MD&A
for the 2nd Quarter Ending March 31, 2011
as at May 25, 2011

The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an explanation of the performance of Imperial Equities Inc. and its subsidiaries. This MD&A should be read in conjunction with the audited consolidated financial statements and MD&A for the fiscal year ended September 30, 2010. Imperial Equities Inc. trades on the TSX Venture Exchange under the symbol "IEI'. Additional information on the Company may be obtained by visiting www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in the MD&A and is also responsible to ensure that appropriate procedures and controls exist internally that will provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with Canadian GAAP. In addition, the Company's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company and have reviewed and approved this MD&A and the accompanying interim consolidated financial statements. Management and the board of directors are also responsible for the transition toward IFRS statements effective the next fiscal year.

FORWARD-LOOKING INFORMATION

In our report to shareholders, Management may talk about our current economy and express opinions on future interest rates and capitalization rates that we might experience or speculate on future market conditions. This forward-looking information is based on management's current assessment of market conditions based on their expertise as well as the opinions of other professionals in this industry. While Management considers these statements to be reasonably optimistic and favorable, the opinions and estimates of future trends are subject to risk and uncertainties. Readers are encouraged to read the risk factors identified in Note 24 of our 2010 annual report. Any forward-looking statements in our report should not be relied upon as facts, as actual results may differ from estimates.

NON-GAAP MEASURES

Throughout the MD&A, management will use measures that have no standardized meaning under GAAP, and therefore may not be comparable to other companies that use the same measures. These measures may include EBITDA (earnings before interest, taxes, depreciation and amortization) gross margins, funds from operations and funds from operations per share.

2nd QUARTER REPORT TO SHAREHOLDERS
March 31, 2011

Effective March 2, 2011 the RSC Building in Fort McMurray was deemed completed and our Tenant took occupancy. After a lengthy consultation process with the Municipality of Wood Buffalo, construction on the 26,400 square foot building began in September of 2010. The Tenant, Rental Services Corporation (RSC) was under immense pressure to vacate their existing leased premises. Imperial Equities undertook to complete the task in 6 months and we are pleased to advise that with the exception of seasonal deficiencies, such as paint and landscaping, we delivered on time.

During this Quarter we completed the purchase of the RuhrPumpen Building located in South Edmonton. Situated on 2.65 acres along 99 Street the building is home to RuhrPumpen Inc, a multinational company that operates in more than 20 countries around the world. The property is rectangular in shape and has over 440 feet of frontage on 99 Street in Edmonton. Imperial will continue to lease the existing building and is excited about the potential redevelopment opportunities for the site.

The shortage of vacant industrial properties in Edmonton has created a vibrant build to suit market. For several years Imperial Equities has been acquiring raw land with the idea of developing them to the requirement of prospective tenants. Negotiations have been ongoing with four different prospective tenants that cannot find suitable existing buildings and each has asked that Imperial Equities provide a proposal for a build to suit building. The activity during this Quarter toward build to suit opportunities has been unprecedented in our corporate history.

With a strong demand for industrial property and a relatively low supply in the Edmonton area, a very lucrative opportunity exists for those interested in disposing of their property. We have always maintained that it is prudent for Imperial Equities to dispose of a property that we feel has reached its maximum potential. We continually assess our portfolio of properties with the intention to cull its weakest asset. Last year a determination was made that the Yellowhead Warehouses was one such property. In July of 2010 we experienced major damage to one of the buildings at the Yellowhead Warehouses and after much scrutiny it was determined that it was beyond repair. During this Quarter we finalized negotiations for the sale of the Yellowhead Warehouses property to the existing tenant and together with the Insurance proceeds we realized a sale price that was above the reported market value. A full reporting of the transaction will take place in Q3.

The pharmaceutical segment of our company is equally active and exciting. Revenue during this Quarter reached almost $11 million and the average monthly sales were $1.3 million over the same monthly average in the prior year. Monthly sales targets are continually being revised upward and for the month of March 2011 pharmaceutical sales reached a record $4.3 million. With every new record breaking sales achievement, both management and staff set their sights on yet a higher target. Although Imperial Distributors currently represents more than 120 manufacturers and handles more than 9000 different pharmaceutical products, we are still missing 3 major manufacturers that could potentially double our sales. Management is focused on continuing a dialogue that would result in a trade account with all 3 of these manufacturers.

On March 22, 2011 we held our 13th Annual General Meeting and once again the shareholder attendance and participation was exceptional. We are optimistic about the continued growth of Imperial Equities and as always, we would like to thank our shareholders for their ongoing support and do invite you to contact any of the directors with comments, concerns or investment opportunities. Additional information on our Company can be viewed on line at our website www.imperialequities.com or www.sedar.com.

Sincerely,

Sine Chadi
Chief Executive Officer and Chairman of the Board

2nd Quarter -Overall Performance Highlights

- ✓ **Revenue** is **up $3,823,982** (46%) in the current quarter compared to the same quarter in the prior year, and $6,945,797 (43%) year to date compared to the prior year.

- ✓ Average **monthly sales of pharmaceuticals** were **$3,626,627 in this quarter** compared to $2,360,980 in the prior year quarter**, an increase of 54%**

- ✓ Pharmaceutical sales hit a new **monthly record of $4.3 million**

- ✓ **Current liabilities were reduced** by $9,468,769 or 48% since September 30, 2010 through mortgage financing and repayment of other financing.

- ✓ **Property under development in Fort McMurray** was reclassified to revenue producing properties as the project is completed and the tenant took occupancy in this second quarter.

- ✓ The Company completed the **purchase of a revenue producing property** in south Edmonton. The property has 2.65 acres of land with an industrial building tenanted by an international company. The total purchase price was $2,225,000.

- ✓ The Company settles an insurance claim and receives **$999,680** for a building damaged in a wind storm.

- ✓ **Working capital** ratio increased to 1.09 at March 31, 2011 compared to a negative working capital ratio at September 30, 2010.

Analysis of results of operations and cash flows by segment

Real Estate Segment

Revenues from real estate operations are reasonably steady again in this quarter up slightly compared to the prior year. During the first quarter there was an early termination of a lease. All cumulative prior year entries made to straight line the rental income were reversed. This entry resulted in reducing the rental revenues by $56,552 with a corresponding credit to future rent receivable. A new lease agreement was signed with a different operator to continue the same type of business at that location. Affecting revenues this year is the loss of one tenant from the Capital Business Park. This tenant paid rental income of $5,886 per month but terminated their lease at the beginning of the fiscal year due to financial difficulties. In this quarter, one of the revenue producing properties was under an agreement for sale which closed just after this quarter ended. March 2011 was the last month to receive rental income from this property. As the lease was terminated early, all prior year entries to straight line the rental income were reversed to reflect the actual income received during the lease. This resulted in an entry to reduce rental revenues by $86,040 with a corresponding reduction in future rent receivable.

Operating cost recoveries remain at relatively the same rates this year as last year.

Property operations expenses were up $40,556 this quarter due to higher utility bills and an increase in repairs and maintenance. Expenses include the costs to remove the debris on site where one of the buildings was damaged in a wind storm. Property management fee expenses which are based on gross revenues, are higher this quarter compared to last year due to the addition of a new tenant in the Western Grocers building that started to pay rent in October, 2010. Also affecting property operations expenses is an increase in snow removal costs of $20,880 this quarter.

Interest on mortgages, debentures and other financing is higher in the current quarter compared to December 31, 2010 due to the increase in mortgage principal balances. Total additional mortgage proceeds of $13,075,000 were received in this quarter and a total of $21,625,000 since the fiscal year end of September. There was restructuring of existing mortgages to pull out equity, as well as a portion of the interest on other financing directly related to the project development in Fort McMurray was capitalized until the building became occupied in March 2011. Mortgage interest incurred on this property is now expensed.

Amortization on revenue producing properties reflects an increase this quarter due to the Fort McMurray property being reclassified from property under development

Real Estate Segment (cont'd)

to revenue producing properties. Also affecting amortization is the increase in the asset base with the new property acquired in February 2011.

Selling and administrative expenses incurred in the real estate segment were higher this quarter with an increase in finance fees of $37,796 bringing the total finance fees to $80,921 year to date. These fees include environmental assessment fees, appraisals and lender fees for the restructuring of mortgages, the new financing on the build to suit project and financing placed on the new acquisition. During this quarter the Company incurred additional salaries expense of $50,000 as well as lease expenditures for warehouse space of $9,000. A further description of these expenses can be found in the related party note in this MD&A.

Corporate expenditures increased by $200,000 in this quarter compared to last quarter. Of this increase, $123,000 relates to professional fees paid for a restructuring of the Company's organization. The Company now has eight subsidiaries available to hold revenue producing properties and segregate the head office expenditures into one entity. The Company also paid $48,000 in office rent which is described in the related party note herein. Charitable donations increased $10,750 over last year which is considered a timing difference rather than a change in policy. Overall salaries are up $60,000 over the prior year.

The real estate segment benefited from a settlement with the insurance company for a building that was damaged in a wind storm in July 2010. Total proceeds of $999,680 were received for the building. The building had a net book value of $238,770 creating a gain of $760,910. The building was one of two buildings on site occupied by a single tenant. The tenant opted not to have the building repaired and entered into an agreement to purchase the remaining building and lands from the Company. The sale was completed subsequent to this quarter.

Cash flows from real estate operations before changes in non-cash operating balances, generated $151,394 after expenditures for deferred leasing of $433,456. This compares with $390,021 in the first quarter. The deferred leasing fees relate to the occupancy of the Fort McMurray building. The fees are recoverable from the tenant through the lease rate.

Cash flows from financing in the real estate segment generated net cash of $7,296,976. During the first quarter $8,550,000 was received from the proceeds of three new mortgages. At September 30, 2010 there were two mortgages maturing November 1, 2010 that were secured by three revenue producing properties. The principal

Real Estate Segment (cont'd)

balances outstanding at maturity were $3,143,638. Upon maturity, the mortgages were restructured creating three new mortgages, one for each property. Proceeds from the mortgages were used to pay other financing that was due to one of the Company's major lenders. The total amount of the loan repaid was $4,500,000 with accrued interest at an annual rate of prime plus 2.25%. During this quarter the Company placed a mortgage on one property that was held as security for the existing line of credit. Mortgage proceeds of $3,200,000 were received and used to pay down the line of credit resulting in a net gain of approximately $1,000,000. Mortgage proceeds of $8,400,000 were received when the tenant took occupancy of the building in Fort McMurray. The funds were used to pay other financing in the amount of $4,000,000 plus accrued interest at a rate of 8% per annum. The loan was due to a private lender and is described in the related party note herein. In February 2011, a new mortgage of $1,475,000 was received and is secured against the new property.

During the first two quarters of this fiscal year, total mortgage proceeds were received in the amount of $21,625,000. Of this amount, $3,143,638 was used to retire the existing mortgages that were refinanced and $8,500,000 was used to repay interim project financing. Insurance proceeds were received in the amount of $999,680 for the building damaged in a wind storm and together with $315,384 of cash flow, these funds were used to pay out the mortgage on the same property. Total net proceeds from financing in the real estate segment for the six months ending March 31, 2011 were $7,296,976.

Cash flows from investing in the real estate segment were negative by $7,024,209 which includes construction payments for the Fort McMurray project and the purchase of the new revenue producing property in the amount of $2,252,393.

Receivables from the real estate segment have increased to $233,758 at March 31, 2011. Of this amount, $120,250 relates to holdbacks by one lender towards the final completion of the Fort McMurray project, and building maintenance to be completed on the new acquisition. Subsequent to this quarter, the full amount of $120,250 was received. Receivables also include $94,569 of refundable GST due for the construction payments made during the quarter.

Prepaid expenses and deposits have decreased since September 30 with the full amortization of 2010 property taxes, and insurance premiums that will be fully amortized

Real Estate Segment (cont'd)

by May 15, 2011. A balance remains of $158,937 for security deposits relating to the construction of the Fort McMurray property. The security deposits are refundable by the municipality subject to the Company completing specific landscaping, fencing and engineering requirements on the property in the next quarter.

Payables and accruals have increased by $271,963 from the fiscal year end and have a balance at March 31, 2011 of $1,493,145. This amount includes construction payments due at the end of March as well as a 10% holdback for project completion.

The **current portion of mortgages** payable decreased by $1.555 million since September 30, 2010; Two mortgages were shown as current liabilities because their maturity date was November 1, 2010. The mortgages are described in Note 9 of the Consolidated Financial Statements. There is one mortgage that matures in the next twelve months with a principal balance at March 31, 2011 of $870,180. The Company intends to renew the mortgage as it comes due.

Security deposits held in the real estate segment increased by $29,125 since September 30, 2010 with the addition of the new building in February 2011 and a new tenant who signed a lease in December 2010.

Pharmaceutical Segment

Imperial Distributors Canada Inc. ("IDCI")

Revenues from the pharmaceutical business continue to grow each quarter and are up $6,972,407 (50%) over the prior year to date. With an aggressive sales strategy the customer base continues to expand and increase our market share. Existing customers are increasing their volume purchases month after month as they enjoy our prompt delivery service unmatched by competitors.

Gross margins are 4% this year which compares with 5% for the prior year. The Company's aggressive rebate structure to customers has increased sales while reducing the gross margins. Rebates that are offered to customers are competitive with the competition and leave little room for increases in the gross margins. The Company's competition in the industry continues to be significant however more and more customers are willing to do business with IDCI. There remains tremendous opportunity for further growth and the Company continues to set high targets for the sales team. Gross margins are defined as sales net of returns, discounts and rebates, less cost of goods sold which includes the discounts from vendors.

Pharmaceutical Segment (cont'd)

Pharmaceutical Sales - Six Months Ending,

March 31, 2009	March 31, 2010	March 31, 2011
$5,910,012	$13,842,138	$20,814,545
	Increase of 134%	Increase of 50%

Interest expense is up $10,441 this quarter due to the increased use of the line of credit. The line of credit is used to increase the inventory levels and bridge the gap between receivables and payables. The rate of interest on the line of credit is unchanged from the prior year.

Amortization of capital assets and intangible assets remains constant this quarter compared to last with only marginal increases in computer hardware.

Selling and administrative costs are up $50,000 this quarter compared to Q1. Advertising and business promotion expenses were up $30,000 since December 2010, however this is more of a timing issue than a change in company policy. Selling and administrative expenditures represents IDCI's overhead which is largely derived from wages. As sales increase to absorb overhead costs, IDCI was able to reduce the percentage of overhead cost to sales to 3% this year, compared to 4% of sales at March 2010. With the increased revenue stream the Company is managing to utilize employees more effectively without the addition of new staff. One of the Company's core strategies is to hire and provide proper training to new staff to manage anticipated future growth in sales.

Inventory has increased by $462,822 from the year end of September 2010 to handle the increased volume of sales. Inventory can fluctuate up to $500,000 per quarter depending on the timing of deliveries and sales.

Receivables have increased $1,089,250 since September 30, 2010 with a balance at March 31, 2011 of $6,123,800; a result of the continued high growth in sales. Sales for the month of March, 2011 were $4,182,944 which represents 68% of the receivables balance. This compares with September 30, 2010 where sales for the month were over $3.5 million or 71% of the receivable balance. The Company believes all of the receivables are collectable and has not increased the provision for doubtful accounts.

Pharmaceutical Segment (cont'd)

Accounts payable have increased since the yearend by $482,317. The increase is a timing issue with month end cutoff.

Cash flows from operations before changes in non-cash operating balances, generated $195,743 for the second quarter ending March 2011. This compares with $111,792 at December 2010.

Cash flows from financing in the pharmaceutical segment generated $764,536 which is the increased use of the line of credit. The Company successfully increased the line of credit for IDCI from $1,500,000 to $4,000,000 with the current lender. The increase in sales in the first two quarters has required the use of the line of credit to balance the timing difference between accounts receivable and accounts payable.

Summary of Imperial Equities Inc. Consolidated Quarterly Results

	2011 Q2	2011 Q1	2010 Q4	**2010 Q3**	**2010 Q2**	2010 Q1	Sep-09 Q4	**2009 Q3**
REVENUE	**12,131,839**	11,099,683	11,199,344	9,766,518	8,307,857	7,977,867	4,946,667	4,440,749
NET EARNINGS (LOSS)	**617,279**	230,766	(424,414)	258,821	204,763	257,417	(79,219)	106,896
EPS-Basic	**0.06**	0.02	(0.05)	0.03	0.02	0.03	(0.01)	0.01
EPS-Diluted	**0.06**	0.02	(0.05)	0.03	0.02	0.03	(0.01)	0.01

Quarterly changes in the revenue

Revenue from real estate operations remains relatively constant with 0% vacancy in 2011, less than 2% vacancy in 2010 and less than .5% vacancy in all of 2009. Revenues from contracted lease rates are straight-lined over the term of their respective leases. During the first quarter of 2011, one tenant was unable to fulfill their lease obligations and terminated their lease early. As a result, all revenue that was previously recorded on a straight line basis was reversed. This created a negative entry to the revenues in the amount of $56,552 with a corresponding credit to future rent receivable. A new Lease Agreement for the space was signed with a new operator and IEI remains 100% occupied. During the second quarter of 2011 a tenant terminated their lease early by offering to purchase the leased premises. The sale was completed subsequent to the quarter ending. A negative entry to the revenue was recorded in the amount of $86,040 to reverse the cumulative entries for straight line revenue.

The large increases each quarter on the consolidated statements are due to increases in pharmaceutical sales.

Quarterly changes in net earnings or -loss and earnings or -loss per share

Net earnings in the recent quarter were positively affected by a gain of $760,910 from the proceeds of an insurance settlement on a damaged building. The building had been damaged in a wind storm and the tenant chose not to have the building rebuilt. Insurance proceeds of $999,680 were received by the Company. Expenditures in the real estate segment increased with salaries paid for the services of the Chief Financial Officer in the amount of $50,000. This payment was made to a related party and is more fully described in the related party note in the accompanying MD&A. Corporate expenditures increased during the second quarter with increases in professional fees of $123,000 and office rent of $48,000. Effective this fiscal year the Company began paying rent for office space that was previously provided to it for free by a related party.

In Q4 2010 the Company recorded stock options expense of $540,190 and auditing fees which affect operational expenses each fourth quarter.

In the real estate segment, charitable donations during Q2 2010 were $30,000 and property operations expenses increased $50,000 for repairs and maintenance and higher utility bills for the winter months.

Earnings in the 2010 quarters were higher than the 2009 quarters as the pharmaceutical segment began generating positive earnings for the first time since the Company acquired this business segment.

The lower earnings reported in Q4 2009 were the result of increases in repairs and maintenance items expensed. A broken water main at one of our real estate properties cost the Company $70,644 in damages. The real estate segment's 2009 3rd and 4th quarter included the costs associated with exterior painting of two of our larger buildings. Total painting expenses were $49,300 as well as a refurbished parking lot that cost the Company $22,000.

The fluctuations in earnings per share figures are directly related to the operational activities described herein. There have been no significant changes to the outstanding shares that would affect the EPS.

Outstanding share data

The Company is authorized to issue an unlimited number of common shares. Total issued and outstanding shares at March 31, 2011 are 9,392,942 which is unchanged from the fiscal year end of September 30, 2010. The Company has a normal course issuer bid that expires August 23, 2011. Under the bid the Company may purchase up to 465,017 common shares representing 5% of the outstanding shares. During the second quarter 22,100 shares were repurchased for total cash consideration of $55,700. All of the repurchased shares are carried at cost and shown as a deduction from shareholders' equity until such time that they are cancelled.

There are currently 700,000 options issued and outstanding under the Company's stock option plan. The options were granted to the directors and named executive officers of the Company. Each option has an exercise price of $2.75 in exchange for one common share of the Company. The options expire August 16, 2015.

Related Party Transactions

Paid to companies owned or controlled by a director, majority shareholder and officer

Property management and operations expenditures in the amount of $155,543 (2010 - $136,024) were paid to Sable Realty & Management Ltd., ("Sable") a company owned 100% by Sine Chadi, a director and officer of the Company, and North American Mortgage & Leasing Corp. ("NAML") a company owned 100% by Sine Chadi. Of the fees paid to Sable, $140,598 are pursuant to a contract with Imperial Equities Inc. to bill for the management and maintenance of its properties for a percentage of rents collected. Fees charged by Sable are 4% of gross rents while some competitors' fees for the same service can be 5% which offers a competitive financial advantage to the Company. These costs include building and ground maintenance charges as well as the costs associated with billing and collection of rents. Also included are labour and equipment costs performed for tenant improvements and tenant's normal repairs and maintenance. Imperial Equities recovers these fees from the tenants under their common area costs. Amounts included in Operations also include the cost of leased vehicles to the pharmaceutical company in the amount of $14,945 (2010 - $10,880). Vehicle lease costs were paid to NAML.

Marketing and consulting fees were paid to Sable in the amount of $46,200 (2010 $46,200). These fees are billed to the Company at 10% above base salary cost for

Related Party Transactions (cont'd)

actual work performed. This 10% fee paid to Sable covers additional expenses Sable incurs for costs associated with employee benefits, car allowance, etc.

Project management fees were paid to Sable in the amount of $335,751 (2010 - Nil). Of these fees, $10,000 was charged for the handling of the insurance claim on the damaged building. The remaining balance of $325,751 paid to Sable related to the management of the construction of the build to suit project in Fort McMurray. This fee was charged back to the tenant under the terms of their lease.

Leasing and real estate commissions in the amount of $455,706 (2010 – Nil) were paid to North American Realty Corp. ("NARC") a company managed and controlled by a director, majority shareholder and officer that is also owned 100% by a member of the immediate family of this party. Of the $455,706 paid, $22,250 related to the acquisition of the new property in south Edmonton. Leasing commissions of $431,925 were paid for the lease negotiated in Fort McMurray and a further leasing fee of $1,531 was paid for a lease renewal. Fees and commissions are in line with current industry standards and are comparable to similar transactions undertaken by the Company with unrelated parties.

Salaries and office rent were paid to Sable in the amount of $98,000 (2010 – Nil). The salaries paid were for the services provided by the Chief Financial Accountant who is not paid directly by the Company, and a percentage of actual office rent paid by Sable, the Landlord. Previously the Company has never paid for office rent or supplies.

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.

Other financing from a companies which are owned by members of the immediate families of two of the directors and significant shareholders

The balance of other financing in the amount of $4,250,000 at September 30, 2010 was owed to two private lenders. Of this balance owing, $4,000,000 was repaid in full with accrued interest during this quarter. The remaining balance in other financing of $250,000 is unsecured with no set terms of repayment and bears interest at a rate of 8% per annum. Total interest paid at March 31, 2011 was $179,288 (2010 $45,000) Total interest accrued and unpaid was $22,849 (20100 - Nil).

Related Party Transactions (cont'd)

Paid to directors

Mr. Kevin Lynch, a director of the Company, is a partner in the law firm of Bennett Jones LLP who provides corporate **legal services** to the Company. All of the transactions are in the ordinary course of business and include, but are not limited to, fees for the acquisition and disposition of real estate assets. Total fees billed year to date equal $76,822 (2010-$9,000).

Liquidity, Capital Resources & Solvency

The Company's liquidity position has improved since the year end of September 30, 2010 through the refinancing of mortgages and additional mortgage proceeds as discussed in Note 9 of the Consolidated Financial Statements. Net mortgage proceeds of $21,625,000 were received from several of the Company's major lenders. Of the $21,625,000 received, $11,750,000 related to mortgage restructuring where existing mortgages were paid out in the amount of $3,143,638 and a line of credit was converted to a mortgage. When the tenant took occupancy of the build to suit project in Fort McMurray, $8,400,000 was received in mortgage financing. With the proceeds of the mortgages, funds were used to retire the interim project financing in the amount of $8,500,000. A further mortgage was placed on the newest acquisition in the amount of $1,475,000.

In addition to the above, the Company settled an insurance claim on a damaged building that resulted in net proceeds from insurance of $999,680. The proceeds together with cash flow from operations were used to pay out the mortgage on the property in the amount of $1,315,064.

The current portion of mortgages decreased since September 30 where two mortgages were up for renewal in the first quarter of this fiscal year. During the next twelve months, there is one mortgage up for renewal with a principal balance at March 31, 2011 of $870,180. The full amount of principal is shown as a current liability. The Company intends to renew this mortgage as it comes due.

With the occupancy of the Fort McMurray building, the Company's cash flows will now increase with additional net annual rental income of approximately $975,000.

Working capital needed to fund the day-to-day operations has been achieved through normal cash flows from operations which generated $347,136 at March 31, 2011. This

Liquidity, Capital Resources & Solvency (cont'd)

cash flow is net of deferred leasing expenditures of $433,456 which is not expected to recur in the next six months.

Subsequent events

- The Company has a total line of credit of $6,000,000. The balance on the lines of credit at March 31, 2011 totalled $3,908,587. Subsequent to this quarter, the Company repaid the line of credit in Imperial Equities Inc. in the amount of $789,626.
- The Company also repaid the outstanding other financing in the amount of $250,000 plus accrued interest.
- The Company sold a revenue producing property known as the Yellowhead Warehouses. Total cash proceeds of $2,100,000 were received. The sale generated a gain of $1,331,026 which will be reflected in the next quarter.
- The Company has entered into two separate agreements for build to suit projects in the Edmonton area. The Company will use its existing land bank of vacant parcels to construct the buildings on. The estimated project costs will be $4 million. The Company will use existing cash flows from operations and private investor financing to build the projects. Once the projects are completed, the Company will secure conventional mortgage financing.

The Company does not currently have any other financial obligations other than in the normal course of property operations.

Off-Balance Sheet Arrangements

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

Financial Instruments and Other Instruments

Financial instruments consist of cash and cash equivalents, recorded amounts of receivables and other like amounts that will result in future cash receipts, as well as bank indebtedness, accounts payable and accruals, short and long term borrowings, and any other amounts that will result in future cash outlays.

Financial Instruments and Other Instruments (cont'd)

The following chart records the carrying value of financial assets by category.

	March 31, 2011		September 30, 2010	
	Held For Trading	**Loans And Receivables**	**Held For Trading**	**Loans And Receivables**
Cash and cash equivalents	**$ 862,785**	-	$ 6,299	-
Receivables	-	**$ 6,357,558**	-	$ 5,206,832

The carrying amount of cash and cash equivalents and receivables approximate their fair value due to the relatively short period to maturity. Cash and cash equivalents assets are classified as a Level 1 as its fair value is referenced in quoted market prices in active markets

The following chart shows the carrying value of financial liabilities by category.

Other Financial Liabilities	**March 31, 2011**	September 30, 2010
Bank indebtedness	**$ 3,908,587**	$ 3,953,487
Payables and accruals	**3,374,246**	2,619,965
Other financing	**250,000**	8,750,000
Debentures	**150,000**	150,000
Security deposits	**180,768**	151,643
Mortgages	**34,176,832**	17,514,719
	$ 42,040,433	$ 33,139,814

The carrying value of bank indebtedness payables and security deposits approximate their fair value because of the near term maturity of those instruments. The fair value of mortgages payable are based on discounted future cash flows using rates that reflect current rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable as at March 31, 2011 is $34,547,096 and September 30, 2010, $18,092,962.

The fair value of debentures, and other financing to the Company is not readily available as there is no secondary market for these financial instruments. These estimates are subjective in nature as current interest rates are selected from a range of potentially acceptable rates and accordingly, other fair value estimates are possible.

Financial Instruments and Other Instruments (cont'd)

The Company's activities expose it to risks arising from financial instruments including, credit risk, interest rate risk and liquidity risk. Management reviews these risks on an ongoing basis to ensure that the risks are appropriately managed.

Credit risk

Within the real estate segment, Credit Risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss with a policy of credit assessment for all new lessees.

Within the pharmaceutical segment, the Company is continually exposed to credit risk from customers involved in the retail pharmaceutical sales. Imperial Distributors Canada, as a wholesale distributor, represents over 9000 pharmaceutical products from more than 120 manufacturers in Canada. IDCI's growth is directly related to the manufacturers it represents and to the increase in sales to its existing customers as well as the increase of its customer base. Certain pharmaceutical products can be very expensive and it would not be unusual to have a customer order more than $1 million in a single month. Regardless of the magnitude of sales to any particular customer, every customer's creditworthiness is assessed by management.

The Company has a credit policy of placing credit terms for all customers. These credit terms include monetary limits and payment dates and are established well in advance of transacting any business. If at any time a customer's order exceeds the set terms, the system that safeguards these parameters is automatically engaged and the order is not allowed to go through. Management will then contact the customer and usually alternate arrangements are made which may include an increase in credit terms. All accounts receivable are reviewed monthly to ensure the safeguards are working properly and that customers are paying within the set terms.

The Company has a credit policy of reviewing all customer orders for approval and monthly monitoring of accounts receivable. Trade receivables at March 31, 2011 of $6,027,089 have the following aging; 69% are current, 08% are 31-60 days, 9% are 61-90 days and 14% are over 90 days. Trade receivables of $5,002,993 at September 30, 2010 have the following aging; 70% are current, 12% are 31-60 days, 9% are 61-90 days past due and 8% are over 91 days.

Accounts receivable that are past their contractual terms at March 31, 2011 and not included in the allowance for doubtful accounts are $848,197. Subsequent to the quarter ended, $823,522 of the $848,197 was collected. The remaining balance is not in dispute

Financial Instruments and Other Instruments (cont'd)

and Management does not consider the amount over 90 days, net of provisions for uncollectible accounts, as uncollectable as management is thorough in the process of reviewing credit limits and works closely with the customers to ensure collection.

Trade accounts receivable in the Company that have been deemed uncollectable are expensed as bad debt and charged to net income in the period that the account is determined to be doubtful. Estimates for the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date. As at March 31, 2011 the Company had recorded an allowance for doubtful accounts in the amount of $341,742 which is unchanged from September 30, 2010. Of this balance, $300,591 remains under litigation. Provisions for uncollectable accounts are made in the allowance for doubtful accounts.

Interest rate risk

The Company's exposure to interest rate cash flow risk relates to its short term floating interest rates on bank indebtedness as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. The balance on the lines of credit at March 31, 2011 is $3,908,587 compared to $3,953,487 at September 30, 2010. Based on the balance at March 31, 2011, a 1% increase in the prime rate would have a negative impact on the earnings of the Company of $39,086. The line of credit in the real estate segment is only used for interim financing until mortgage financing is placed. Subsequent to the quarter ending March 31, 2011 the Company reduced the line of credit in the real estate segment to zero. The Company minimizes its exposure to interest rate risk to the extent that all mortgages have fixed rates with terms varying from one to five years.

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company's objective related to liquidity risk is to effectively manage cash flows to minimize the exposure that the Company will not be able to meet its obligations associated with financial liabilities. The Company actively monitors its financing obligations and cash and cash equivalents to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost. Management manages its liquidity risk with the use of the lines of credit available to the Company as well as short term financing from related parties. Management estimates that cash flows from real estate activities will provide sufficient cash requirements to cover normal operating and budgeted expenditures for the real

Financial Instruments and Other Instruments (cont'd)

estate segment. The real estate segment has been successful throughout the year in obtaining necessary interim and long term financing at favorable rates. New terms and rates for existing debt that matured in 2010 were financed at lower rates of interest.

The pharmaceutical segment is forecasted to use its line of credit in the next twelve months to fund operations and provide interim financing to facilitate expected growth.

The Company's liquidity risk is increased with its exposure to other financing from related parties. The balance outstanding at March 31, 2011 in the amount of $250,000 was paid in full with accrued interest subsequent to the quarter ending.

The Company will be able to meet its obligations through existing credit facilities.

Contractual obligations

	1 year	2-3 years	4-5 years	> 5 years	Total
Mortgages	$ 2,461,096	$ 15,789,668	$ 15,926,069	$ -	$ 34,176,832
Payables and accruals	3,374,246	-	-	-	3,374,246
Security deposits	45,722	85,487	19,024	30,534	180,768
	$ 5,881,064	$ 15,875,155	$15,945,093	$ 30,534	$ 37,731,846
Lines of credit	3,908,587	-	-	-	3,908,587
Other financing	250,000	-	-	-	250,000
Debentures	150,000	-	-	-	150,000
	$ 10,189,651	$ 15,875,155	$ 15,945,093	$ 30,534	$ 42,040,433

Changes in Accounting Policies

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. For the year ending September 30, 2011 and comparative figures for September 30, 2010 the Company will continue to report its results in Canadian GAAP. The Company will be required to report its results in accordance with IFRS effective the first quarter ending December 31, 2011 with comparative numbers for December 2010 and will include an opening balance sheet as at October 1, 2010 reconciling current GAAP to

Changes in Accounting Policies (cont'd)

IFRS. The Company has completed the preliminary diagnostic phase, having reviewed the major differences between Canadian GAAP and IFRS and the optional exemptions available at this date. The IFRS assessment on reporting results is being overseen by the Company's Chief Financial Officer. The Company has begun the implementation of the project in the current quarter.

Common accounting policy differences between IFRS and Canadian GAAP identified by the Company include impairment of assets, revenue recognition and property, plant and equipment.

Impairment of assets
Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring impairment by comparing asset carrying values to their fair value (which is calculated using discounted cash flows). IAS 36 Impairment of Assets (IAS 36) uses a one-step approach for testing and measuring impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted cash flows). This may potentially result in write-downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. This difference could lead to income statement and earnings volatility in future periods. The Company assessed the carrying value of its assets in accordance with IAS 36 and found that no impairment losses were required to be recognized as at the date of transition, October 1, 2010.

Revenue recognition
In reviewing IAS 18 Revenue, the Company has determined that no changes will be made in the manner in which the Company recognizes revenue. Revenue will continue to be measured at the fair value of the consideration received or receivable net of any trade discounts and volume rebates.

Property, plant and equipment
IAS 16 Property, plant and equipment (PP&E) requires separate accounting for the different components of an asset when the associated depreciation methods or rates are different. While existing Canadian GAAP also refers to componentization of PP&E, the requirements in IFRS on this issue are more explicit. IFRS also permits PP&E to be revalued to fair value at the end of each reporting period. The Company has chosen not to fair value PP&E and has determined there will be no change to the carrying value of the capital assets currently recorded in the Company's subsidiary, IDCI. Asset componentization on the balance sheet and depreciation expense in net income are not expected to change with the adoption of IAS 16.

Changes in Accounting Policies (cont'd)

Industry specific accounting policy differences affect the real estate segment's adoption of IAS 40 Investment Property (IAS 40). IAS 40 gives companies the option to record investment property at fair value on the balance sheet with the gains and losses recorded through income in each reporting period. Alternatively, a company can elect to continue measuring investment property using the historical cost model as currently required under Canadian GAAP; however, IFRS requires the fair value of the investment property to be disclosed in the financial statement notes. The Company has chosen to use the fair value method to account for investment properties. This method can lead to greater volatility in reported results on the balance sheet and income statement.

IFRS defines investment property as property held by the owner to earn rental income, capital appreciation or both. Assets classified as income producing properties on the balance sheet of the Company qualify as investment property under IFRS.

Using the fair value model, the Company will measure investment property at fair value and changes in fair value will be recorded through gains and losses on the income statement each reporting period. There will be no charges for depreciation under the fair value method which will affect the income statement by showing greater profit then is currently shown using Canadian GAAP. The Company has completed the design of the investment property valuation process and has commenced implementation in the first quarter of 2011. The magnitude of the impact to the Company's balance sheet is significant as the increase to fair value from historical cost is substantial.

IMPERIAL EQUITIES INC.

To the Shareholders of
Imperial Equities Inc.

Management has reviewed and prepared the consolidated balance sheets of Imperial Equities Inc. as at March 31, 2011 and the consolidated statements of earnings and comprehensive income and retained earnings and consolidated statements 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 25, 2011

Imperial Equities Inc.

CONSOLIDATED STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME AND RETAINED EARNINGS (unaudited)

For the period ending March 31,	Note	**Current Quarter 2011 $**	**Current YTD 2011 $**	Prior Year Quarter 2010 $	Prior Year YTD 2010 $
		(3 months)	**(6 months)**	(3months)	(6months)
Revenue					
Rental revenue		**998,781**	**1,914,035**	973,694	1,948,574
Operating cost recoveries		**253,176**	**498,441**	250,836	494,231
Sales of pharmaceuticals		**10,879,882**	**20,814,545**	7,082,941	13,842,138
Interest		**-**	**4,500**	386	781
		12,131,839	**23,231,521**	8,307,857	16,285,724
Expenses					
Property operations		**321,920**	**603,284**	293,989	537,019
Cost of sales of pharmaceuticals		**10,433,830**	**19,954,730**	6,710,520	13,096,583
Interest on mortgages, debentures and other financing		**412,036**	**685,531**	303,179	613,434
Amortization of revenue producing properties		**271,271**	**514,265**	245,473	490,819
Amortization of deferred leasing costs		**49,863**	**84,946**	32,808	65,616
Amortization of intangibles		**17,732**	**35,384**	17,408	34,815
Amortization of capital assets		**11,772**	**23,543**	7,034	14,069
Selling and administrative		**615,299**	**1,047,130**	412,139	751,534
Professional fees		**121,988**	**122,490**	5,748	6,351
Shareholder communications		**22,820**	**23,272**	19,194	22,460
		12,278,531	**23,094,575**	8,047,492	15,632,700
(Loss) earnings before other items and income taxes		**(146,692)**	**136,946**	260,365	653,024
Other item					
Gain on disposal of asset	**6**	**760,910**	**760,910**	-	-
Earnings before income taxes		**614,218**	**897,856**	260,365	653,024
Income taxes (recovery)					
Current income tax		**(74,832)**	**14,492**	70,695	162,289
Future income tax		**71,771**	**35,319**	(15,093)	28,554
		(3,061)	**49,811**	55,602	190,843
Net earnings and comprehensive income		**617,279**	**848,045**	204,763	462,181
Retained earnings, beginning of period		**5,020,605**	**4,789,988**	4,758,813	4,501,395
Net earnings		**617,279**	**848,046**	204,763	462,181
Premium on shares cancelled		**150**	**-**	-	-
Retained earnings, end of period		**5,638,034**	**5,638,034**	4,963,576	4,963,576
Earnings per share-basic and diluted		**.06**	**.09**	.02	.05

See accompanying notes to the consolidated financial statements

Imperial Equities Inc.
CONSOLIDATED BALANCE SHEETS (unaudited)

	Note	March 31, 2011 $	September 30 2010 $
Assets			
Current			
Cash and cash equivalents		**862,785**	6,299
Receivables		**6,357,558**	5,206,832
Inventory		**3,633,700**	3,170,878
Prepaid expenses and deposits		**220,156**	393,566
		11,074,199	8,777,575
Future rent receivable	**7**	**172,737**	303,426
Deferred leasing costs		**1,037,240**	688,730
Revenue producing properties	**3**	**39,843,499**	25,541,126
Property under development	**4**	**-**	7,340,471
Land held for development	**5**	**707,647**	524,208
Capital assets		**113,097**	136,640
Intangible assets		**343,437**	374,041
Future income taxes		**290,084**	283,492
		53,581,940	43,969,709
Liabilities			
Current			
Bank indebtedness	**8**	**3,908,587**	3,953,487
Payables and accruals		**3,374,246**	2,619,965
Income taxes payable		**14,492**	137,137
Other financing	**10**	**250,000**	8,750,000
Debentures		**150,000**	150,000
Current portion of mortgages	**9**	**2,461,096**	4,016,601
		10,158,421	19,627,190
Security deposits		**180,768**	151,643
Mortgages	**9**	**31,715,736**	13,498,118
Future income taxes		**949,103**	907,192
		43,004,028	34,184,143
Shareholders' equity			
Share capital	**11**	**4,455,388**	4,455,388
Contributed surplus		**540,190**	540,190
Repurchased shares for cancellation		**(55,700)**	-
Retained earnings		**5,638,034**	4,789,988
		10,577,912	9,785,566
		53,581,940	43,969,709

See accompanying notes to the consolidated financial statements

On Behalf of the Board

Sine Chadi
Director

Kevin Lynch
Director

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

Period ending March 31,	**Current Quarter 2011**	**Current YTD 2011**	Prior Year Quarter 2010	Prior Year YTD 2010
	$	**$**	$	$
	(3 months)	**(6 months)**	(3 months)	(6 months)
Increase (decrease) in cash and cash equivalents				
Operating				
Net earnings	**617,279**	**848,045**	204,763	462,181
Amortization of revenue producing properties	**271,271**	**514,265**	245,473	490,819
Amortization of intangibles	**17,732**	**35,384**	17,408	34,815
Amortization of capital assets	**11,772**	**23,543**	7,034	14,069
Amortization of deferred leasing costs	**49,863**	**84,946**	32,808	65,616
Expenditures on deferred leasing costs	**(433,456)**	**(433,456)**	-	-
Future income tax expense (recovery)	**71,771**	**35,319**	(15,093)	28,554
Gain on sale of property	**(760,910)**	**(760,910)**	-	-
Cash flows from operations	**(154,677)**	**347,136**	492,393	1,096,055
Change in non-cash operating balances	**1,230,846**	**(648,687)**	208,624	(1,629,531)
	1,076,169	**(301,550)**	701,017	(533,477)
Financing				
Mortgage proceeds	**13,075,000**	**21,625,000**	-	-
Repayment of mortgages	**(1,605,364)**	**(4,962,887)**	(265,813)	(528,224)
Advances from other financing	**-**	**-**	4,250,000	4,250,000
Repayment of other financing	**(4,000,000)**	**(8,500,000)**	-	-
Repayment of debentures	**-**	**-**	-	-
Purchase of common shares for cancellation	**(55,550)**	**(55,700)**	(3,000)	(3,600)
Advances (repayment) on operating line of credit	**(3,512,538)**	**(44,901)**	844,168	2,395,618
	3,901,548	**8,061,512**	5,025,355	6,313,794
Investing				
Purchase of revenue producing properties	**(2,252,393)**	**(2,252,393)**	-	-
Additions to property under development	**2,599,678**	**-**	-	-
Additions to land held for development	**-**	**-**	(5,785,309)	(5,785,309)
Additions to capital assets	**(4,781)**	**(4,781)**	-	-
Proceeds on disposal of asset	**999,680**	**999,680**	-	-
Property improvements	**(5,645,982)**	**(5,645,982)**	-	(7,589)
	(4,303,798)	**(6,903,475)**	(5,785,309)	(5,792,898)
Net increase (decrease) in cash	**673,920**	**856,486**	(58,937)	(12,581)
Cash beginning of period	**188,865**	**6,299**	242,013	195,656
Cash end of period	**862,785**	**862,785**	183,076	183,075

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 and surrounding areas 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 subsidiaries, Imperial Equities Properties Ltd., Imperial Distributors Canada Inc. ("IDCI"), Imperial One Limited, Imperial Two Limited, Imperial Three Limited, Imperial Four Limited, Imperial Five Limited, Imperial Six Limited, Imperial Seven Limited, and Imperial Eight Limited, 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, 2010.

3. Revenue producing properties

March 31, 2011	**Cost**	**Accumulated Amortization**	**Net Book Value**
Land	**$ 15,425,118**	**$ -**	**$ 15,425,118**
Buildings	**25,649,030**	**3,872,689**	**21,776,341**
Parking lots	**1,504,182**	**381,600**	**1,122,582**
Equipment and signage	**376,925**	**141,201**	**235,724**
Fencing	**49,072**	**6,913**	**42,159**
Tenant improvements	**2,475,659**	**1,234,084**	**1,241,575**
	$ 45,479,986	**$ 5,636,487**	**$ 39,843,499**

September 30, 2010	Cost	Accumulated Amortization	Net Book Value
Land	$ 8,059,219	$ -	$ 8,059,219
Buildings	18,684,519	3,663,896	15,020,623
Parking lots	1,329,182	339,686	989,496
Equipment and signage	196,925	128,342	68,583
Fencing	29,072	5,396	23,676
Tenant improvements	2,475,659	1,096,130	1,379,529
	$ 30,774,576	$ 5,233,450	$ 25,541,126

4. Property under development

	March 31, 2011 Cost	September 30, 2010 Cost
Land	**$ -**	$ 6,123,147
Construction costs	**-**	1,217,324
	$ -	$ 7,340,471

Construction of a build to suit project for a tenant was completed during this quarter and the tenant took occupancy in mid March of 2011. As a result of the occupancy the property was moved from property under development to revenue producing properties where it is now subject to amortization at the prescribed rates.

5. Land held for development

At September 30, 2010 the Company held 6.43 acres of vacant land in west Edmonton at a total cost of $524,208. The Company also owns a building that is situated on 5 acres of land that was subdivided into two lots, one lot that the building is situated on and one vacant lot encompassing 2.1 acres. Subsequent to September 30, 2010 the Company reclassified this vacant lot from revenue producing properties to land held for development. The total cost of the land transferred was $183,439.

6. Gain on disposal of asset

During this quarter, the Company received net insurance proceeds of $999,680 for a building that was damaged in a wind storm in July 2010. The tenant that occupies two buildings on the site decided not to repair the damaged building. The net book value of the building that was demolished was $238,770.

7. Future rent receivable

	2011 March 31,
Balance beginning of period	$ 303,426
Current period overstatement of revenue	11,903
Reversal of cumulative adjustments on early lease terminations	(142,592)
Balance, end of period	**$ 172,737**

8. Bank indebtedness

	2011 March 31,	2010 September 30,
Operating lines of credit		
Imperial Equities Inc.	**$ 789,626**	$ 1,599,063
Imperial Distributors Canada Inc.	**3,118,961**	2,354,424
	$ 3,908,587	$ 3,953,487

Imperial Equities Inc. has an operating line of credit for general business purposes with a limit of $2,000,000 (2010 - $3,500,000). The line of credit bears interest at the greater of 5% per annum or prime plus 2.75% (2010 – prime plus 2.75%) and is secured by a specific revenue producing property with a net book value of $1,473,503 (2010 - $3,235,457) at March 31. Imperial Distributors Canada Inc. has an operating line of credit with a limit of $4,000,000 (2010 - $2,500,000). This loan bears interest at prime plus 1.75% (2010 – prime plus 1.75%)

8. Bank indebtedness (cont'd)

and is secured by a general security agreement with IDCI, a general assignment of book debt and inventory of IDCI, as well as a corporate guarantee provided by Imperial Equities Inc. in the amount of $4,000,000 (2010 - $2,500,000).

9. Mortgages

Maturity Date	Rate	Monthly Payments	**Balance Mar. 31 2011**	Balance Sep. 30 2010	NBV of the Underlying Security	Lender
Nov 1, 2010	4.71%	-	**-**	1,425,473	-	CIBC
Jan 1, 2012	4.94%	8,636	**870,180**	900,289	632,200	CIBC
Nov 1, 2011	4.97%	12,704	**-**	1,315,064	-	Manulife
Apr 1, 2012	5.20%	15,169	**1,535,176**	1,585,934	1,581,602	CIBC
Sep 1, 2012	5.81%	12,449	**1,255,375**	1,293,394	788,676	Manulife
Sep 1, 2012	4.74%	12,599	**1,058,020**	1,108,096	1,779,885	Manulife
Nov 1, 2010	4.40%	-	**-**	1,718,165	-	CIBC
Oct 1, 2013	5.385%	12,117	**1,331,402**	1,368,082	2,435,377	RBC
Aug 1, 2013	5.782%	62,134	**6,619,543**	6,800,222	8,414,599	CIBC
Dec 1, 2015	4.285%	19,556	**2,568,830**	-	1,675,379	CIBC
Dec 1, 2015	4.285%	36,103	**4,742,456**	-	2,932,740	CIBC
Dec 1, 2015	4.285%	8,650	**1,136,213**	-	796,853	CIBC
Feb 1, 2014	4.60%	20,420	**3,190,872**	**-**	1,473,503	CWB
Apr 1, 2014	3.54%	10,555	**1,468,765**	-	2,239,269	RBC
Apr 1, 2016	4.213%	51,687	**8,400,000**	-	12,964,301	RBC
			$ 34,176,832	$ 17,514,719	$ 37,714,384	
Less current portion:			**(2,461,096)**	(4,016,601)		
			$ 31,715,736	$ 13,498,118		

During the first quarter, the Company refinanced two mortgages that were due November 1, 2010. These mortgages were secured by three separate properties. Three new mortgages were placed on the three properties for total proceeds of $8,550,000.

During this quarter the Company received mortgage financing on the build to suit project in Fort McMurray. Mortgage proceeds in the amount of $8,400,000 were used to retire the interim project financing. During this period the Company also placed conventional mortgage financing on one of its properties that was security for a line of credit with the same lender. Total proceeds of $3,200,000 were used to pay down the line of credit. The Company also placed financing in the amount of $1,475,000 on the building acquired in February of 2011. Insurance proceeds from the damaged building were used to pay out the mortgage on that property. All of 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:

2012	$	2,461,096
2013		4,948,840
2014		10,840,828
2015		2,019,615
2016		13,906,454
	$	34,176,832

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

10. Other financing

During the first quarter the Company repaid interim financing that was due to one of the Company's major lenders. The total loan repaid in the amount of $4,500,000 was repaid with accrued interest at an annual rate of prime plus 2.25%.

During this quarter the Company repaid $4,000,000 due to a company owned by an immediate family member of a director and significant shareholder of the Company. The loan was repaid with accrued interest at an annual rate of 8%.

11. Share capital

a) Authorized:

Unlimited number of common shares

b) Issued and outstanding

2011	Number of shares	Cost
Balance at September 30, 2010	**9,392,942**	**$ 4,455,388**
Shares cancelled during the period	**-**	**-**
Balance at March 31, 2011	**9,392,942**	**$ 4,455,388**

c) Repurchased shares for cancellation

The Company received approval from the TSX Venture Exchange to purchase up to 465,017 common shares representing 5% of the outstanding shares under a normal course issuer bid, expiring August 23, 2011. During this quarter the Company repurchased 22,100 shares for total cash consideration of $55,700. Of the total shares repurchased all are carried at cost and shown as a deduction from shareholders' equity until such time that they are cancelled.

12. Related party transactions

Related party transactions are as follows:

	2011	2010
Paid to companies owned or controlled by a director, majority shareholder and officer		
Property management and operations	**$ 155,543**	$ 136,024
Marketing and consulting fees	**46,200**	46,200
Project management fees	**335,751**	-
Leasing and real estate commissions	**455,706**	-
Salaries and office rent	**98,000**	-
	$ 1,091,200	$ 182,224
Amounts payable at March 31	**$ 67,069**	

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 bookkeeping. Also included are labour costs associated with tenant improvements. These amounts are recoverable from the tenants, under the terms of the related lease agreements.

12. Related party transactions (cont'd)

Marketing and consulting fees were paid to a company owned 100% by a director, majority shareholder and officer. Project management fees paid to the same company were negotiated with the tenant of the build to suit project in Fort McMurray and are recoverable from the tenant under the terms of their lease.

Leasing and real estate commissions were paid to a company managed and controlled by a director, majority shareholder and officer that is also owned 100% by a member of the immediate family of this party. Fees and commissions paid are in line with current industry standards and are comparable to similar transactions undertaken by the Company with unrelated parties.

Salaries and office rent were paid to a company owned 100% by a director, majority shareholder and officer. These fees paid are for a percentage of actual costs incurred for lease space at the Company's head office location and a percentage of salary paid for the Company's Chief Financial Officer.

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.

	2011	2010
Other financing from companies which are owned by members of the immediate families of two of the directors and significant shareholders		
Balance payable, beginning of year	**$ 4,250,000**	$ 1,500,000
Advances to Imperial Equities Inc.	**-**	4,000,000
Repayments of advances	**(4,000,000)**	-
Balance payable, end of year	**$ 250,000**	$ 5,500,000
Interest paid and accrued on advances	**$ 188,877**	$ 45,000

The balance owing at March 31, 2011 in the amount of $250,000 is unsecured with no set terms of repayment and bears interest at a rate of 8% per annum. This is the rate that was negotiated by the parties in the normal course of operations. The transactions were recorded at the exchange amount. Advances are repaid with interest when the Company no longer requires the funds. Subsequent to this quarter, the Company repaid the outstanding $250,000 with accrued interest.

Paid to directors

Directors' fees	**$ 9,000**	$ 10,000

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.

12. Related party transactions (cont'd)

Paid to a partnership of which a director is a partner

Legal fees	**$ 76,822**	$ 10,389

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.

Imperial Equities Inc.
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13. 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. All of the Company's sales are within Canada.

March 31,	**Pharmaceuticals**				**Real Estate**				**Corporate Expenses**				**Consolidated**			
	Current Yr	**Current Yr**	**Prior Yr**	**Prior Yr**	**Current Yr**	**Current Yr**	**Prior Yr**	**Prior Yr**	**Current Yr**	**Current Yr**	**Prior Yr**	**Prior Yr**	**Current Yr**	**Current Yr**	**Prior Yr**	**Prior Yr**
	3 months	**6 months**	**3 months**	**6 months**	**3 months**	**6 months**	**3 months**	**6 months**	**3 months**	**6 months**	**3 months**	**6 months**	**3 months**	**6 months**	**3 months**	**6 months**
Revenue	$10,879,882	**$ 20,814,545**	$ 7,083,327	$ 13,842,919	$ 1,251,957	**$ 2,416,976**	$ 1,224,530	$ 2,442,805					$ 12,131,839	**$ 23,231,521**	$ 8,307,857	$ 16,285,724
Property operations					321,920	**603,284**	293,989	537,019					321,920	**603,284**	293,989	537,019
Cost of sales of pharmaceuticals	10,433,830	**19,954,730**	6,710,520	13,096,583	-	**-**	-	-					10,433,830	**19,954,730**	6,710,520	13,096,583
Interest on mortgages, debentures and other financing	31,962	**53,483**	13,272	21,340	380,074	**632,048**	289,907	592,094					412,036	**685,531**	303,179	613,434
Amortization	15,024	**29,967**	9,962	19,925	335,614	**628,170**	292,761	585,396					350,638	**658,138**	302,723	605,321
Selling and administrative	330,141	**610,589**	281,257	540,046	131,656	**185,719**	44,112	70,679					461,797	**796,308**	325,368	610,725
Segment earnings from operations	68,925	**165,775**	68,316	165,025	82,693	**367,754**	303,761	657,617					**151,618**	**533,530**	372,078	822,642
Gain on disposal of assets	-	**-**	-	-	760,910	**760,910**	-	-					760,910	**760,910**	-	-
General corporate expenses	-	**-**	-	-	-	**-**	-	-	$ 298,310	**$ 396,585**	**$ 111,712**	$ 169,619	298,310	**396,585**	111,712	169,619
Income tax (recovery) expense	(3,296)	**- 6,592**	- 2,989	- 12,245	235	**56,403**	58,591	203,088					(3,061)	**49,811**	55,602	190,843
Net earnings (loss) and comprehensive income	$ 72,221	**$ 172,367**	$ 71,305	$ 177,270	$ 843,838	**$ 1,072,261**	$ 245,170	$ 454,529	$ 298,310	**$ 396,585**	**$ 111,712**	$ 169,619	**$ 617,279**	**$ 848,045**	$ 204,763	$ 462,179
Identifiable segment assets		**$ 10,238,515**		$ 8,104,072		**$ 43,343,426**		$ 35,865,637						**$ 53,581,940**		$ 43,969,709
Expenditures for segment capital assets, intangible assets, property under development, and revenue producing property	$ 4,781	**$ 4,781**	$ -	$ -	$ 7,898,376	**$ 7,898,376**	$ 5,785,309	$ 5,792,898					$ 7,903,156	**$ 7,903,156**	$ 5,785,309	$ 5,792,898

14. 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, 2011**	September 30, 2010
Mortgages	**$ 34,176,832**	$ 17,514,719
Bank indebtedness	**3,908,587**	3,953,487
Other financing and debentures	**400,000**	8,900,000
Net debt	**38,485,419**	30,368,206
Equity	**10,577,912**	9,785,566
	$ 49,063,331	$ 40,153,772

The Company's debt to equity ratio increased to 3.63 at March 31, 2011 from 3.10 at September 30, 2010. This was due to the refinancing of mortgages that were up for renewal during the first quarter and the addition of three new mortgages on properties. The Company took advantage of leverage opportunities on three of the revenue producing properties and used the proceeds of the mortgages to repay interim financing on the Fort McMurray project. Increased mortgage proceeds generated additional funds to assist with a new acquisition in the second quarter and for general business purposes. At March 31, 2011 and September 30, 2010, the Company has continued to meet all externally imposed capital requirements. The Company has a line of credit in IDCI that is based on a certain percentage of inventory and accounts receivable that is monitored monthly.

15. Financial instruments

Financial instruments consist of cash and cash equivalents, recorded amounts of receivables and other like amounts that will result in future cash receipts, as well as bank indebtedness, accounts payable and accruals, short and long term borrowings, and any other amounts that will result in future cash outlays.

The following chart records the carrying value of financial assets by category.

	March 31, 2011		September 30, 2010	
	Held For Trading	**Loans And Receivables**	**Held For Trading**	**Loans And Receivables**
Cash and cash equivalents	**$ 862,785**	-	$ 6,299	-
Receivables	-	**$ 6,357,558**	-	$ 5,206,832

15. Financial instruments (cont'd)

The carrying amount of cash and cash equivalents and receivables approximate their fair value due to the relatively short period to maturity. Cash and cash equivalents assets are classified as a Level 1 as its fair value is referenced in quoted market prices in active markets

The following chart shows the carrying value of financial liabilities by category.

Other Financial Liabilities	**March 31, 2011**	September 30, 2010
Bank indebtedness	**$ 3,908,587**	$ 3,953,487
Payables and accruals	**3,374,246**	2,619,965
Other financing	**250,000**	8,750,000
Debentures	**150,000**	150,000
Security deposits	**180,768**	151,643
Mortgages	**34,176,832**	17,514,719
	$ 42,040,433	$ 33,139,814

The carrying value of bank indebtedness payables and security deposits approximate their fair value because of the near term maturity of those instruments. The fair value of mortgages payable are based on discounted future cash flows using rates that reflect current rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable as at March 31, 2011 is $34,547,096 and September 30, 2010, $18,092,962.

The fair value of debentures, and other financing to the Company is not readily available as there is no secondary market for these financial instruments. These estimates are subjective in nature as current interest rates are selected from a range of potentially acceptable rates and accordingly, other fair value estimates are possible.

The Company's activities expose it to risks arising from financial instruments including, credit risk, interest rate risk and liquidity risk. Management reviews these risks on an ongoing basis to ensure that the risks are appropriately managed.

Credit risk

Within the real estate segment, Credit Risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss with a policy of credit assessment for all new lessees.

Within the pharmaceutical segment, the Company is continually exposed to credit risk from customers involved in the retail pharmaceutical sales. Imperial Distributors Canada, as a wholesale distributor, represents over 9000 pharmaceutical products from more than 120 manufacturers in Canada. IDCI's growth is directly related to the manufacturers it represents and to the increase in sales to its existing customers as well as the increase of its customer base. Certain pharmaceutical products can be very expensive and it would not be unusual to have a customer order more than $1 million in a single month. Regardless of the magnitude of sales to any particular customer, every customer's creditworthiness is assessed by management.

The Company has a credit policy of placing credit terms for all customers. These credit terms include monetary limits and payment dates and are established well in advance of transacting any business. If at any time a customer's order exceeds the set terms, the system that safeguards these parameters is automatically engaged and the order is not allowed to go through. Management will then contact the customer and usually alternate arrangements are made which may include an increase in credit terms. All accounts receivable are reviewed

15. Financial instruments (cont'd)

monthly to ensure the safeguards are working properly and that customers are paying within the set terms.

The Company has a credit policy of reviewing all customer orders for approval and monthly monitoring of accounts receivable. Trade receivables at March 31, 2011 of $6,027,089 have the following aging; 69% are current, 08% are 31-60 days, 9% are 61-90 days and 14% are over 90 days. Trade receivables of $5,002,993 at September 30, 2010 have the following aging; 70% are current, 12% are 31-60 days, 9% are 61-90 days past due and 8% are over 91 days.

Accounts receivable that are past their contractual terms at March 31, 2011 and not included in the allowance for doubtful accounts are $848,197. Subsequent to the quarter ended, $823,522 of the $848,197 was collected. The remaining balance is not in dispute and Management does not consider the amount over 90 days, net of provisions for uncollectible accounts, as uncollectable as management is thorough in the process of reviewing credit limits and works closely with the customers to ensure collection.

Trade accounts receivable in the Company that have been deemed uncollectable are expensed as bad debt and charged to net income in the period that the account is determined to be doubtful. Estimates for the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date. As at March 31, 2011 the Company had recorded an allowance for doubtful accounts in the amount of $341,742 which is unchanged from September 30, 2010. Of this balance, $300,591 remains under litigation. Provisions for uncollectable accounts are made in the allowance for doubtful accounts.

Interest rate risk

The Company's exposure to interest rate cash flow risk relates to its short term floating interest rates on bank indebtedness as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. The balance on the lines of credit at March 31, 2011 is $3,908,587 compared to $3,953,487 at September 30, 2010. Based on the balance at March 31, 2011, a 1% increase in the prime rate would have a negative impact on the earnings of the Company of $39,086. The line of credit in the real estate segment is only used for interim financing until mortgage financing is placed. Subsequent to the quarter ending March 31, 2011 the Company reduced the line of credit in the real estate segment to zero. The Company minimizes its exposure to interest rate risk to the extent that all mortgages have fixed rates with terms varying from one to five years.

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company's objective related to liquidity risk is to effectively manage cash flows to minimize the exposure that the Company will not be able to meet its obligations associated with financial liabilities. The Company actively monitors its financing obligations and cash and cash equivalents to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost. Management manages its liquidity risk with the use of the lines of credit available to the Company as well as short term financing from related parties. Management estimates that cash flows from real estate activities will provide sufficient cash requirements to cover normal operating and budgeted expenditures for the real estate segment. The real estate segment has been successful throughout the year in obtaining necessary interim and long term financing at favorable rates. New terms and rates for existing debt that matured in 2010 were financed at lower rates of interest.

15. Financial instruments (cont'd)

The pharmaceutical segment is forecasted to use its line of credit in the next twelve months to fund operations and provide interim financing to facilitate expected growth.

The Company's liquidity risk is increased with its exposure to other financing from related parties. The balance outstanding at March 31, 2011 in the amount of $250,000 was paid in full with accrued interest at the annual rate of 8%, subsequent to the quarter ending.

The Company will be able to meet its obligations through existing credit facilities.

Contractual obligations

	1 year	2-3 years	4-5 years	> 5 years	Total
Mortgages	$ 2,461,096	$ 15,789,668	$ 15,926,069	$ -	$ 34,176,832
Payables and accruals	3,374,246	-	-	-	3,374,246
Security deposits	45,722	85,487	19,024	30,534	180,768
	$ 5,881,064	$ 15,875,155	$15,945,093	$ 30,534	$ 37,731,846
Lines of credit	3,908,587	-	-	-	3,908,587
Other financing	250,000	-	-	-	250,000
Debentures	150,000	-	-	-	150,000
	$ 10,189,651	$ 15,875,155	$ 15,945,093	$ 30,534	$ 42,040,433

16. Subsequent event

Subsequent to this quarter ending, the Company repaid other financing in the amount of $250,000 with accrued interest. The Company also completed an agreement to sell a revenue producing property in west Edmonton. Total cash proceeds of $2,100,000 were received and the sale generated a gain of $1,331,026.

The Company has entered into two agreements for build to suit projects in the Edmonton area. The total estimated project costs are $4 million and will utilize the Company's existing land bank of vacant properties.