MD&A

for the 3rd Quarter Ending June 30, 2011

as at August 29, 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.

3rd QUARTER REPORT TO SHAREHOLDERS
June 30, 2011

The economic activity in Edmonton and throughout Northern Alberta continues to put immense pressure on the availability of industrial buildings. Vacant industrial buildings are virtually nonexistent and rental rates are rising commensurate with the demand. Companies that are looking to relocate or to expand their operations find that it is usually more cost effective to undertake a build to suit than to move into older existing space. This scenario presents a further challenge when identifying suitable industrial land to build on. In the City of Fort McMurray there is very limited vacant industrial land and the price per acre for what is available is almost prohibitive. Prices for available serviced industrial land in Edmonton has also begun to increase and will probably continue given the demand. Throughout this Q3, Imperial Equities has been inundated with enquiries for build to suit buildings in Edmonton and Fort McMurray.

For several years we have been acquiring raw parcels of land in Edmonton with the idea of developing them to the requirement of prospective tenants. During this Q3 Imperial Equities completed the lease negotiations with 2 different multi-national companies to develop new build to suit buildings on the banked raw lands. The planning and consultation work is complete, development permits applied for and we expect to begin construction in the Q4. The new home for the waterworks division of EMCO will be in our Capital Business Park. Imperial secured a ten year lease agreement for a new 17,000 square foot building along with 3 acres of land. Occupancy is expected to take place in January 2012. The second of our build to suit projects will see the development of a new 20,000 square foot conventional built building on 5 acres of land. The site, located along 152 Street in Edmonton's northwest industrial district, is a total of 6.25 acres leaving a residual of 1.25 acres for future development. A ten year lease agreement has been negotiated with Norwesco Inc and construction will begin in August 2011. Occupancy is also expected in January 2012.

During this Quarter we completed the purchase of a small piece of raw industrial land along 105 Avenue in Edmonton's west industrial corridor. Imperial will begin the construction of a new 8,000 square foot industrial building in September 2011 and expect completion by the end of 2011. Given the demand for this type of product a long term lease arrangement appears imminent. Also acquired this Q3 are 2 one acre lots located at the corner of 149 Street and 112th Avenue in northwest Edmonton. Situated on one of the lots is a 5,000 square foot building that Imperial will transform into a contemporary looking office, showroom and warehouse building. The renewal of this building will take place in early 2012 and scheduled for occupancy in Q2 2012. The second one acre lot will be land banked for future development.

The pharmaceutical segment of our company has continued its steady growth in all aspects of its business. Despite increased competition and consolidation within the industry, sales of pharmaceuticals in Imperial Distributors Canada have increased each quarter during this fiscal year and have now reached almost $11 million, a 27% increase over the same period last year. Our aggressive sales strategies combined with superb service provided by a young team of highly trained and dedicated employees has made this company become a well known entity across western Canada. The prospect of continued growth is also relative to the trade accounts with the many different pharmaceutical manufacturers. Although Imperial Distributors inventories products from most manufacturers we still are in negotiations with several of the very large ones. We are pleased to announce that effective July 1st we successfully completed a trade agreement with Johnson & Johnson, a major pharmaceutical manufacturer that will now allow Imperial to distribute their products. An accomplishment such as this should make way for increased sales and profitability in Imperial Distributors.

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

3rd Quarter -Overall Performance Highlights

- **Total revenue** is **up $2,669,285** (27%) in the current quarter compared to the same quarter in the prior year, and $9,615,080 (37%) year to date compared to the prior year.

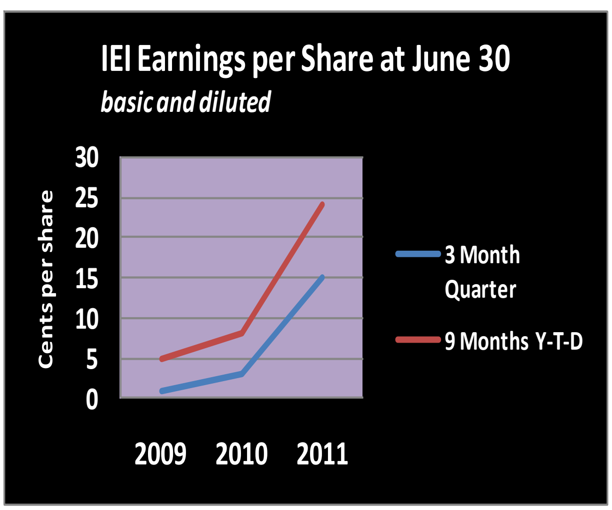
- Average **monthly sales of pharmaceuticals** were **$3,637,038 in this quarter** compared to $2,865,584 in the prior year quarter**, an increase of 27%**

- Pharmaceutical sales hit a new **monthly record of $4.3 million** this year and IDCI lands an account with a **major supplier!**

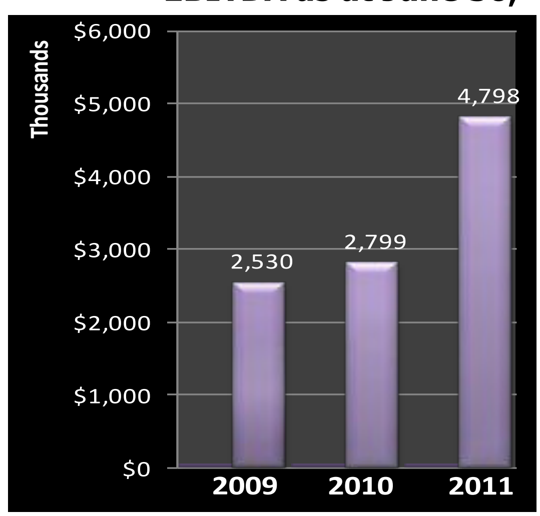
- **Rental revenues** are **up $374,916** in the current quarter compared to the same quarter in the prior year.

- Imperial completes the sale of a revenue producing property for a total **gain of $2,319,610**.

- Imperial **acquires another property** for development in west Edmonton for a total purchase price of **$361,429.**



EBITDA as at June 30,



DEBT SERVICE RATIOS as at June 30,

	2009	2010	**2011**
EBITDA	2,529,514	2,798,777	**4,797,527**
L-T Debt service	1,520,244	1,514,817	**2,545,002**
Debt service			
coverage ratio	1.66	1.85	**1.89**

EBITDA is defined as earnings before the following:
Interest, income taxes, depreciation and amortization.
This is a non-gaap measure.

Analysis of results of operations and cash flows by segment

Real Estate Segment

Revenues from real estate operations are up this quarter due to the addition of the revenue generated from the build to suit project in Fort McMurray and the Company's acquisition in February of another revenue producing property

Negatively affecting real estate revenues was the early termination of a lease in the first Quarter. 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 early in the quarter seeing a decrease in revenues from that tenant. As the lease on this property 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 $84,460 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 are up this quarter with the addition of new revenue producing properties. Year to date expenses higher than usual include the costs to remove the debris on site where one of the buildings was damaged in a wind storm. Snow removal costs were up this year by $20,880 and at this time of year the Company undertakes to maintain its properties with upgrades to warehouse mechanical, electrical and overhead doors, roofs, exterior painting and ground surfacing.

Interest on mortgages, debentures and other financing is higher in the current quarter due to the increase in mortgage principal balances. Total additional mortgage proceeds of $13,075,000 were received in the second 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 to revenue producing properties at the end of March. Also affecting amortization is the increase in the asset base with the new property acquired in February 2011.

Amortization of deferred leasing costs are higher this year because of an increase in leasing fees paid out. Fees paid for the Fort McMurray project and a large tenant that renewed their lease for a further ten year term, are expensed over the term of the respective leases.

Selling and administrative expenses incurred in the real estate segment were steady this quarter, however year to date expenses include finance fees of $92,264. Finance 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. Year to date the Company incurred additional salaries expense of $75,000 for the CFO as well as lease expenditures for warehouse space of $13,500. A further description of these expenses can be found in the related party note in this MD&A.

Corporate expenditures as shown in Note 14 of the Consolidated Financial Statements, increased by $250,560 compared to June 2010. 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 the ability to segregate the head office expenditures into one entity. The Company also paid $72,000 for office rent and parking which is described in the related party note herein and salaries are up $70,000 over the prior year.

Gain on sale of property. 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 during the second quarter. The building had a net book value of $238,770 creating a gain of $760,910. The building was one of two buildings on a 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 in this quarter generating an additional gain of $1,558,700 for a total gain of $2,319,610.

Cash flows from real estate operations before changes in non-cash operating balances, generated $218,221 this quarter after expenditures for deferred leasing of $98,645. Leasing fees paid this quarter are for tenant lease renewals. Reducing cash flows year to date is the increase in deferred leasing fees that largely relates to the occupancy of the Fort McMurray building. The leasing fees are recoverable from the tenants through their lease rates and then expensed over the term of the leases.

Cash flows from real estate financing in the real estate segment generated net cash flows of $6,141,562 year to date. At September 30, 2010 there were two mortgages maturing November 1, 2010 that were secured by three revenue producing properties. The principal balances outstanding at maturity were $3,143,638. Upon maturity, the mortgages were restructured creating three new mortgages, one for each property. During the first quarter $8,550,000 was received from the proceeds of the three new mortgages. 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 the second 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 newly acquired property.

Year to date, 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 and $8,850,000 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 flows, these funds were used to pay out the mortgage on the same property. Repayments on the real estate line of credit totaled $392,456 this quarter reducing the balance to $397,170 at June 30, 2011. Subsequent to the quarter ending, the line of credit was reduced to zero.

Cash flows from investing in the real estate segment were positive during the current quarter with net proceeds of $2,031,969 from the sale of the revenue producing property. Year to date real estate investing includes construction payments for the Fort McMurray project, the purchase of the new revenue producing property in the amount of $2,252,393 as well as the purchase of land held for development in the amount of $361,429.

Receivables from the real estate segment have decreased by $98,461 since September 30, 2010. The current balance outstanding of $73,821 is due from tenants and includes $66,057 for billings of annual property taxes. Subsequent to the quarter ending, this amount was collected from the tenant.

Prepaid expenses and deposits have had a net increase since September 30 with the addition of 2011 property taxes and insurance premiums. These expenditures will be amortized over the next six to eleven months. At June 30, 2011 there remained a balance of $158,937 for security deposits relating to the construction of the Fort McMurray property. Subsequent to the quarter ending, $98,945 was received. The security deposits are refundable by the municipality subject to the Company completing specific landscaping, fencing and engineering requirements on the property. Also included in prepaid expenses and deposits is a $100,000 deposit on an offer to purchase a revenue producing property which closed subsequent to the quarter ending.

Future rent receivable has decreased since September 30, 2010 by $106,115. Two tenants terminated their leases early requiring the Company to reverse cumulative adjustments made in prior years to straight line the rental revenues.

Deferred leasing costs have increased net of amortization by $376,832 since the yearend. These fees include four tenant lease renewals and the new fee for the tenant in Fort McMurray. These costs are amortized over the term of the leases.

Revenue producing properties have increased net of amortization, with the addition of the property under development at September 30, 2010 which was transferred to revenue producing properties. An additional $5,797,677 was spent to complete this project during the first two quarters. The Company purchased an additional revenue producing property in February for $2,285,326. The Company also disposed of one revenue producing property with a net book value of $962,441 described in Note 6 of the Consoldiated Financial Statements.

Land held for development increased by $592,812 since the yearend of September 30. Of this amount, $361,429 relates to the purchase of a vacant lot in west Edmonton which is undergoing development subsequent to the quarter ending. $183,439 was transferred from revenue producing properties to land held for development when a lot was subdivided and the vacant portion became available for use under a separate title. Also affecting the increase since yearend is property taxes capitalized in the amount of $47,944.

Payables and accruals in the real estate segment have a balance of $481,684 at June 30, 2011. This amount includes construction holdbacks of $230,790, accrued loan interest of $131,639 and $85,015 relating to the current portion of tenant security deposits. The balance of $34,240 relates to prepaid rents, payroll deductions and other sundry items.

The **current portion of mortgages** payable decreased by $126,711 since September 30, 2010 where 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 are two mortgages that mature in the next twelve months with a combined principal balance at June 30, 2011 of $2,364,154. The Company intends to renew the mortgages as they come due.

Security deposits held in the real estate segment had a net decrease of $19,718 since September 30, 2010 as deposits held for first month's rent get applied. The current portion of security deposits that have a term date of less than one year are recorded under payables and accruals.

Pharmaceutical Segment

Imperial Distributors Canada Inc. ("IDCI")

Revenues from the pharmaceutical business continue to grow each quarter and are up $9,286,771 (41%) over the prior year to date. With an aggressive sales strategy the customer base continues to expand and increase the Company's market share. Existing customers are increasing their volume purchases month after month as they enjoy prompt delivery service unmatched by competitors. IDCI recently opened a trade account with a major manufacturer that management has been pursuing for years. This account translates to higher returns for the Company as the products they will provide no longer have to be acquired through a third party. Management is optimistic this account will lead to securing other accounts of a similar size that have thus far not opened their doors to IDCI.

Gross margins are 3.8% this year which compares with 5.5% 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 is currently looking into revamping the rebate structure to increase the margins and expects to see favourable results in the next quarter. 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 Sales - Nine Months Ending,

June 30, 2009	June 30, 2010	June 30, 2011
$9,143,734	**$22,438,889**	**$31,725,660**
	Increase of 145%	**Increase of 41%**

Interest expense this quarter is comparable to last year's quarter at $17,085 (2010-$17,276). 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 was reduced by a ½ percentage point this year to prime plus 1.25% from prime plus 1.75% in 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 were down $7,000 this quarter compared to Q2. Selling and administrative expenditures represent 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 June 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 $497,144 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 $190,603 since September 30, 2010 with a balance at June 30, 2011 of $5,225,153; a result of the continued high growth in sales. Sales for the month of June, 2011 were $3,950,935. Of the total trade receivable balance, 76% relates to June sales. 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.

Accounts payable have increased since the yearend by $458,661. The increase reflects the greater volume of sales. All payables are paid within their terms and prompt payment discounts are always taken.

Cash flows from operations before changes in non-cash operating balances, generated $206,291 for the third quarter ending June 2011.

Cash flows from financing in the pharmaceutical segment were negative as the line of credit was reduced by $99,704 since the year end of September 30. During this year, the Company successfully increased the line of credit for IDCI from $1,500,000 to $4,000,000 with the current lender and reduced the rate of interest by 1/2 percentage point. The line of credit is used to balance the timing difference between the collection of accounts receivable and the payments of accounts payable.

Summary of Imperial Equities Inc.
Consolidated Quarterly Results

	2011	2011	2011	2010	**2010**	**2010**	2010	Sep-09
	Q3	Q2	Q1	Q4	**Q3**	**Q2**	Q1	Q4
REVENUE	**12,435,803**	12,131,839	11,099,683	11,199,344	9,766,518	8,307,857	7,977,867	4,946,667
NET EARNINGS (LOSS)	**1,432,231**	617,279	230,766	(424,414)	258,821	204,763	257,417	(79,219)
EPS-Basic	**0.15**	0.06	0.02	(0.05)	0.03	0.02	0.03	(0.01)
EPS-Diluted	**0.15**	0.06	0.02	(0.05)	0.03	0.02	0.03	(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 this quarter which resulted in reversing cumulative prior year entries straight line rent in the amount of $86,040. Despite the entries to reverse straight line rent, this quarter the real estate segment benefited from revenues from the Fort McMurray property and the new building acquired in February of 2011 showing a net increase this quarter over last quarter of $22,794.

The remaining increase in revenue this quarter of over $300,000 is attributed to the increase in pharmaceutical sales. IDCI continues to bring in new customers and increase sales with existing customers.

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

Net earnings for 2011 Q3 were positively affected by a gain on the sale of a revenue producing property. The property was sold to the tenant that occupied the premises and resulted in a gain of $1,558,700.

Net earnings in 2011 Q2 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 year to date with salaries paid for the services of the Chief Financial Officer in the amount of $75,000. This payment was made to a related party and is more fully described in the related party transactions. This fiscal year expenditures also include payment of office rent in the amount of $8,000 per month. Previously the office space was provided to the Company for free by a related party.

Corporate expenditures increased during 2011 Q2 with increases in professional fees of $123,000 relating to a corporate restructuring.

In 2010 Q4 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 2010 Q2 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 2009 Q4 were the result of increases in repairs and maintenance items expensed. A broken water main at one of the real estate properties cost the Company $70,644 in damages.

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 June 30, 2011 are 9,361,342 (September 2010 9,392,942). During this year, under a normal course issuer bid, the Company repurchased 31,800 shares for total cash consideration of $80,100. Of the total shares repurchased, 31,600 were cancelled. The excess cost over the purchase price of $64,748 was charged to retained earnings. The remaining 200 shares are carried at cost and shown as a deduction from shareholders' equity until such time that they are cancelled.

The Company's normal course issuer bid expires August 23, 2011. Under the bid the Company may purchase up to 465,017 common shares representing 5% of the outstanding shares.

There are currently 700,000 share 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 $245,744 (2010 - $231,534) 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, $221,859 (2010 - $183,236) 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 $23,885 (2010 - $15,320). Vehicle lease costs were paid to NAML.

Marketing and consulting fees were paid to Sable in the amount of $53,900 (2010 $69,300). These fees are billed to the Company at 10% above base salary cost for 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 $374,351 (2010 - Nil). Of these fees, $10,000 was charged for the handling of the insurance claim on the damaged building. Of the remaining balance, $325,751 was paid to Sable for 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. The remaining amount of $38,600 was for a large scale project that included the costs of building a drainage ditch on one of the revenue producing properties to comply with the City of Edmonton easements.

Leasing and real estate commissions in the amount of $620,901 (2010 – $95,030) 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 $620,901 paid, $25,800 related to the acquisition of a new property in south Edmonton and a vacant lot in west Edmonton. Leasing commissions of $431,925 were paid for the lease negotiated in Fort McMurray and further leasing fees of $100,176 were paid for existing tenant lease renewals. 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 $147,000 (2010 – Nil). The salaries paid were for the services provided by the Chief Financial Officer who is not paid directly by the Company. Office rent is reimbursed to Sable through a percentage of actual office rent paid. In the Company's history, there have never been payments for office rent, support staff or supplies until this year.

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

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 Q2. The remaining balance of $250,000 was repaid with accrued interest in Q3. During Q1, the Company received interim financing from a director and significant shareholder in the amount of $100.000. The loan was repaid in Q1 with accrued interest. Total interest paid for all of the other financing at June 30, 2011 was $203,978 (2010 $139,781)

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 $111,458 (2010-$34,911).

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 part of 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 $8,850,000. 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. During Q3 the company completed the sale of the same property to the tenant, realizing net proceeds on the sale of $2,031,969.

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 two mortgages are up for renewal with a principal balance at June 30, 2011 of $2,364,154. The full amount of principal is shown as a current liability. The Company intends to renew these mortgages as they come 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 $575,907 at June 30, 2011. This cash flow is net of deferred leasing expenditures of $532,101 which are not expected to recur in the next quarter.

Subsequent events

- 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 $4.35 million. Cash to build the projects will come from existing cash flows from operations plus any unused portion of credit available on the lines of credit, and private investor financing. Once the projects are completed, the Company will secure conventional mortgage financing and repay the interim financing.
- The Company has acquired a revenue producing property in west Edmonton. The total purchase price was $1,500,000 and was funded with cash flows and the line of credit. A conventional mortgage will be placed on the property.

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.

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

	June 30, 2011		September 30, 2010	
	Held For Trading	**Loans And Receivables**	**Held For Trading**	**Loans And Receivables**
Cash and cash equivalents	**$ 364,246**	-	$ 6,299	-
Receivables	-	**$ 5,298,973**	-	$ 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	**June 30, 2011**	September 30, 2010
Bank indebtedness	**$ 2,651,890**	$ 3,953,487
Payables and accruals	**2,339,128**	2,619,965
Other financing	**-**	8,750,000
Debentures	**150,000**	150,000
Security deposits	**89,306**	151,643
Mortgages	**33,787,979**	17,514,719
	$ 39,018,303	$ 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 June 30, 2011 is $34,096,320 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 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 June 30, 2011 of $5,165,844 have the following aging; 77% are current, 9% are 31-60 days, 8% are 61-90 days and 5% are over 90 days. Trade receivables of $5,002,993 at September 30, 2010 had 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 June 30, 2011 and not included in the allowance for doubtful accounts are $33,721. The 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 June 30, 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 June 30, 2011 is $2,651,890 compared to $3,953,487 at September 30, 2010. Based on the balance at June 30, 2011, a 1% increase in the prime rate would have a negative impact on the earnings of the Company of $26,519. The line of credit in the real estate segment is only used for interim financing until mortgage financing is placed. 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.

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 September 30, 2010 was repaid in full during the period.

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	$ 3,889,890	$ 15,397,343	$ 18,390,636	$ -	$ 33,787,979
Payables and accruals	2,339,128	-	-	-	2,339,128
Security deposits	85,015	39,748	19,024	30,534	174,321
	$ 6,314,033	$ 15,437,091	$18,409,660	$ 30,534	$ 36,301,428
Lines of credit	2,651,890	-	-	-	2,651,890
Debentures	150,000	-	-	-	150,000
	$ 9,115,923	$ 15,437,091	$ 18,409,660	$ 30,534	$ 39,103,318

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.

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 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.

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.

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 sheet of Imperial Equities Inc. as at June 30, 2011 and the consolidated statement of interim 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 29, 2011

Imperial Equities Inc.

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

For the period ending June 30,	Note	Current Quarter 2011 $	Current YTD 2011 $	Prior Year Quarter 2010 $	Prior Year YTD 2010 $
		(3 months)	**(9 months)**	(3 months)	(9 months)
Revenue					
Rental revenue		**1,274,751**	**3,188,786**	899,835	2,848,409
Operating cost recoveries		**246,905**	**745,346**	269,774	747,407
Sales of pharmaceuticals		**10,911,115**	**31,725,660**	8,596,751	22,438,889
Interest		**3,032**	**3,032**	158	939
		12,435,803	**35,667,324**	9,766,518	26,052,244
Expenses					
Property operations		**353,679**	**956,963**	272,727	809,746
Cost of sales of pharmaceuticals		**10,560,463**	**30,515,193**	8,104,077	21,200,660
Interest on mortgages, debentures and other financing		**411,869**	**1,097,400**	282,296	895,730
Amortization of revenue producing properties		**363,989**	**878,254**	246,773	737,592
Amortization of deferred leasing costs		**70,323**	**155,269**	32,809	98,425
Amortization of intangibles		**18,004**	**53,387**	18,000	52,816
Amortization of capital assets		**11,771**	**35,314**	12,786	26,855
Selling and administrative		**504,255**	**1,551,385**	453,991	1,205,525
Professional fees		**17,579**	**140,069**	5,129	11,480
Shareholder communications		**2,525**	**25,797**	3,596	26,056
		12,314,457	**35,409,031**	9,432,184	25,064,885
Earnings before other items and income taxes		**121,346**	**258,293**	334,334	987,359
Gain on sale of property	6	**1,558,700**	**2,319,610**	-	-
Income before income taxes		**1,680,046**	**2,577,903**	334,334	987,359
Income taxes					
Current income tax		**258,016**	**272,509**	53,321	215,610
Future income tax		**(10,201)**	**25,117**	22,192	50,747
		247,815	**297,626**	75,513	266,357
Net earnings and comprehensive income		**1,432,231**	**2,280,277**	258,821	721,002
Retained earnings, beginning of period		**5,637,884**	**4,789,988**	4,963,576	4,501,395
Net earnings (loss)		**1,432,231**	**2,280,277**	258,820	721,002
Premium on shares cancelled	**11**	**(64,598)**	**(64,748)**	-	-
Retained earnings, end of period		**7,005,517**	**7,005,517**	5,222,397	5,222,397
Earnings per share-basic and diluted		**.15**	**.24**	.03	.08

See accompanying notes to the consolidated financial statements

Imperial Equities Inc.
CONSOLIDATED BALANCE SHEETS (unaudited)

	Note	June 30, 2011 $	September 30 2010 $
Assets			
Current			
Cash and cash equivalents		**364,246**	6,299
Receivables		**5,298,973**	5,206,832
Inventory		**3,668,022**	3,170,878
Prepaid expenses and deposits		**566,491**	393,566
		9,897,732	8,777,575
Future rent receivable	**7**	**197,311**	303,426
Deferred leasing costs		**1,065,562**	688,730
Revenue producing properties	**3**	**39,214,019**	25,541,126
Property under development	**4**	**-**	7,340,471
Land held for development	**5**	**1,117,020**	524,208
Capital assets		**106,618**	136,640
Intangible assets		**327,110**	374,041
Future income taxes		**293,380**	283,492
		52,218,752	43,969,709
Liabilities			
Current			
Bank indebtedness	**8**	**2,651,890**	3,953,487
Payables and accruals		**2,339,128**	2,619,965
Income taxes payable		**272,509**	137,137
Other financing	**10**	**-**	8,750,000
Debentures		**150,000**	150,000
Current portion of mortgages	**9**	**3,889,890**	4,016,601
		9,303,417	19,627,190
Security deposits		**89,306**	151,643
Mortgages	**9**	**29,898,089**	13,498,118
Future income taxes		**942,197**	907,192
		40,233,009	34,184,143
Shareholders' equity			
Share capital	**11**	**4,440,536**	4,455,388
Contributed surplus		**540,190**	540,190
Repurchased shares for cancellation		**(500)**	-
Retained earnings		**7,005,517**	4,789,988
		11,985,743	9,785,566
		52,218,752	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 June 30,	**Current Quarter 2011 $**	**Current YTD 2011 $**	Prior Year Quarter 2010 $	Prior Year YTD 2010 $
	(3 months)	**(9 months)**	(3 months)	(9 months)
Increase (decrease) in cash and cash equivalents				
Operating				
Net (loss) earnings	**1,432,231**	**2,280,277**	258,821	721,002
Amortization of revenue producing properties	**363,989**	**878,254**	246,773	737,592
Amortization of intangibles	**18,004**	**53,387**	18,000	52,816
Amortization of capital assets	**11,771**	**35,314**	12,786	26,855
Amortization of deferred leasing costs	**70,323**	**155,269**	32,809	98,425
Expenditures on deferred leasing costs	**(98,645)**	**(532,101)**	(37,281)	(37,281)
Gain on sale of revenue producing property	**(1,558,700)**	**(2,319,610)**	-	-
Future income tax (recovery) expense	**(10,201)**	**25,117**	22,193	50,747
Cash flows from operating activities before changes in non-cash operating balances	**228,772**	**575,907**	554,101	1,650,156
Change in non-cash operating balances	**(215,210)**	**(863,894)**	(1,108,986)	(2,738,519)
	13,562	**(287,987)**	(554,885)	(1,088,363)
Financing				
Mortgage proceeds	**-**	**21,625,000**	-	-
Repayment of mortgages	**(388,853)**	**(5,351,740)**	(269,258)	(797,481)
Advances from other financing	**-**	**100,000**	4,500,000	8,750,000
Repayment of other financing	**(250,000)**	**(8,850,000)**	(1,500,000)	(1,500,000)
Proceeds of options exercised	**-**	**-**	-	200,000
Purchase of common shares for cancellation	**(24,400)**	**(80,100)**	-	(3,600)
Repayment of advances on operating lines of credit	**(1,256,696)**	**(1,301,598)**	(1,870,979)	524,639
	(1,919,949)	**6,141,562**	859,763	7,173,558
Investing				
Additions to land under development	**-**	**-**	(288,879)	(6,074,188)
Additions to land held for development	**(47,944)**	**(47,944)**	(38,281)	(38,281)
Purchase of land held for development	**(361,429)**	**(361,429)**	-	-
Purchase of revenue producing property	**(32,933)**	**(2,285,326)**	-	-
Additions to capital assets	**(511)**	**(5,292)**	(63,398)	(63,398)
Additions to intangible assets	**(6,457)**	**(6,457)**	(17,790)	(17,790)
Proceeds on sale of revenue producing property	**2,031,969**	**3,031,649**	-	-
Property improvements	**(174,847)**	**(5,820,829)**	(50,745)	(58,334)
	1,407,848	**(5,495,628)**	(459,093)	(6,251,991)
Net (decrease) increase in cash	**(498,539)**	**357,947**	(154,215)	(166,796)
Cash beginning of period	**862,785**	**6,299**	183,075	195,656
Cash end of period	**364,246**	**364,246**	28,860	28,860

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

June 30, 2011	**Cost**	**Accumulated Amortization**	**Net Book Value**
Land	**$ 15,280,053**	**$ -**	**$ 15,280,053**
Buildings	**24,172,381**	**3,962,115**	**20,210,266**
Parking lots	**2,165,000**	**416,515**	**1,748,485**
Equipment and signage	**925,827**	**172,851**	**752,976**
Fencing	**84,093**	**9,173**	**74,920**
Tenant improvements	**2,364,452**	**1,217,133**	**1,147,319**
	$ 44,991,806	**$ 5,777,787**	**$ 39,214,019**

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

	June 30, 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 the second 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

During this quarter, the Company purchased a vacant lot in west Edmonton for a total purchase price of $361,429. The lot is .45 of an acre and construction to develop a single tenant building is expected during the next quarter. Also, this quarter the Company capitalized property taxes on vacant land in the amount of $47,944 (2010 – 38,281).

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 sale of property

During the second 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 and the Company completed an agreement to sell the remaining building and land to the tenant for total gross sale proceeds of $2,100,000. The disposition and subsequent sale of the property resulted in a gain of $2,319,610.

7. Future rent receivable

Balance September 30, 2010	$ 303,426
Current period overstatement of revenue	34,897
Reversal of cumulative adjustments on early lease terminations	(141,012)
Balance June 30, 2011	**$ 197,311**

8. Bank indebtedness

	2011 June 30,	2010 September 30,
Operating lines of credit		
Imperial Equities Inc.	**$ 397,170**	$ 1,599,063
Imperial Distributors Canada Inc.	**2,254,720**	2,354,424
	$ 2,651,890	$ 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 $1,642,793 (2010 - $3,207,770) at June 30.

Imperial Distributors Canada Inc. has an operating line of credit with a limit of $4,000,000 (2010 - $4,000,000). This loan bears interest at prime plus 1.25% (2010 – prime plus 1.75%) 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 - $4,000,000).

9. Mortgages

Maturity Date	Rate	Monthly Payments	**Balance June 30 2011**	Balance Sep. 30 2010	NBV of the Underlying Security	Lender
Nov 1, 2010	4.71%	-	**-**	1,425,473	-	CIBC
Nov 1, 2011	4.97%	-	**-**	1,315,064	-	Manulife
Nov 1, 2010	4.40%	-	**-**	1,718,165	-	CIBC
Jan 1, 2012	4.94%	8,636	**854,849**	900,289	657,333	CIBC
Apr 1, 2012	5.20%	15,169	**1,509,305**	1,585,934	1,571,058	CIBC
Sep 1, 2012	5.81%	12,449	**1,235,953**	1,293,394	783,436	Manulife
Sep 1, 2012	4.74%	12,599	**1,032,538**	1,108,096	1,764,314	Manulife
Oct 1, 2013	5.385%	12,117	**1,312,693**	1,368,082	2,416,261	RBC
Aug 1, 2013	5.782%	62,134	**6,527,254**	6,800,222	8,372,960	CIBC
Dec 1, 2015	4.285%	19,556	**2,537,328**	-	1,663,310	CIBC
Dec 1, 2015	4.285%	36,103	**4,684,298**	-	2,882,258	CIBC
Dec 1, 2015	4.285%	8,650	**1,122,280**	-	786,150	CIBC
Feb 1, 2014	4.60%	20,420	**3,166,513**	-	1,461,187	CWB
Apr 1, 2014	3.54%	10,555	**1,449,949**	-	2,252,449	RBC
Apr 1, 2016	4.213%	51,687	**8,355,019**	-	12,960,508	RBC
			$ 33,787,979	$ 17,514,719	$ 39,205,164	
Less current portion:			**(3,889,890)**	(4,016,601)		
			$ 29,898,089	$ 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 the second 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 the second quarter 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	$ 3,889,890
2013	3,488,084
2014	11,909,259
2015	796,642
2016	13,704,104
	$ 33,787,979

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

10. Other financing

Since the yearend of September 30, 2010, the Company has repaid the interim financing as follows:

$4,500,000 was repaid to one of the Company's major lenders with accrued interest at an annual rate of prime plus 2.25%. $4,250,000 was repaid to companies owned by immediate family members of directors and significant shareholders of the Company. The loans were repaid with accrued interest at an annual rate of 8%. During the first quarter, $100,000 was received from a director of the Company and was repaid with interest at a rate of 8% per annum.

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	**(31,600)**	**(14,852)**
Balance at June 30, 2011	**9,361,342**	**$ 4,440,536**

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 the period the Company repurchased 31,800 shares for total cash consideration of $80,100. Of the total shares repurchased 31,600 were cancelled. The excess cost over the purchase price of $64,748 was charged to retained earnings. The remaining 200 shares are carried at cost and shown as a deduction from shareholders' equity until such time that they are cancelled.

12. Stock-based compensation plan

The Company has established a Stock Option Plan for the benefit of its directors, management and key employees. The Board of Directors may designate which directors, management and key employees of the Company are to be granted options. Under the Stock Option Plan, the Company may grant options, which vest immediately, to acquire a maximum number of common shares equal to 10% of its total issued and outstanding common shares. On August 16, 2010, the Company received regulatory approval to issue 700,000 stock options to its directors and officers, enabling each holder the right to acquire one common share for each option held. At the time of grant, the options had a weighted average fair value of $0.77.

The following table reflects the activity under the stock option plan:

	Options Outstanding	Weighted Average Exercise Price	Remaining Life (Yrs)
Balance at September 30, 2010	700,000	$ 2.75	4
Exercised during the period	-	-	-
Forfeited and expired	-	-	-
Balance at June 30, 2011	**700,000**	**$ 2.75**	**4**

13. 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	**$ 245,744**	$ 231,534
Marketing and consulting fees	**53,900**	69,300
Project management fees	**374,351**	-
Leasing and real estate commissions	**620,901**	95,030
Salaries and office rent	**147,000**	-
	$ 1,441,896	$ 395,864
Amounts payable at June 30	**$ -**	$ -

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. The prior year billings also included collection of rents and bookkeeping. These amounts are recoverable from the tenants, under the terms of the related lease agreements.

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 include a fee that was negotiated with the tenant of the build to suit project in Fort McMurray and is recoverable from the tenant under the terms of their lease. Additional project fees include handling of insurance claims and a large scale land improvement project required for a specific property.

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 also include salaries 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.	**100,000**	4,000,000
Repayments of advances	**(4,350,000)**	(1,500,000)
Balance payable, end of period	**$ -**	$ 4,000,000
Interest paid and accrued on advances	**$ 203,978**	$ 139,781

Advances to the Company are used for interim financing and are measured at amortized cost. The above transactions were recorded at the exchange amount. Advances are repaid with interest when the Company no longer requires the funds.

Paid to directors

Directors' fees	**$ 13,000**	$ 14,000

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.

Paid to a partnership of which a director is a partner

Legal fees	**$ 111,458**	$ 34,911

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.
Notes to the Consolidated Interim Financial Statements
June 30, 2011 and 2010

14. 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.

June 30,	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	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months
Revenue	$10,911,115	**$ 31,725,660**	$ 8,596,909	$ 22,439,828	$ 1,524,688	**$ 3,941,664**	$ 1,169,609	$ 3,612,414					$ 12,435,803	**$ 35,667,324**	$ 8,307,857	$ 26,052,242
Property operations					353,679	**956,963**	272,727	809,745					353,679	**956,963**	293,989	809,745
Cost of sales of pharmaceuticals	10,560,463	**30,515,193**	8,104,077	21,200,660	-	**-**	-	-					10,560,463	**30,515,193**	6,710,520	21,200,660
Interest on mortgages, debentures and other financing	17,085	**70,568**	17,276	38,616	394,784	**1,026,832**	265,020	857,114					411,869	**1,097,400**	303,179	895,730
Amortization	15,295	**45,262**	16,306	36,231	448,792	**1,076,963**	294,062	879,456					464,087	**1,122,225**	302,723	915,687
Selling and administrative	323,018	**933,607**	288,975	829,021	57,228	**242,946**	53,224	123,904					380,246	**1,176,551**	325,368	952,925
Segment earnings from operations	- 4,746	**161,029**	170,275	335,300	270,205	**637,959**	284,576	942,195					**265,459**	**798,991**	372,078	1,277,495
Gain on disposal of assets	-	**-**	-	-	1,558,700	**2,319,610**	-	-					1,558,700	**2,319,610**	-	-
General corporate expenses	-	**-**	-	-	-	**-**	-	-	$ 144,113	**$ 540,698**	**$ 120,517**	$ 290,136	144,113	**540,698**	111,712	290,136
Income tax (recovery) expense	(3,296)	**(9,888)**	19,464	7,219	251,111	**307,514**	56,050	259,137					247,815	**297,626**	55,602	266,356
Net earnings (loss) and comprehensive income	$ (1,450)	**$ 170,917**	$ 150,811	$ 328,081	$ 2,080,016	**$ 2,650,055**	$ 228,526	$ 683,058	$ 144,113	**$ 540,698**	**$ 120,517**	$ 290,136	**$ 1,432,231**	**$ 2,280,277**	$ 195,958	$ 721,002
Identifiable segment assets		**$ 9,362,461**		$ 9,133,573		**$ 42,856,292**		$ 33,591,080						**$ 52,218,752**		$ 42,724,653
Expenditures for segment capital assets, intangible assets, property under development, and revenue producing property	$ 6,968	**$ 11,749**	$ -	$ 63,398	$ 617,152	**$ 8,515,528**	$ 5,785,309	$ 6,132,523					$ 624,119	**$ 8,527,276**	$ 5,785,309	$ 6,195,921

15. 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	**June 30, 2011**	September 30, 2010
Mortgages	**$ 33,787,979**	$ 17,514,719
Bank indebtedness	**2,651,890**	3,953,487
Other financing and debentures	**150,000**	8,900,000
Net debt	**36,589,869**	30,368,206
Equity	**11,985,742**	9,785,566
	$ 48,575,611	$ 40,153,772

The Company's debt to equity ratio decreased to 3.05 at June 30, 2011 from 3.10 at September 30, 2010. The refinancing of mortgages that were up for renewal during the first quarter and the addition of three new mortgages on properties added to the debt, however the interim financing was repaid so the net debt increased 20% from September, and the equity increased 22% for the same period. 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 June 30, 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.

16. 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.

	June 30, 2011		September 30, 2010	
	Held For Trading	**Loans And Receivables**	**Held For Trading**	**Loans And Receivables**
Cash and cash equivalents	**$ 364,246**	-	$ 6,299	-
Receivables	-	**$ 5,298,973**	-	$ 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	**June 30, 2011**	September 30, 2010
Bank indebtedness	**$ 2,651,890**	$ 3,953,487
Payables and accruals	**2,339,128**	2,619,965
Other financing	**-**	8,750,000
Debentures	**150,000**	150,000
Security deposits	**89,306**	151,643
Mortgages	**33,787,979**	17,514,719
	$ 39,018,303	$ 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 June 30, 2011 is $34,096,320 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 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 June 30, 2011 of $5,165,844 have the following aging; 77% are current, 9% are 31-60 days, 8% are 61-90 days and 5% are over 90 days. Trade receivables of $5,002,993 at September 30, 2010 had 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 June 30, 2011 and not included in the allowance for doubtful accounts are $33,721. The 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 June 30, 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 June 30, 2011 is $2,651,890 compared to $3,953,487 at September 30, 2010. Based on the balance at June 30, 2011, a 1% increase in the prime rate would have a negative impact on the earnings of the Company of $26,519. The line of credit in the real estate segment is only used for interim financing until mortgage financing is placed. 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.

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 September 30, 2010 was repaid in full during the period.

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	$ 3,889,890	$ 15,397,343	$ 18,390,636	$ -	$ 33,787,979
Payables and accruals	2,339,128	-	-	-	2,339,128
Security deposits	85,015	39,748	19,024	30,534	174,321
	$ 6,314,033	$ 15,437,091	$18,409,660	$ 30,534	$ 36,301,428
Lines of credit	2,651,890	-	-	-	2,651,890
Debentures	150,000	-	-	-	150,000
	$ 9,115,923	$ 15,437,091	$ 18,409,660	$ 30,534	$ 39,103,318

17. Subsequent events

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. Another building is currently in the planning stages on the newly acquired lot in west Edmonton. The total cost of this project is estimated at $1.2 million.

Subsequent to the quarter ending, the Company has the purchase of a revenue producing property in west Edmonton. The total purchase price was $1,500,000.