names		**—**	(500)
Cash flows from investing activities		**4,895,022**	(6,690,619)
Financing activities			
Credit line		**55,000**	90,000
Convertible debentures		**300,000**	—
Other current liabilities		1,522,635	1,176,592
Repayment of other current liabilities		**(721,600)**	(570,605)
Advances payable to Lupa Investment		**—**	1,102,338
Bank mortgages		**862,855**	4,870,427
Repayment of bank mortgages		**(4,471,213)**	(123,316)
Long-term debt		**2,652,500**	538,664
Repayment of long-term debt		**(2,072,014)**	—
Cash flows from financing activities		**(1,871,837)**	7,084,100
Net change in cash		**(174,842)**	128,131
Cash, beginning of year		**131,159**	3,028
Cash (bank overdraft) end of year		**(43,683)**	**131,159**

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

Note 1 – Information on the Corporation

Emergia Inc. (formerly The Delma Group Inc.) together with its subsidiaries (together referred to as "**Emergia**" or the "**Corporation**") operates in the development, acquisition and management of multi-purpose real-estate properties, including retail, multi-residential, office and industrial buildings as well as land for future development.

Emergia was incorporated on April 7, 2014 under the laws of the province of British Columbia, and is governed, since January 19, 2018, by the *Canada Business Corporations Act*. The Corporation is the resulting issuer of a reverse takeover completed on March 23, 2018 by Aydon Income Properties Inc. and started trading on the Canadian Securities Exchange ("**CSE**") under DLMA.CN on March 23, 2018. On January 21, 2020, The Delma Group Inc. changed its name for Emergia Inc. and its ticker symbol for EMER.

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

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

A. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and in effect at year-end.

These consolidated financial statements were approved and authorized for issuance by the Corporation's Board of Directors on June 15, 2020.

B. Going Concern

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

As at December 31, 2019, the Corporation has not yet generated positive cash flows from its operations nor has it achieved profitable operations and has a negative working capital of $59,834,516 ($56,748,960 in 2018). The Corporation's ability to continue as a going concern is dependent upon its ability to raise sufficient equity or other forms of financing and refinance its short-term debt or other debts as they come due in order to complete its contemplated business plan and ultimately achieve profitable operations These factors indicate the existence of material uncertainties that may cast significant doubt regarding the Corporation's ability to continue as a going concern. The Corporation is implementing various cost initiatives to improve profitability.

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

The Corporation has ongoing negotiations to obtain financings to be used for short-term and long-term needs. The Corporation announced its $15 million private placement offering and discussions with interested investors were ongoing at the time these consolidated financial statements were approved. This financing, while significant, may not be sufficient to enable the Corporation to fund all aspects of its operations and, accordingly, management may need to pursue other financing alternatives to fund the Corporation's operations or agree with current lenders to possibly extend maturity dates and or related terms and conditions on existing loans, so it can continue as a going concern. There is no assurance that these initiatives will be successful and that such extensions will be granted.

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.

C. Significant accounting estimates, assumptions and judgments

The preparation of the accompanying consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates, assumptions and judgments affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate actual results could differ from these estimates. Changes in those estimates and assumptions resulting from changes in the economic environment will be reflected in the consolidated financial statements of future periods. Actual results may differ from these estimates. Changes in those estimates and assumptions resulting from changes in the economic environment will be reflected in the consolidated financial statements of future periods.

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

Judgments

The following are the judgments made by Management in applying the accounting policies of the Corporation that have the most significant effect on the consolidated financial statements.

(i) Going Concern

As discussed under B above, these consolidated financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumptions were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the statement of comprehensive loss and the statement of financial position classification used and such adjustments could be material. The Corporation reviews the going concern assessment at the end of each reporting period.

(ii) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized.

(iii) Acquisitions

Judgment is used by management in determining if acquisitions qualify as a business combination in accordance with IFRS 3 or as an acquisition of a group of assets.

Estimates

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

(i) Fair value measurement

Investment properties are recorded at fair value at the financial statement date. Fair value is determined by using a combination of management's internal measurements and valuations from independent real estate appraisers, performed in accordance with recognized valuation techniques, taking into consideration the location and the category of the investment property, as well as agreements to sell investment properties. Techniques used include the direct capitalized net operating income method that involves stabilized net operating income and capitalization rates, and the discounted cash flow method that involves estimating expected future cash flows, as well as discount and terminal capitalization rates.

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

Management's fair value internal measurements rely on internal financial information and are corroborated by capitalization rates obtained from independent experts. However, internal measurements and values obtained from independent appraisers are both subject to significant judgments, estimates and assumptions about market conditions at the financial statement date.

(ii) Impairment of trademarks and domain names

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in many cases. When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

Note 3 - Significant accounting policies

These consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarized below. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

A. Basis of consolidation

The Corporation's consolidated financial statements consolidate those of Emergia Inc. and all of its subsidiaries as of December 31, 2019. All subsidiaries have a reporting date of December 31 and are wholly owned. All transactions and balances between the entities are eliminated on consolidation, including unrealized gains and losses on transactions between companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(in Canadian dollars)

Note 3 - Significant accounting policies (Continued)

The significant subsidiaries are as at December 31,2019 are:

Name	2019	2018
Delma Real Estate Corporation	100%	100%
Bromont I Limited Partnership	100%	100%
Delma Hospitality Corporation	100%	100%
Lupa Investments Inc.	100%	100%
GHP Real Estate Corporation Inc.	100%	100%
9307-9077 Quebec Inc.	100%	100%
Aux 22 Sentiers Inc.	100%	100%
Société en Commandite Parc Industriel Lévis I	100%	100%
Emergia Real Estate Inc.	100%	100%
9203-5849 Quebec Inc.	100%	100%
Auberge Blueberry Lake Inc.	100%	100%
BBL Holdings Inc.	100%	100%
9371-9904 Quebec Inc.	100%	n.a.

B. Business combinations

Business combinations are accounted for using the acquisition method. The cost of a business combination is the fair value, at the acquisition date, of the assets transferred, liabilities incurred and the equity instruments issued in exchange for the control of the acquired business. The transaction-related costs are expensed as incurred.

Emergia accounts for investment property acquisitions in accordance with IFRS 3 – "Business Combinations" ("IFRS 3"), only when it considers that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets that could be conducted and managed for the purpose of providing a direct return to investors in the form of lower costs or other economic benefits. If the investment property acquisition does not correspond to the definition of a business, a group of assets is deemed to have been acquired. If the transaction includes goodwill, the acquisition is presumed to be a business. In general, when Emergia acquires a property or a portfolio without taking on the management personnel or acquiring an operational platform, it categorizes the acquisition as an acquisition of a group of assets.

Judgment is therefore used by management in determining if the acquisition qualifies as a business combination in accordance with IFRS 3 or as an acquisition of a group of assets.

C. Investments in Joint Ventures

Investments in joint ventures, if any, are accounted for using the equity method. The carrying amount of the investment in joint ventures is increased or decreased to recognize the Corporation's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Corporation. Unrealized gains and losses on transactions between the Corporation and its joint ventures, if any, are eliminated to the extent of the Corporation's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

Note 3 - Significant accounting policies (Continued)

D. Foreign currency translation

Presentation currency and translation of foreign-currency transactions and balances

The consolidated financial statements are presented in Canadian dollars ("$"), which is also the functional currency of the Corporation and its subsidiaries. Foreign currency transactions are translated into the functional currency of the Corporation using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

E. Segment reporting

The Corporation presents and discloses segmented information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and Board of Directors. Management currently identifies only one operating segment, being the management of properties in Canada, the United States and Greece.

F. Loss per share

The Corporation presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all years presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Corporation. Diluted loss per share is calculated by using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. Diluted loss per share did not include the effect of stock options and share purchase warrants, as the effect would be anti-dilutive.

Note 3 - Significant accounting policies (Continued)

G. Financial instruments

Classification and measurement

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

After their initial recognition, the financial assets are not reclassified, unless the Corporation detects a change in the economic model that it follows for the management of financial assets and that it reassesses the classification of its financial assets.

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument in question. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Corporation has substantially transferred all of the risks and rewards of ownership. A financial liability is derecognized in the event of extinction, termination, cancellation or expiration.

Financial assets and liabilities are offset and the net balance is presented in the statement of financial position when there is a legally enforceable right to offset the amounts recognized and an intention either to settle on a net basis or to realize the asset and settle liabilities simultaneously.

Financial assets are classified into the following categories, if any:

- amortized cost;
- fair value through profit or loss ("**FVTPL**");
- fair value through other comprehensive income ("**FVOCI**").

In the years presented, the Corporation does not have any financial assets categorized as FVOCI.

The classification is determined by both:

- the Corporation's business model for managing the financial asset;
- the contractual cash flow characteristics of financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within operating expenses.

Note 3 - Significant accounting policies (Continued)

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Corporation's cash, receivables and other receivables, advances to companies under common control and other advances receivable fall into this category.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than "hold to collect" or ''hold to collect and sell'' are categorized at fair value through profit and loss. Further, irrespective of the business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The category also contains an equity investment. The Corporation accounts for the investment in a private company at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined using a valuation technique where no active market exists. The Corporation's investment in a private company falls into this category.

All interest-related charges are recognized in profit or loss.

Note 3 - Significant accounting policies (Continued)

Impairment of financial assets

For recognition of credit losses, the Corporation considers a range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Stage 1: financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk;

- Stage 2: financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low;

- Stage 3: covers financials assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Corporation's financial liabilities include bank overdraft, credit line, trade and other payables, convertible debentures, other current liabilities, bank mortgages and long-term debt. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective rate method.

H. Compound financial instruments

Compound financial instruments issued by the Corporation comprise convertible debentures that can be converted to share capital or units at the option of the holder, and for which the number of shares to be issued does not vary with changes in their fair value. The fair value of the debt component is estimated by discounting the future cash flows using an appropriate discount rate. The difference between the proceeds and the fair value of the debt component is allocated to the equity component. When debt is convertible into units that are convertible into common shares and share purchase warrants, the equity portion is allocated to the embedded warrant feature based on its calculated fair value and the residual amount is allocated to the embedded conversion feature. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Note 3 - Significant accounting policies (Continued)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Upon conversion of the convertible debenture, the equity component is transferred to share capital. If the conversion option expires, the equity component is transferred to contributed surplus.

I. Investment properties

Investment properties are properties held to earn rental income or for capital appreciation, or both, and are initially accounted at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management and subsequently measured using the fair value model. Investment properties are revalued annually with resulting gains and losses recognized in profit or loss and are included in the consolidated statement of financial position at their fair values. Investment properties also consider excess land held for commercial development or resale.

J. Land held for residential development

Land held for residential development is accounted at acquisition cost, including transactions costs, and is valued at the lower of cost or net realizable value. Cost includes the costs directly attributable to the development properties, including direct development costs, realty taxes and borrowing costs that are added to the value of the properties.

K. Trademarks and domain names

Trademarks and domain names are initially recognized at acquisition cost and subsequently measured at cost less any accumulated amortization and any accumulated impairment losses. Amortization of trademarks and domain names is calculated based on estimated useful lives by using the straight-line method. The estimated useful lives of the trademarks and domain names are estimated at five years.

Useful lives, residual values and depreciation methods are reviewed annually.

Gains or losses arising on the disposal of trademark and domain names are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in consolidated profit or loss within other income or administrative expenses.

L. Impairment of trademarks and domain names

The carrying amount of an item of trademarks and domain names is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Note 3 - Significant accounting policies (Continued)

Trademarks and domain names are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Impairment reviews are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statement of comprehensive income. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of the recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

M. Revenue

Revenue consists of rental income from investment properties. In that respect, management has determined that all leases concluded between the Corporation and its tenants are operating leases. Base rent payments are recognized using the straight-line method over the term of the related leases. The leases generally provide for the tenants' proportionate share payment of maintenance expenses for common elements, realty taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests. Incidental income is recognized when services are rendered. Lease cancellation fees are recognized when they are due.

N. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, upgrading, redevelopment or development of a qualifying asset are capitalized during the period of time that is necessary to execute the works to bring the asset to the level of completion for its intended use. Other borrowing costs are expensed in the year in which they are incurred and reported in finance costs.

Note 3 - Significant accounting policies (Continued)

O. Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the balance sheet liability method.

Deferred tax liabilities are generally recognized in full. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Corporation's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

P. Non-current assets and liabilities classified as held for sale

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Corporation's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Q. Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Shared-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock-based compensation reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

R. Share capital

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

S. Warrants

Warrants include the value of outstanding warrants. When warrants are exercised, the related compensation cost and value are transferred to share capital.

Note 3 - Significant accounting policies (Continued)

T. Deficit

Deficit includes all current and prior year retained losses.

U. Provisions and contingent liabilities

Provisions are recognized when the Corporation has a present legal obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Corporation and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote. As at December 31, 2019 and 2018, the Corporation has no provisions.

Note 4 - Changes in accounting policies

Adoption of new standards as at January 1, 2019

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, Leases ("IAS 17"), and related interpretations.

The Corporation adopted IFRS 16, effective January 1, 2019, using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The Corporation determined that the application of this new standard did not have a significant impact on the consolidated financial statements.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Corporation

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Corporation.

(in Canadian dollars)

Note 4 - Changes in accounting policies (Continued)

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Corporation's consolidated financial statements.

Note 5 - Transactions

a) Acquisition of 9371-9904 Quebec Inc.

On July 25, 2019, the Corporation completed the acquisition of 100% of the shares of 9371-9904 Quebec Inc. for a total consideration of $1,909,976 paid in exchange of 785,092 Class "A" common shares of the Corporation.

The fair value of the net assets acquired was estimated at $1,909,976. The acquisition was accounted for as an asset purchase and the results of operations of 9371-9904 Quebec Inc. have been consolidated with the Corporation as of July 25, 2019.

Net assets acquired	$
Cash	58,374
Investment property	7,425,000
Bank mortgage	(5,153,138)
Trade and other payables	(178,158)
Other current liabilities with the Corporation	(242,102)
Total	**1,909,976**
Consideration:	
Issuance of 785,092 Class "A" common shares	**1,909,976**

The impact of the acquisition on revenue and net loss between July 25, 2019 and December 31, 2019 has been $198,938 and $43,006 (as net income) respectively.

b) Disposal of 9920-9924 St-Laurent, Montreal

During the third quarter, the Corporation sold its 9920-9924 St Laurent property for gross proceeds of $900,000 in cash.

c) Disposal of partial Blueberry Lake Resort's assets

During the third quarter of 2019, the Corporation sold some of its investment property and property and equipment of Blueberry Lake Resort for a cash consideration of $600,000 and a balance of sale of $400,000. The balance of sale is payable in August 2020 and 2021 (Note 6). The Corporation recognized a loss of $41,900.

Note 5 – Transactions (Continued)

d) Disposal of 1124, Place Verner, Laval

During the fourth quarter, the Corporation sold its 1124, Place Verner property for gross proceeds of $650,000 in cash.

e) Disposal of 2055, Desjardins, Montreal

During the fourth quarter of 2019, the Corporation sold its 2055, Desjardins property for gross proceeds of $3,800,000 in cash.

f) Reverse takeover

On July 20, 2017, the Corporation entered into a share purchase agreement, as amended on November 27, 2017 with Delma Resorts & Hotels GP Inc., Delma Properties Canada L.P., Delma Resorts & Hotels L.P. (the "**DRH Group**") and with Bromont 1 Limited Partnership and 9216-3583 Quebec Inc. (the "**Bromont Group**"), whereby the Corporation agreed to acquire all of the issued and outstanding shares and units of each of the DRH Group and the Bromont Group. The Transaction closed on March 23, 2018.

In accordance with IFRS 3, Business Combinations, the substance of the acquisition of the DRH Group by the Corporation was a reverse takeover as the shareholders and unitholders of the DRH Group hold the majority of the shares of the Corporation. The acquisition did not constitute a business combination as it did not meet the definition of a business under that standard. As a result, the acquisition was accounted for in accordance with IFRS 2 Share-based Payment, with the DRH Group being identified as the acquirer of the Corporation and of the non-controlling interest within DRH Group and the equity consideration being measured at fair value. Accordingly, the resulting balances and transactions prior to March 23, 2018 were those of the DRH Group.

Upon closing of the reverse takeover, the Corporation issued 2,196,278 class "A" common shares and 3,510,891 class “B” common shares for the shares and units related to the DRH Group.

The fair value of the Corporation's issued and outstanding shares has been determined based on the number of units DRH Group would have issued to acquire the Corporation. The fair value of the units is based on the fair value of the net assets of DRH Group. as at December 31, 2017. The fair value of the conversion options of the convertible debentures is not significant.

(in Canadian dollars)

Note 5 – Transactions (Continued)

The estimated fair value of the net liabilities assumed, and the consideration was:

	$
Cash	4,575
Receivables and other receivables	2,096
Assets held for sale	49,331
Prepaid and refundable deposits	94,671
Trade and other payables	(424,979)
Other current liabilities	(195,647)
Convertible debentures	(517,596)
Net liabilities assumed	(987,549)
Listing cost expensed	1,439,587
Total	**452,038**
Consideration:	
135,086 shares issued and outstanding for Aydon	**452,038**

In connection with the reverse takeover, the DRH Group changed its tax status. As a result, the deferred tax liability in the amount of $375,000 was recorded in earnings.

Prior to the reverse takeover, taxable income or loss of the DRH Group and its subsidiaries was included in the tax return of its partners. Prior to March 23, 2018, the DRH Group was treated as a partnership for income tax purposes and, as such, its partners were taxed separately on their share of DRH Group's income whether or not that income was actually distributed.

g) Acquisition of the Bromont Group

Upon closing of the reverse takeover, the Corporation issued 3,083,334 class "A" common shares and 1,000,000 class "B" common shares for the shares and units related to the Bromont Group.

The fair value of the consideration for the net assets acquired by the Corporation was estimated at $23,990,424. The fair value was based on the estimated fair value of the net assets of Bromont. The acquisition is considered an acquisition of assets as its does not meet the definition of a business under IFRS 3. As a result, the acquisition is accounted for in accordance with IFRS 2 Share-based Payment. Results of operations are included in the consolidated statements of comprehensive loss since the date of acquisition. The estimated fair value of the net assets acquired by the Corporation was:

	$
Cash	13,038
Receivables and other receivables	88
Prepaids and refundable deposits	28,365
Investment properties	32,043,474
Land for residential development	11,215,048
Trade and other payables	(766,589)
Other current liabilities	(18,543,000)
Total	**23,990,424**

(in Canadian dollars)

Note 5 – Transactions (Continued)

h) Acquisition of Lupa Investments

On April 1, 2018, The Corporation entered into a share purchase agreement with Lupa Investments Inc. ("**Lupa Investments**"), whereby the Corporation agreed to acquire all of the issued and outstanding shares of Lupa Investments (the "**Lupa Acquisition**"). The acquisition closed on May 7, 2018.

Upon closing of the Lupa Acquisition, Delma Real Estate Corporation ("**DREC**"), a wholly-owned subsidiary of the Corporation, issued 3,803,339 Class "A" preferred shares to the shareholders of Lupa Investments. Immediately after the acquisition, the Corporation purchased from the Lupa Investments shareholders the DREC shares in exchange for 633,890 Class "A" common shares of the Corporation.

The fair value of the consideration for the net assets acquired by the Corporation was estimated at $2,206,666. The fair value was based on the estimated fair value of the net assets acquired. The acquisition is considered an acquisition of assets as its does not meet the definition of a business under IFRS 3. As a result, the acquisition is accounted for in accordance with IFRS 2 Share-based Payment. Results of operations are included in the consolidated statements of comprehensive loss since the date of acquisition.

The estimated fair value of the net assets acquired by the Corporation and the consideration was:

	$
Cash	59,999
Receivables	227,073
Prepaids and refundable deposits	137,835
Advances receivable from a subsidiary of The Delma Group Inc.	1,102,338
Other advances receivable	5,000
Investment properties	6,065,000
Trade and other payables	(195,332)
Other current liabilities	(1,637,050)
Bank mortgages	(3,558,197)
Total	**2,206,666**
Consideration:	
Issuance of 633,890 Class “A” common shares	**2,206,666**

(in Canadian dollars)

Note 5 – Transactions (Continued)

i) GHP Acquisition

On July 12, 2018, The Corporation acquired all of the issued and outstanding shares of four subsidiaries of Gestion H. Petit Inc. ("**GHP**"), a company controlled by a director of the Corporation (the "**GHP Acquisition**").

Upon closing of the GHP Acquisition, the Corporation issued 2,468,698 Class "A" common shares and $849,791 of other current liabilities held by the sellers was assumed by the Corporation.

The fair value of the consideration for the net assets acquired by the Corporation was estimated at $12,748,714. The fair value was based on the estimated fair value of the net assets acquired. The acquisition is considered an acquisition of assets as its does not meet the definition of a business under IFRS 3. As a result, the acquisition is accounted for in accordance with IFRS 2 Share-based Payment. Results of operations are included in the consolidated statements of comprehensive loss since the date of acquisition.

The estimated fair value of the net assets acquired by the Corporation and the consideration was:

	$
Cash	(149,196)
Receivables and other receivables	132,096
Prepaids and refundable deposits	161,907
Investment properties and development projects	33,017,363
Property and equipment	82,131
Redeemable shares of DREC	4,885,000
Credit line	(3,805,000)
Trade and other payables	(2,477,177)
Other current liabilities	(6,653,148)
Bank mortgages	(5,696,721)
Long-term debt	(6,748,541)
Total	**12,748,714**
Consideration:	
Issuance of 2,468,698 Class “A” common shares	**11,898,923**
Other current liabilities assumed	**849,791**
Total	**12,748,714**

(in Canadian dollars)

Note 5 – Transactions (Continued)

j) Lupa II Acquisition

On July 26, 2018, The Corporation acquired all of the issued and outstanding shares of two subsidiaries of Lupa Real Estate Corporation Inc. ("**Lupa II**") (the "**Lupa II Acquisition**").Upon closing of the Lupa II Acquisition, the Corporation issued 266,299 Class "A" common shares.

The fair value of the consideration for the net assets acquired by the Corporation was estimated at $1,569,788. The fair value was based on the estimated fair value of the net assets acquired. The acquisition is considered an acquisition of assets as its does not meet the definition of a business under IFRS 3. As a result, the acquisition is accounted for in accordance with IFRS 2 Share-based Payment. Results of operations are included in the consolidated statements of comprehensive loss since the date of acquisition. The estimated fair value of the net assets acquired by the Corporation and the consideration was:

	$
Cash	(48,485)
Receivables	8,955
Prepaid and refundable deposits	71,965
Other advances receivable	30,000
Investment properties	6,595,000
Trade and other payables	(254,509)
Other current liabilities	(203,000)
Bank mortgages	(4,630,138)
Total	**1,569,788**
Consideration:	
Issuance of 266,299 Class “A” common shares	**1,569,788**

Note 6 - Receivables and other receivables

	2019	2018
	$	$
Trade receivables	**89,706**	123,569
Balance of sale	**100,000**	—
	189,706	123,569

The Balance of sale is detailed as follows:

	2019	2018
	$	$
Balance of sale, without interest, maturing in August 2020	**100,000**	—
Balance of sale, 3%, maturing in August 2021	**300,000**	—
	400,000	—
Current portion of balance of sale	**(100,000)**	—
Non-current portion of balance of sale	**300,000**	—

(in Canadian dollars)

Note 7 - Assets held for sale

Assets held for sale are composed of the following:

	2019	2018
	$	$
Blueberry Lake Resort, Labelle, Canada (a)	**259,000**	1,287,000
42 Degrees North Resort, Ellicotville, USA (b)	**100,000**	600,000
Lake Alphonse, La Minerve, Quebec, Canada	**128,000**	128,000
Panagopoula Resort, Panagopoula, Greece (c)	**—**	1,500,000
Domaine Balmoral Development Project, Quebec, Canada	**500,000**	500,000
Other	**—**	49,331
	987,000	4,064,331

At the end of 2018, management decided to sell the above assets to focus on investment properties. Consequently, these assets were classified as held for sale. The fair value of some of these properties was estimated by independent valuators.

(a) During the year, the Corporation sold most of its Blueberry Lake Resort property for gross proceeds of $1,000,000 and recognized a loss of $41,900.

(b) On April 9, 2020, Delma Hospitality Corporation sold all its interest in the 42 Degrees North Resort for net proceeds of $100,000 to be applied as a reduction of an existing Long-term debt.

(c) In December 2017, the Corporation signed a purchase agreement to acquire the remaining 70% ownership in the lands and buildings of the property. The Corporation has until October 2020 to finalize the purchase of the remaining 70%. Accordingly, the Corporation reclassified this asset under investment properties.

(in Canadian dollars)

Note 8 - Investment properties

A reconciliation of the investment properties is as follows:

	2019	2018
	$	$
Balance, beginning of year	**88,541,212**	14,910,200
Acquisition of the Bromont Group	**—**	32,043,474
Lupa Acquisition	**—**	6,065,000
GHP Acquisition	**—**	33,017,363
Lupa II Acquisition	**—**	6,595,000
9371 Acquisition	**7,425,000**	—
Disposals	**(5,338,144)**	—
Other acquisitions	**100,424**	10,537,528
Decrease in fair value of investment properties	**(67,187)**	(12,395,200)
Borrowing costs	**2,979,540**	1,215,257
Development costs	**849,700**	567,590
Reclassified from (to) assets held for sale	**1,650,000**	(4,015,000)
Balance, end of year	**96,140,545**	88,541,212

The investment properties are composed of the following:

	2019	2018
	$	$
Land in Bromont, Canada	**35,947,985**	32,693,789
9700 St-Laurent Blvd, Montreal, Canada	**1,400,000**	1,400,000
475-489 Le Breton and 505-531 Le Breton, Longueuil, Canada	**3,196,775**	2,864,999
1221-1225 St-Jean-Baptiste Blvd., Montreal, Canada (a)	**1,951,275**	1,800,000
185 Dorval Avenue, Montreal, Canada (a)	**10,684,847**	10,538,649
9920-9924 St-Laurent, Montreal, Canada (a)	**—**	767,668
610-640 Orly, Montreal, Canada (a)	**5,779,600**	5,260,000
1124 Place Verner, Laval, Canada (a)	**—**	600,000
860 Cite-des-Jeunes, St-Lazare, Canada (a)	**1,268,915**	1,167,491
2001 Chemin Oka, Deux-Montagnes, Canada	**909,773**	902,874
Land in Levis, Canada (a)	**10,508,488**	10,264,624
472-474 Knowlton, Lac Brome, Canada	**2,968,054**	2,898,577
117 Lepine, Gatineau, Canada	**6,200,000**	7,079,528
121 Lepine, Gatineau, Canada (a)	**4,570,000**	4,570,000
395-425, Des Erables, Valleyfield, Canada	**7,425,000**	—
2055 Desjardins Av., Montreal, Canada	**—**	4,098,879
Panagopoula Resort, Panagopoula, Greece	**1,650,000**	—
Land in Blainville, Canada (a)	**1,679,833**	1,634,134
	96,140,545	88,541,212

(a) In 2018, the fair value of these investment properties was estimated by independent valuators. In 2019 and 2018, except for the properties referenced in (a), the fair value of the investment properties was estimated internally.

(in Canadian dollars)

Note 8 - Investment properties (Continued)

In 2018, DREC purchased from a company controlled by a director an accepted purchase offer for 185 Dorval Avenue in exchange for 4,885,000 redeemable preferred shares of DREC. A fair value of $4,885,000 was estimated for the purchase offer and for the redeemable shares. The Corporation recorded the acquisition as an increase in investment properties and an increase of liabilities of $4,885,000. This liability was subsequently eliminated when the company controlled by a director was acquired (Note 5i).

Minimum lease payments receivable

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

	2019	2018
	$	$
Within 1 year	**2,868,089**	2,763,578
1 to 5 years	**7,760,240**	7,494,874
After 5 years	**2,516,536**	4,017,113
	13,144,865	14,275,565

Valuation Process

Fair value of the Corporation's investment properties is estimated based on appraisals performed by independent, professionally-qualified property valuators or internal valuations. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors at each reporting date. The fair value is categorized in Level 2 (Note 24). The appraisals for each of the investment properties at fair value were carried out using a market approach or an income approach, depending on the intended use of the property. The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location and current use. The extent and direction of this adjustment depends on the number of characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. The income approach is based on the estimated net income derived from the property. Although this is a subjective judgment, management considers that the overall valuation could not be materially affected by reasonably possible alternative assumptions. As at December 31, 2019, there was no significant change in the fair value of the investment properties. As at December 31, 2018 significant changes in the fair value of the investment properties was due to a lack of maintenance or advancement in the development of the properties during the year.

(in Canadian dollars)

Note 9 - Trademarks and domain names

Management periodically reviews the carrying value of the intangible asset portfolio whenever there is an indication of impairment. During the year, the Corporation concluded that the sale of its Blueberry Lake Resort assets was an event indicating the carrying amount of the Corporation's intangible assets may not be recoverable. Management performed an impairment analysis as at December 31, 2019 and concluded that Intangible assets with a carrying value of $1,117,510 were impaired. As at December 31, 2018, the carrying value of the trademarks and domain names was $1,342,509.

Note 10 - Credit line

The credit line, for an authorized amount of $4,000,000, bears interest at prime rate plus 0.60% (4.55%; 4.55% as at December 31, 2018). The credit line was subsequently reimbursed – see note 28.

The Credit line is secured by a guarantee from a director and two third parties of $4,000,000 each. The Corporation accrued an amount of $160,000 (2018 - $160,000) in exchange for such guarantee from one of the third parties.

Note 11 - Trade and other payables

	2019	2018
	$	$
Trade payables and accrued liabilities	**6,791,342**	6,634,691
Interest payable on other current liabilities, bank mortgages and long-term debt	**2,550,209**	1,330,461
Other	**295,851**	323,256
	9,637,402	8,288,408

Note 12 - Convertible debentures

	2019	2018
	$	$
Convertible debentures and $204,381 interest payable ($134,457 in 2018), 8.8% and 10%, secured by all present and future residential properties of the Corporation, matured in 2019	**743,382**	670,457
Convertible debentures, 18%, unsecured, mature in May 2020, convertible into common shares and warrants at the lesser of $1 or the unit price under a Private Placement	**100,000**	—
Convertible debenture, 15%, unsecured matures in November 2020, convertible into common shares at $0.90 per share	**100,000**	—
Convertible note, 12%, unsecured, convertible into common shares at 75% of the price of the most recent financing, subject to securities regulatory rules, matures in July 2020	**100 000**	—
	1,043,382	670,457

(in Canadian dollars)

Note 13 - Other current liabilities

	2019	**2018**
	$	**$**
Promissory notes, 24% (2018 -22% and 12%)	**665,983**	556,735
Liabilities of an asset held for sale, 8%	**—**	28,600
Advances, 9%, secured by Lands in Bromont	**7,274,660**	6,683,605
Loan (including $4,462,543 accrued interest; 2018 – $1,768,290), 15%, secured by Land in Bromont and Land held for residential development and a guarantee from a director	**15,461,543**	12,768,290
Advances from a company controlled by a director, 9%, secured by Land in Bromont and Land held for residential development	**972,773**	875,164
Advances from a company controlled by a director, 10% (2018– 0%)	**105,000**	105,000
Loan from a company controlled by a director, 11%, secured by 117 Lepine	**525,000**	408,000
Term loan, 12%, secured by 9700 St-Laurent, 475-505 Le Breton and 1221 St-Jean Baptiste properties	**1,300,000**	1,300,000
Loan, 8%, secured by a guarantee from a company controlled by a director	**744,290**	743,791
Loan, 12%, secured by Land in Levis	**250,000**	250,000
Loan, 8%, secured by 2001 Chemin Oka	**525,000**	525,000
Loan, 12%, secured by 472 Chemin Knowlton	**200,000**	200,000
Loan, 13.8%, secured by 121 Lepine	**500,000**	500,000
Loan, 5%, secured by a third party	**—**	400,000
Loan, 8%, secured by 117 Lepine and a guarantee from a director	**3,880,000**	3,800,000
Advances, 12%	**115,000**	—
Loan	**15,000**	—
Advances from companies controlled by a director, 9% and 10%	**90,610**	1,566
Other	**226,217**	455,370
	32,851,076	29,601,121

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

(in Canadian dollars)

Note 14 - Bank Mortgages

	2019	2018
	$	$
Term loan, 3.85%, capital and interest payable in monthly payments of $17,094, maturing in November 2022, secured by 121 Lepine and a guarantee from a director	**3,128,903**	3,212,728
Term loan, (prime + 1.1% (4.18%))	—	2,492,962
Term loan, 3.02%, capital and interest payable in monthly payments of $5,928, maturing in September 2021, secured by 1221-1225 St-Jean-Baptiste and a guarantee from a third party	**1,135,358**	1,171,829
Term loan, 3.88% (2018 – 3.42%), capital and interest payable in monthly payments of $9,815, secured by 474-489 Le Breton, 505-531 Le Breton and a guarantee from two third parties, maturing in April 2022	**1,690,159**	1,743,183
Term loan, 3.34%	—	275,078
Term loan, 4.62% (2018 - 4.54% in), secured by 600-650 Orly Avenue and a guarantee from director and a third party, maturing in February 2024	**3,829,012**	3,837,784
Term loan, 4.98%, capital and interest payable in monthly payments of $5,247, secured by 9700 St-Laurent and a guarantee from a company controlled by a director, payable on demand	**510,638**	553,192
Mortgage, 4.62%, secured by 395-425, Des Erables, and a guarantee from a director and a third party, capital and interest payable in monthly payments of $29,129, maturing in February 2024	**5,105,376**	—
Term loan, 5.67%	—	567,909
Term loan, prime rate plus 1% (4.95%), payable on demand, secured by 185, Dorval and a guarantee from a director	**4,777,500**	4,777,500
	20,176,946	18,632,165
Current portion	**5,591,872**	11,953,108
	14,585,074	6,679,057

(in Canadian dollars)

Note 15 - Long-Term Debt

	2019	2018
	$	$
Term loan, 46.9%, capital and interest, payable in weekly payments of $6,112 (2018 - $6,132), maturing in October 2020, secured by a guarantee from a director	**356,865**	387,606
Term loan, 25%	**—**	200,000
Term loan, 10%, matured, payable on demand and secured by Blueberry Lake Resort	**293,000**	293,000
Term loan, 13%	**—**	130,000
Term loan, 8% and 9%, monthly late fees of $15,000, matured and payable on demand, secured by 395-425 Des Erables and a guarantee from a director[(1)]	**1,792,112**	3,143,386
Term loan, 12%, payable on demand	**106,000**	106,000
Term loan, 5%, secured by 860 Cité-des-Jeunes and by a guarantee from a director, matured in December 2019	**400,000**	400,000
Term loan, 8%, secured by 860 Cité-des-Jeunes and by a guarantee from a director, payable on demand	**350,000**	350,000
Term loan, 12%, secured by Land in Levis and by a guarantee from a director, matured and payable on demand	**3,500,000**	3,500,000
Loan, matured in April 2019 and payable on demand [(2)]	**530,000**	490,000
Term loan, 12.5%, secured by 185, Dorval and by a guarantee from a director and a third party, payable in April 2020	**1,150,000**	—
Term loan, 8%, secured by 600-650 Orly and a guarantee from a director, additional 4% interest should the lender decide not to convert, Payable in March 2020	**1,000,000**	—
Loan, matured on December 2019, payable on demand	**102,500**	—
	9,580,477	8,999,992
Current portion	**9,441,526**	8,590,955
	138,951	409,037

(1) Interest and fees were reduced to 10% per annum since August 2019.
(2) See Note 30 – Subsequent Events and the sale of 42 Degrees North Resort.

(in Canadian dollars)

Note 16 - Reconciliation of liabilities arising from financing activities

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

2019			**$**
	Short-term borrowings	**Long-term borrowings**	**Total**
Balance, beginning of year	**34,166,578**	**27,632,157**	**61,798,735**
Cash			
Repayment	**(721,600)**	**(6,543,227)**	**(7,264,827)**
New borrowings	**1,877,635**	**3,515,355**	**5,392,990**
Non-Cash			
Acquisition		**5,153,138**	**5,153,138**
Gain on settlement	**(129,153)**		**(129,153)**
Settlement into class “A” shares	**(400,000)**		**(400,000)**
Non-cash interest	**3,050,998**		**3,050,998**
Balance, ending of year	**37,844,458**	**29,757,423**	**67,601,881**

2018			$
	Short-term borrowings	Long-term borrowings	Total
Balance, beginning of year	—	913,000	913,000
Cash			
Repayment	(570,605)	(84,247)	(654,852)
New borrowings	791,612	5,845,002	6,636,614
Non-Cash			
Reverse takeover and acquisitions	32,024,422	21,008,406	53,032,828
Repayment of long-term debt in class “A” shares		(50,004)	(50,004)
Non-cash interest	1,921,149		1,921,149
Balance, ending of year	34,166,578	27,632,157	61,798,735

Note 17 - Deferred Income tax liabilities and Income taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2019	2018
	$	$
Net loss	**(5,984,200)**	(18,741,179)
Statutory tax rate	**26.6%**	26.7%
Expected income tax recovery at the statutory tax rate	**(1,591,598)**	(5,003,895)
Change in fair value of Investment properties	**82,916**	3,169,064
Temporary differences not recognized	**514,970**	1,610,747
Current year losses for which no deferred tax assets are recognized	**988,872**	—
Listing Fees	—	384,370
Change in tax status	—	375,000
Other	**5,040**	(160,286)
Actual income tax expense	—	375,000

(in Canadian dollars)

Note 17 - Deferred Income tax liabilities and Income taxes (Continued)

The tax expense comprises:

	2019	2018
	$	$
Deferred tax expense	**(1,586,758)**	(5,162,099)
Change in tax status	—	375,000
Change in fair value of investment properties	**82,916**	3,169,064
Tax rate variation	—	(2,082)
Listing Fees	—	384,370
Temporary differences not recognized	**1,503,842**	1,610,747
Actual income tax expense	—	375,000

The Corporation has the following deductible temporary differences for which no deferred tax asset has been recognized:

	2019	2018
	$	$
Non-capital loss carry-forwards	**10,991,728**	14,579,399
Accrued expenses	—	700,000
Investment properties	**876,060**	1,652,711
Share issue costs	**216,611**	224,922
	12,084,399	17,157,032

The ability to realize tax benefits is dependant upon a number of factors. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. At December 31, 2019, deferred tax assets totalling $3,202,000 have not been recognized ($4,547,000 in 2018).

The tax pools relating to these deductible losses expire as follows:

	2019	**2018**
	$	**$**
2039	**3,620,831**	—
2038	**5,813,369**	12,188,577
2037	**1,225,871**	1,115,327
2036	**331,657**	584,473
2035		285,467
2034		132,131
2033		265,089
2032		5,944
2031		300
2030		300
2029		621
2028		1,169
	10,991,728	14,579,398

(in Canadian dollars)

Note 17 - Deferred Income tax liabilities and Income taxes (Continued)

Deferred taxes arising from temporary differences and unused tax losses are summarized as follows:

	January 1, 2019	Recognized in profit or loss	Acquired Through Acquisitions	December 31, 2019
	(375,000)	—	—	**(375,000)**
	January 1, 2018	**in profit or loss**	**Through Acquisitions**	**December 31, 2018**
Deferred tax liabilities				
Investment properties	(375,000)	(223,681)	—	**(598,681)**
Tax losses	—	223,681	—	**223,681**
	(375,000)	—	—	**(375,000)**
	January 1, 2018	**Recognized in profit or loss**	**Acquired through acquisitions**	**December 31, 2018**
Deferred tax liabilities				
Investment properties	—	(84,587)	(290,413)	(375,000)
Tax losses	—	290,413	(290,413)	—
	—	**(375,000)**	—	(375,000)

Note 18 - Share capital

The Corporation's authorized share capital is as follows:

Unlimited number of common shares as follows:

- Class “A” common shares, conferring 1 vote per share; and
- Class “B” common shares, conferring 100 votes per share, automatically converted into Class “A“ common shares on March 23, 2023 and convertible at the option of the holder at anytime, 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 at December 31, 2019 and 2018 are as follows:

		2019		2018
	Number	**$**	Number	$
Class “A” common shares	**10,108,216**	**54,063,255**	8,825,588	51,156,236
Class “B” common shares	**4,510,891**	**6,153,286**	4,510,891	6,153,286
	14,619,107	**60,216,541**	13,336,479	57,309,522

(in Canadian dollars)

Note 18 - Share capital (Continued)

At December 31, 2019, 487,839 outstanding Class "A" common shares (2018 – 813,065) and 1,916,651 outstanding Class "B" common shares (2018 – 3,194,418) are subject to an escrow agreement and are to be released on a staged basis as follows:

	Class "A" common shares	Class "B" common shares
March 23, 2020:	162,613	638,884
September 23, 2020:	162,613	638,884
March 23, 2021:	162,613	638,883

Note 19 - Warrants

On November 12, 2019, the Corporation issued 15,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of $0.80, exercise price of $2.00, risk free rate of 1.44%, volatility of 186%, vesting immediately, and life of 0.85 year from date of grant resulting in a fair value of $5,069. Each Warrant will entitle its holder to purchase one common Share at a price of $2.00 at any time until they expire in November 2020. The volatility is based on the Corporation's historical volatility for a similar period.

Note 20 - Stock option plan

The Corporation maintains a stock option plan (the "**Plan**"), which provides that the Board of Directors of the Corporation may, from time to time, at its discretion and in accordance with the CSE requirements, grant to directors, officers, employees and consultants of the Corporation, non-transferable options to purchase in cash subordinate voting shares of the Corporation, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding subordinate voting shares of the Corporation.

Under the Plan, such options will be exercisable for a period of up to five years from the grant date. Options granted are exercisable on the grant date, unless otherwise stated by the Board of Directors. Options issued to consultants performing investor relations activities must vest in stages over 12 months, with no more than one-fourth of the options vesting in any three-month period. The exercise price shall not be less than that permitted under the rules of any stock exchange on which the subordinate voting shares are listed. As at December 31, 2019 and 2018, no stock options are issued.

(in Canadian dollars)

Note 21 - Additional information – Comprehensive loss

Administrative expenses are composed of the following:

	2019	2018
	$	$
Consulting fees	**468,221**	424,308
Management fees	**704,748**	697,830
Professional fees	**548,922**	1,264,315
Professional fees related to reverse takeover	—	410,939
Project cancellation fee	—	700,000
Foreign currency exchange loss	—	93,729
Impairment of debenture receivable	—	50,000
	1,721,891	3,641,121

Financing costs are composed of the following:

	2019	2018
	$	$
Interest	**2,239,150**	1,102,511
Financing and other fees	**1,148,284**	374,542
	3,387,434	1,477,053

Note 22 - Net loss per share

The calculation of basic net loss per share at December 31, 2019 was based on the loss attributable to common shareholders which corresponds to the loss for the year of $5,984,200 (2018 – $19,116,179), and a weighted average number of common shares of 14,043,942 (2018 – 10,711,346).

The calculation of diluted net loss per share at December 31, 2019 is the same as the basic net loss per share as all options and warrants had an anti-dilutive effect (2018 - same).

Note 23 - Related Party Transactions

Related parties include the Corporation's key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives.

The remuneration of key management personnel includes the following:

	2019	2018
	$	$
Management fees	**469,297**	697,830

(in Canadian dollars)

Note 23 - Related Party Transactions (Continued)

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

Management fees and professional fees	468,121
Interest and financing fees	456,729
Interest added to investing properties	361,016

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

	2019	2018
	$	$
Companies controlled by directors and officers	**2,088,090**	615,993
Payable to directors and officers	**281,792**	600,000

Note 24 - Additional information – Cash Flow

The Corporation has additional loans and advances with related parties disclosed in Note 13.

The Corporation pays a fee of 0.5% for the personal guarantees given by a director on the Corporation's secured liabilities. The expense related to this fee is presented within financing costs.

The Corporation has commitments with key management personnel to pay management fees of $520,000 in 2020, $475,000 in 2021, $530,000 in 2022 and $585,000 in 2023.

The changes in working capital items are detailed as follows:

	2019	2018
	$	$
Receivables and other receivables	**208,240**	257,438
Prepaids and refundable deposits	**(565,880)**	(367,285)
Trade and other payables	**812,542**	3,846,539
	454,902	3,736,692

Additional cash flow information:

Interest paid	**2,497,645**	1,180,633
Additions to investment properties included in trade and other payables	**3,182,487**	1,133,107
Additions to land held for residential development included in Trade and other payables	**2,127,928**	958,454
Additions to Investment properties paid in shares of a subsidiary		4,885,000

(in Canadian dollars)

Note 25 - Financial Assets and Liabilities

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

	December 31, 2019		December 31, 2018	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets	**$**	**$**	$	$
Financial assets at amortized cost				
Cash	**72,678**	**72,678**	131,159	131,159
Receivables and other receivables	**489,706**	**489,706**	123,569	123,569
Advances to companies under common control	**250,000**	**250,000**	788,240	788,240
Other advances receivable	**32,381**	**32,381**	280,762	280,762
	844,765	**844,765**	1,323,730	1,323,730
Financial assets at FVTPL				
Investment in a private company	**250,000**	**250,000**	250,000	250,000
Total financial assets	**1,094,765**	**1,094,765**	1,573,730	1,573,730
Financial liabilities				
Financial liabilities at amortized cost				
Bank overdraft	**116,361**	**116,361**	—	—
Credit line	**3,950,000**	**3,950,000**	3,895,000	3,895,000
Trade and other payables	**9,637,402**	**9,637,402**	8,288,408	8,288,408
Other current liabilities	**32,851,076**	**32,851,076**	29,601,121	29,601,121
Bank mortgages	**20,176,949**	**20,176,946**	18,632,165	18,632,165
Long term debt	**9,580,477**	**9,580,477**	8,999,992	8,999,992
Convertible debentures	**1,043,382**	**1,043,382**	670,457	670,457
Total financial liabilities	**77,355,647**	**77,355,647**	70,087,143	70,087,143

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The net carrying amounts of cash, receivables and other receivables, advances to companies under common control, other advances receivable, credit line, trade and other current liabilities are considered a reasonable approximation of fair value since all amounts are short-term in nature. The estimated fair value of the bank mortgages and long-term debt was calculated based on the discounted value of future payments using interest rates that the Corporation could have obtained as at the reporting date for similar instruments with similar terms and maturities. The fair value of the bank mortgages and long-term debt is equivalent to its carrying amount and is categorized in Level 2.

Note 26 - Financial instrument risk

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

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

Market risk

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

The Corporation is exposed to interest rate risk on its other current liabilities and its fixed rate and variable rate bank mortgages and long-term debt financings. As at December 31, 2019 and 2018, the Corporation is exposed to changes in market interest rates through certain bank mortgages and long-term debt at variable interest rates. Certain bank mortgages, long-term debt and other current liabilities are at fixed interest rates and subject the Corporation to a fair value risk. Certain long-term debts are at variable interest rates and subject the Corporation to cash flow risks. Variations in the interest rate would not affect profit or loss significantly.

The Corporation is exposed to other price risk in respect to its investments in a private company. The exposure is not significant.

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Corporation. The Corporation is exposed to credit risk from financial assets including cash, receivables and other receivables, advances to companies under common control and other advances receivable. The maximum exposure as at December 31, 2019 and 2018 is the carrying amount of these instruments, the credit risk is not significant. During the year, the Corporation wrote-off $538,240 of the advances to companies under common control, which is presented within the bad debt expense in the consolidated statement of comprehensive loss.

Liquidity risk

Liquidity risk is that the Corporation might be unable to meet its obligations as they come due. The Corporation manages its liquidity needs by monitoring scheduled debt servicing payments for short and long-term liabilities as well as forecasting cash inflows and outflows due in day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis below.

The Corporation's funding is provided in the form of short and long-term debt as well as the issuance of shares. The Corporation assesses the liquidity risk as high.

(in Canadian dollars)

Note 26 - Financial instrument risk (Continued)

As at December 31, 2019 and 2018, the Corporation's financial liabilities have contractual maturities as summarized below:

				2019
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
Credit line	**3,950,000**	—	—	—
Trade and other payable	**9,632,402**	—	—	—
Convertible debentures	**1,043,382**			
Other current liabilities	**32,751,076**	**100,000**	—	—
Bank mortgages	**5,320,462**	**954,985**	**16,037,110**	—
Long term debt	**9,380,161**	**61,365**	**138,951**	—
Total	**62,077,483**	**1,116,350**	**16,176,061**	—

				December 31, 2018
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
Credit line	3,895,000	—	—	—
Trade and other payable	8,288,402	—	—	—
Convertible debentures	670,457			
Other current liabilities	29,601,121	—	—	—
Bank Mortgages	10,908,550	210,969	7,512,646	
Long term debt	8,015,039	727,367	257,586	—
Total	61,378,569	938,336	7,770,232	—

Note 27 - Capital Management

The Corporation's objectives when managing capital are to ensure the Corporation’s ability to continue as a going concern, maintain financial flexibility in order to preserve its ability to meet its financial obligations, including potential liabilities resulting from additional acquisitions, maintain a capital structure that allows it to finance its growth strategy with cash flows from its operations and its debt capacity and optimize the use of its capital to provide an appropriate return on investment.

The capital structure of the Corporation consists of the bank mortgages, long-term debt and equity.

The Corporation’s financial strategy is developed and adapted on the basis of market conditions to maintain a flexible capital structure consistent with the objectives stated above and to respond to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Corporation may refinance an existing debt, take out new borrowings or repurchase shares or issue new shares.

The Corporation’s financial strategy and objectives have remained substantially unchanged for the past year fiscal year. The objectives and strategy are reviewed annually.

(in Canadian dollars)

Note 28 - Segment Information

Non-current assets are owned in the following countries:

	2019	2018
	$	$
Canada	**107,854,772**	102,155,397
Greece	**1,650,000**	

The rental income is 100% in Canada.

Note 29 - Comparative figures

Comparative figures have been reclassified to reflect the presentation adopted by the Corporation as at December 31, 2019.

Main reclassifications are as follows:

From other current liabilities to trade and other payables	$64,058
From other current liabilities to long-term debt	$199,595
From other current liabilities to bank mortgages	$567,909
From long-term debt to convertible debentures	$670,457
From trade and other payables to other current liabilities	$1,768,290
From long-term debt to bank mortgages	$18,064,356

Note 30 - Subsequent events

In January 2020, the Corporation changed its name from The Delma Group Inc. to Emergia Inc. and its ticker symbol from “DLMA” to “EMER” to align with the recent strategic changes within the Corporation, including the refocussing of the Corporation on the development, acquisition and management of multi-purpose real estate assets mainly in Canada. The name change was previously approved at the annual and special meeting of shareholders held on September 27, 2019. Common shares started trading on the CSE under the new name and new symbol “EMER” on January 21, 2020.

Debenture

In March 2020, the Corporation entered into a subscription agreement with a private investor who has agreed to provide funding of $4,420,000 by way of a secured convertible debenture to reimburse the Corporation’s line of credit and to settle outstanding debt of the Corporation. The debenture has a maturity date of January 31, 2022 and bears interest at a rate of 12% per annum, payable at maturity. The Debenture and the interest are convertible into common shares of the Corporation at a conversion price of $1.00 per Common Share. The Debenture will be secured by a hypothec over specific assets that were already mortgaged to secure the RBC line of credit. The debenture may be reimbursed at any time until maturity without any penalty, provided a 30-day notice is given to the investor to allow him to exercise his conversion right, should he decide to do so. In the event the investor decides to exercise its conversion right, 4% interest on such amount will be forfeited by the investor. Management has not yet determined the accounting treatment of the debenture

Note 30 - Subsequent events (Continued)

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world. As at June 15, 2020, the Corporation is aware of the changes in its operations as a result of the COVID-19 crisis. Management is uncertain of the effects of these changes on its consolidated financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance. As a result, we are unable to estimate the potential impact on the ability to obtain further financing and on the Corporation's operations as at the date of these consolidated financial statements.

The Covid-19 pandemic is creating unprecedented challenges to the global economy and stock markets. The Corporation's Board of Directors and management are taking all necessary measures to ensure the health of its employees, support its tenants and best manage the short-term challenges to its business. With the current market uncertainties, the Corporation was limited in its financing activities also during the months of March, April and May. Nonetheless, the Corporation continued its discussions to refinance current short-term facilities and loans. The Corporation has also temporarily reduced its work force and obtained from some of its lenders capital and or interests payment relief for up to 3 months, covering the months of April, May and June. The Corporation also took measures to reduce spending as much as possible in the short term.

42 Degrees North Resort

On April 9, 2020, the Corporation sold all its interest in the 42 Degrees North Resort Project for net proceeds of $100,000 to be applied as a reduction of an existing long-term debt.