



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 June 30, 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.
August 19, 2009

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

For the period ending June 30,	Current Quarter 2009 \$	Current YTD 2009 \$	Prior Year Quarter 2008 \$	Prior Year YTD 2008 \$
	(3 months)	(9 months)	(3 months)	(9 months)
months)				
Revenue				
Rental revenue	978,577	2,919,197	606,991	1,801,509
Operating cost recoveries	228,220	663,646	147,608	438,141
Sales of pharmaceuticals	3,233,722	9,143,734	3,222,023	8,055,365
Interest	230	1,663	1,810	19,955
	4,440,749	12,725,240	3,978,432	10,314,971
Expenses				
Property operations	351,312	786,074	197,661	534,275
Cost of sales of pharmaceuticals	2,969,014	8,496,541	3,047,403	7,561,286
Interest on mortgages, debentures and other financing	301,736	959,319	225,581	667,489
Amortization of revenue producing properties	267,868	788,993	145,633	437,126
Amortization of deferred leasing costs	36,750	108,477	31,353	77,364
Amortization of intangibles	14,480	43,440	15,671	42,040
Amortization of capital assets	12,445	36,627	14,480	43,440
Selling and administrative	309,221	880,588	363,888	951,419
Stock compensation	-	-	31,720	31,720
Professional fees	(274)	6,734	17,585	47,135
Shareholder communications	2,655	25,789	5,113	25,291
	4,265,207	12,132,582	4,096,088	10,418,585
Earnings (loss) before income taxes	175,542	592,658	(117,656)	(103,613)
Income taxes (recovery)				
Current income tax	342,705	330,380	(44,112)	30,384
Future income tax	2,863	98,449	(26,561)	(74,863)
	345,568	428,829	(70,673)	(44,479)
Net earnings (loss) and comprehensive income	(170,026)	163,829	(46,983)	(59,133)
Retained earnings, beginning of period	4,506,572	4,301,885	4,332,591	4,344,742
Net earnings (loss)	(170,026)	163,829	(46,983)	(59,134)
Premium on shares cancelled	(27,299)	(156,467)	-	-
Retained earnings, end of period	4,309,247	4,309,247	4,285,608	4,285,608

Earnings (loss) per share-basic and diluted	(.02)	.02	(.01)	(.01)
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See accompanying notes to the consolidated financial statements

Imperial Equities Inc.
CONSOLIDATED BALANCE SHEET

	June 30, 2009 \$	September 30, 2008 \$
	(unaudited)	(audited)
Assets		
Current		
Cash	236,192	647,130
Receivables	2,581,243	2,272,531
Inventory	2,661,393	2,761,061
Prepaid expenses and deposits	301,258	186,671
Income taxes receivable	-	357,269
Future income taxes	5,993	5,993
	5,786,079	6,230,655
Future rent receivable	350,857	279,608
Deferred leasing costs	720,937	799,970
Revenue producing properties	26,277,370	26,562,716
Land held for development	486,577	446,448
Capital assets	171,662	203,993
Intangible assets	382,992	426,432
Future income taxes	376,164	539,480
	34,552,638	35,489,302
Liabilities		
Current		
Bank indebtedness (Note 3)	3,589,276	1,666,098
Payables and accruals	721,930	1,396,218
Income taxes payable	333,280	-
Other financing	1,500,000	1,500,000
Debentures (Note 4)	150,000	330,000
Current portion of mortgages (Note 5)	2,187,953	3,795,996
	8,482,439	8,688,312
Security deposits	133,858	128,160
Mortgages (Note 5)	16,654,767	17,380,149
Future income taxes	894,239	959,106
	26,165,303	27,155,727
Shareholders' equity		
Share capital (Note 6)	3,999,691	4,044,086
Contributed surplus	85,720	85,720
Repurchased shares for cancellation	(7,323)	(98,116)
Retained earnings	4,309,247	4,301,885
	8,387,335	8,333,575
	34,552,638	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 June 30,	Current Quarter 2009 \$	Current YTD 2009 \$	Prior Year Quarter 2008 \$	Prior Year YTD 2008 \$
	(3 months)	(9 months)	(3 months)	(9 months)
months)				
Increase (decrease) in cash and cash equivalents				
Operating				
Net (loss) earnings	(170,027)	163,829	(46,983)	(59,133)
Amortization of revenue producing properties	267,868	788,993	145,633	437,126
Amortization of intangibles	14,480	43,440	15,671	42,040
Amortization of capital assets	12,445	36,627	14,480	43,440
Amortization of deferred leasing costs	36,750	108,477	31,353	77,364
Expenditures on deferred leasing costs	(3,544)	(29,444)	(100,347)	(100,347)
Stock compensation	-	-	31,720	31,720
Future income tax expense (recovery)	2,863	98,449	(26,561)	(74,863)
Funds from operations	160,835	1,210,370	64,966	397,347
Change in non-cash operating balances	(557,403)	(372,890)	2,402,620	862,234
	(396,568)	837,480	2,467,586	1,259,581
Financing				
Repayment of mortgages	(1,677,324)	(2,333,424)	(223,268)	(660,933)
Advances from other financing	-	-	2,000,000	2,950,000
Repayment of other financing	-	-	-	(450,000)
Repayment of debentures	(180,000)	(180,000)	-	-
Purchase of common shares for cancellation	(7,800)	(110,070)	100,000	100,000
Advances on operating lines of credit	2,477,877	1,923,178	947,419	3,306,120
	612,753	(700,316)	2,824,151	5,245,187
Investing				
Restricted cash	-	-	-	515,268
Purchase of revenue producing properties	-	-	(2,490,610)	(2,490,610)
Additions to property under development	-	-	(2,546,509)	(5,502,534)
Additions to land held for development	(39,179)	(40,129)	(32,248)	(32,248)
Additions to capital assets	(1,425)	(4,296)	(2,455)	(45,144)
Property improvements	(146,345)	(503,677)	(105,000)	(111,845)
	(186,949)	(548,102)	(5,176,822)	(7,667,113)
Net increase (decrease) in cash	29,236	(410,938)	114,915	(1,162,345)
Cash beginning of period	206,956	647,130	204,330	1,481,590
Cash end of period	236,192	236,192	319,245	319,245

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 June 30,	2008 September 30,
<i>Operating lines of credit</i>		
Imperial Equities Inc.	\$ 3,082,963	\$ 1,610,450
Imperial Distributors Canada Inc.	506,313	55,648
	<u>\$ 3,589,276</u>	<u>\$ 1,666,098</u>

Imperial Equities Inc. has an operating line of credit for general business purposes with a limit of \$2,000,000. During the third quarter the Company received an additional line of credit from the same lender in the amount of \$1,500,000. The total line of credit of \$3,500,000 bears interest at the greater of 5% per annum or prime plus 2.75% and is secured by two specific revenue producing properties with a net book value of \$3,271,817 at June 30, 2009. Repayment of the loan is interest only monthly with an annual principal payment of \$300,000 due May 2010. The line of credit is guaranteed by the President of the Company. No fees were paid or will be paid for the guarantee.

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. Debentures

During the third quarter the Company paid out two subordinated debenture holders in full. The total amount repaid was \$180,000. The remaining balance of \$150,000 (2008 - \$330,000) bears interest at 6% per annum (2008 - 8%). Interest is paid monthly. The debentures are due on demand and are unsecured.

5. Mortgages

Maturity Date	Rate	Monthly Payments	Balance June 30 2009	Balance Sep. 30 2008	NBV of the	
<u>Underlying Security</u>		<u>Lender</u>				
May 1, 2009	-	\$ -	- \$	582,824	\$ -	CWB
Nov 1, 2010	4.71%	14,695	1,558,608	1,634,849	2,956,484	CIBC
May 1, 2009	-	-	-	1,002,669	-	CWB
Jan 1, 2012	4.94%	8,636	972,424	1,013,637	706,015	CIBC
Nov 1, 2011	4.97%	12,704	1,421,237	1,481,883	772,972	Manulife
Apr 1, 2012	5.20%	15,169	1,707,273	1,776,425	1,517,220	CIBC
Sep 1, 2012	5.81%	12,449	1,383,812	1,435,036	1,021,486	Manulife
Sep 1, 2009	5.78%	13,202	1,226,989	1,291,696	1,927,730	Mfr. Life

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June 30, 2009

Aug 1, 2010	4.40%	17,810	1,886,728	1,983,550	2,679,231	CIBC
Oct 1, 2013	5.385%	12,117	1,455,631	1,500,000	2,631,385	RBC
Aug 1, 2013	5.782%	62,134	7,230,018	7,473,576	9,128,739	CIBC
			\$ 18,842,720	\$ 21,176,145	\$ 26,646,390	
Less current portion:			(2,187,953)	(3,795,996)		
			\$ 16,654,767	\$ 17,380,149		

5. Mortgages (cont'd)

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	\$ 2,187,953
2011	3,966,552
2012	5,308,230
2013	486,627
2014	6,893,358
	\$ 18,842,720

The security pledged for each mortgage is limited to that mortgage.

6. Share capital

a) Authorized:

Unlimited number of common shares

b) Issued and outstanding

2009	Number of shares	Cost
Balance at September 30, 2008	9,206,342	\$ 4,044,086
Shares cancelled during the period	(100,900)	(44,396)
Balance at June 30, 2009	9,105,442	\$ 3,999,690

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 that expired 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 57,600 shares for total cash consideration of \$110,070. Of the total 106,000 shares repurchased, 100,900 shares were cancelled during the period. The excess of the cost over the stated value of shares cancelled of \$156,467 has been recorded as a charge to retained earnings. Of the 5,100 remaining shares

repurchased, all are carried at cost (\$7,323) and shown as a deduction from shareholders' equity until such time that they are cancelled.

7. 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	\$ 210,752	\$ 128,998
Leasehold improvements contracts	58,692	350,000
Leasing and real estate commissions	18,644	211,722
Marketing and consulting fees	41,195	57,288
	\$ 329,283	\$ 748,008

7. Related party transactions (cont'd)

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, 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 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)
Balance payable, end of period	\$ -	\$ -
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.	-	2,000,000
Repayments of advances	-	-

Balance payable, end of period	\$ 1,500,000	\$ 3,500,000
Interest paid on advances	\$ 77,500	\$ 139,333

Other financing from a director, officer and majority shareholder

Balance payable, beginning of year	\$ -	\$ -
Advances to Imperial Equities Inc.		100,000
<u>Repayment of advances</u>		<u>(100,000)</u>
Balance payable, end of period	\$ -	\$ -
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 (2008 - 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.

7. Related party transactions (cont'd)

Paid to directors

Directors' fees	\$ 8,000	\$ 5,500
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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.

Paid to a partnership of which a director is a partner

Legal fees	\$ 16,602	\$ 40,911
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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.

8. 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

Imperial Equities Inc.
Notes to the Consolidated Interim Financial Statements
June 30, 2009

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	June 30, 2009	September 30, 2008
Mortgages	\$ 18,842,720	\$ 21,176,145
Bank indebtedness	3,589,276	1,666,098
Other financing and debentures	1,650,000	1,830,000
Less: cash and cash equivalents	(236,192)	(647,130)
Net debt	23,845,804	24,025,113
Equity		8,387,335
8,333,575		
	\$ 32,233,139	\$ 32,358,688

At June 30, 2009, the Company has continued to meet all externally imposed capital requirements to which it is subject.

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.

June 30, (9 months)	Pharmaceuticals		Real Estate		Consolidated	
	Current Year (9 months)	Prior Year (9 months)	Current Year (9 months)	Prior Year (9 months)	Current Year (9 months)	Prior Year (9 months)
Revenue	\$ 9,144,780	\$ 8,057,117	\$ 3,580,460	\$ 2,257,854	\$ 12,725,240	\$ 10,314,971
Property operations	-	-	786,074	534,275	786,074	534,275
Cost of sales of pharmaceuticals	8,496,541	7,561,286	-	-	8,496,541	7,561,286
Interest on mortgages, debentures and other financing	5,182	44,674	954,136	622,814	959,318	667,488
Amortization	36,627	85,479	940,910	514,490	977,537	599,969
Selling and administrative	587,487	579,730	91,684	184,176	679,171	763,907
Segment (loss) earnings from operations	18,943	(214,052)	807,656	402,099	826,599	188,046
Gain on sale of properties	-	-	-	-	-	-
General corporate expenses	-	-	233,940	291,659	233,940	291,659
Income tax expense	1,166	74,863	427,663	30,384	428,829	44,478
Net earnings and comp. income	\$ 17,776	\$ 139,189	\$ 146,054	\$ 80,056	\$ 163,830	\$ 59,135
Identifiable segment assets	\$5,838,888	\$6,332,726	\$28,713,749	\$27,286,246	\$ 34,552,638	\$33,618,972
Expenditures for segment capital assets, property under development, and revenue producing property	\$ 4,296	\$ 45,144	\$ 543,277	\$ 8,137,237	\$ 548,073	\$ 8,182,381