



IMPERIAL EQUITIES INC.

To the Shareholders of
Imperial Equities Inc.

Management has reviewed and prepared the consolidated balance sheet of Imperial Equities Inc. as at March 31, 2009 and the consolidated statement of earnings and comprehensive income and retained earnings and consolidated statement of cash flows for the quarter then ended. Our auditors Grant Thornton LLP, have not reviewed these interim financial statements. These financial statements are accompanied by the required Certification of the Company's Chief Financial Officer and Chief Executive Officer.

Management
Imperial Equities Inc.
May 27, 2009

Imperial Equities Inc.
CONSOLIDATED STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME AND
RETAINED EARNINGS (unaudited)

For the period ending March 31,	Current Quarter 2009 \$	Current YTD 2009 \$	Prior Year Quarter 2008 \$	Prior Year YTD 2008 \$
	(3 months)	(6 months)	(3 months)	6 months)
Revenue				
Rental revenue	981,563	1,937,619	605,831	1,194,518
Operating cost recoveries	231,486	435,426	146,958	290,533
Sales of pharmaceuticals	2,763,730	5,910,012	2,179,821	4,833,642
Interest	1,019	1,433	4,175	18,146
	3,977,798	8,284,490	2,936,785	6,336,539
Expenses				
Property operations	230,625	434,762	176,177	336,614
Cost of sales of pharmaceuticals	2,570,836	5,527,527	2,037,114	4,513,883
Interest on mortgages, debentures and other financing	325,819	657,583	223,902	441,907
Amortization of revenue producing properties	271,515	521,125	145,860	291,493
Amortization of deferred leasing costs	39,392	71,727	23,005	46,011
Amortization of intangibles	28,960	28,960	11,889	26,369
Amortization of capital assets	12,091	24,182	17,080	28,960
Selling and administrative	286,028	571,367	335,152	587,532
Professional fees	5,307	7,008	22,829	29,550
Shareholder communications	22,229	23,134	19,181	20,179
	3,792,801	7,867,375	3,012,189	6,322,498
Earnings (loss) before income taxes	184,997	417,116	(75,404)	14,042
Income taxes (recovery)				
Current income tax	52,671	(12,325)	17,457	74,496
Future income tax	8,651	95,585	(40,701)	(48,302)
	61,322	83,260	(23,244)	26,194
Net earnings (loss) and comprehensive income	138,155	333,856	(52,160)	(12,152)
Retained earnings, beginning of period	4,497,586	4,301,885	4,384,750	4,344,742
Net earnings (loss)	138,155	333,856	(52,160)	(12,152)
Premium on shares cancelled	(129,168)	(129,168)	-	-
Retained earnings, end of period	4,506,573	4,506,573	4,332,590	4,332,590
Earnings (loss) per share-basic and diluted	.02	.04	(.01)	.00

See accompanying notes to the consolidated financial statements

Imperial Equities Inc.
CONSOLIDATED BALANCE SHEET

	March 31, 2009 \$	September 30, 2008 \$
	(unaudited)	(audited)
Assets		
Current		
Cash	206,958	647,130
Receivables	2,075,854	2,272,531
Inventory	2,730,965	2,761,061
Prepaid expenses and deposits	66,173	186,671
Income taxes receivable	9,425	357,269
Future income taxes	5,993	5,993
	5,095,368	6,230,655
Future rent receivable	333,598	279,608
Deferred leasing costs	754,143	799,970
Revenue producing properties	26,398,894	26,562,716
Land held for development	447,398	446,448
Capital assets	182,711	203,993
Intangible assets	397,472	426,432
Future income taxes	369,956	539,480
	33,979,240	35,489,302
Liabilities		
Current		
Bank indebtedness <i>(Note 3)</i>	1,111,401	1,666,098
Payables and accruals	931,849	1,396,218
Income taxes payable	-	-
Other financing	1,500,000	1,500,000
Debentures	330,000	330,000
Current portion of mortgages <i>(Note 4)</i>	3,620,336	3,795,996
	7,493,584	8,688,312
Security deposits	135,917	128,160
Mortgages <i>(Note 4)</i>	16,899,710	17,380,149
Future income taxes	884,867	959,106
	25,414,078	27,155,727
Shareholders' equity		
Share capital	4,008,447	4,044,086
Contributed surplus	85,720	85,720
Repurchased shares for cancellation	(35,578)	(98,116)
Retained earnings	4,506,573	4,301,885
	8,565,162	8,333,575
	33,979,240	35,489,302

See accompanying notes to the consolidated financial statements

On Behalf of the Board

Signed "Sine Chadi"
Director

Signed "Kevin Lynch"
Director

Imperial Equities Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Period ending March 31,	Current Quarter 2009 \$	Current YTD 2009 \$	Prior Year Quarter 2008 \$	Prior Year YTD 2008 \$
	(3 months)	(6 months)	(3 months)	(6 months)
Increase (decrease) in cash and cash equivalents				
Operating				
Net (loss) earnings	138,155	333,856	(52,160)	(12,152)
Amortization of revenue producing properties	271,515	521,125	145,860	291,493
Amortization of intangibles	14,480	28,960	11,889	26,369
Amortization of capital assets	12,091	24,182	17,080	28,960
Amortization of deferred leasing costs	39,392	71,727	23,005	46,011
Expenditures on deferred leasing costs	(25,900)	(25,900)	-	-
Future income tax expense (recovery)	8,651	95,585	(40,701)	(48,302)
Gain on sale of property	-	-	-	-
Funds from operations	458,384	1,049,535	104,973	332,379
Change in non-cash operating balances	1,111,330	184,515	72,653	(1,540,385)
	1,569,714	1,234,050	177,626	(1,208,006)
Financing				
Mortgage proceeds	-	-	-	-
Repayment of mortgages	(335,791)	(656,100)	(220,298)	(437,665)
Advances from other financing	-	-	450,000	950,000
Repayment of other financing	-	-	(450,000)	(450,000)
Repayment of debentures	-	-	-	-
Purchase of common shares for cancellation	(10,800)	(102,270)	-	-
Advances (repayment) on operating line of credit	(1,152,051)	(554,699)	1,122,379	2,358,702
	(1,498,642)	(1,313,068)	902,081	2,421,037
Investing				
Restricted cash	-	-	521,678	515,268
Purchase of revenue producing properties	-	-	-	-
Additions to property under development	-	-	(1,788,745)	(2,956,025)
Additions to land held for development	(950)	(950)	-	-
Additions to capital assets	-	(2,900)	(32,409)	(42,689)
Property improvements	(24,020)	(357,303)	(6,845)	(6,845)
	(24,970)	(361,154)	(1,306,321)	(2,490,291)
Net increase (decrease) in cash	46,102	(440,172)	(226,614)	(1,277,260)
Cash beginning of period	160,856	647,130	430,944	1,481,590
Cash end of period	206,958	206,958	204,330	204,330

See accompanying notes to the consolidated financial statements

1. Nature of operations

Based in Edmonton, Alberta, Imperial Equities Inc.'s major operations consist of development and redevelopment of commercial and industrial properties in the Edmonton area and the sale and distribution of pharmaceuticals. The Company's common shares trade on the TSX Venture Exchange (TSXV) under the symbol "IEI".

2. Summary of significant accounting policies

Basis of presentation

The unaudited interim consolidated financial statements of the Company and its wholly owned subsidiary, Imperial Distributors Canada Inc., are prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements. All inter-company transactions and balances have been eliminated. The disclosures contained in these unaudited consolidated financial statements do not include all of the requirements of Canadian generally accepted accounting principles for annual financial statements. These unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the most recent audited financial statements.

The interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ending September 30, 2008.

Changes in accounting policies

Effective October 1, 2008 the company has adopted the new Canadian standard, Handbook Section 3064, *Goodwill and Intangible Assets* which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this section does not have an impact on the Company's financial position or results of operations.

Effective October 1, 2008 the company has adopted the new Canadian standard, Handbook Section 1400, *General Standards of Financial Statement Presentation* which was amended to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. When preparing financial statements, management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The adoption of this section does not have an impact on the Company's financial position or results of operations.

Future accounting pronouncements

Convergence with International Financial Reporting Standards

In February of 2008 the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for Canadian publicly accountable enterprises for year ends beginning on or after January 1, 2011. The Company is currently evaluating the impact of adopting IFRS on its consolidated financial statements.

3. Bank indebtedness

	2009 March 31,	2008 September 30,
<i>Operating lines of credit</i>		
Imperial Equities Inc.	\$ 1,081,856	\$ 1,610,450
Imperial Distributors Canada Inc.	29,545	55,648
	\$ 1,111,401	\$ 1,666,098

Imperial Equities Inc. has an operating line of credit for general business purposes with a limit of \$2,000,000. The line of credit bears interest at prime plus 1.0% and is secured by two specific revenue producing properties with a net book value of \$3,301,009.

Imperial Distributors Canada Inc. has an operating line of credit with a limit of \$1,500,000. This loan bears interest at prime plus 1.75% and is secured by a general security agreement, a general assignment of book debt and inventory, as well as a corporate guarantee provided by Imperial Equities Inc. in the amount of \$1,500,000.

4. Mortgages

Maturity Date	Rate	Monthly Payments	Balance Mar. 31 2008	Balance Sep. 30 2008	NBV of the Underlying Security	Lender
May 1, 2009	6.19%	\$ 8,277	\$ 550,566	\$ 582,824	\$ 1,766,006	CWB
Nov 1, 2010	4.71%	14,695	1,584,318	1,634,849	2,956,484	CIBC
May 1, 2009	6.19%	25,634	877,925	1,002,669	1,539,122	CWB
Jan 1, 2012	4.94%	8,636	986,329	1,013,637	706,015	CIBC
Nov 1, 2011	4.97%	12,704	1,441,701	1,481,883	772,972	Manulife
Apr 1, 2012	5.20%	15,169	1,730,620	1,776,425	1,517,220	CIBC
Sep 1, 2012	5.81%	12,449	1,401,131	1,435,036	1,021,486	Manulife
Sep 1, 2009	5.78%	13,202	1,248,866	1,291,696	1,927,730	Mfr. Life
Aug 1, 2010	4.40%	17,810	1,919,354	1,983,550	2,679,231	CIBC
Oct 1, 2013	5.385%	12,117	1,466,871	1,500,000	2,631,385	RBC
Aug 1, 2013	5.782%	62,134	7,312,365	7,473,576	9,128,739	CIBC
			\$ 20,520,046	\$ 21,176,145	\$ 26,646,390	
Less current portion:			(3,620,336)	(3,795,996)		
			\$ 16,899,710	\$ 17,380,149		

The above mortgages are repayable in blended monthly payments of interest and principal. The scheduled amount of principal repayments in each of the next five years is as follows:

2010	\$ 3,620,336
2011	4,017,295
2012	3,955,330
2013	1,909,486
2014	7,017,599
	\$ 20,520,046

The security pledged for each mortgage is limited to that mortgage. The President of the Company has personally guaranteed two of the mortgages with a combined principal balance at March 31, 2009 of \$1,428,491. No fees were paid, or will be paid for the guarantees.

5. Share capital

a) Authorized:

Unlimited number of common shares

b) Issued and outstanding

2008	Number of shares	Cost
Balance at September 30, 2008	9,206,342	\$ 4,044,086
Shares cancelled during the period	(81,000)	(35,640)
Balance at March 31, 2009	9,125,342	\$ 4,008,446

c) Repurchased shares for cancellation

The Company received approval from the TSX Venture Exchange to purchase up to 455,317 common shares representing 5% of the outstanding shares under a normal course issuer bid, expiring June 15, 2009. At September 30, 2008 the Company had purchased 48,400 shares for total cash consideration of \$98,116. During the period the Company purchased an additional 52,500 shares for total cash consideration of \$102,270. Of the total 100,900 shares repurchased, 81,000 shares were cancelled during the period. The excess of the cost over the stated value of shares cancelled of \$129,168 has been recorded as a charge to retained earnings. Of the 19,900 remaining shares repurchased, all are carried at cost (\$35,578) and shown as a deduction from shareholders' equity until such time that they are cancelled.

6. Related party transactions

Related party transactions are as follows:

	2009	2008
Paid to companies owned or controlled by a director, majority shareholder and officer		
Property management and operations	\$ 127,372	\$ 87,544
Leasehold improvements contracts	40,553	-
Leasing and real estate commissions	18,644	89,375
Marketing and consulting fees	25,795	39,600
	\$ 212,364	\$ 216,519

Property management and operations expenditures were paid to a company owned 100% by a director, majority shareholder and officer and include building and ground maintenance, collection of rents and accounting and vehicle leases. Also included are labour costs associated with tenant improvements. These amounts are recoverable from the tenants, under the terms of the related lease agreements.

Leasehold improvement contracts were paid to a company owned 100% by a director, majority shareholder and officer and are recoverable from the tenants under the terms of the related lease agreements. Marketing and consulting fees were paid to this same company.

The above transactions took place at amounts which in management's opinion approximate normal commercial rates and terms and occurred in the normal course of operations. The transactions have been

6. Related party transactions (cont'd)

recorded at the exchange amount. The above noted fees are for services that would not otherwise be provided by employees of the Company.

	2009	2008
Other financing from a company owned by a director and officer		
Balance payable, beginning of year	\$ -	\$ -
Advances to Imperial Equities Inc.		350,000
Repayments of advances		(350,000)
<u>Balance payable, end of period</u>	<u>\$ -</u>	<u>\$ -</u>
Interest paid on advances	\$ -	\$ 2,915

Other financing from a company which is owned by a member of the immediate family of a director and significant shareholder

Balance payable, beginning of year	\$ 1,500,000	\$ 1,500,000
Advances to Imperial Equities Inc.	-	-
Repayments of advances	-	-
<u>Balance payable, end of year</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Interest paid on advances	\$ 52,500	\$ 60,000

Other financing from a director, officer and majority shareholder

Balance payable, beginning of year	\$ -	\$ -
Advances to Imperial Equities Inc.		100,000
Repayment of advances		(100,000)
<u>Balance payable, end of period</u>	<u>\$ -</u>	<u>\$ -</u>
Interest paid on advances	\$ -	\$ 142

Advances to the Company are used for interim financing and are measured at amortized cost. The advances are unsecured with no set terms of repayment and bear interest at a rate of 6% per annum (2007 - 8%) per annum, which is the rate that was negotiated by the parties in the normal course of operations. The above transactions have been recorded at the exchange amount. Advances are repaid with interest when the Company no longer requires the funds.

Paid to directors

Directors' fees	\$ 5,000	\$ 2,500
	<u>\$ 5,000</u>	<u>\$ 2,500</u>

Directors are paid a fee for attending directors' meetings. The fees are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations.

6. Related party transactions (cont'd)

Paid to a partnership of which a director is a partner

Legal fees	\$ 16,602	\$ 20,340
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Legal fees paid were in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

7. Capital risk management

The Company defines capital that it manages as the aggregate of its shareholders' equity and interest bearing debt. The Company's objectives when managing capital are to ensure that the Company will continue as a going concern, so that it can sustain daily operations and provide adequate returns to its shareholders.

The Company is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced, or may not be refinanced on as favorable terms or with interest rates as favorable as those of the existing debt. The Company mitigates these risks by its continued efforts to stagger the maturity profile of its long-term debt, enhance the value of its real estate properties, and maintain high occupancy levels. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Capital Structure

As at	March 31, 2009	September 30, 2008
Mortgages	\$ 20,520,046	\$ 21,176,145
Bank indebtedness	1,111,401	1,666,098
Other financing and debentures	1,830,000	1,830,000
Less: cash and cash equivalents	(206,958)	(647,130)
Net debt	23,254,489	24,025,113
Equity	8,565,162	8,333,575
	\$ 31,819,651	\$ 32,358,688

At March 31, 2009, the Company has continued to meet all externally imposed capital requirements to which it is subject.

8. Subsequent event

Subsequent to the second quarter ending, the Company entered into a lending agreement with an existing lender. The lender has offered a demand operating loan and overdraft of \$3,500,000 to finance the day-to-day operations of the Company and to payout two existing mortgages maturing May 1, 2009. Interest on the loan is a minimum of 5% per annum or prime plus 2.75%. The loan is secured by a general security agreement and assignment of rents and leases over two of the revenue producing properties with a net book value at March 31, 2008 of \$1,428,491. The President of the Company has personally guaranteed the loan to an amount of \$500,000. Terms of the loan require the Company to pay interest only each month with an annual reduction of the principal in the amount of \$300,000.

9. Segmented Information

The Company operates in two key business segments; real estate and pharmaceutical sales. Operating segments are determined based on the different types of business activities and the different economic environments they operate in. There are no intercompany sales or transfers. All of the Company's sales are within Canada.

March 31,	Pharmaceuticals		Real Estate		Consolidated	
	Current Year (6 months)	Prior Year (6 months)	Current Year (6 months)	Prior Year (6 months)	Current Year (6 months)	Prior Year (6 months)
Revenue	\$ 5,910,828	\$ 4,834,032	\$ 2,373,662	\$ 1,502,507	\$ 8,284,490	\$ 6,336,539
Property operations	-	-	434,762	336,614	434,762	336,614
Cost of sales of pharmaceuticals	5,527,527	4,513,883	-	-	5,527,527	4,513,883
Interest on mortgages, debentures and other financing	4,539	33,806	653,044	408,101	657,583	441,907
Amortization	24,182	55,329	621,813	337,502	617,035	392,831
Selling and administrative	391,709	358,780	51,084	101,493	442,792	460,274
Segment (loss) earnings from operations	(37,129)	(127,766)	612,961	318,797	575,832	191,030
Gain on sale of properties	-	-	-	-	-	-
General corporate expenses	-	-	158,716	176,987	158,716	176,987
Income tax (recovery) expense	7,674	(48,302)	75,586	74,496	83,260	26,195
Net (loss) earnings and comp. income	\$ (44,803)	\$ (79,464)	\$ 378,659	\$ 67,314	\$ 333,856	\$ (12,152)
Identifiable segment assets	\$5,424,197	\$6,349,542	\$28,620,037	\$22,354,416	\$ 34,044,234	\$28,703,958
Expenditures for segment capital assets, property under development, and revenue producing property	\$ 2,900	\$ 42,689	\$ 333,283	\$ 3,012,599	\$ 336,183	\$ 3,055,288

An estimated income tax recovery of \$155,008 (2007 - \$117,165) related to corporate costs were recognized during the year and included in the real estate segment.