EMERGING STRONGER

EMERGIA

Management's Discussion & Analysis
Emergia Inc.

For the year ended December 31, 2020

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Management's Discussion and Analysis

The following Management's Discussion and Analysis ("**MD&A**") is provided to enable the reader to assess the results of operations of Emergia Inc. ("**Emergia**" or the "**Corporation**") for the year ended December 31, 2020, in comparison with the year ended December 31, 2019.

This MD&A dated May 19, 2021, reflects all significant information available as of that date and should be read in conjunction with the consolidated financial statements and accompanying notes of Emergia for the years ended December 31, 2020 and December 31, 2019 (the "**2020 Financial Statements**").

Unless otherwise indicated, all amounts are in thousands of Canadian dollars and are based on the 2020 Financial Statements prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Additional information on Emergia is available on Emergia's website at www.emergia.com and on the Canadian Securities Administrators' ("**CSA**") website at www.sedar.com.

The Board of Directors of the Corporation, under the recommendation of the Audit Committee, has approved the contents of this MD&A on May 19, 2021.

Basis of Presentation

Going Concern

The 2020 Financial Statements and this MD&A have been prepared on a going concern basis, which presumes that the Corporation will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations.

As of December 31, 2020, 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 $31,198,328 ($59,834,516 - December 31, 2019). 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. Notwithstanding the foregoing, subsequent events (See "Subsequent Events" Section on page 10 allowed to further reduce the short-term debt and management continues its financing activities as mentioned below.

The Corporation has ongoing negotiations to obtain financings to be used for short-term and long-term needs. The Corporation pursues its $15 million private placement offering and, at the time these consolidated financial statements were approved, the Corporation had executed the Private Placement for a total amount of $7,307,119. At the time these consolidated financial statements were approved, discussions with interested investors were ongoing. This financing, if completed and in addition to the other transactions mentioned above and in the "Subsequent Events" Section on page 10 of this MD&A, is expected to be sufficient to enable the Corporation to fund all aspects of its operations. In addition to the latter, management pursues other financing alternatives to fund the Corporation's operations, including potential agreements with current lenders and creditors to possibly convert their debt in equity and or extend maturity dates and or related terms and conditions on existing loans, to reinforce its ability to continue as a going concern.

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as at the date of the financial statements and the reported amounts of revenues and expenses during the period. The critical accounting estimates and judgments have been set out in note 2 to Emergia's consolidated financial statements for the year ended December 31, 2020. 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.

Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Corporation's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Corporation's financial information reported under IFRS.

The Corporation believes non-IFRS measures are important supplemental measures of financial performance because they eliminate items that have less bearing on the Corporation's financial performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS measures. Because other companies may calculate these non-IFRS measures differently than the Corporation does, these metrics are not comparable to similarly titled measures reported by other companies.

Emergia measures the success of its strategy using a number of performance indicators:

Non-IFRS Performance Indicators

Net operating income ("NOI"): NOI is a measure presented in the statement of comprehensive income in the Corporation's consolidated financial statements, which is calculated as revenues less property operating expenses such as utilities, repairs and maintenance and realty taxes. NOI does not include charges for interest or other expenses not specific to the day-to-day operation of Emergia's properties. Emergia considers NOI to be a valuable measure for evaluating the operating performance of its properties.

Net Asset Value ("NAV"): NAV is an adjusted asset value reflecting the market values of real estate properties held by Emergia. The NAV is measured on a per share basis where the aggregated net value of the portfolio is divided by the Corporation's total number of shares outstanding. The Corporation's properties are valued regularly at least once a year, depending on the Corporation's requirements, and the NAV is measured and reported at the end of the accounting period. Liabilities are valued using the carrying value at the end of the reporting period.

Occupancy rate: Occupancy rate is a measure used by Emergia to give an indication of the current economic health of the Corporation's portfolio by taking the leasable area occupied by clients divided by the leasable area of Emergia's portfolio, excluding the areas currently under development or redevelopment.

Debt ratio: Debt ratio is a non-IFRS measure used by Emergia to assess the financial balance essential to the prudent running of an organization. Debt ratio is calculated by adding mortgages payable, debentures, bank borrowings less cash and cash equivalents divided by the total assets minus cash and cash equivalent.

Effective Gross Revenues ("EGR"): The EGR refers strictly to rental income generated by revenue generating properties and excludes other revenues such as disposal of land or other properties. Emergia considers EGR to be a valuable measure for evaluating the revenue generating performance of its properties.

Reconciliation with closest IFRS measures and other relevant information regarding the above performance indicators are provided in the appropriate sections of this MD&A.

Messages to Shareholders

As indicated in last year's *Management and Discussion Analysis Report*, 2019 has been a year where the Corporation's effective transformation began. As planned, this transformation, was pursued in 2020, which, in fact, became a pivotal year for Emergia. The objective was then to complete the said transformation by 2021.

Execution of the Strategic Plan

The strategic plan aimed at redefining the Corporation's business model and plan and strengthen our balance sheet, by:

1. Concentrate its activities and operations in Canada, mainly in the provinces of Quebec and Ontario in the multi-residential, retail, industrial and office properties, in the segments of ownership and management, optimization and development;

2. Reduce the short-term debt by capitalization and refinancing and disposing of certain assets;

3. Acquire revenue generating properties to ensure stable revenues and cash flows.

We are proud to affirm that the Corporation has succeeded in its goals, as:

1. We reduced the high interests' short-term debt by $29.29M in 2020, and by an additional $5.04M in the first two months of 2021, for a total of $34.33M by end of February 2021.

2. We closed the Private Placement Offering in an amount of $7.3M on a $15M Offering composed mostly of conversion of debt by existing lenders and creditors in equity of the Corporation.

3. We sold the assets held for sale being part of the hospitality segment.

4. We rolled-over two assets in a joint venture to allow the optimization of the property in one case and the development in the other. In the latter case, it includes the development of a mixed-use building in Dorval composed of 103 apartments and approximately 9,000 sq.ft. of retail, with a construction expected to start in the fall 2021. Emergia also benefits of a 3-year buy-back option of the shares of this joint venture, which is a great advantage to the Corporation as it will benefit of the value-add created with the development should we decide to exercise the Corporation's buy-back option.

5. Notwithstanding the extraordinary situation the Corporation was in, due to its preceding internal financial challenges and to COVID, it maintained its EGR stable and increased it NOI by 6.1% compared to 2019.

6. We acquired, on May 3, 2021, a value-add asset, 100-acres land in Alliston, Ontario, pursuant to a binding agreement signed in November 2020, a property that is valued at $15.8M, which is in its final stage of rezoning to residential and multi-residential. The Corporation intends to sell 70 acres destined to housing and townhousing once rezoning completed and to develop the balance of the land by building 500 multi-residential units in four phases of 125 units each and a proximity services commercial strip centre.

7. In the second quarter of 2021, the Corporation has entered into agreements to acquire an 85% of beneficial interests in a portfolio of income producing properties comprised of 6 retail plazas located in Ontario. The portfolio includes stabilized properties generating recurrent cash flows totalling approximately 550,000 sq.ft. of gross leasable area and excess land to develop an additional 200,000 sq.ft. of GLA, part of which is currently in development. More than 50% of the revenues are generated by investment grade tenants, the rest being financially solid tenants. The Corporation is in advanced discussions for the acquisition of the remaining 15% of the beneficial interest in the portfolio. Subject to customary conditions, the transaction is expected to close in the third quarter of 2021.

8. We thereby aligned the Corporation's assets allocation with its business model as to the segments of Revenue Generating Properties reaching at least 60%, and the Optimization and Development Properties not to exceed 40%.

9. We are, at the date of this MD&A Report, considering the discussions and transactions underway, close to have completed the Corporation's financial restructuring plan.

Emerging STRONGER

The financial results for the year 2020 still indicates a major loss, for an amount of $8,865,947 on a cash basis and $18,326,715 on a non-cash basis, the latter having no impact neither on a tax nor on the NAV basis. Even though this amount is high, it is not surprising as it corresponds to what was expected in the course of execution of the Strategic Plan that included a restructuring of the financial situation of the Corporation. Simply presented, we can say that we made a "*half a step back to make two greater forward*" to use a well-known saying. Yet, in Emergia's case, we may say that "*we made a step sideways to better pursue our plan going forward*", as we have put the Corporation in line with our new business plan, and is now ***Emerging STRONGER*** from this *restructuring journey*.

In addition to complete our 2021 Plan of Action, which includes the completion of the Private Placement, the refinancing of the balance of its short-term debt in equity or long-term debt, the completion of the acquisition of revenue generating of assets in Ontario (see "*Subsequent Events"* Section on page 10), we are now ready to plan the execution of the Corporation's long-term business plan, including, the launching of existing development projects to create organic growth, the creation of joint ventures in specific projects if needed, and plan other strategic acquisitions in line with our business model.

BE DIFFERENT

Considering the fact that the Corporation has shown and proven its capacity to pass through a "*thunderstorm*" as the one it went through from 2018 to now, we believe that we are now in a position, and we are ready, to demonstrate to our shareholders Emergia's differentiation profile and business model, to demonstrate how Emergia can ***Be Different*** in the real estate investment industry by offering a different way to invest in real estate, as its platform is expected to allow its shareholders and investors to:

Benefit of growth:

- ✓ From value-add created in development and optimization projects;
- ✓ From internal profits generated by the development and optimization projects;
- ✓ From organic growth resulting from the long-term assets developed internally.

Benefit of recurrent returns:

- ✓ From the stabilized Revenue Generating Properties;
- ✓ From performing properties located in strategic markets;
- ✓ From the long-term leases with high profile tenants.

Benefit of the diversification of assets holdings:

- ✓ Allowing to be active in Multi-residential, Retail, Industrial and Office classes;
- ✓ Allowing to reduce portfolio volatility;
- ✓ Allowing to increase resilience to economic downturns.

Remain Stronger and Different

With a strengthened balance sheet, including the Corporation's revised debt structure, the assets we own and the strategic acquisitions we have made and envisage to make, and with the strengths of our team in place, who's members excelled in their performance over the past year, I am now confident that Emergia will succeed with its business plan and in generating profits and growth starting this year and for the coming years.

HENRI PETIT
PRESIDENT & CHIEF EXECUTIVE OFFICER

Highlights For Fiscal 2020

- ✓ Change of name for "Emergia Inc." and ticker symbol for "EMER" reflecting the new dynamic within the Corporation and revealing the strengths and long-term vision of the Corporation.

- ✓ Adoption and execution of a plan of action to reach the profitability and the asset allocation targeted by the Corporation by 2021, including:

  - Disposal of Assets Held for Sale (Hospitality assets);
  - Disposal of some other assets to reduce the short-term debt;
  - Completion of a Private Placement in equity exceeding $7M composed mostly of conversion of debt by existing lenders and creditors in equity of the Corporation;
  - Signature of a binding agreement to purchase a land of approximately 100 acres in Alliston, Ontario, having a value of $15.8 million (See "Subsequent Events" Section of this MD&A on page 10).

- ✓ Reduction of its total short-term liabilities by $29.29M as at December 31, 2020.

- ✓ Stable maintenance of its Effective Gross Revenues (EGR).

- ✓ Increase of its Net Operating Income (NOI) ratio by 6.1% from $1,153,369 in 2019 to $1,223,738 in 2020.

- ✓ Entered into a 50-50 joint venture to own and develop its 185, Dorval Avenue, Dorval (Investment Property), a 6-Storey office building including an excess land of 45,000 sq.ft. for development. Transfer of the 117, Lepine Avenue, Gatineau (Optimizing Property), a 2-storey retail and office building, in the same joint venture.

- ✓ Implementation of best governance practices through the adoption of codes and policies, committees' charters and position descriptions for the CEO and the Chairman.

Subsequent Events

- ***Signature of a Binding Agreement to Acquire a Portfolio of Revenue Generating Properties in Ontario***

In the second quarter of 2021, the Corporation has entered into agreements to acquire an 85% of beneficial interests in a portfolio of income producing properties comprised of 6 retail plazas located in Ontario. The portfolio includes stabilized properties generating recurrent cash flows totalling approximately 550,000 sq.ft. of gross leasable area and excess land to develop an additional 200,000 sq.ft. of GLA, part of which is currently in development. More than 50% of the revenues are generated by investment grade tenants, the rest being financially solid tenants. The total consideration for the acquisition of the 85% beneficial interest is approximately $121.3 million, of which approximately $89.3 million is payable by the assumption of debt and approximately $32 million is payable in a combination of cash and shares of the Corporation. The Corporation is in advanced discussions for the acquisition of the remaining 15% of the beneficial interest in the portfolio. The closing of the acquisition is expected to take place in the third quarter of 2021 and is subject to customary conditions. The completion of this transaction will align the asset allocation with the Corporation's business model (See Section "Our Investment Strategy and Business Model" on page 18 of this MD&A).

- ***Acquisition of 100 acres development land in Ontario***

On May 3, 2021, the Corporation purchased a land of approximately 100 acres in Alliston, Ontario for a purchase price of $14.4 million (excluding closing costs and land transfer tax).

The acquisition of the land was done at arm's length and the purchase price was paid as follows: (i) $9,600,000 in cash and (ii) $4,800,000 in Class A shares of the Corporation at the issuance price of $1.00 per share of which 300,000 have been issued and 4,500,000 are reserved for issuance upon receipt of the allocation of such shares between the vendors. To satisfy a portion of the purchase price, the Corporation entered into a financing of $9,000,000 at an interest rate of 6% per year payable at maturity on March 10, 2023, plus a participation in the profits of the project.

Zoning of the land is expected to change in the course of 2021, following which the Corporation intends to sell part of the land to a developer of single-family residences (approximately 70 acres). The remainder is intended to be developed by the Corporation in 500 multi-residential units and a proximity services strip shopping centre of 50,000 to 60,000 sq. ft.

- ***Private Placement and Debt Settlement***

The previously announced Private Placement of Units (the "**Units**"), composed of 1 common share and one common share purchase warrant, for up to $15,000,000, for which $7.3M has been closed by the Corporation, has been extended until April 24, 2021 and is expected to be extended until mid-June 2021 and the maturity date of the warrants extended to December 31, 2022. On February 1, 2021, the Corporation issued 433,464 Units representing $329,432.64 in debt conversion and 163,685 Units representing $124,400.60 in cash investment. On May 1, 2021, the Corporation issued 334,002 Units, representing $260,521.56 in debt conversion.

- ***Sale of the Le Breton Properties***

In April 2021, the Corporation sold the two industrial investment properties located on Le Breton Street in Longueuil at price of $3,665,000, representing a gain of $468,225 on the book value of these properties. This transaction allowed to reduce the short-term debt by $809,816 and the long-term-debt by $1,250,000 and the bank mortgages by $1,605,184.

- ***Sale of the 9700, St-Laurent Boulevard Property***

In April 2021, the Corporation sold this optimization property located in Montreal at price of $1,550,000, representing a gain of $150,000 on the book value of this property. This transaction allowed to reduce the short-term debt by $550,000 and the long-term-debt in an amount of $1,000,000.

- ***Retrocession of a Land in Bromont***

In March 2020, the Corporation was retroceded by the City of Bromont three plots of land that had been expropriated to built the roundabouts giving the City a new Exit/Access to the Highway 10. These plots, totaling approximately 14,283.8 sq. m. (153,749 sq.ft.), represent the excess portion of the land expropriated for the construction of the said roundabouts.

Caution Regarding Forward-Looking Statements

Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Corporation's current objectives, goals, targets, strategic priorities, expectations, and plans, and in obtaining a better understanding of the Corporation's business. Readers are cautioned that such information may not be appropriate for other purposes.

Forward-looking statements, by their very nature, involve inherent risks and uncertainties and are based on a number of assumptions, both general and specific, as further described below. The Corporation cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although believed reasonable at the time they were made, subject to greater uncertainty.

Assumptions that could cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, the following risks factors, which are discussed in greater detail under the heading "Risk and Uncertainties" hereunder: the impact of the COVID-19 health crisis, access to capital and debt financings, risks associated with the ownership of the immovable properties, including climate change, industry competition and interest rate fluctuations, high level of indebtedness, risks associated with future property acquisitions, dispositions or developments, the recruitment and retention of employees and executives, legislative and/or regulatory developments, compliance with environmental laws and regulations, insurances, any failure to comply with covenants in financing and other material agreements; volatility in the market price of the shares. These factors are not intended to represent a complete list of the factors that could affect the Corporation; however, these factors should be considered carefully.

The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and the Corporation has no intention and undertakes no obligation to update or revise any forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable securities regulations. In the event that the Corporation does update any forward-looking statements contained in this MD&A, no inference should be made that the Corporation will make additional updates with respect to that statement, related matters or any other forward-looking statement.

Summary of Quarterly Results

The following table provides select information pertaining to the Emergia's operations for the periods noted.

	2020				2019			
In dollars, except per-share amounts	**Q4**	Q3	Q2	Q1	**Q4**	Q3	Q2	Q1
Revenue	**544,957**	797,540	573,118	817,130	**766,060**	767,735	678,238	698,714
Operating expenses	**238,419**	455,596	308,499	506,484	**325,243**	401,649	299,976	730,510
Net Operating Income	**306,538**	341,944	264,619	310,646	**440,817**	366,086	378,262	(31,796)
Administration	**689,838**	673,684	449,388	574,820	**161,745**	496,375	675,121	388,650
Fair value adjustment	**651,655**	1,731,346	—	—	**67,187**	—	—	—
Financing costs	**1,131,986**	2,005,797	989,479	754,907	**871,035**	970,335	890,489	617,840
Impairment of intangible assets	**—**	—	—	—	**—**	1,117,510	—	—
Loss on settlement of current and non-current liabilities	**11,743,740**	—	—	—	**—**	(260,840)	(129,153)	—
Loss on settlement of long-term debt	**4,225,027**	—	—	—	**—**	(260,840	(129,153)	—
Net loss and comprehensive loss	**(15,670,793)**	(4,068,883)	(1,174,248)	(1,019,081)	**(1,627,282)**	(1,875,729)	(1,236,697)	(1,244,490)
Basic and diluted loss per share	**(0.87)**	(0.18)	(0.08)	(0.07)	**(0.11)**	(0.13)	(0.09)	(0.09)

Selected Annual Information

For the years ended December 31, ***(In $, except number of shares)***	**2020**	2019	2018
Rental Income	**2,732,745**	2,910,747	1,515,096
Net Operating Income	**1,223,738**	1,153,369	726,190
Net loss and comprehensive loss	**(27,192,662)**	(5,984,200)	(19,116,179)
Basic and diluted net loss per share	**(1.43)**	(0.43)	(1.78)
Weighted average number of shares	**18,981,561**	14,043,942	10,711,346
Investment and Development Properties	**69,254,214**	109,500,531	88,541,212
Investment in a Joint Venture	**2,664,527**	—	—
Other Assets	**5,074,895**	3,351,344	20,114,274
Total Assets	**76,993,636**	112,851,875	108,655,486
Non-current liabilities	**16,413,013**	15,099,025	7,463,094

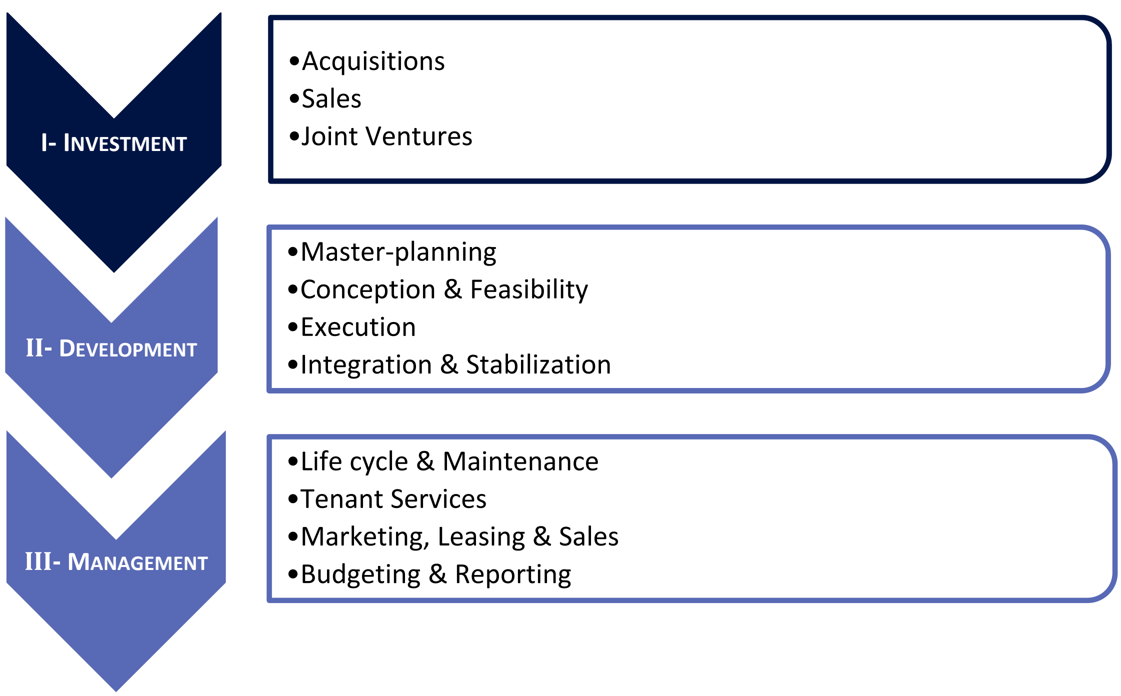
General Business Overview

EMERGIA Inc. 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.

On March 23, 2018, Emergia became a publicly listed company on the Canadian Securities Exchange ("**CSE**") under the name "The Delma Group Inc." and the symbol "DLMA.CN" through a reverse takeover transaction by Aydon Income Properties Inc. On January 21, 2020, the Corporation changed its name for "EMERGIA Inc." and its ticker symbol for "EMER". The principal address and records office of the Corporation is located at 402 – 185 Avenue Dorval, Dorval, Quebec, Canada H9S 5J9.

The primary focus of the Corporation is to acquire, develop and manage small to medium size portfolios of mixed-use properties in Canada, mainly in the provinces of Quebec and Ontario, based on a diversified assets allocation as to segments of activities and asset classes (See Section "Our Investment Strategy and Business Model" on page 18 of this MD&A). Emergia aims to create diversified portfolios allowing to reduce the portfolio volatility and to increase resilience to economical downturns. This has been experienced with the COVID-19, where the diversification allowed Emergia to mitigate and limit its losses in such exceptional circumstances (See Section "COVID-19 – Impact Analysis and Risks" on page 26 of this MD&A).

Emergia is distinctively integrated vertically as it intervenes at all stages of the real estate value chain.



Brief History

2018

- ✓ On March 23, 2018, Emergia became a publicly listed company on the CSE under the name "The Delma Group Inc." through a reverse takeover transaction.
- ✓ Operations in real estate holdings and development also including hospitality assets development and operations.
- ✓ Acquisitions of assets from Mr. Henri Petit and his group having a total value of approximately $99.3M paid by the issuance of shares of the Corporation bringing the total value of assets to approx. $108.7M as at December 31, 2018.
- ✓ Absence of the anticipated concurrent equity financing due to reasons not under the control of Emergia causing a stall in the development projects which in turns resulted in a high level of short-term debt with high interest rates causing a negative cash-flow position and losses.
- ✓ End of 2018, change in management; Mr. Henri Petit became the CEO of Emergia.

2019

- ✓ Review of the business plan to divest the hospitality assets and concentrate on Revenue Generating, Optimization and Development assets.
- ✓ Implementation of various initiatives to improve its costs structure, increase revenues and improve operation profitability.
- ✓ Increase of its square footage of Revenue Generating Properties by 8,152 sq. ft.
- ✓ Disposal of some Assets Held for Sale that did not fit in the business model of the Corporation and reduction of its short term-debt and long-term debt with the proceeds of the sales.
- ✓ Increase of its EGR by 92.1% from Fiscal 2018.
- ✓ Increase of its NOI by 58.8% from Fiscal 2018.

2020

- ✓ Adoption and execution of a plan of action to reach the profitability and the asset allocation targeted by the Corporation by 2021, including:
  - Disposal of Assets Held for Sale (Hospitality assets);
  - Disposal of some other assets to reduce the short-term debt;
  - Completion of a Private Placement in equity exceeding $7M composed mostly of conversion of debt by existing lenders in equity of the Corporation;
  - Signature of a binding agreement for the acquisition of a 100 acres development land in Alliston, Ontario (See "Subsequent Events" Section on page 10).
- ✓ Reduction of its total short-term liabilities by $29.29M as at December 31, 2020.
- ✓ Stable maintenance of its Effective Gross Revenues (EGR).
- ✓ Increase of its Net Operating Income (NOI) ratio by 6.1% from $1,153,369 in 2019 to $1,223,738 in 2020.
- ✓ Entered into a 50-50 joint venture to own and develop its 185, Dorval Avenue, Dorval (Investment Property), a 6-Storey office building including an excess land of 42,000 sq.ft. for development. Transfer of the 117, Lepine Avenue, Gatineau (Optimizing Property), a 2-storey retail and office building, in the same joint venture.

2021

- ✓ Signature, in the second quarter of 2021, of conditional agreements for the acquisition of an 85% beneficial interest in a portfolio of income producing properties and excess land for development for a total consideration of approximately $121.3M (See "Subsequent Events" Section on page 10).
- ✓ Additional reduction of its short-term liabilities by $5.04M in Q1-2021.
- ✓ Completion, on May 3, 2021, of the acquisition of the 100 acres development land in Ontario valued at $15.8M (See "Subsequent Events" Section on page 10).
- ✓ Extension of the previously announced Private Placement to reduce the short-term debt and global debt ratio and increase working capital (See "Subsequent Events" Section on page 10).
- ✓ Disposal of assets to reduce short-term debt (See "Subsequent Events" Section on page 10).
- ✓ Adoption of the 2021 Plan of Action (See Section "2021 Plan of Action" on page 16 of this MD&A).

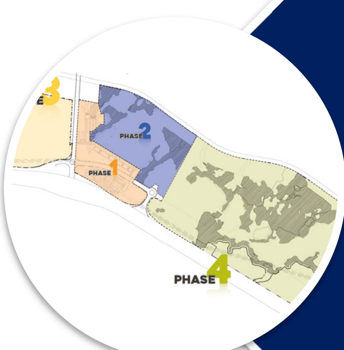
2021 Plan of Action

In 2020, the plan and measures adopted in 2019 have been pursued in order to complete the financial reorganisation of Emergia, which includes the strengthening of its balance sheet, the execution of a Private Placement, the sale of some assets to reduce the short-term debt, the creation of joint ventures, and the conclusion of acquisitions to reach the profitability and the asset allocation targeted by the Corporation by 2021. Emergia has succeeded in closing part of its Private Placement for an amount of approximately $7M, to create a joint venture to own and develop its property located at 185, Dorval Avenue, Dorval (Investment Property) and its property located at 117, Lepine Avenue, Gatineau (Optimizing Property) and to align strategic acquisitions. As at December 31, 2020, Emergia has reduced its total short-term liabilities by $29.29M and increased its Net Operating Income (NOI) ratio by 6.1% from $1,153,369 in 2019 to $1,223,738 in 2020.

The plan of action established for 2021 can be summarized as follows:

- ✓ Launching of development projects that are already owned by the Corporation, to create organic growth.
- ✓ Creation of joint ventures for specific development projects that will facilitate the development and financing of such projects.
- ✓ Completion of the transactions to acquire revenue generating properties to increase revenues and to align the asset allocation with the Corporation's business model (See "Subsequent Events" on page 10).
- ✓ Completion of a Private Placement to reduce the short-term debt and global debt ratio and increase working capital.
- ✓ Refinancing of short-term debt into long-term debt.

As a result of the actions undertaken in 2019 and 2020, Emergia is now strategically positioned to start development projects in the coming months and years, including with some of its existing properties and the green field development of owned land, most of which are expected to start in 2021. These developments are expected to increase the net asset value of the Corporation's portfolio as well as the Corporation's aggregated current revenues. The following projects are expected to start in Q4-2021or early 2022:



Pure Bromont

- Development land of 17M sq.ft. located at Exit 78 of Highway 10 in Bromont, in Quebec's Eastern Townships. The project, known as Pure Bromont , destined to mixed use buildings comprising retail, recreotouristical and residential. The land has been approved by the Environment Department which issued certificate authorizations authorizing the development of the whole land. After compensation for the wet lands, the project counts approximately 2.5M sq.ft. of retail land and 8M sq.ft. for residential development. The residential part, included in Phases 2 and 4 of the Global Site Plan, is to be sold to local developers. The retail part, Phases 1 and 3, will be developed by the Corporation, which development is expected to start in Q4-2021 or early 2022.

185 Dorval Avenue, Dorval

- 54,150 sq.ft. Gross Leasable Area in a 6-Storey office building including an excess land of 45,000 sq.ft. for development of a 103 apartment multi-residential building with a retail space on the ground floor, totalling 101,230 sq.ft. This project is to be launched in Q4-2021.

Our Vision and Mission

Our Vision: Develop and invest in high-quality projects that create a better lifestyle focussed on the well-being of communities and the reduction environment footprint in secondary and primary markets.

Our Mission: Identify, acquire, optimize, develop and manage strategic real estate assets across Canada, mainly in the provinces of Quebec and Ontario, ensuring value creation and maximize financial returns to our shareholders through:

- ✓ Potential of value added resulting from the revenue increases in the short-term of the stabilized properties as of the date of acquisition;
- ✓ Potential of value added resulting from the optimization or redevelopment of underperforming assets by densification of the site (expansion of existing or addition of new buildings on the site);
- ✓ Value-add and profit resulting from the development and construction of projects on land acquired by the Corporation, which projects are then held on long-term, allowing an organic growth;
- ✓ Potential profit on sales of excess land.

Our Values

Integrity

- Integrity is the defining quality of our people and our work. We are guided by solid moral principles, allowing to always act truthfully and honorably, and to maintain a high level of ethical standards.

Sustainability

- We are determined to make things that will last to time test, by concentrating on the performance and the highest standards of quality in each of our projects.

Our Objectives

We strive to:

- ✓ Become a leader in mixed-use real estate ownership, development and management;
- ✓ Ensure sustained and solid returns to shareholders;
- ✓ Build a high-yielding portfolio focussing mainly in Canada;
- ✓ Capitalize on established network to source investment and development opportunities;
- ✓ Implement financial structures engineered to ensure long-term profitability and market downturn resilience.

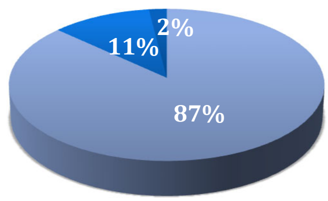
Our Investment Strategy and Business Model

Emergia's real estate investment strategy is focused on 3 core asset segments:

REVENUE GENERATING	OPTIMIZATION	DEVELOPMENT
Invest in revenue generating properties that provide cash flow and long-term income.	Invest in properties where value-add strategies will result in improved net operating income and portfolio value.	Invest in full-scale development opportunities that produce higher portfolio returns resulting from the added value created by the development and revenues generated by the developed assets.

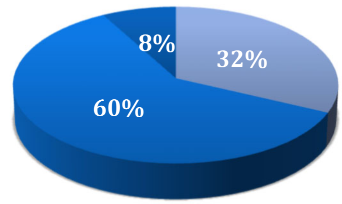
The combination of stabilized revenues and returns to investors as well as higher yields from its development activities provides an important element of differentiation for EMERGIA when compared to other existing public real estate investment vehicles. The stabilized revenue generating properties ensure liquidities for operations of the Corporation as well as capital to invest in additional properties and to, eventually, allow distribution of dividends to shareholders. The optimization and development sectors allow higher yields and growth in the net asset value of the Corporation. The value of Emergia's portfolio at the end of December 2020 was $71,918,741, composed of $69,254,214 in investment and development properties and $2,664,527 in a participation in a joint venture. The allocation between the asset segments targeted by the Corporation in its business model is 60% for revenue generating properties, 20% for development properties and 20% for optimization properties. The following tables show the allocation between such asset segments as of December 31, 2020 and the allocation expected to be reached in Q2-2021:

Asset Allocation/
As at December 31, 2020



Development (86.8%)
Revenue Generating (11.2%)
Optimization (2%)

Asset Allocation/
Expected in Q3 2021



Development (32%)
Revenue Generating (60%)
Optimization (8%)

The Corporation intends to reach the allocation percentages of its model in 2021, which would be attained in Q2 with the acquisition of the revenue generating properties portfolio (See Section "Subsequent Events" on page 10 of this MD&A).

We follow a value-based approach to invest and allocate capital. We believe our disciplined action, global reach and our expertise in recapitalizations and operational turnarounds enable us to identify a wide range of potential opportunities. The real estate market in Canada, especially in Ontario and Quebec, offers segment specific opportunities that fit particularly well with Emergia's business model of short-term value creation and long-term revenue generation. Our investment focus with respect to each asset class is as follows:

- **Retail:**
  With respect to the retail market, the Corporation's plan is to concentrate in proximity services oriented and redevelopment opportunities that include repurposing and densifying site with mixed-use properties that combine retail with higher-density multi-residential, services, green space and experiential attractions. Emergia specifically targets these retail properties with the objective to complete redevelopment within a short time frame to increase asset value and revenue generation potential for long-term holding while focussing on proximity services and retail properties with value-add potential.

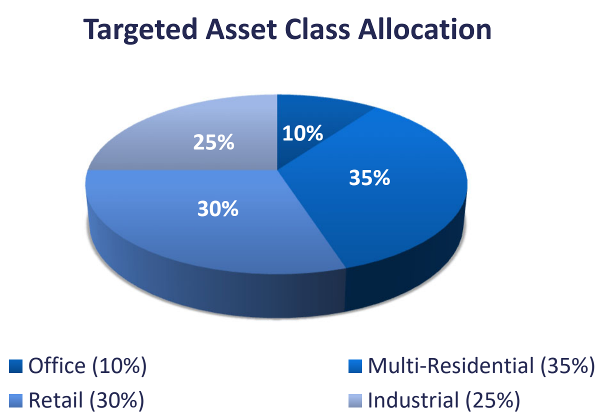
- **Industrial:**
  There is an increased need for industrial space in the market driven by online retail distribution and return centers and other niche areas such as small bays multi-tenant industrial buildings. Rental increases are expected with demand exceeding supply for the next few years. Emergia is targeting specific geographical areas that offer important logistical advantages to long-term tenants and develop properties in functions of firm long-term leasing arrangements.

- **Office:**
  We maintain a constant monitoring of this asset class market, taking into consideration the tele-homeworking trend as a result of the COVID-19. Leasing activity is fuelled by changing tenants' expectations driven by the technology industry and demand for unique

technology-enabled space, with amenities in the buildings and its close vicinity. Emergia developed a tenant-oriented acquisition and redevelopment strategy that enables the Corporation to lock long-term tenants based on addressing their specific needs.

- **Multi-Suite Residential:**
  The tight supply, historically low vacancy rates and tougher stress tests on residential mortgages have had an impact on affordability in certain markets, but Quebec and Ontario markets still allow some opportunities for value creation. There are interesting opportunities in this sector in various cities in the province of Quebec. The Province of Ontario also offers interesting opportunities, in cities such as Ottawa, Niagara Falls, London and secondary line cities of larger cities like Toronto.

The allocation of these asset classes targeted by the Corporation are the following:



The Corporation acquires and develops its assets according to well-defined parameters. Its acquisition and development strategy can be summarized as follows:

- ✓ Acquire and develop diversified assets in each of the segments described above;
- ✓ Focus retail activities on proximity services properties and high rated tenants in specific categories of retail, highway service properties, in large centers as well as in secondary markets;
- ✓ Concentrate industrial assets acquisition mainly in peripheries of larger cities such as Montreal, Ottawa, Toronto, London and Quebec City;
- ✓ Target office assets in secondary markets with high potential in optimization;
- ✓ Develop multi-suite residential as part of the wider mixed-use strategy, where Emergia can increase density in portfolio properties or new acquisitions such as urban malls to be redeveloped;
- ✓ Control the development and construction costs by establishing a documented and structured control policy reflected in all construction contracts.

Portfolio Composition

At the end of December 2020, EMERGIA's portfolio included retail, office and industrial buildings as well as land for future development. EMERGIA's corporate structure and business model have been designed to capitalize on the many advantages the mixed-use segment offers including, the creation of synergies between the different real estate asset types, value creation opportunities at all stages of the value chain, and a diversification effect that reduces portfolio volatility and increases resilience to economic downturns.

Real Estate Portfolio Summary by Asset Segment as at December 31, 2020

At the end of December 2020, EMERGIA's portfolio included retail, office and industrial buildings as well as land for future development. The value of Emergia's portfolio at the end of December 2020 was $71,918,741, as shown in the table below. However, the Corporation is in the process of bringing the composition of its portfolio in the range of its business model and plan (See "Our Investment Strategy and Business Model" Section on page 18 and "Subsequent Events" Section on page 10).

Property Type	Fair market value
Revenue-Generating	$ 7,766,775
Held for Development	$ 60,087,439
Held for Optimization	$ 1,400,000
Investment in a Joint Venture	$ 2,664,527
Total	**$ 71,918,741**

Portfolio Properties: Revenue-Generating Properties

Property	Location	Segment	Fair Market Value
Le Breton 1	Longueuil, QC	Industrial	$ 1,358,000
Le Breton 2	Longueil, QC	Industrial	$ 1,838,775
Lépine	Gatineau, QC	Retail	$ 4,570,000
Total			**$ 7,766,775**

- ***475-489 Le Breton, Longueuil:***
  16,000 sq.ft. Gross Leasable Area multi-tenant industrial building, comprising 8 bays of 2,000 sq.ft., built in 2006. See "Subsequent Events" Section on page 10.

- ***505-531 Le Breton, Longueuil:***
  25,200 sq.ft. Gross Leasable Area multi-tenant industrial building, comprising 14 bays of 1,800 sq.ft. and 2,000 sq.ft., built in 1990. See "Subsequent Events" Section on page 10.

- ***121 Lepine, Gatineau:***
  21,539 sq.ft. Gross Leasable Area multi-tenant retail and office building, built in 2016.

Portfolio Properties: Properties Held for Development

Property	Location	Segment	Fair Market Value
Bromont - Development land	Bromont, QC	Mixed-use	$ 52,445,914
Knowlton	Lac Brome, QC	Retail	$ 2,968,054
Curé-Labelle	Blainville, QC	Retail	$ 1,694,030
Cité-des-Jeunes	St-Lazare, QC	Retail	$ 1,329,441
Panagopoula	Greece	Hospitality	$1,650,000
Total			**$ 60,087,439**

- ***Bromont Land:***
  Development land of 17M sq.ft. located at Exit 78 of Highway 10 in Bromont, in Quebec's Eastern Townships. The project, known as Pure Bromont , destined to mixed-use buildings comprising retail, recreotouristical and residential. The land has been approved by the Environment Department which issued certificate authorizations authorizing the development of the whole land. After compensation for the wet lands, the project counts approximately 2.5M sq.ft. of retail land and 8M sq.ft. for residential development. The residential part is to be sold to local developers. The retail part will be developed by the Corporation, which development is expected to start in Q4-2021. See "2021 Plan of Action" Section on page 16).

- ***Blainville Land***
  Development land of 231,699 sq.ft., very well located on the Curé-Labelle Boulevard is zoned for commercial development. However, considering the high demand for multi-residential in the area, a request for zoning change to multi-residential will be filed in Q2-2021.

- ***Lac Brome Property***
  Land of 203,777 sq.ft. with existing building of 15,900 sq.ft. to be redeveloped and extended to at least 26,500 sq.ft. Property includes excess land to be sold for residential development.

- ***St-Lazare Land:***
  Development land of 143,000 sq.ft., is very well located at the entrance of the City of St-Lazare, is to be developed in retail of proximity services.

- ***Panagopoula:***

  Asset in the process of being sold. Emergia, through its subsidiary Delma Hospitality Corporation owns 30% of AIGIALEIA S.A., company that owns 100% of a 30,000 s.m. waterfront resort project near Patras in Western Greece with 48 Bungalow-type rooms and a hotel, which is about 65% completed.

Portfolio properties: Properties Held for Optimization

Property	Location	Segment	Fair Market Value
9700, St-Laurent Blvd	Montreal, QC	Office	$ 1,400,000
Total			**$ 1,400,000**

- ***9700 St-Laurent Blvd, Montreal:***
  7,800 sq.ft. Gross Leasable Area multi-tenant retail building, has been sold in April 2021. See "Subsequent Events" Section on page 10.

Portfolio Properties: Investments in Joint venture

The value of Emergia's investment in a joint venture for the year ended December 31, 2020 is recorded at $2,664,527. See "Acquisitions and Dispositions" Section on page 24.

Property	Location	Segment	Fair Market Value
185 Dorval Avenue	Dorval, QC	Office plus excess land	$11,000,000
117 Lépine Avenue	Gatineau, QC	Retail and Office	$4,135,922
Total			**$15,135,922**

- ***185 Dorval Avenue, Dorval:***
  54,150 sq.ft. Gross Leasable Area in a 6-Storey office building including an excess land of 48,000 sq.ft. for development of a 103 apartment multi-residential building with a retail space on the ground floor, totaling 101,230 sq.ft. This project is to be launched in Q4-2021. (See Section "2021 Plan of Action" Section on page 16).

- ***117 Lepine Avenue, Gatineau:***
  24,984 sq.ft. Gross Leasable Area retail and office building in the lease up period. Expected to be leased by year end 2021.

Portfolio Properties: Properties Held for Sale

At the end of the year 2018, management decided to sell some assets and to focus on revenue generating, optimization, and development properties in the assets classes of retail, industrial, office and multi-residential which represent Emergia's Investment Focus (see Section "Our Investment Strategy and Business Model on page 18). Consequently, these assets in the hospitality asset class were classified as held for sale. The assets identified as Blueberry Lake Resort, 42 Degrees North Resort and Lake Alphonse, have all been disposed of partly in 2019 and the remaining in 2020.

During the year, Delma Hospitality Corporation, a wholly owned subsidiary of the Corporation, sold all its interest in the 42 Degrees North Resort for net proceeds of $100,000 applied as a reduction of an existing Long-term debt. It also sold its Blueberry Lake Resort Property for net proceeds of $225,001 and its Lake Alphonse Property for net proceeds of $139,643 both proceeds being applied against existing debt. A loss of $22,000 was also recorded to reflect those sales (See section "Acquisitions and Dispositions" on page 24.

By year-end, the Corporation conducted an impairment test on its assets held for sale and concluded an impairment of its participation in Domaine Balmoral Development Project was required and recorded a $500,000 impairment.

Net Asset Value

The Net Asset Value ("**NAV**") is an adjusted asset value reflecting the market values of real estate properties held by Emergia. The NAV is measured on a per share basis where the aggregated net value of the portfolio is divided by the Corporation's total number of shares outstanding. The Corporation's properties are valued regularly at least once a year, depending on the Corporation's requirements, and the NAV is measured and reported at the end of the accounting period. Liabilities are valued using the carrying value at the end of the reporting period. The net asset value was as follows:

(In $, Except Number of Shares)	**As at December 31, 2020**	**As at December 31, 2019**
Aggregated Portfolio Value	71,918,741	110,487,531
Aggregated Portfolio Liabilities	42,814,517	63,651,881
Cash, Bank overdraft, credit line, Receivables, Prepaids, Advances and Property and equipment, less Deferred income tax liabilities	4,699,895	2,082,017
Payables	6,564,841	9,632,402
Net Value	27,239,278	35,121,231
Total Shares Outstanding	24,350,265	24,350,265
Net Asset Value per Share	**1.12**	**1.44**

The NAV is not a GAAP or IFRS financial measure and does not have a standardized meaning and therefore may not be comparable with similar measures presented by other issuers. It is intended to provide investors with a synthesized view of the Corporation's portfolio value evolution from one reporting period to another.

Acquisitions and Dispositions

During the year, Emergia's subsidiary, Delma Hospitality Corporation, sold all its interest in the 42 Degrees North Resort for net proceeds of $100,000 applied as a reduction of an existing long-term debt. It also sold its Blueberry Lake Resort property for net proceeds of $225,000 and its Lake Alphonse Property for net proceeds of $140,000, both proceeds being applied against existing debt. A loss of $22,000 was also recorded to reflect those sales.

On September 4, 2020, the Corporation entered into a joint venture agreement to own and develop its 185, Dorval Avenue Investment Property. The transaction considered the transfer of this asset at a price of $9,000,000 in exchange of 2,651,581 Class "A" common shares, representing 50% plus 1 of the voting shares of the joint venture. Related debts and accrued liabilities of $6,348,420 were also transferred at the time of the agreement. The partner invested an amount of $ 2,651,580 to reimburse the long-term debt of $1,150,000 and the trade & other payables of $420,919, leaving a balance of $1,080,661 of cash flow in the joint venture. The Corporation benefits of an option to buy-back all the shares of the partner in the joint venture at any time during a period of 3 years from the date of closing. On October 29, 2020, the same joint venture entered into an agreement with respect to the property located at 117, Lepine, Gatineau, which is in its optimization phase, whereby the said property has been acquired at a price of $4,135,922 into the joint venture. As for the latter property, the Corporation remains in charge of the management of the117 Lépine property and also benefits of the same 3-year option to buy back the shares of the joint venture. These investments is recorded in "Investments in a joint venture" for $2,664,527 as at December 31, 2020 using the equity method.

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

On November 23, 2020, the Corporation entered into a binding purchase and sale agreement for the acquisition of a 100-acre development land in Alliston, Ontario, for a price of $14.4M, excluding closing and ancillary costs. The land has been appraised by an independent appraiser before closing and is valued at $15.8M. This transaction has been executed on May 3, 2021. See Section “Subsequent Events” on page 10.

On December 31, 2020, the Corporation entered into an agreement with respect to selling its shares of 9371-9904 Quebec Inc. and related 395-425 Des Erables property for gross proceeds of $2,348,643 which are receivables as at December 31, 2020 . A gain on disposal of a subsidiary of $270,980 was realized on this transaction. The related accounts payable in the amount of $270,979 have been paid by the Corporation. The Corporation did not record any change in the fair value of this property.

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

COVID-19 – Impacts Analysis and Risks

COVID-19 and the resulting government restrictive measures continue to have a significant impact on the global and domestic economy since the onset of the pandemic in March 2020. While many areas experienced a respite in case counts delineating the first wave, the pandemic entered a second wave with increased case outbreaks. Subsequent to year end 2020, the Government of Quebec took another set of measures to slow the pandemic spread by announcing on January 8, 2021 the closing of non-essential retail operations throughout the province and by making teleworking mandatory for people working in offices, except for workers whose public or private sector employers deem their presence necessary to pursue the organization's activities. Despite the recent rollout of vaccinations across Canada and globally, the longevity and extent of the pandemic, the duration and intensity of resulting business disruptions and related financial, social and public health impacts currently remain fluid and uncertain.

As the COVID-19 pandemic evolves, Emergia will continue to act accordingly to directions provided by the Federal, Provincial and Municipal governments. The Corporation's Board of Directors and management have taken and are still taking all necessary measures to ensure the health of its consultants, support its tenants and best manage the short-term challenges to its business. The Corporation has also temporarily reduced its work force and obtained from some of its lenders capital and or interests payment relief. The Corporation also took measures to reduce spending as much as possible in the short term.

Management is uncertain of the effects of the global changes resulting from the COVID-19 on its operations and future financial performance. Although management believes that any disturbance may be temporary, there is uncertainty about the length and potential impact of the disturbance. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Corporation, its performance, and estimates and assumptions used by Management in the preparation of its financial results.

Canada Emergency Commercial Rent Assistance ("CECRA")

CECRA provided relief for small businesses experiencing financial hardship due to COVID-19. Over the course of the program, it allowed property owners to reduce rent by 75 % from April to September 2020 for their small business tenants. CECRA covered 50 % of the rent, with the tenant paying 25 % and the landlord forgiving 25 %. The Quebec government implemented a program that covers the same period and which covered 50% of the landlord's forgiveness of 25%. This will allow the Corporation to recuperate 50% of the losses of revenues indicated above.

Canada Emergency Rent Subsidy ("CERS")

On October 9, 2020, the Federal government announced the launch of a new program, the Canada Emergency Rent Subsidy (CERS) to provide rent support from October 1, 2020 until June 30, 2021 for qualifying organizations affected by COVID-19. This program is the successor to the CECRA program which ended last September. CERS is offered directly to qualifying organizations, without going through landlords. Emergia therefore does not isolate proceeds received by qualifying tenants from the Federal government under CERS in its financial reporting. As announced, CERS will fund up to 65% of rent payments for businesses whose revenues have decreased by 70% or more, and those whose revenues have decreased by less than 70% will receive an amount that will vary according to the severity of their losses. In addition, businesses that have been forced to temporarily close their doors due to mandatory prescriptions issued by an eligible public health authority could benefit from a complementary subsidy at the rate of 25%, which would be added to the 65% subsidy for total funding covering up to 90% of eligible expenses. Eligible businesses could apply retroactively for the period from September 27, 2020 and the program will be in effect until June 2021.

Investment properties

Investment properties are recorded at fair value at the balance sheet date. There have been no changes to the techniques used which include the direct capitalized net operating income method that involves stabilized net operating income and overall capitalization rates, and the discounted cash flow method that involves estimating expected future cash flows, as well as discount and terminal capitalization rates. The COVID-19 impacts regarding stabilized net operating income, expected future cash flows, overall capitalization rates, discount and terminal capitalization rates have been considered in these consolidated financial statements. To reflect the estimated current impacts of COVID-19 on its portfolio, Emergia used data by property type and geographic market from internal and external valuations and available market data and concluded no material fair value adjustments in the consolidated statements of comprehensive income was required.

Results for the Year Ended December 31, 2020

Increase in rental income, operating costs and net operating income is a direct consequence of Emergia's acquisition and growth strategy, partially offset by the impacts of COVID-19. Following the sale of some properties, the Corporation decreased its square footage of revenue generating properties by 136,997 sq. ft. as of December 31, 2020 as compared to December 31, 2019, as a result of the execution of its restructuring plan, aiming at reducing its short-term debt with high interest rates. Notwithstanding this

- Rental income remained stable at $2,732,745 during the year ended December 31, 2020 ($2,910,747 – December 31, 2019) even if the Corporation implemented the CECRA program to provide its tenants some relief during the pandemic; therefore, $104,749 of the revenue decrease is due to the COVID-19.

- Operating costs reduced by 14.1%, reaching $1,509,007 for the year ended December 31, 2020 ($1,757,378 – December 31, 2019).

- The Corporation recorded an increase of 6.1% of its Net Operating Income of $1,223,738, for the year ended December 31, 2020 ($1,153,369, – December 31, 2019).

- Administrative expenses increased by $439,192, to $2,387,720 during the year ended December 31, 2020 ($1,721,890 – December 31, 2019). This increase in the operating costs is related mainly to consulting fees in order to promote current restructuration.

- Financing costs were $4,882,170 during the year ended on December 31, 2020, an increase of $1,494,736 as compared to the same period in 2019 as a consequence of additional financing fees related with renewals and renegotiation of some terms and conditions and also a direct effect from some acquisitions made throughout the previous year.

- The Corporation recorded, for the year ended December 31, 2020, non-cash expenses regarding a loss on settlement of other current liabilities of $2,314,082 (2019 – gain of $129,153), a loss on settlement on current and non-current liabilities of 11,743,740 (2019 – gain of $389,993) and a loss on settlement of long-term debt of $4,225,027 (2019 - $nil) following the issuance of Units during the year. The recording was calculated under IFRIC-19 which compares the strike price from the settlement day and the placement offering of $0.75 per Unit to assess the valuation of the common shares and the warrants. These non-recurring settlements increased the loss by $18,282,849, or $0.96 per share. It is important to note that this non-cash loss has no impact neither on a tax nor on the NAV basis.

- The Corporation recorded a net loss and comprehensive loss of $27,192,662 or $1.43 per share, for the year ended December 31, 2020 ($5,984,200 or $0.43 per share – December 31, 2019). This loss is for an amount of $8,865,947 on a cash basis and $18,326,715 on a non-cash basis. As mentioned above, the latter has no impact neither on a tax nor on the NAV basis.

The Corporation sold three of its Assets held for sale during the year for net proceeds of $465,000. By year-end, the Corporation conducted an impairment test on its assets held for sale and concluded an impairment of its participation in Domaine Balmoral Development Project was required and recorded a $500,000 impairment.

The Corporation has selected the fair value method to account for real estate classified as investment property and records properties at their purchase price (less any purchase price adjustments) in the quarter of acquisition. Any changes in the fair value of investment properties are recognized as fair value adjustments in the statement of income and comprehensive income in the quarter in which they occur.

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 25). 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.

The Corporation recorded a change in fair value of its properties during the year of $2,383,001 following their sales. As at December 31, 2020 and 2019, there was no significant change in the fair value of the remaining investment properties.

Results for the Three-Month Period Ended December 31, 2020

- The Corporation reported a slight decrease in revenue and net operating income during the three-month period ended December 31, 2020 as a consequence of the selling of some properties. Revenues decreased by $221,103, or 29%, to $544,957 during the period ($766,060 – three-month period ended December 31, 2019).

- Operating costs decreased by $86,824, or 27%, to $238,419 during the three-month period ended December 31, 2020 ($325,243 – three-month period ended December 31, 2019).

- Occupancy for the revenue generating and optimization properties reached 88% in Q4-2020.

- Administrative expenses increased by $528,093 to $689,838 during the three-month period ended December 31, 2020 ($161,745 – three-month period ended December 31, 2019).

- Financing costs were $1,1319,86 during the three-month period ended December 31, 2020, an increase of $786,133 ($871,035 – three-month period ended December 31, 2019) and are related with the renegotiation of some terms and conditions to consider current financial status.

- The Corporation recorded, for the three-month period ended December 31, 2020, non-cash expenses regarding a loss on settlement of other current liabilities of $2,314,082 (2019 – gain of $2,990), a loss on settlement on current and non-current liabilities of 11,743,740 (2019 –$2,990) and a loss on settlement of long-term debt of $4,225,027 (2019 - $nil) following the issuance of Units during the year. The recording was calculated under IFRIC-19 which compares the strike price from the settlement day and the placement offering of $0.75 per Unit to assess the valuation of the common shares and the warrants. These non-recurring settlements increased the loss by $18,282,849, or $0.76 per share during the fourth quarter.

- The Corporation recorded a net loss and comprehensive loss of $20,930,450 or $0.87 per share, for the three-month period ended December 31, 2020 ($1,627,282, or $0.11 per share – three-month period ended December 31, 2019), mainly due to the disposal of some assets at loss in the course of the restructuring plan and related settlement in Units

Liquidity and Capital Resources

As at December 31, 2020, the Corporation had a cash position of $81,861 and reimbursed $3,950,000 of its credit line as compared to a cash position of -$43,683 reduced by the credit line of $3,950,000, for a net cash position of -$3,993,683 as at December 31, 2019.

The Corporation used $1,139,075 from its operating activities during the year ended December 31, 2020 as compared to $3,198,027 being used for the same period from last year.

Cash flows from the investing activities during the year ended December 31, 2020 were $465,000 and considered the proceeds on disposal of Assets held for sale During the same period from last year the Corporation provided for $4,895,022, mostly driven by the proceeds on disposals of investment properties.

Financing activities considered an inflow of $799,619 attributable to the issuance of common shares and convertible debentures, the repayment of the credit line of $3,950,000, the issuance of convertible debentures for $4,520,000, the repayment of bank mortgages for $837,727, the repayment of other current liabilities of $1,605,445 and the repayment of long-term debt of $568,205 as compared to an outflow of $1,871,837 for the same period from the previous year related with the financing on acquired properties.

The financing activities include the capitalizing of the Corporation in an amount of $7,307,119 through the Private Placement Offering as at December 31, 2020, that included debt conversion and additional capital, which offering was pursued in Q1 2021 and will be pursued in Q2 2021.

Information on Shares Outstanding

The Corporation's authorized share capital consists of an unlimited number of Class A common shares (the "**Class A Shares**") and an unlimited number of Class B common shares (the "**Multiple Voting Shares**"), an unlimited number of Class C preferred shares issuable in one or more series and an unlimited number of class D preferred shares issuable in one or more series (the "**Preferred Shares**").

As of December 31, 2020, there were 19,839,374 Class A Shares and 4,510,891 Multiple Voting Shares issued and outstanding, and no Preferred shares were issued and outstanding, for a total of 24,350,265 shares. As at the date of this MD&A, there were 22,481,162 Class A Shares and 4,510,891 Multiple Voting Shares issued and outstanding and no Preferred Shares, for a total of 26,992,053 shares outstanding.

Under the Corporation's articles, each Class A Share carries the right to one vote and each Multiple Voting Share carries the right to one hundred (100) votes. Pursuant to a voting agreement entered into on March 13, 2018 between Gestion H. Petit Inc. and 9334-1063 Quebec Inc. on one hand, and Granada Canada Inc. and HKS Family Trust, on the other hand, as well as with the other holders of Multiple Voting Shares, the holders of Multiple Voting Shares shall unanimously agree on the manner to vote their Multiple Voting Shares failing which each such shareholder shall abstain from voting. The Voting Agreement also provides for a right of first refusal to both parties in case one or the other decided to sell part or all of its shares.

Of the shares issued and outstanding, 1,084,086 Class A Shares and 4,259,224 Multiple Voting Shares were subject to an escrow agreement and are subject to release in agreement with the provisions provided in the escrow agreement. As at December 31, 2020 and as at the date of this MD&A, 162,613 Class A Shares and 638,884 Multiple Voting Shares remain subject to the escrow agreement.

As at December 31, 2020, 9,676,158 warrants were issued. At the date of this MD&A, there were 10,609,909 warrants outstanding (See the "Subsequent Events" Section on page 10).

The Corporation also had $5,282,984 of convertible debentures at face value as at December 31, 2020 as compared to $862,984 as at December 31, 2019. At the date of this MD&A, there were $5,282,984 of convertible debentures at face value outstanding. The conversion price varies from $0.75 to $2.32, for an average price of $1.18**.**

The Corporation has an incentive stock option plan, which provides that the Board of Directors of the Corporation may, from time to time, in its discretion, and in accordance with the CSE requirements, grant to directors, officers, employees and technical consultant to the Corporation, non-transferable stock options to purchase common stock. There were no stock options outstanding as at December 31, 2020 and as at the date of this MD&A there have been no options granted.

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.

The Corporation's financial instruments consist of cash, receivables, assets held for sale, debenture receivable, refundable deposits, advances to companies under common control, trade and other payables, other current liabilities, conversion features of the convertible debentures and long-term debt.

Risks and Uncertainties

Emergia's focus is on small to medium size portfolios of mixed-use properties in Canada, mainly in the provinces of Quebec and Ontario, which diversified portfolio is more resilient to changing markets and macro-economic conditions. However, there are certain risks inherent in an investment in the shares of the Corporation and the activities of Emergia. The risks and uncertainties described in this MD&A are those the Corporation currently believes to be material, but they are not the only ones it faces. If any of the following risks, or any other risks and uncertainties that the Corporation has not yet identified or that it currently considers not to be material, actually occur or become material, the Corporation's business, guidance, prospects, financial condition, results of operations and cash flows and consequently the price of the shares could be materially and adversely affected.

Risk Factors Related to the Business of Emergia

Going Concern

The 2020 Financial Statements and this MD&A have been prepared on a going concern basis, which presumes that the Corporation will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations.

As of December 31, 2020, 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 $31,198,328 ($59,834,516 - December 31, 2019). Notwithstanding the foregoing, based on the debt restructuring made in 2020 and on the subsequent events which allowed to further reduce the short-term debt in Q1-2021, and considering the current financing activities mentioned below, the transaction closed on May 3, 2021 and the transaction expected to close in Q2-2021 (See "Subsequent Events" Section on page 10), management considers that the Corporation has the ability to continue its operations for the foreseeable future as a going concern.

The Corporation has ongoing negotiations to obtain financings to be used for short-term and long-term needs. The Corporation pursues its $15 million private placement offering and, at the time these consolidated financial statements were approved, the Corporation had executed the Private Placement for a total amount of $7,307,119. At the time the consolidated financial statements and this MD&A were approved, discussions with interested investors were ongoing. This financing, if completed, and in addition to the other transactions mentioned above and in the "Subsequent Events" Section on page 10 of this MD&A, is expected to be sufficient to enable the Corporation to fund all aspects of its operations. In addition to the latter, management pursues other financing alternatives to fund the Corporation's operations, including potential agreements with current lenders and creditors to possibly convert their debt in equity and or extend maturity dates and or related terms and conditions on existing loans, to reinforce its ability to continue as a going concern.

The 2020 Financial Statements and this MD&A 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.

COVID-19 Health Crisis

COVID-19 and the resulting government restrictive measures continue to have a significant impact on the global and domestic economy since the onset of the pandemic in March 2020. While many areas experienced a respite in case counts delineating the first wave, the pandemic entered a second wave with increased case outbreaks. Subsequent to year end 2020, the Government of Quebec took another set of measures to slow the pandemic spread by announcing on January 8, 2021 the closing of non-essential retail operations throughout the province and by making teleworking mandatory for people working in offices, except for workers whose public or private sector employers deem their presence necessary to pursue the organization's activities.

Despite the recent rollout of vaccinations across Canada and globally, the longevity and extent of the pandemic, the duration and intensity of resulting business disruptions and related financial, social and public health impacts currently remain fluid and uncertain.

Emergia has taken and is still taking all necessary measures to ensure the health of its employees, support its tenants and best manage the short-term challenges to its business. Nonetheless, such continuing risks and uncertainties arising from the COVID-19 health crisis include, but not limited to, business continuity interruptions, disruptions of development activities, unfavorable market conditions, and threats to the health and safety of employees. Emergia's tenants may also face business challenges such as; tenants' ability to adequately staff their businesses; tenants' ability to pay rent as required under their leases; the extent of tenant business closures and changes in tenant business strategies that may impact retail real estate occupancy; changes in the creditworthiness of tenants; leasing activities; market rents; the availability, duration and effectiveness of various support programs that are or may be offered by the various levels of government in Canada.

The ongoing pandemic could also impact the timelines and costs related to the execution of Emergia’s strategic plan, as well as the pace of maintenance of its capital expenditures. The current pandemic could also increase risks associated with cyber security, information technology systems and networks, which in turn could impact Emergia’s business and operations. The spread, duration and severity of COVID-19 could adversely affect global economies, including credit and capital markets, resulting in a short-term or long-term economic downturn, which could potentially increase the difficulty and cost of accessing capital.

Access to Capital and Debt Financing

The real estate industry is capital intensive. Emergia requires access to capital to pay its short-term debt, to maintain its properties, as well as to fund its growth strategy and its significant capital expenditures from time to time. Although management is in advanced discussions with investors and senior lenders in regards to its Private Placement, there can be no assurances that the Corporation will have access to sufficient capital (including debt financing) on terms favourable to Emergia for future property acquisitions and developments, for the financing or refinancing of properties, for funding operating expenses or for other purposes. Failure to raise or access capital in a timely manner or under favourable terms could have a material adverse effect on Emergia's financial position and results of operations.

Indebtedness

Emergia is subject to risk associated with debt financing. The availability of debt to re-finance existing and maturing debts and the cost of servicing such debt will influence Emergia's success. The Corporation may not be able to refinance its existing debt or renegotiate the terms of repayment at favourable rates.

A portion of Emergia's cash flows is dedicated to servicing its debt, and there can be no assurance that Emergia will generate sufficient cash flows from operations to meet required interest or principal payments. Emergia has and will continue to have substantial outstanding consolidated indebtedness. Emergia is subject to the risks associated with debt financing, including the risk that Emergia may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be favourable. In such circumstances, Emergia could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing, and its ability to make property capital investments could be adversely affected.

Ownership of Immovable Properties

All real property investments are subject to risk exposures. Such investments are affected by general economic conditions, local real estate markets, demand for leased premises, competition from other vacant premises, municipal valuations and assessments, and various other factors.

The value of immovable properties and improvements thereto may also depend on the solvency and financial stability of tenants, the economic environment in which they operate and the increase in interest rates. Emergia's income would be adversely affected if one or more major tenants or a significant number of tenants were unable to meet their lease obligations or if a significant portion of vacant space in Emergia's properties cannot be leased on economically favourable lease terms, or simply re-leased. In the event of default by a tenant, delays or limitations may be experienced in enforcing Emergia's rights as a lessor and substantial costs may be incurred to protect Emergia's investment. The ability to rent unleased space in Emergia's properties will be affected by many factors, including the level of general economic activity and competition for tenants by other similar properties. The failure to rent unleased space on a timely basis or at all or at rents that are equivalent to or higher than current rents would likely have an adverse effect on Emergia's financial position and the value of its properties.

Certain significant expenditures, including property taxes, operating and maintenance costs, capital repairs and enhancements, hypothecary payments, insurance costs and related charges must be made throughout the period of ownership of immovable properties regardless of whether the property is producing any income . ln order to retain desirable rentable space and to generate adequate revenue over the long term, Emergia must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which Emergia may not be able to recover from its tenants. In addition, property tax reassessments based on updated appraised values may occur, which Emergia may not be able to recover from its tenants. As a result, Emergia could have to bear the economic cost of such operating costs and/or taxes which may adversely impact Emergia's financial condition and results from operations. Numerous factors, including the age of the relevant building, the materials used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization. In addition, if Emergia is unable to meet mortgage payments on a property, a loss could be sustained as a result of the mortgage creditor's exercise of its hypothecary remedies.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with the demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Emergia's ability to make changes to its portfolio promptly in response to changing economic or investment conditions. If Emergia were to be required to quickly liquidate its assets, the proceeds to Emergia might be significantly less than the aggregate carrying value of its properties.

Leases for Emergia's properties, including those of significant tenants, will mature from time to time over the short and long term. There can be no assurance that Emergia will be able to renew any or all of the leases upon maturity or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact Emergia's financial position and results of operations.

Reporting Investment Property at Fair Value

Emergia holds investment property to earn rental income, for capital appreciation or both. All investment property is measured using the fair value model, whereby changes in fair value are recognized for each reporting period in the consolidated statements of income and comprehensive income. 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. The Management also values the properties by taking into consideration the most probable price for which such property could be sold in an open, competitive market, taking into account all requisite conditions to a fair sale, such as the buyer and seller each acting prudently and knowledgeably, and the assumption that such price is not affected by undue stimulus. The value is based on a highest and best use basis.

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 statements date.

Land or properties held for development or redevelopment value is measured initially at cost, including transaction costs and subsequently measured at fair value. Transaction costs that are directly attributable to investment properties under development or redevelopment are capitalized. These costs include direct development costs, realty taxes, borrowing costs directly attributable to the development, and upgrading and extending the economic life of existing facilities, other than ordinary repairs and maintenance. The Management also values land and properties held for development or redevelopment by taking into consideration the most probable price for which such property could be sold in its current condition in an open, competitive market, taking into account all requisite conditions to a fair sale, such as the buyer and seller each acting prudently and knowledgeably, and the assumption that such price is not affected by undue stimulus. The value is based on a highest and best use basis.

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and reasoning both quantitative and qualitative, leading to an opinion of value. Market assumptions applied for appraisals and valuation purposes do not necessarily reflect Emergia's specific history or experience and the conditions for realizing the fair values through a sale may change or may not be realized. In addition, there is an inherent risk related to the reliance on and use of a limited number of appraisers, as this approach may not adequately capture the range of fair values that market participants would assign to the investment properties. Emergia mitigates this risk by undertaking a detailed review of the assumptions utilized by the appraiser in its valuation, which includes a comparison of such assumptions to the corresponding benchmarks derived from management's own observations of market transactions. Downturns in the real estate market could negatively affect Emergia's operating revenues and cash flows; such a downturn could also significantly impact the fair values of Emergia's investment properties, as well as certain of its financial ratios and covenants.

Environmental Matters

As an owner of real property, Emergia could, under various federal, provincial and municipal laws, become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, or address such matters through alternative measures prescribed by the governing authority, may adversely affect Emergia's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against Emergia by private plaintiffs or governmental agencies. Emergia is not aware of any material non-compliance, liability or other claim in connection with any of its properties, nor is Emergia aware of any environmental condition with respect to any of its properties that it believes would involve material expenditures by Emergia. In order to mitigate the environmental risk, the Corporation has a well established practice to proceed to Environmental Study Assesments for each properties. Also, where appropriate, Emergia includes environmental liability clauses in its leases to ensure tenants comply with environmental laws and regulations.

Climate Change

Natural disasters and severe weather such as floods, blizzards and rising temperatures may result in damage to the properties. The extent of Emergia's casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. Emergia is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of its buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on Emergia's business by increasing the cost of property insurance, and/or energy at the properties. As a result, the consequences of natural disasters, severe weather and climate change could increase Emergia's costs and reduce Emergia's cash flow.

Legal Risks

Emergia's operations are subject to various laws and regulations across all of its operating jurisdictions and Emergia faces risks associated with legal and regulatory changes and litigation.

Competition

Emergia competes for suitable immovable property investments with individuals, corporations and other institutions which are presently seeking, or which may seek in the future, immovable property investments similar to those desired by Emergia. Many of those investors have greater financial resources than Emergia.

In addition, numerous property developers, managers and owners compete with Emergia in seeking tenants. The existence of competing developers, managers and owners and competition for Emergia's tenants could have an adverse effect on Emergia's ability to lease space in its properties and on the rents charged, and could adversely affect Emergia's revenues and, consequently, its ability to meet its debt obligations.

Property Development

Information regarding Emergia's development projects, development costs, capitalization rates and expected returns are subject to change, which may be material, as assumptions regarding items such as, but not limited to, tenant rents, building sizes, leasable areas, project completion timelines and project costs, are updated periodically based on revised site plans, Emergia's cost tendering process, continuing tenant negotiations, demand for leasable space in Emergia's markets, the obtaining of required building permits, ongoing discussions with municipalities and successful property re-zonings. There can be no assurance that any assumptions in this regard will materialize as expected and any changes in these assumptions could have a material adverse effect on Emergia's development program, asset values and financial performance.

Growth Strategy

Emergia's growth strategy will depend in large part on identifying suitable acquisition opportunities that meet Emergia's investment criteria. In addition, growth strategy will be affected by purchase price, ability to obtain adequate financing or financing on reasonable terms, consummating acquisitions (including obtaining necessary consents) and effectively integrating and operating the acquired properties. Acquired properties may not meet financial or operational expectations due to unexpected costs associated with acquiring the property, as well as the general investment risks inherent in any real estate investment or acquisition, including future refinancing risks. Moreover, newly acquired properties may require significant management attention or property capital investments that would otherwise be allocated to other properties. If Emergia is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial condition could be adversely affected.

Retention of Employees and Executives

The success of Emergia depends to a significant extent on the efforts and abilities of its executive officers and other members of management, as well as its ability to attract and retain qualified personnel to manage existing operations and future growth. The loss of an executive officer or other key employee could lead to material disruption to the business.

Government Regulation

Emergia and its properties are subject to various government statutes and regulations. Any change in such statutes or regulations that is adverse to Emergia and its properties could affect Emergia's operating results and financial performance.

Insurance

Emergia carries a blanket comprehensive general liability and a property policy including insurance against fire, flood, extended coverage and rental loss insurance, with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as wars or environmental contamination) which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, Emergia could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but Emergia would continue to be obligated to repay any hypothecary recourse or mortgage indebtedness on such properties.

Risk Factors Related to the Ownership of Securities

Market Price

A publicly traded real estate company will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the shares may trade at a premium or a discount to values implied by the initial appraisal of the value of its properties or the value of such properties from time to time.

Structural Subordination of Securities

In the event of a bankruptcy, liquidation or reorganization of Emergia or any of its subsidiaries, holders of certain of their indebtedness will generally be entitled to payment of their claims from the assets of Emergia and those subsidiaries before any assets are made available for distribution to the holders of securities. The securities will be effectively subordinated to most of the other indebtedness and liabilities of Emergia and its subsidiaries. Neither Emergia nor any of its subsidiaries will be limited in their ability to incur additional secured or unsecured debts.

Dilution

Subject to applicable laws, Emergia is authorized to issue an unlimited number of shares for the consideration, and on the terms and conditions, that the Board of directors determines, without shareholders' approval. Shareholders have no pre-emptive right in connection with any further issuance. The Board of directors has the discretion to issue additional shares in other circumstances pursuant to Emergia's stock option plan. Any issuance of additional shares may have a dilutive effect on the holders of shares.

Dividends are not Guaranteed

There can be no assurance regarding the amount of income to be generated by Emergia's properties. The ability of Emergia to pay dividends will be entirely dependent on the operations and assets of Emergia and its subsidiaries, and will be subject to various factors including financial performance and results of operations, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from anchor tenants and capital expenditure requirements.

Changes in accounting policies

Adoption of new standards as at January 1, 2020

Certain new standards and amendments that have an impact on consolidated financial statements of the Corporation became effective on January 1, 2020 are as follows:

The IASB issued Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for 'Definition of Material,' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Corporation has adopted the amendments and determined the application did not have a material impact on the Company's consolidated financial statements as its policies were in line with the guidance.

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

At the time of the authorization 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.

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 financial statements.

Off-Balance Sheet Arrangements

The Corporation does not currently have any off-balance sheet arrangements.

Related Parties Transactions

During the year ended December 31, 2020, the Corporation entered into transactions with related parties, which include the Corporation's key personnel and entities that are controlled by officers or directors of the Corporation. Key management includes directors and senior executives. All transactions with related parties occurred in the normal course of operations and are measured at their fair value as determined by management and the Board of Directors.

During the year ended December 31, 2020, the Corporation incurred $1,052,303 in management fees as compared to $469,297during the same period in 2019.

Furthermore, during the year ended December 31, 2020, the Corporation incurred $272,141 in consulting fee with a company controlled by a director and officer and a company controlled by a director of the Corporation compared to $468,121 as of December 31, 2019.

Also, during the year ended December 31, 2020, the Corporation accrued a fee of 2% ($1,103,602) 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 as compared to $nil during the same period from the previous year.

Amounts owed to companies controlled by directors and officers reached $3,369,252 as at December 31, 2020 as compared to $2,088,090 as at December 31, 2019 to consider consulting fees and financing fees related to the year ended December 31, 2020. Amounts payable owed to directors and officers also increased from $281,792 as at December 31, 2019 to $965,252 to consider quarterly board and management fees.

During the period, related parties converted $2,228,924 of trade and accrued payables in Units from the Private placement.

Additional Information

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Corporation. This MD&A should be read in conjunction with other disclosure documents provided by the Corporation, which can be accessed at www.sedar.com.