3RD QUARTER REPORT

Ending June 30, 2019

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3rd Quarter ending June 30, 2019

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MD&A

MANAGEMENT'S DISCUSSION & ANALYSIS

for the Third Quarter
ending June 30, 2019

PRESIDENT'S REPORT
2019 CEO MESSAGE

Report to Shareholders
3rd Quarter, ending June 30, 2019

The economic wellbeing of Alberta and the rest of Canada has largely been dependent on oil production and our ability to sell our oil at a fair price. For decades, oil production in Canada and Alberta in particular, has been increasing at a swifter pace than our ability to consume it and or to sell it at prices achieved by other oil producing nations. A strong Alberta economy not only depends on a robust world oil price but also the ability to sell and deliver its products anywhere in the world.

Being landlocked and having only one major market for its product can have a detrimental effect the likes of which we've seen in Alberta during the past several decades. A resolution to the landlocked issue has long been debated and the most preferred outcome is the development of pipelines sufficient to carry Alberta oil to tidewater. One such pipeline, the Trans Mountain Pipeline which was originally built in 1953 and continues to operate safely today, would need to be expanded. The expansion is essentially a twinning of this existing 1,150 kilometre pipeline between Strathcona County (Edmonton), Alberta and Burnaby, BC. It will create a pipeline system with the nominal capacity of the system going from 300,000 barrels per day to 890,000 barrels per day.

The simple truth is that Canada's oil will fetch a better price on every barrel of oil that's piped to its west coast compared to those sold to the existing customers in the United States, a differential that exists regardless of the price of oil. The expansion will allow Canadian oil to be delivered to international markets and, as a result, Canada will likely earn approximately $4 billion more per year. Independent estimates conclude oil producer revenues will increase by $73.5 billion over 20 years of operations and Canada will earn around $50 billion in additional taxes and royalties that will flow to federal and provincial governments.

After more than a decade of intense debate in our country, it appears we may now have a consensus to move forward on the expansion of Trans Mountain. After much consultation and court battles the federal government, who now owns the existing Trans Mountain Pipeline, has provided the necessary approvals to complete the project and by all accounts, construction is said to resume in September 2019. Both, the Alberta and Canadian governments appear to be resolute in their resolve to see expansion completed.

With oil sands production expanding in Alberta in the years ahead, new markets and new opportunities are likely to emerge. As countries in Asia Pacific begin to develop the same quality of life we enjoy here in Canada, they need to secure sources of energy. Canada is a natural trading partner for these countries, and with an expanded Trans Mountain Pipeline system, we will be in a position to provide for their growing needs for years to come.

Imperial's property portfolio largely consists of industrial properties many of which are tenanted by corporations deriving their revenues from the oil and gas industry. This industry has been and will likely continue be a lucrative real estate asset class for Imperial. There are many asset classes or sectors of real estate including several industrial subsectors. Diversity within these subsectors will likely bode well for Imperial and for some time now, management has been considering investing in a subsector of industrial real estate through the creation of an agricultural division. Assets in this division would consist of properties that cater to the agricultural industry such as farm implement dealerships, similar to the recent development of our John Deere project in Hanna, Alberta. Diversifying our portfolio can help achieve higher returns and minimize risk on our overall investments, given that we wouldn't be solely dependent on the highs and lows of a single market class. Additionally, Imperial will have the advantage of a greater geographical diversification.

In this Q3, Imperial completed the acquisition of its second farm implement dealership property in Vegreville, Alberta. The property consists of 5.89 acres of serviced industrial land and is situated along 55 Avenue, which provides for easy access to and from 2 major thoroughfares

being the Yellowhead Highway and Highway 16A. The large square site is all level, fully fenced and has a completely hard surfaced parking lot. The tenant, Rocky Mountain Equipment (RME) is the largest independent dealer of Case IH and Case Construction equipment in Canada, and the second largest in the world.

There are four buildings on the site totaling 33,295 ft^2 and each serve a specific purpose for the operations of the tenant. The main building is 25,775 ft^2 and serves as a show room, parts room, general offices and a modern service centre, all on one level. A newer 5,440 ft^2 service shop with 10 service bays serve as overflow during the peak farming season. The remaining two buildings on site serve as parts and merchandise storage.

The creation of a new agricultural "AG" division is clearly imminent now and Management has made the strategic decision which is supported by the Board, to begin the process of categorizing and reporting this asset class in segmented information. Imperial's near-term goal is to acquire several more AG properties throughout Alberta and Saskatchewan. A revamp of our website will soon clearly identify this division and will make surfing the Imperial site a breeze.

Imperial's ability to transform a tired run-down property is best demonstrated by the refurbishment of the newly monikered "Sable Building". Imperial acquired the property in Q1 2019 and its tenant vacated several months later. The building required a major overhaul and of course a new tenant. Imperial undertook to completely renovate the property with all new modern components and most prerequisites required to be included in a Leadership in Energy and Environmental Design Standards (LEEDS) certified project. Management began the transformation and within 90 days, the property was ready for occupancy.

The 7,813 ft^2 masonry building now comprises a large office, warehouse/shop, break room, storage room, and a 500 ft^2 mezzanine. The office component features an abundance of built in teak cabinetry with granite tops that are accentuated by the high gloss epoxy finished walkways and carpet tile flooring throughout. The warehouse/shop incudes features such as a large purpose-built wash bay with a retractable curtain system and ample power including 3 phase power. The mechanical systems throughout the building were totally replaced with new state-of-the-art energy efficient components. The entire building now has new LED lighting and is secured with a camera system that covers every part of the interior and the exposed areas of the exterior. The building was a great fit for Imperial's property manger, Sable Realty Management, who signed a new 5 year lease agreement that commenced at the end of this Q3.

Imperial Equities has long been a proponent of greening our properties thus reducing our carbon footprint. Incorporated in the designs of our newly constructed properties are the latest technologies that include new contemporary components along with most prerequisites required to be included in a LEEDS certified project. Incorporating these types of LEEDS prerequisites in existing buildings does create challenges but is not insurmountable.

Throughout the past several years we have embarked on a green plan to convert all electrical and mechanical components to a new and more energy efficient class. During the past several years, new light emitting diodes or LED lamps and fixtures have become far more accessible as well as affordable. These lamps are significantly more efficient than the equivalent incandescent and fluorescent lamps and have a much longer lifespan. The same holds true for heating ventilating and air conditioning (HVAC) units that have traditionally been very expensive to operate and were extremely inefficient, both with natural gas and electricity consumption. Imperial has instituted a program whereby any older HVAC unit requiring significant repair will immediately be replaced with a new energy efficient unit.

Imperial's Green Plan has been very well received by our tenants. There is notable cost savings both in natural gas as well as electricity. Once installed, these components have eliminated close to 90% of all maintenance service requests which has not only reduced service costs to our tenants but also has provided comfortable and uninterrupted occupancy.

Borrowing is an integral part of our business and the cost of borrowing can considerably impact our profitability. In Canada, interest rates are determined by the policy of the Bank of Canada, the demand for loans, the supply of available lending capital, interest rates in the United States, inflation rates and other economic factors. For several decades the Bank of Canada (BOC) has followed a system whereby announcements are made to the official key interest rate it uses to implement monetary policy. These announcements take place at pre-specified dates, eight times per year. As a result, interest rates in Canada have fluctuated dramatically over the past three decades and not surprising, Imperial had taken every advantage presented to it.

During the past 2 years we have experienced a measured but continuous rise in Canadian interest rates. Starting in July of 2017, for the first time in seven years, the BOC raised its key interest rate by 0.25% to 0.75%. During the subsequent ten announcements ending on October

24, 2018, the BOC on 4 different occasions, raised the key interest rate by a further 1% to the current set rate of 1.75%. With every increase announced by the BOC, financial institutions were quick to react and raise their prime lending rates accordingly. It is interesting to note that with every BOC key interest rate announcement since October 24, 2018, rates have remained unchanged. During the past 2 interest rate announcements the BOC has hinted that it may in fact be considering a rate reduction. Also interesting, is that subsequent to this Q3, the Fed in the United States announced its first rate cut since the depression of 2008.

The BOC has been using its key interest rate in an attempt to keep inflation at around 2 percent. Economic growth in Canada has improved throughout much of 2017 and 2018 which in turn has triggered increased inflation. Lower rates that were in place to encourage individuals and companies to borrow more have increased the demand for goods and services which consequently creates higher prices thus increasing the inflation rates. For several decades, the BOC has been following its inflation fighting policies and has recently agreed with Canadians that its one size fits all policy has exposed many problems and a rewriting of the policy may be due. Recently, the BOC announced that it will launch the most sweeping review into alternatives to its current 2 percent inflation policy as it prepares for the expiration of the existing policy in 2021.

As mortgages mature and renewals are negotiated, Imperial has experienced marginal increases in our weighted average interest rates. Despite the five different 25 basis point increases by the BOC we continue to maintain a relatively low weighted average interest rate of 3.35%, a measured increase from our all time low of 3.00%. Management is extremely vigilant and maintains a close watch on fluctuations in interest rates.

Imperial's real estate portfolio remains the cornerstone of the Company. Since its inception, Imperial has been resolute in ensuring the quality of its assets are superior and the scale of its tenant base being primarily international, national or large regional. Our steadfast resolution to stay committed to these principals has certainly allowed us to forge forward on a solid foundation which has, to date, held the Company in good stead. We are proud of the fact that our year to date building occupancy is 96.9%.

Continuing to expand this dynamic portfolio of industrial properties with quality tenants is a priority for Management. Our quest in expanding the portfolio has us exploring throughout Canada.

Management has been very active in searching for revenue producing properties that fit our criteria. Properties in markets throughout Alberta as well as cities in other parts of Canada are constantly being vetted and when an opportunity presents itself, Management will be swift to act upon it. Negotiations are currently underway on several large industrial properties and Management expects a resolution prior to our fiscal year end. We are confident that our growth will continue, and we look forward to increasing our portfolio quite significantly throughout 2019 and 2020.

The ability to gauge the success of a company by comparing it to its rivals is very exciting and also quite motivating. The Globe and Mail publishes the Report on Business magazine that delivers insightful content through stories behind market moves, industry developments and emerging business opportunities. Once a year it also publishes a ranking of Canada's top 1000 public companies according to their after tax profits in their most recent fiscal year. In the case of Imperial Equities, the most recent fiscal year would be September 30, 2018 and we are delighted to report that Imperial Equities is once again included among the top 1000 publicly traded companies in the country. Being included among Canada's most successful corporations is quite an accomplishment and a proud achievement for a relatively young company to realize such a standing!

We remain 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

IMPERIAL EQUITIES INC. MD&A AS AT AUGUST 8, 2019

The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an explanation of the performance of Imperial Equities Inc. ("Imperial" or the "Company" or "Imperial Equities") and its subsidiaries. This MD&A should be read in conjunction with the consolidated interim financial statements for the quarter ended June 30, 2019 and the related notes. 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 International Financial Reporting Standards. 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 consolidated annual financial statements.

FORWARD-LOOKING INFORMATION

In our report to shareholders, management may talk about the 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 may consider 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 21 of our 2018 annual consolidated financial statements and this MD&A. Any forward-looking statements in our report should not be relied upon as facts, as actual results may differ from estimates.

ADDITIONAL NON-IFRS MEASURES

Investment properties encumbered with debt, clear title properties and total debt on encumbered properties are non-IFRS financial measures and do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar calculations reported by other Canadian issuers.

Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies.

BUSINESS OVERVIEW

Imperial Equities Inc. ("Imperial" or "the Company") is an Edmonton, Alberta based business with a focus on the acquisition, development, and redevelopment of commercial and industrial properties in its targeted Edmonton and Alberta markets. The Company's common shares are traded on the TSX Venture Exchange under the symbol "IEI".

Since operations began in 1998, Imperial Equities has achieved solid growth each year for the past 21 years. The Board of Directors along with corporate Management are all committed to the continued growth of the Company with much vigor and enthusiasm.

STRATEGIC DIRECTION

Imperial's Board of Directors along with Management are focused on the real estate market throughout Alberta and Canada and are committed to continue building a strong portfolio of investment properties.

The fundamental strategic goals that drive our Company are:

- Acquire industrial properties in the most sought-after areas for capital appreciation
- Acquire fully occupied, single tenant or multi tenant industrial properties with long term lease agreements and rental rates commensurate with the location
- Finance acquisitions with the lowest cost of capital available
- Achieve a defined rate of return on each asset
- Maximize the revenue potential of each asset in its region
- Dispose of older assets that may have reached their maximum earning potential to reduce the overall age of the properties in the portfolio
- Charitable giving in the communities where the Company does business

Imperial's team of professionals are dedicated and motivated to grow our real estate portfolio and earn value for our shareholders. With a relatively small share base for a real estate company of our size, Management has no immediate plans to issue new shares which would dilute an investor's holdings. We believe in building value in those shares through a commitment to acquire and develop high quality properties and gain capital appreciation to benefit our shareholders. As part of our strategy, we would consider the disposition of a property where the Company believes that we have maximized the potential of that property and its disposition would be beneficial to the Company.

KEY PERFORMANCE DRIVERS

- **Imperial Equities continues to engage a dedicated team of professionals to manage and oversee the business activities.**

The CEO and CFO have been with the Company since becoming publicly traded 21 years ago. There is a strong Board of Directors with significant real estate experience to guide decisions surrounding strategic direction and achieving the goals and objectives of the Company. This dedication and professional experience of Imperial's management team has helped the Company achieve positive earnings every year the Company has been in business.

Management monitors the success of Imperial by measuring how well we are meeting our strategic directives. External performance drivers that affect our business include the overall economic health of industries operating in the province of Alberta. Alberta is still largely reliant on the oil industry and we are careful to select tenants that we feel are best able to weather an economic downturn. This assessment will include the size of the tenant, the length of time they have been in business, their operations and exposure to the oil and gas industry; all these factors will be a part in our evaluation of the strength of their lease covenant. Another external driver to our success is interest rates related to financing of our properties. The investment properties are financed with conventional mortgages that leave the Company with an exposure to possible increases in interest rates, affecting our operating income and cash flow. The Company had experienced consistently lower weighted average interest rates throughout each quarter, until Q1 2018 where the weighted average rate began to marginally increase. With Canada's economy improving and consequently giving rise to higher inflation, interest rates will likely continue upward in the foreseeable future. The Company, in the short term, does not consider rising interest rates to have a significant impact on the operating cash flows, as commercial lease terms associated with new acquisitions and lease renewals will reflect changing market conditions.

Internal performance drivers that measure our strategic objectives include the following:

- Comprehensive due diligence on all acquisitions including evaluating the strength of the tenant(s) before entering into contracts
- Maximize the revenue per property and secure long lease terms to reduce the turnover of tenants
- Maintain high occupancy rates to recover carrying costs of the properties
- Monitoring the quality of tenants in the portfolio to reduce the risk of defaults on leases
- Maintain our assets to high standards including structural, mechanical and cosmetic to showcase our existing properties to prospective tenants or purchasers
- Preventative maintenance on the properties to reduce operating costs and to maximize longevity of the buildings
- Ensure that maintenance on the properties is done to exacting standards involving monitoring the quality of work provided by our business partners while ensuring the costs are competitive
- Maximizing the cash flow from operations to ensure funding for growth opportunities
- Selecting mortgage terms that provide a low cost of capital and utilizing debt leverage opportunities
- Minimize higher rate short term borrowings to reduce the cost of capital

SUMMARY OF PERFORMANCE INDICATORS

	Nine months ending **June 30, 2019**	Year ending **September 30, 2018**
Changes in Investment Properties	**36**	32
Number of investment properties	**0**	2
Number of properties under development	**4**	3
Number of properties held for future development	**9.9 acres**	6.9 acres
Gross leasable area (GLA) square feet	**896,637**	810,018
Leasing Activities		
GLA of leases renewed during the period	**48,973**	24,687
New tenant leases during the period, total GLA	**93,932**	115,963
Total square footage of leases expiring within twelve months	**33,580**	81,735
Total GLA of space available for lease	**32,762**	32,762
Average lease term to maturity in years	**4.34%**	4.53
Building occupancy year to date	**96.9%**	99.9%
Property Operations		
% operating expense recoveries	**79%**	81%
Income from operations	**$ 8,539,941**	$ 11,788,601
Investment property improvements	**$ 316,115**	$ 157,479
Financing		
Ratio of debt on encumbered properties	**56%**	55%
Weighted average interest rates on mortgages	**3.35%**	3.13%

CHANGES IN INVESTMENT PROPERTIES

Investment property acquisitions during the current period

- ALS Canada building in Edmonton, AB. 29,450 ft^2 November 2018
- Sable building in Edmonton, AB. 7,313 ft^2 November 2018
- 3 acres of vacant land in NW Edmonton, AB. November 2018
- Rocky Mountain Equipment Canada ("RME") in Vegreville, AB. 33,295 ft^2 June 2019

Completed properties under development in the current period

- Completed construction for Cervus in Hanna, AB. 28,891 ft^2 at November, 2018
- Completed construction in Edmonton, AB. Coppertone III, 12,124 ft^2 at December, 2018

Properties held for lease or future development

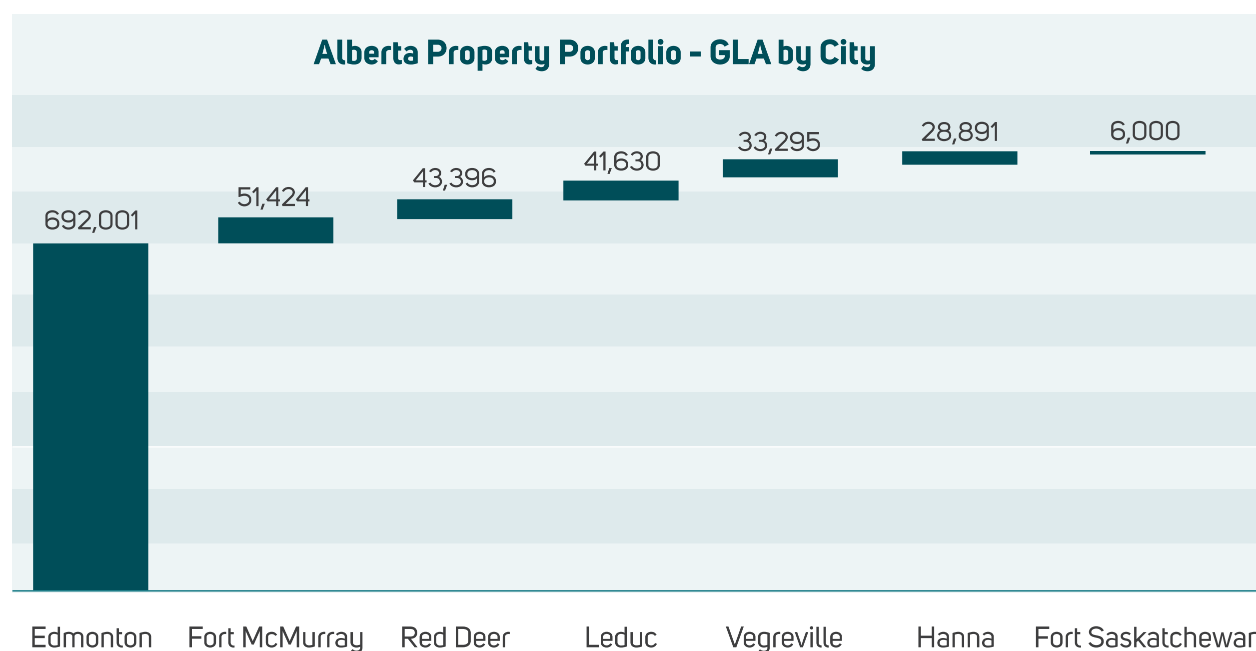
- 12.9 acres in Strathcona County, Alberta
- 2.24 acres in NW Edmonton, Alberta
- 49.25 acres in Hanna, Alberta
- 3 acres in NW Edmonton, AB. (new acquisition in Q1 2019)

The total raw land under lease with tenants is now 9.9 acres at June 30, 2019 and includes the following properties:

- 1.7 acres in SE Edmonton, AB. under lease with an existing tenant
- 1.71 acres in SE Edmonton, AB. under lease with an existing tenant
- 1.49 acres in SE Edmonton, AB. under lease with an existing tenant
- 2.00 acres in NW Edmonton, AB. under lease with an existing tenant
- 3 acres in NW Edmonton, AB. under lease with six new tenants (new acquisition Q1 2019)

Gross leaseable area (GLA) increased increasedby 86,619 square feet since September 30, 2018 with the following additions:

	SF2
• An ancillary building on the Cervus site in Hanna, AB	4,437
• Coppertone III in Edmonton, AB. completed construction	12,124
• New acquisition – ALS building in Edmonton, AB	29,450
• New acquisition – Sable building in Edmonton, AB	7,313
• New acquisition – RME building in Vegreville, AB	33,295
	86,619
Total GLA at September 30, 2018	810,018
Total GLA at June 30, 2019	**896,637**



The Company has expanded its investment property holdings to cities outside of Edmonton and will continue to explore other provinces as well.

LEASING ACTIVITIES

	9 Months **June 30, 2019**	12 Months **September 30, 2018**
Total GLA square feet at beginning of period	**810,018**	719,079
Expiring GLA at beginning of period	**(81,735)**	(24,687)
Square footage early lease terminations	**-**	(25,024)
Square footage of tenant lease renewals	**48,973**	24,687
Square footage of new tenant leases	**77,371**	91,509
Square footage new tenant leases on property developed	**12,124**	24,454
Square footage of lease amendments	**4,317**	-
Square footage of leases expired	**(7,313)**	-
Total square feet available for lease	**32,762**	-
Total GLA square feet at end of period	**896,637**	810,018

LEASE RETENTION

	GLA	Expiring Rate/PSF*	Renewal Rate/PSF*	Renewal Term
Edmonton, Alberta	22,939	$ 13.00	$ 13.65	5 years
Edmonton, Alberta	4,907	$ 10.60	$ 12.00	5 years
Edmonton, Alberta	21,127	$ 18.00	$ 18.00	5 years
	48,973			

*per square foot

One of the performance drivers of the Company is to ensure a low turnover of tenants to minimize any periods of vacancy. During the current period, three tenants renewed their leases for further five-year terms at higher rates or the same rate as the expiring terms. To date the Company has been very successful in retaining the current tenant base upon lease expiries.

New tenant leases and amendments in the current period:	**Square Feet**
Sable building acquired in Q1 2019 (tenant subsequently vacated in Q2)	7,313
ALS building acquired in Q1 2019	29,450
Sable building (new tenant in Q3 2019)	7,313
Rocky Mountain Equipment building acquired in Q3 2019	33,295
	77,371
New tenant in the completed construction of Coppertone III	**12,124**
Additional building added to the Cervus site in Q1 2019 (lease amendment)	**4,437**
Total new tenant leases in the current period	**93,932**
Tenant vacated upon lease expiry in the Sable building in Q2 2019	**(7,313)**

Leases expired during the period total 7,313 ft^2 which was in the Sable building purchased this fiscal year. The building was purchased with the knowledge that the current tenant was vacating, and the Company could renovate the building and place a new tenant. During Q2 2019 the tenant vacated when their lease expired, and the Company completed significant leasehold improvements to facilitate the occupancy of a new tenant in Q3 2019.

Total square footage of leases expiring in the next twelve months

There are two tenant leases in Edmonton, AB. expiring during the next twelve months totalling 33,580 ft^2. A lease with a tenant occupying 8,000 ft^2 expires in December 2019 and the tenant will not be renewing. The other tenant occupying 25,580 ft^2 has not yet begun the process of the renewal.

Total GLA of space available for lease

Current vacant square feet available for lease includes 32,762 ft^2 in one of the Company's multi tenant buildings. The Company is actively marketing this space for lease.

LEASE TERMS AT JUNE 30, 2019

Single Tenant Buildings	
Square Feet	**Maturity Year**
8,000	2019
58,875	2020
52,890	2021
240,207	2022
75,151	2023
73,648	2024
26,400	2026
29,450	2027
116,630	2028
25,024	2029
28,891	2038
735,166	

Multi Tenant Buildings	
Square Feet	**Maturity Year**
4,798	Month to Month
80,970	2020
2,941	2021
9,037	2022
9,836	2023
21,127	2024
128,709	

Total GLA of in place leases	863,875
Available GLA for lease	32,762
Total GLA at June 30, 2019	**896,637**

Weighted Average Remaining Lease Terms
Single tenant buildings = **5.21 years**
Multi-Tenant buildings = **2.97 years**
Total average lease term to maturity = **4.34 years**

The risks to the Company when a tenant does not renew a lease is to absorb the ongoing operating costs of a vacant space. These costs include property taxes, insurance, utilities and any maintenance items. If a single tenant building becomes vacant, additional vacancy costs could include mortgage payments, if applicable. Management works closely with tenants to ensure retention rates remain high, through responsive property management to ensure their leased space and the building is well maintained.

One of the Company's goals is to maximize the revenue of each asset in its region. With proper market analysis of comparables, the Company has been able to negotiate lease rates that achieve its desired rate of return.

AVERAGE ANNUAL LEASE RATES

PER CITY, SQUARE FOOT	9 Months June 30, 2019	9 Months June 30, 2018
Edmonton, Alberta	**$ 11.99**	$ 11.33
Red Deer, Alberta*	**$ 25.92**	$ 24.89
Fort Saskatchewan, Alberta*	**$ 35.40**	$ 42.80
Fort McMurray, Alberta	**$ 43.26**	$ 46.23
Leduc, Alberta	**$ 15.70**	$ -
Hanna, Alberta	**$ 18.24**	$ -
Vegreville, Alberta	**$ 7.18**	$ -

**Leases include a large land component which skews the averate rate per square foot.*

Most of the Company's leases are being renewed at par, but in some cases, the rates have been lowered. In Fort Saskatchewan and Fort McMurray, a lease renewal and a new lease had a decrease in the rate from the previously expiring lease rates. The previous leases were for long extended periods of time with escalations throughout the terms. Due to the slow down in activity in the oil patch sector, lease rates for renewals and a new lease were lowered to match current market conditions. The Company has not experienced any vacancies in these cities.

At June 30, 2019 the year to date occupancy is 96.9% (September 30, 2018 - 99.9%) because of the continued vacancy in one property.

PROPERTY OPERATIONS

	June 30, 2019	September 30, 2018
% Operating expense recoveries	**79%**	**81%**

Operating expense recoveries are budgeted annually and reconciled every 12 months on a tenant by tenant basis. All the Company's leases are triple net leases which allows the landlord to recover all operating costs, with the exception of any structural repairs. Management will decide on large maintenance items as to how it will treat the recovery of those expenses from the tenant, so as not to incur hardship on their operations. In some cases, management will amortize the expenditures over a period of time within the tenant's lease term. Some leases have lower management fees than other leases dependent upon the responsibility of performing maintenance remaining with the tenant or the landlord. Because of these variations, there will always be a percentage of operating expenses not recovered by the landlord in the current fiscal year. Historical optimal recovery percentages will be in the range of 80%-86%.

Affecting recoveries during the current period is vacant space of 32,762 ft^2 in a multi tenant building, and a tenant in a single tenant building that was granted an additional four and a half months of free rent, while the landlord absorbed the operating expenses. This tenant is experiencing cash flow problems and the Landlord is working closely with the tenant to ensure they can meet their future lease obligations.

Recoveries in the current quarter were 86% of operating expenses and 79% year to date. During the next quarter, the percentage of recoveries to expenditures will increase the year to date percentage as new tenants pay rent, and with lower seasonal costs which now exclude snow removal and higher utilities incurred in the winter months. Management ensures operating expense recoveries are maximized for our shareholders.

The **income from operations** is a measure of funds available to service the debt repayments on financing, provide cash for capital expenditures on the properties, and fund further growth.

	June 30, 2019	September 30, 2018
Income from operations	**$ 8,539,941**	**$ 11,788,601**
Less: Interest on financing*	2,974,043	2,994,340
Less: Principal instalments on mortgages	4,238,166	5,509,782
Funds available for property improvements and growth	$ 1,327,529	$ 3,284,479

**Interest on financing includes capitalized interest and excludes interest income and amortization of deferred finance fees.*

The Company continues to ensure all properties are well maintained through third party contractors including maintenance, electrical, mechanical, structural, and cosmetic which includes exterior maintenance of the buildings through painting, landscaping, parking lot striping, etc.

	June 30, 2019	September 30, 2018
Total property improvements during the period	$ 316,115	$ 157,479

Capital improvements during the current period include parking lot upgrades, new rooftop HVAC units, new infrared heaters and new boilers for specific locations. The Company strives to provide high quality service to the tenants by responding in a timely manner to address any property maintenance issues. Maintaining equipment on a regular basis improves the life of the equipment, keeping equipment running smoothly, and avoids major interruptions to the tenant's operations. The Company has a great relationship with all the tenants and will respond to maintenance issues within hours. Working with strong business partners that are familiar with our properties and tenants, the Company has enjoyed quality of work while ensuring costs are very competitive.

Through the Company's hands-on approach to maintaining its properties, the tenant retention is very high with little turnover, and shows a firm commitment by the Company to promote pride of ownership which will attract new prospective tenants, and possible future build to suit opportunities.

The Company is also investing heavily in energy efficiency by replacing expensive, inefficient interior and exterior light fixtures with LED replacements, thus reducing the operating costs to the tenant, and promoting a greener environment through reduced emissions.

FINANCING

Investment properties encumbered with debt, clear title properties and total debt on encumbered properties, and ratio of debt on encumbered properties are non-IFRS financial measures and do not have any standard meaning prescribed by IFRS. These measures as calculated by the Company may differ from similar computations calculated by other issuers and accordingly may not be comparable to similar computations presented by such issuers. Management considers these measures to be useful for evaluating the leverage the Company may have on its investment properties to consider additional financing opportunities, if any.

	June 30, 2019	September 30, 2018
Investment properties	$ 218,805,652	$ 206,710,736
Less: unencumbered properties	(17,204,993)	(17,900,757)
Investment properties encumbered with debt	$ 201,600,659	$ 188,809,979
Balance of mortgages excluding transaction fees	$ 90,831,066	$ 85,669,230
Bank operating facilities	22,946,004	18,457,672
Total debt on encumbered properties	$ 113,777,070	$ 104,126,902
Ratio of debt on encumbered properties	**56%**	**55%**

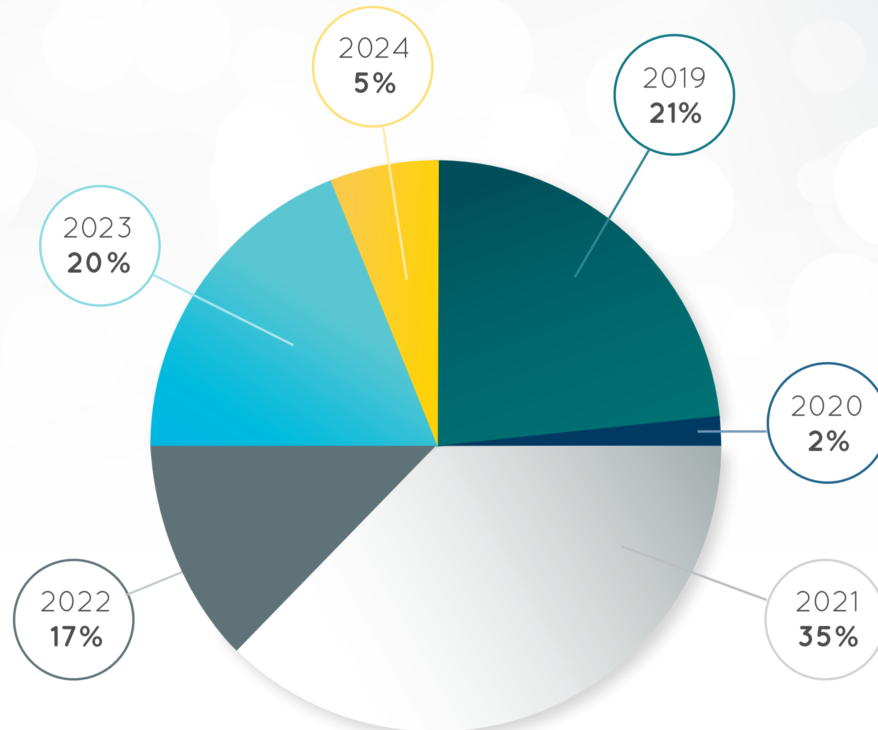
The Company continues to enjoy a good relationship with its lenders and has been able to renew mortgages as they come due and place new conventional financing on acquisitions. Unencumbered properties at June 30, 2019 include raw land and the Sable building. (September 30, 2018 - unencumbered properties include raw land and Coppertone III).

The amount of debt secured against the value of investment properties is 56% at June 30, 2019 compared to 55% at September 30, 2018. The Company believes this low debt ratio saves on interest costs and are low enough to allow for opportunities upon mortgage renewals to increase the leverage if necessary, subject to the lender's approval.

Weighted average interest rates on the mortgages have increased to 3.35% at Q3 2019 from 3.13% at September 30, 2018 with rates rising for new, and renewed financing from the Company's lenders. During Q1 2019 the Company received two new mortgages and renewed three mortgages at their term dates. New mortgages received this year were for any new acquisitions and the completed building in Hanna, Alberta.

During Q3 2019 the Company renewed a mortgage for a further term of five years. Concurrent with this new mortgage was the release of the restricted cash of $1,300,000 which was held in GICs as additional security.

MORTGAGE MATURITIES



Balance	Rate	Monthly P&I	Year of Maturity	Principal Due by Year
$ 9,079,639	3.33%	$ 62,733	2019	
$ 10,168,734	3.30%	$ 71,809	2019	$ 19,248,372
$ 1,618,943	3.41%	$ 18,134	2020	$ 1,618,943
$ 5,682,983	2.88%	$ 47,229	2021	
$ 3,084,274	2.95%	$ 24,053	2021	
$ 7,547,463	2.47%	$ 59,166	2021	
$ 3,549,961	2.98%	$ 30,201	2021	
$ 6,235,145	2.47%	$ 62,356	2021	
$ 5,492,927	2.98%	$ 46,731	2021	$ 31,592,754
$ 2,258,829	2.73%	$ 21,515	2022	
$ 3,783,150	3.67%	$ 29,597	2022	
$ 3,437,150	3.67%	$ 26,892	2022	
$ 5,889,815	3.04%	$ 46,682	2022	$ 15,368,944
$ 755,615	3.57%	$ 8,519	2023	
$ 4,179,287	4.33%	$ 32,438	2023	
$ 4,980,540	4.65%	$ 39,285	2023	
$ 537,989	3.95%	$ 11,266	2023	
$ 6,093,698	4.09%	$ 46,776	2023	
$ 2,073,519	3.75%	$ 16,149	2023	$ 18,620,648
$ 2,442,730	4.30%	$ 22,298	2024	
$ 1,938,675	4.30%	$ 17,696	2024	$ 4,381,405
$ 90,831,066		**$ 741,526**		**$90,831,066**

The following table details the mortgage activity during the year.

Maturity Date	Rate	Principal Balance Sept. 30 '18	Mortgages Advanced/ Assumed	Y-T-D Principal Payments	Principal Repaid on Maturity	Principal Balance 30-June-19
01-Nov-19	3.334%	$ 9,414,128	-	$ 334,489	$ -	$ 9,079,639
01-Jan-20	3.410%	1,742,156	-	123,213		1,618,943
01-Jan-21	2.980%	3,740,559	-	190,598		3,549,961
01-Jan-21	2.980%	5,787,844	-	294,916		5,492,928
01-Apr-21	2.880%	5,982,442	-	299,458		5,682,983
01-Apr-21	2.948%	3,231,172	-	146,898		3,084,274
01-Oct-21	2.470%	6,676,895	-	441,750		6,235,145
01-Oct-21	2.470%	7,936,856	-	389,393		7,547,463
01-Feb-22	3.040%	6,172,934	-	283,119		5,889,815
01-Jun-22	2.730%	2,404,821	-	145,992		2,258,829
01-Dec-22	3.670%	3,943,735	-	160,586		3,783,149
01-Dec-22	3.671%	3,583,038	-	145,888		3,437,150
01-Jan-23	3.570%	811,376	-	55,761		755,615
01-Feb-23	3.750%	2,159,649	-	86,130		2,073,519
01-Oct-23	3.950%	622,274	-	84,285		537,989
01-Oct-23	4.090%	6,300,000	-	206,302		6,093,698
01-Nov-23	4.330%	-	4,300,000	120,713		4,179,287
01-Dec-23	4.648%	-	5,100,000	119,460		4,980,540
01-Jan-24	4.300%	2,569,227	-	126,497		2,442,730
01-Jan-24	4.300%	2,039,948	-	101,273		1,938,675
01-Aug-24	3.300%	10,550,178	-	381,444		10,168,734
		$ 85,669,232	**$ 9,400,000**	**$ 4,238,166**	**$ -**	**$ 90,831,066**

All the mortgages are secured by a first charge over the related investment property and a general assignment of rents, insurance, and site-specific goods and chattel paper.

The Company's two bank operating facilities are secured with specific revenue producing properties.

Other financing of $5,070,000 owed to related parties is unsecured and was repaid subsequent to the quarter ending.

PERFORMANCE HIGHLIGHTS
Q1 – Q3 2019

In Q1 the Company completed an agreement to **purchase at 29,450 ft^2 building situated on 3.78 acres** in the southeast Edmonton Research and Development park. The total purchase price was $6,150,000. The tenant, ALS Canada Inc. is an international company with operations in 70 countries.

In Q1 the Company completed an agreement to **purchase 3 acres of vacant land** in west Edmonton for a total purchase price of $1,650,000.

In Q1 the Company completed an agreement to **purchase a 7,313 ft^2 building** situated along the Yellowhead Trail in northeast Edmonton. The total purchase price was $975,000.

During Q1 the Company completed the **build to suit, 24,454 ft^2 building** in Hanna, Alberta on 16.5 acres along with an additional 4,044 ft^2 ancillary building. The tenant, Cervus Equipment, is an international company that provides sales and service of John Deere equipment to the agricultural sector. The tenant took occupancy in Q1 2019.

During Q1 construction of the **12,124 ft^2 Coppertone III** building in the Coppertone Industrial Common, in NW Edmonton was completed. The Company has secured a tenant for the building with rent commencing in Q3 2019.

In Q1 the Company received **conventional mortgage** financing for the Hanna property in the amount of **$5,100,000** from one of the Company's major lenders.

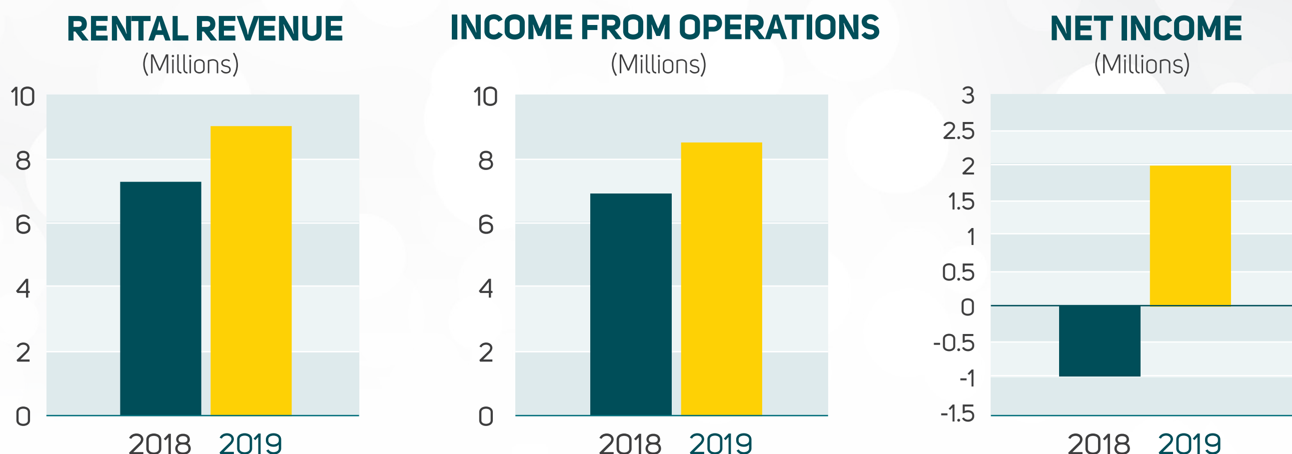
During Q1 two mortgages were renewed for further five-year terms and one mortgage was renewed for a one-year term. An increase in the interest rates during the quarter affected the **weighted average rate of interest on all mortgages which is now 3.35%** at June 30, 2019 (September 30, 2018 – 3.13%). During Q3 the Company renewed a mortgage for a further five-year term at a rate of 3.30% compared to the previous rate of 3.45%.

In Q1 the Company received a **new mortgage** on the acquisition of the ALS Canada building in southeast Edmonton. Total funds received were **$4,300,000** from one of the Company's major lenders.

During Q1 – Q3 the Company signed month to month **leases with six individual tenants** to lease sections of the 3 acres of vacant land acquired in NW Edmonton. Annual revenue of over $76,000 will offset property taxes while the Company pursues development opportunities.

During Q3 the Company completed an agreement to **purchase a 33,295 ft^2 building** in Vegreville, Alberta on 5.89 acres. The total purchase price was $2,550,000.

PERFORMANCE RESULTS
ENDING JUNE 30,



With the addition of several investment property acquisitions during the last year, the rental revenue and income from operations has increased year over year. Net (loss) income was negatively affected by net valuation losses recorded on the investment properties of $1,635,159 at June 30, 2019 compared to net valuation losses in the prior year of $4,281,718. During the current period, a tenant in one of the Company's single tenant buildings requested an amendment to their lease to lower the Minimum rent in order to continue their operations. This decrease in revenue over the term of the lease affected the valuation of the property. A second property with multiple tenants, has a single vacancy amounting to 34% of the building. The Company lowered the value on this property due to the decreased revenue and the associated lease up costs to place a new tenant. A third property where a tenant is vacating at the end of their lease, was lowered in value to reflect current market conditions.

In the prior year the Company reduced the valuation of a property in Fort McMurray by $4,464,828. The Company agreed to an early lease termination for a tenant, resulting in an accelerated rent adjustment of $2,992,928 that was reported as income in the prior year.

Affecting current year net income are the unrealized losses of $133,500 on short term investments which are valued at mark to market at each reporting date.

RESULTS OF OPERATIONS AND CASH FLOWS

For over five years the Company has enjoyed better than 99% occupancy in its properties. In Q2 2019 the year to date occupancy dipped slightly to 98.0% with one large space currently available for lease and a small building that was under renovations to place a new tenant. With the large space still unoccupied, the year to date occupancy is now 96.9%. Each quarter in the last eight, the Company has begun to receive revenue from new tenants occupying the new building acquisitions.

There have been no other significant changes in operations for each quarter during 2018 or 2019, except for fluctuations in earnings resulting from the fair valuations of investment properties.

Net valuation gains (losses) per quarter:

2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4
$ (148,530)	$ (33,127)	$(1,453,502)	$ 805,792	$(4,702,567)	$ 235,704	$ 185,145	$ 280,967

When valuing the investment properties to fair value, all other inputs being equal, an increase in property revenue for the ensuing twelve months will have a positive impact on the fair values and a decrease in revenue will have a negative impact. When interest rates are low, investors are eager to expand their portfolios creating a healthy, competitive environment in which to acquire property, which will keep the cap rates very competitive. Since 2016 Management decided to marginally increase the cap rates on some of the properties where the Company believes property values and lease rates have decreased slightly; the result of more product coming on stream from developers eager to lease up vacant buildings. Some properties' cap rates were increased to maintain existing values, despite increased contracted revenue streams which would otherwise drive the value upwards.

INVESTMENT PROPERTY CAP RATES

	June 30, 2019		Rate Change	September 30, 2018	
	Total GLA sf	Range Cap Rates		Total GLA sf	Range Cap Rates
LOCATION					
Edmonton, Alberta	659,239	5.00% - 7.00%	↓	638,677	5.00% - 7.17%
Red Deer, Alberta	43,396	6.33%	↔	43,396	6.33%
Fort Saskatchewan, Alberta	6,000	6.41%	↑	6,000	6.30%
Fort McMurray, Alberta	51,424	6.14% - 6.30%	↑	51,424	6.14% - 6.19%
Leduc, Alberta	41,630	6.85%	↔	41,630	6.85%
Vegreville, Alberta	33,295	8.85%		-	
Hanna, Alberta	28,891	7.00%	↓	28,891	7.17%
	863,875			810,018	
Available for lease, Edmonton, Alberta	32,762			-	
Total GLA square feet	896,637			810,018	

Throughout 2018 and 2019 some of the new leases in place do have escalations throughout their terms and the Company has increased the cap rates on those properties to keep the value of the properties at current market rates, despite an increase in rents. Edmonton cap rates continue to be evaluated on a property by property basis to ensure values reflect current market conditions. The cap rate utilized on the Hanna, Alberta property was lowered to reflect additional square footage, additional lease revenue, and an in place long-term lease with a multi-national tenant.

There were no significant changes to the net values during Q3 2019.

During Q1 2019, the Company lowered the values on two properties which contributed significantly to the net valuation losses of $1,453,502. One property where a tenant occupying 32,762 ft^2 vacated after paying out their lease obligations, represents 34% of the square footage of the building. The Company made significant improvements to this space after the tenant vacated and it is being actively marketed for lease. The decrease in value represents the lost revenue and the expected costs to lease it. The second property is where a tenant requested a reduction in their contracted lease rate to the term of their lease. The loss in revenue is reflected in a lower valuation of this property.

At Q4 2018 the Company increased the cap rates on several properties to avoid large fair value increases that may not be indicative of the current market value of the property. The positive valuation during the quarter was the result of the build to suit project in Hanna, Alberta. The building was substantially complete at Q4 2018 and with a current lease in place the tenant took occupancy in Q1 2019. The property was recorded at fair value, less the construction costs to complete at Q4 2018.

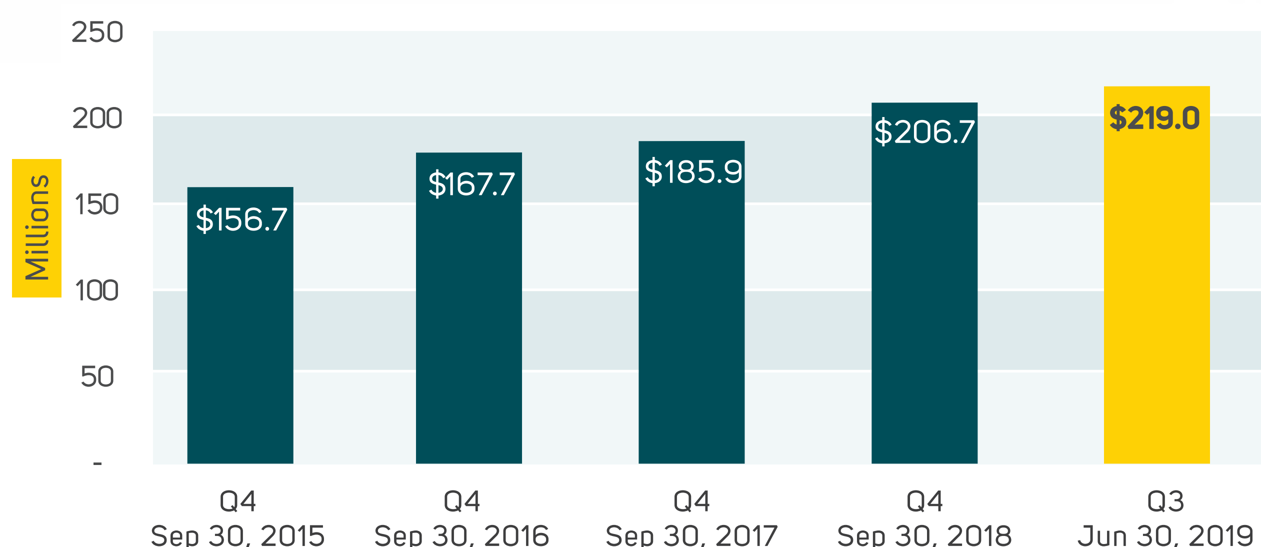
At Q3 2018 the Company agreed to an early lease termination for a tenant in Fort McMurray Alberta. An accelerated rent adjustment in the amount of $1,992,928 was reported as income in Q4 2018. Concurrent with the negotiations to release the tenant from their lease obligations, Management agreed to a new lease with a large national tenant that took occupancy of the building on July 1, 2018. The new lease rental revenue is lower than the lease that was terminated due to decreased market conditions in Fort McMurray. The impact of the recession, and the major fires that ravaged the Fort McMurray region, means the city is still restructuring to its former glory. All other inputs remaining the same, the effect of the lowered income from the new lease, meant a decrease of $4,464,828 in the fair

value of the land and building. The new tenant already has a well-established presence in Fort McMurray and was eager to move into a newer, larger facility for their expanding operations.

Fair value losses will often occur during Q3 each year the result of small increases in the revenue stream which typically cause fair value increases, netted against items capitalized. Building improvements are performed in the warmer summer months of Q3. The capitalized building improvements generally exceed any incremental fair value increase, and Management will make a negative adjustment to the property's carrying value to bring it to the fair value at the reporting date. Also, at Q3 each year property taxes are capitalized to vacant land causing a negative revaluation to bring the values back to estimated market values.

In each of the last quarters, the Company has adjusted the cap rates upward on several properties because if left unadjusted, the increase in contracted revenue for the next twelve months would cause fair value increases that are not likely indicative of current market values.

FAIR MARKET VALUE OF INVESTMENT PROPERTIES



- **Valuation net gains or (losses) from investment property** are the result of market values at each reporting date, estimated by management using the actual annual contracted subsequent year revenue stream, less a vacancy and structural reserve allowance, applying a capitalization rate to this normalized income, and deriving a fair value. Capitalization rates used to estimate fair market value consider many factors including but not limited to; location, size of land, site coverage, strength of tenant, term of lease, lease rate, age of building, size of building, construction of building and any unique features of the building. Given that not all industrial properties are the same, management will apply these factors to each property in determining a capitalization rate. If a property has all favourable factors, the valuation will likely be calculated using the low end of the capitalization rate range.

Lower capitalization rates are applied to the Company's class A buildings that have strong tenants, long term leases and are typically of newer construction. Higher capitalization rates apply to the Company's older buildings and take into consideration whether the property is multi tenanted, condition of the building, the strength of the tenants, site coverage and location of the property.

At each reporting date, this calculation method is performed on all the investment properties except for the Oliver Crossing property, vacant land, and land under lease. (September 30, 2018 there was one property under development valued at cost). The market value of Oliver Crossing is calculated based on the total square footage of land multiplied by a dollar value per square foot. This property is in a high demand area of Edmonton situated on the fringe of downtown. The current buildings on the property are aged and the real property value is not derived from the buildings and their lease income, but rather is derived from the land value in this highly sought-after area.

Construction of new buildings are valued at cost until the earlier of the date that fair value can be reliably determined, or the projects are complete. Land held for development is valued using management's research of similar vacant land that has sold recently or, is available for sale. Land under lease with tenants is valued at the fair value of similar vacant land.

The Company continues to increase the investment property portfolio each year by acquiring properties with a view towards capital appreciation.

- **Income from operations** in the current period was positively affected by the recording of accelerated rent of $182,207 from a tenant that vacated their premises prior to their lease expiry date. Rental revenue is higher in 2019 over 2018 due to the increased activity in acquisitions and new leases in the last twelve months. Property operating expenses are higher this year due to the new acquisitions.

- **Finance costs** include interest on financing, amortization of deferred finance fees, and are net of interest income. Interest on financing is up at Q3 2019 compared to Q3 2018 due to additional mortgages received, rising interest rates on new and renewed mortgages, and increased use of the bank credit facilities. The Company utilized the lines of credit and related party financing in the last twelve months to assist with new acquisitions. Related party financing during the current period is noninterest bearing.

- **Administrative** expenses are lower this year compared to last year due to a reversal of a bad debt provision in the amount of $900,000 at Q3 2019. Administrative expenses increased during this year due to an increase in employees and associated salaries and benefits.

Regular administrative expenses include salaries, annual finance fees on lines of credit, charitable donations, shareholder communications and other small sundry accounts.

- **Amortization** of deferred leasing costs relates to leasing fees charged with the signing of new tenants, or upon lease renewals. The costs are amortized over the life of the respective leases varying from five to twenty years. Amortization is higher this year due to increased lease renewals and new leases in the last twelve months.

- **Unrealized losses on short term investments** are the result of valuing the marketable securities at mark to market.

CHANGES IN CASH FLOWS

- **Cash provided by operating activities** was $6,698,591 at Q3 2019 (Q3 2018 – $4,694,317). The Company continues to generate positive cash from operations to cover day to day expenditures and bank cash for future opportunities. The cash flow provided from operations this year was higher due to increased revenues from new acquisitions with tenants. In the prior year there were cash outflows for leasing fees of $877,549 compared to $220,020 at Q3 2019.

- **Cash used in investing activities** was $15,488,238 at Q3 2019 (Q3 2018 – $8,203,842). There were four property acquisitions this year totalling $11,482,864 and two buildings under construction during 2018 were completed in Q1 2019, with additional construction costs of $1,865,104. This compares to five acquisitions in the prior year at a cost of $7,131,140 and construction costs of $3,356,753. Changes in working capital associated with investing activities can temporarily skew the figures positively or negatively depending on accounts payable. At Q3 2019 accounts paid for construction payables created negative cash flows of $1,694,361 compared to positive cash flows at Q3 2018 of $2,130,022.

- **Net cash provided by financing activities** was $6,696,883 at Q3 2019 compared to $3,138,521 at Q3 2018. At Q3 2019 the Company has received $9,400,000 of new mortgages compared to net proceeds received at Q3 2018 of $10,050,000. The credit facilities were used to assist with closing property acquisitions and fund the construction projects. In addition to regular principal payments on the mortgages, one lender required the Company to deposit a total of $1,300,000 (monthly instalments of $100,000) in GIC's until a specific mortgage matured in Q3 2019. Total GIC's held under this agreement at Q3 2019 are $1,300,000 (Q3 2018 – Nil). Subsequent to the quarter ending, the GICs were released to the Company.

Finance costs increased this year by $771,869 compared to last year with new and renewed mortgages at slightly higher interest rates and increased use of bank operating facilities.

During the current year the Company purchased 43,700 common shares under the normal course issuer bid for a total cost of $171,936 (Q3 2018 - a total of 18,900 shares were purchased for a total cost of $79,780).

At Q3 2019 there was a **net decrease in cash** of $2,092,764 compared to a decrease in cash at Q3 2018 of $371,004.

SIGNIFICANT BALANCE SHEET CHANGES

▶ **Investment properties** include the fair value of the properties at the reporting date as valued by Management, including the unamortized balance of straight-line rent receivables, unamortized balance of deferred leasing costs and unamortized balance of tenant inducements, if any.

Changes since the fiscal year end of September 30, 2018 are detailed below.

	Income Producing Properties	Completed Properties Under Development	Held For Development	Total Investment Properties
Opening balance at September 30, 2018	$ 186,853,753	$ 9,340,565	$ 10,516,418	**$ 206,710,736**
Additions:				
Property improvements	316,115	-	129,794	**445,909**
Construction costs	-	1,865,104	-	**1,865,104**
Leasing commissions	173,464	46,556	-	**220,020**
Property acquisitions	9,803,127	-	1,679,737	**11,482,864**
Change in straight-line revenues	(28,866)	(44,087)	-	**(72,953)**
Revaluation losses, net	(1,441,819)	(60,422)	(132,918)	**(1,635,159)**
Amortization of deferred leasing	(199,940)	(10,932)	-	**(210,872)**
Ending balance at June 30, 2019	**$195,475,834**	**$ 11,136,784**	**$ 12,193,031**	**$ 218,805,652**

Property improvements on income producing properties include HVAC units, overhead heaters, parking lot major improvements. Capitalized to land held for development are property taxes.

Construction costs are for the completed projects in Hanna, Alberta for the tenant Cervus and Edmonton, Alberta for the newest building called Coppertone III. This building was leased to a tenant in Q3 2019.

Leasing commissions during the current period were for three lease renewals and one new lease.

Property acquisitions include the ALS building, the Sable Building and 3 acres of vacant land all in Edmonton, Alberta, and the Rocky Mountain Equipment building in Vegreville, Alberta.

▶ **Mortgages** at Q3 2019 have a balance of $90,831,066 (Q4 2018 - $85,669,230). During Q1 2019 two new mortgages totalling $9,400,000 were received and placed on a new acquisition and the completed building project in Hanna, Alberta. Three mortgages were renewed for five-year terms, and one mortgage was renewed for one year.

At Q3 2019 there are two mortgages up for renewal in the next twelve months with combined principal balances of $10,698,582 which are shown as current liabilities. GIC's in the amount of $1,300,000 (Q4 2018 - $400,000) are held as additional security for one mortgage that matured July 1, 2019. The Company renewed the mortgage prior to the quarter ending and the related GICs were released to the Company July 1, 2019. Netted against mortgages on the consolidated interim statements of financial position is the balance of unamortized fees associated with new or renewed mortgages, totalling $266,117 at Q3 2019 (Q4 2018 – $242,184).

▸ **Loan Receivable** of $1,030,167 at Q3 2019 is net of a $100,000 provision for impairment (Q4 2018 – loan of $1,009,825 net of a provision of $1,000,000). The loan relates to the early lease termination of a tenant in Fort McMurray, Alberta where an accelerated rent adjustment in the amount of $2,992,928 was negotiated during the prior year. Included in the agreement was a loan receivable of $2,200,000 repayable in 22 monthly instalments that includes interest at an annual rate of 6%. An impairment provision of $1,000,000 was applied to this loan at September 30, 2018. Contractual instalments were received in Q1, Q2 and Q3 2019 and the Company reversed a portion of the provision for impairment in the amount of $900,000. Management will continue to re-evaluate the provision at each reporting period and apply any changes as necessary.

▸ **Receivables** of $81,940 at Q3 2019 and $242,792 at Q4 2018 are net of an allowance for doubtful accounts of $10,000 (September 30, 2018 - $16,061). Receivables at Q4 2018 included taxes and rebates of $111,757 and the balance was for tenant receivables and accrued interest.

▸ **Prepaid expenses and deposits** have a balance at Q3 2019 of $1,251,789 (Q4 2018 - $1,218,946) relating to property insurance premiums, property taxes and security deposits with municipalities.

At Q4 2018 there were deposits of $665,000 placed pursuant to offers to purchase investment property. Three deposits were applied to acquisitions in Q1 2019 and the remaining $200,000 was refunded to the Company.

▸ **Restricted cash** of $1,300,000 at Q3 2019 (Q4 2018 - $400,000) was held as collateral with one of the Company's major lenders as additional security for a specific mortgage that matured July 1, 2019. The mortgage was renewed for a further five-year term and the $1,300,000 was released to the Company on July 1, 2019.

▸ **Short–term investments** are common shares held for trading. The value at Q3 2019 is $240,000 (Q4 2018 - $373,500). The shares are recorded at the quoted market value at each reporting date.

▸ **Security deposits** held for the performance of the tenants increased this year with the addition of new tenant leases. The current portion of deposits is included in payables and accruals.

▸ **Other financing** unsecured at Q3 2019 of $5,070,000 (Q4 2018 - $4,020,000) is non-interest bearing (Q4 2018 – annual rate of 6%). Other financing is due to related parties and has no specific dates of repayment.

▸ **Bank operating facilities** at Q3 2019 have a balance of $22,946,004 with two of the Company's major lenders (Q4 2018 - $18,457,672 with two of the Company's major lenders). These credit facilities were used to assist with the acquisitions of investment properties, and the completed construction of two buildings.

The Company currently has two credit facilities ("Line of credit", or LOC") with two of its major lenders.

CREDIT FACILITIES

	June 30, **2019**	September 30, **2018**
Bank credit facilities	$ 23,000,000	$ 20,000,000
Amounts drawn on facilities	(22,946,004)	(18,457,672)
Available credit facilities	**$ 53,996**	**$ 1,542,328**

- A LOC with a limit of $13,000,000 (Q4 2018 - $10,000,000) is secured by a general security agreement and a collateral mortgage in the amount of $10,000,000 placing a fixed charge against specific properties. The facility bears interest at prime + .95%, unchanged from the prior year, and can be used for property acquisitions and general operations. There are no financial covenants with this credit facility.

- The Company has a second LOC with a limit of $10,000,000 unchanged from the prior year. The LOC bears interest at prime plus 1% per annum and is secured by specific revenue producing properties. This LOC incurs standby fees of 0.25% per annum on any unused portion of the facility. The revolving demand facility is available to assist with property acquisitions, payment of development costs, and general corporate purposes.

Specific details of the credit facilities and associated loan covenants can be found in Note 9 of the consolidated interim financial statements. The Company was not in breach of any loan covenants throughout both reporting years.

▸ **Payables and accruals** are $752,505 at Q3 2019 (Q4 2018 - $3,145,876). The balance at Q3 2019 includes accrued interest on financing, prepaid rents from tenants, and regular payables. (Q4 2018 – accrued interest on mortgages, prepaid rents from tenants and construction payables).

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4
Revenue	3,973,657	3,850,537	3,721,321	5,497,881	2,930,792	3,486,193	3,328,342	3,396,004
Total Comprehensive Income (Loss)	1,519,848	1,393,144	(886,496)	3,395,251	(3,163,279)	1,449,203	661,438	1,860,217
EPS-Basic	0.16	0.15	(0.10)	0.35	(0.33)	0.15	0.07	0.19
EPS-Diluted	0.16	0.15	(0.10)	0.35	(0.33)	0.15	0.07	0.19

QUARTERLY CHANGES IN THE REVENUE

▸ **The increase in revenue at Q3 2019 reflects additional revenue from new tenant leases.**

Q2 2019 revenue is higher than Q1 2019 by $125,000 reflecting a full quarter of revenue from the tenant in Hanna, Alberta, and changes in the straight-line revenue.

Q1 2019 revenue reflects an amount received for accelerated rent from a tenant that vacated their premises prior to the expiry date of their lease. The full amount of rent due to the term of the lease was $182,207. Revenues have increased this year compared last year due to additional tenants in the buildings acquired over the last twelve months.

Q4 2018 revenue from investment property increased with the addition of new leases on land acquisitions and two new tenants on property acquisitions, the Skyway building and Dynomax building. Additional revenue of $1,992,928 is non-recurring revenue generated from the accelerated rent adjustment for an early termination of a lease. Q4 revenues also increased with additional billings to tenants for annual reconciled operating cost recoveries.

In Q3 2018 revenue was impacted by the amortization of tenant inducements relating to one lease that was terminated where the tenant was placed in receivership. The total amortization was $336,364. The unamortized balance of straight-line rent associated with a lease terminated in Fort McMurray, Alberta was fully amortized in Q3 2018. This resulted in a decrease to rental revenue of $162,652.

During Q2 2018 the Company started receiving revenue from the Skyway building and an additional land lease.

Fluctuations in revenue quarter to quarter will often be the result of one or more of the following:

- revenue generated from new leases
- amortization of tenant inducements
- increases due to the reconciliation of operating costs to budget at each Q4
- changes in straight line revenue due to lease renewals and new leases.

The Company reports straight line revenue which is the average revenue generated per property over the term of the respective lease. Therefore typically, quarterly changes in revenue are not material until new tenants begin paying rent.

QUARTERLY CHANGES IN TOTAL COMPREHENSIVE INCOME AND EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED)

The large fluctuations in total comprehensive income are largely caused by the revaluations of the investment properties.

Net valuation gains (losses) per quarter:

2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4
$ (148,530)	$(33,127)	$(1,453,502)	$805,792	$(4,702,567)	$235,704	$185,145	$280,967

Q1 2019 unrealized losses reflect small gains and losses on all the properties where revaluing the properties to market values takes into consideration amortization of straight-line rents and deferred leasing. Any amounts capitalized to the properties during the quarter will have a downward adjustment to the value, to maintain current market values. Three properties had larger write downs this quarter. A multi tenant building has a vacancy where a tenant was occupying 32,762ft2 or 34% of the building. After the tenant vacated, Management completed major improvements to the interior space, and it is being actively marketed for lease. The lower value on this property reflects the loss in revenue and the costs to release the space. Another property has a single tenant that requested some relief from their lease obligations. Management agreed to reduce their rent to the term of their lease. All other inputs remaining the same, the lower revenue from this lease caused a large decrease in the value of the property. A third property where a tenant will not be renewing their lease, was lowered in value to reflect current market conditions.

Q4 2018 had small property by property decreases to maintain the values at the current market rates. These small losses were offset by the gain on one of the properties that was under construction during the year in Hanna, Alberta. At Q4 2018 the building was substantially complete with a signed lease in place. The tenant took occupancy in Q1 2019. At Q4 2018 the property could be reliably measured at fair value less the construction costs to complete.

Q3 2018 net losses are primarily the result of one property in Fort McMurray, Alberta. During Q3 2018 the Company agreed to an early lease termination for a tenant resulting in an accelerated rent adjustment of $2,992,928 (less a provision for impairment of $1,000,000) that was reported as income in Q4 2018. Concurrent with the negotiations to release the tenant from their lease obligations, Management agreed to a new lease with a large national tenant that took occupancy of the building July 1, 2018. The new lease rental revenue is lower than the lease that was terminated due to decreased market rates in Fort McMurray. The impact of the recession, and the major fires that attacked the Fort McMurray region, means the city is still recovering to its former glory. All other inputs remaining the same, the effect of the lowered income from the new lease, meant a decrease of $4,464,828 in the fair value of the land and building. Rent from the new tenant commenced in Q4 2018. The balance of net losses at Q3 2018 in the amount of $237,739 are typical of this time of year where capital improvements and capitalization of property taxes on vacant land, will increase the cost for accounting purposes. A negative revaluation is required to keep the values at market rates

While a considerable number of properties had increases in the contracted revenue stream which increases the value when applying a capitalization ("cap") rate, the Company has chosen to keep the values the same on some of the properties by adjusting the cap rates upward during 2017 and 2018. There is no evidence in the market to suggest the related property values are increasing or decreasing at

the present, therefore most of the values are adjusted slightly upward in the quarter to offset the amortization of deferred charges, which includes straight line rent, leasing fees, and tenant inducements, if any.

At Q4 each year, budgeted occupancy costs are reconciled with actual costs and where possible those additional costs are charged back to the tenants. This will typically have a positive impact on earnings for the fourth quarter.

Affecting fair values are changes in the contracted revenue to be received in the next twelve months, as well as changes in the balances of straight-line rent, deferred leasing, tenant inducements, capitalized expenditures, and changes to cap rates. These are inputs that contribute to the fair value increases or decreases of the investment properties.

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 in the last eight quarters.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Total issued and outstanding shares at Q3 2019 remains unchanged from Q4 2018 at 9,583,642. The Company received approval to renew its normal course issuer bid which expires on August 30, 2019. During the current period, the Company purchased 43,700 shares for a total cost of $171,936. All the shares will remain in treasury until cancelled.

In the prior year, the Company purchased 18,900 shares for a total cost of $79,780. All the shares were held in treasury until cancelled.

At Q3 2019 there are 475,000 share options issued and outstanding under the Company's stock option plan. The options entitle the holder to one common share in exchange for each option held at an option price of $4.25. The options expire August 26, 2019.

DIVIDENDS

The Company issued a press release January 14, 2015 announcing the suspension of the dividend payments until further notice, due to the uncertainty surrounding the Alberta economy and oil prices. Dividend distribution is determined by the board of directors after evaluating the earnings of the Company and the overall outlook for the economy. Dividends are declared and paid, based on the common shares owned at the record date. Shareholders are cautioned that past issuance of dividends by the Company does not guarantee that future dividends will be issued.

Management and the Board of Directors have not set a date for the resumption of a dividend. Currently, it is their opinion that the Company should focus on reserving cash balances to position itself for opportunities that arise to increase the portfolio and create shareholder value through capital appreciation of the properties.

RELATED PARTY TRANSACTIONS

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

Property management and maintenance fees in the amount of $734,558 (Q3 2018 - $633,160) were paid to Sable Realty & Management Ltd., ("Sable") a company controlled by Sine Chadi, a director and officer of the Company. Fees paid to Sable are pursuant to a contract with Imperial Equities Inc. to bill for the management and maintenance of its properties for a fee of 4% of rents collected. Maintenance performed by Sable's property management team is charged at competitive rates of $65 per hour (Q3 2018 - $50-$65 per hour) for labour, plus equipment and parts charges. Sable provides its own trucks, tools and equipment to perform property maintenance. Imperial Equities recovers most of the management and maintenance fees from the tenants under their occupancy costs. Four leases have no management fee recoverable and the remaining leases have a provision for the recovery of 2%-5% of minimum rent, or rent, which would include minimum rent and operating expense recoveries. The percentage of management fees negotiated and collectible under the leases varies based on the amount of work involving Management in maintaining the property, as opposed to how much the tenant is involved.

- **Leasing, acquisition and disposition fees** in the aggregate of $247,369 (Q3 2018 – $844,777) were paid to North American Realty Corp. ("NARC") a Company controlled by Sine Chadi. In the current period, $113,250 was paid for the acquisitions of the ALS building, the Sable building, a three-acre parcel of land and the RME building. During Q2 2019 leasing fees were $134,119 for new and renewed leases during the quarter. Fees and commissions are in line with current industry standards and are comparable or favorable to similar transactions undertaken by the Company with unrelated parties.

- **Office rent, parking and warehouse lease space** were paid to Sable in the aggregate amount of $75,150 (Q3 2018 – $72,700). Imperial Equities shares office space with Sable and pays $8,350 per month (Q3 2018 average $8,077 per month). Warehouse lease fees to store materials owned by Imperial were discontinued in Q1 2018.

- **Fees** paid in the amount of $150,000 (Q3 2018 - $150,000) were paid to Sable for the services provided by the Company's Chief Financial Officer who is not paid directly by Imperial Equities.

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.

Contracts with Sable and NARC have been in place since 1999 with no changes to the terms. They can be viewed on-line at www.Sedar.com. These contracts and the associated fees and rates were approved by the board of directors.

Paid to directors

Directors' fees paid for attending directors' meetings were $40,000 at Q3 2019 (Q3 2018 - $37,500). Fees per meeting are currently $2,500. The fees paid are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations.

Compensation to key management personnel

The Company's key management personnel include the President Sine Chadi who is also a director and significant shareholder of the Company. Total salary paid to Mr. Chadi during the period was $225,000 unchanged from the prior year.

Unsecured interim financing from a company owned 100% by a director and major shareholder

Interim party financing from North American Mortgage Corp. totalling $750,000 was received and repaid with interest at an annual rate of 6% during Q1 2019. Total interest paid was $5,633.

In the prior year during Q1 2018, interim financing in the amount of $50,000 was received from North American Mortgage Corp. The total amount was repaid without interest in Q1 2018.

Unsecured interim financing from a company under common control

In the current quarter, interim financing of $1,050,000 was received from a company that is under common control by Sine Chadi. During the prior year, interim financing of $4,020,000 was received from this company and remains outstanding at Q3 2019, bringing the total balance outstanding to $5,070,000 at June 30, 2019. No interest is being charged on this balance during the current period. The $4,020,000 outstanding at September 30, 2018 accrued interest at an annual rate of 6% from the date of receipt until September 30, 2018. Total interest accrued at Q4 2018 was $19,287. (Q3 2018-Nil). The loans were repaid in full subsequent to the quarter ending. Total interest paid was $19,287.

Unsecured interim financing from directors and shareholders

In the prior year, at Q1 2018, the balance of other financing outstanding at September 30, 2017 of $1,300,000 was repaid with interest at an annual rate of 6%. Total interest paid was $10,903.

During Q3 2018 other financing unsecured in the amount of $2,500,000 was received from two shareholders of the Company. The loans earned interest at an annual rate of 6%. Total interest accrued at June 30, 2018 was $5,820.

LIQUIDITY, CAPITAL RESOURCES AND SOLVENCY

Income from operations or cash flows from operating activities are the primary sources of liquidity measures to service debt and fund planned expenditures for maintenance and capital improvements on the investment properties. Net income is not used as a liquidity measure as it includes non-cash fair value changes on investment properties and fluctuations on mark to market short term investments.

	9 months **June 30, 2019**	12 months **September 30, 2018**
Income from operations	**$ 8,539,941**	**$ 11,788,601**
Available unused credit facilities	**$ 53,996**	**$ 1,542,328**
Cash provided by operating activities	**$ 6,698,591**	**$ 7,180,380**

The Company continues to generate cash from operating activities to meet the requirements of ongoing property maintenance including capital improvements, and to meet its debt financing requirements. The Company relies on the existing credit facilities to assist with short term borrowing needs, including construction costs if any, and fund a portion of property acquisitions. The Company has not breached any debt covenants and maintains a healthy relationship with its current lenders.

The Company primarily relies on its lenders to finance the majority cost of property acquisitions through conventional mortgage financing. Any further cash shortfalls are covered through related party financing. The Company has been very successful to date with financing its acquisitions and does not foresee any impediments to obtain the required financing to continue growth, and satisfy short term borrowing needs and obligations.

Investment properties that are unencumbered with debt total $17,204,993 at June 30, 2019 and the current debt encumbered on properties is 56% of the fair value of the secured properties.

At June 30, 2019 there are two mortgages totalling $10,698,582 and shown as current liabilities. The Company intends to renew the mortgages as they come due and may have the option of increasing the debt on a particular property, subject to the lender's approval, to provide increased capital. There is risk to the Company that mortgages that are up for renewal may not be renewed or may not be renewed at the same rates and therefore the monthly P&I may change. Total monthly principal and interest payments at June 30, 2019 are $741,526. Annual payments of $8,898,312 will be covered with cash flow from operations.

Subsequent to the quarter ending, the Company received an increase to one of the credit facilities from $10,000,000 to $13,500,000. Additional investment properties were added to the secured properties with this increase. There was no change to any of the financial covenants.

Other sources of funds include the loan receivable of $1,130,167 (before a provision of $100,000) at Q3 2019 which should contractually provide monthly cash receipts of $105,850. The Company will also look toward the disposition of short-term investments of $240,000 when the market conditions are favorable.

The Company has no other contractual commitments to purchase or sell assets, other than as disclosed above, and as disclosed in Note 21 of the consolidated interim financial statements.

CRITICAL ESTIMATES
OF THE CURRENT ECONOMIC ENVIRONMENT AND OUTLOOK

The economic environment that Imperial operates in could be adversely affected by tenants that may be challenged by unfavourable economic conditions within our economy.

During Q1 2019 an Edmonton based tenant asked Management for some relief from their current lease obligations due to major cash flow issues. Management agreed to amend their rent for the duration of their lease.

One very small tenant has resumed making payments on their arrears. The rent from this tenant amounts to one half of one percent of monthly rents and is not considered a financial threat if the tenant, in a worst-case scenario, had to vacate. At Q3 2019 and Q4 2018 Management included an allowance for bad debt for this tenant.

Early in 2017 a tenant with direct exposure to the oil and gas industry contacted Management to advise of their cash flow challenges and asked to defer part of their rent for one year. Upon the expiration of the deferred period in Q2 2018, Management extended the deferral to Q3 2018. During Q3 2018, Management completed negotiations to accept an accelerated rent adjustment for early termination of this tenant's lease. The total net rent adjustment of $1,992,928 was recorded in revenue in Q4 2018 (Note 4). Simultaneous with this lease termination, was a new 11 - year lease agreement with a large national tenant who wished to take over this space in Fort McMurray, Alberta. Rental income commenced in Q4 2018.

There are no other indications from any other tenants that they will not be able to pay their rent.

Imperial continues to be very successful with all its financing requirements and diligently monitors the risk factors when considering strategic plans.

RISKS

Tenants' performance, market capitalization rates, lease rates, interest rates and environmental risk and cybersecurity risk.

- **Current tenants and their exposure to market risks** may impact Imperial if the tenant fails to make contracted rental payments.

Portfolio of Tenants

One of the Company's internal performance drivers is to ensure the quality of the tenant base is strong. Most of the Company's tenants are large and able to withstand a little economic turbulence. The Company does not have any one tenant that makes up 10% or more of the rental revenue.

Mix of Tenant Base	Institutional	Multi-National	National	Regional Large	Regional Medium	Local Small	Totals
% of Occupied GLA	8%	42%	26%	9%	8%	7%	100%
% of Annual Rental Revenue	4%	53%	24%	13%	4%	6%	100%

The Company's annual rental revenue is the 12-month revenue stream from contracted rents, also called Minimum Rent or Basic Rent in the Company's leases and excludes revenues from operating expense recoveries and month to month leases. It is shown in the above chart to illustrate the majority of the Company's lease revenues are from large multi-national or national tenants.

Imperial's real estate portfolio is predominately made up of large single tenant buildings that are leased to multinational, national and large regional tenants. Larger companies tend to be more skilled in the ability to weather an economic downturn.

Most tenants have been with Imperial for many years. Notwithstanding the size of each individual tenant, Imperial runs the risk of losing such a tenant due to unforeseen and poor economic conditions.

The risk of vacancy of any leased space is the Company's ability to continue to meet the mortgage obligations on the property as well as carrying costs including property taxes, utilities and insurance. If in an extreme case a property became vacant, the carrying costs and mortgage payments could be paid for with existing cash flows from operations. At Q3 2019 Imperial's occupancy rate is 96.9% year to date.

As with all the Company's past transactions, future opportunities will be looked at through proper due diligence, and limited risk measures.

- **Market values of the investment properties** can decrease if the demand for industrial properties lease space decreases and rental rates are reduced, or capitalization rates increase. Imperial's exposure to the market value of its real estate assets affects mortgages up for renewal. Properties with mortgages that are maturing in the next 12 months may be externally appraised for their current market value, if the lender requires. During Q1 2019 three mortgages were extended at their term dates and two new conventional mortgages were received. During Q3 2019 a mortgage was renewed for a further five-year term.

Factors that influence market values of investment properties are the income generated from the property, demand, vacancy rates, term of the current lease, strength of the current tenant, age of the building and location. Imperial is not aware of any obstacles at this date that would negatively affect its ability to refinance its buildings as the mortgages come due.

One property in Fort McMurray, Alberta where the tenant vacated early in 2018, the lender required the Company to place additional security and collateral against this mortgage, by depositing funds into GIC's held to the maturity date of the mortgage, July 2019. Total deposits to GIC's will not exceed $1,300,000. This requirement was based on the new lease signed with another company at lower rates than the previous lease. The lower income generated from the property, caused a valuation loss of over $4 million during the prior year.

The Company has determined that capitalization rates used to evaluate a property have moved slightly upward and when valuing the properties at each quarter, several properties were adjusted accordingly, which will create unrealized losses. The total fair value of the investment properties at Q3 2019 is $218,805,652 which includes $17,204,993 of properties unencumbered with debt. The mortgages and bank operating facilities encumbered on specific properties total $113,777,070 or 56% of the encumbered property. Management believes the amount of debt against the properties is low enough to absorb any decline in values and support our ability to refinance.

- **Lease rates** will adjust downward if demand for industrial lease space decreases. As demand for this type of lease space goes up so does the lease rate. In any economic downturn, we could expect that the demand for space decreases and therefore the lease rate would decrease accordingly. Imperial is mindful of these risks. Management believes that any further leases that are up for renewal in 2019 will likely be renewed at par.

- **Interest rates** on mortgages that are up for renewal may rise as the Bank of Canada continues to keep inflation in check by increasing its benchmark interest rates. All the mortgages that were up for renewal in the last twelve months were renewed at higher rates than the prior terms, except the most recent mortgage which was renewed at a lower rate than the previous term. The Company tries to mitigate the risk of rising interest rates by fixing rates for longer terms and by minimizing its exposure to floating rate financing. All mortgages have fixed rates.

Environmental risk

The Company is subject to various federal, provincial and municipal laws relating to the environment. To mitigate this risk, each newly acquired property or those currently owned by the Company has undergone a thorough Phase I Environmental Site Assessment (ESA) by a qualified environmental consultant. This ESA then becomes a benchmark used in conjunction with the tenant leases which includes a section outlining environmental liability. The Company then conducts a regular inspection of each property to ensure compliance.

Cybersecurity risk

Cybersecurity has been identified as a risk to the Company prompting regular reviews of security measures to take appropriate steps to reduce this risk. While the Company is aware it cannot protect against all types of attacks and human error, management has an adequate defense against the most common ones. Policies to protect the Company's data from a breach include the following:

- non-use of networks for sharing data; computer data is in locked offices with strict limited access;
- strict username and password protection including frequently changing passwords which limits the access to company information;
- only use trusted software to execute on the operating system;
- regular updates of anti-virus software, web browsing and email security software, malware security software and firewalls;
- employee vigilance against suspicious emails and attachments;
- update to new operating systems as they are made available to reduce the risk of unintentional and intentional computer infection;
- automatic software updates to ensure software currency, and reduce the risks associated with out-of-date, vulnerable software; and
- use of physical external hard drives to daily backup the system

To date, the Company has not experienced any breach of its data and will continue to regularly use third party IT consultants to provide advice on hardware and security options.

PLANNED EXPENDITURES

At Q4 2018, the Company had placed deposits of $665,000 pursuant to conditional agreements to purchase investment property. Subsequent to the year end, $445,000 were applied to the acquisitions in the period and the remaining $200,000 was refunded to the Company.

At Q4 2018 the Company had construction costs to complete the two buildings under development. Total contracted costs not incurred at September 30, 2018 were $1,521,661. During Q1 2019, both buildings were completed, and both are now occupied with tenants.

There are opportunities to purchase other properties currently on the market. The Company continues to look at all opportunities and evaluate the best possible alternatives. Cash needed to fund an acquisition of property will be provided through cash flows from operations, available funds through current bank credit facilities, and securing long term financing. Related party financing is also available to the Company which is generally available on a short-term basis. Management tries to avoid related party financing as the interest rate is higher than current bank credit facilities, however, management will use this resource if necessary, until lower financing is put in place.

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

ADOPTION OF ACCOUNTING STANDARDS

The Company has adopted the following standards in its consolidated interim financial statements.

IFRS 2 Share-based Payment has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in June 2016. The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company has adopted the standard and there was no impact on the consolidated interim financial statements.

IFRS 9, Financial Instruments replace IAS 39 and introduces a new classification and measurement model with three classification categories, 'amortized cost', 'fair value' and 'fair value through other comprehensive income', for financial assets, as well as an expected

loss impairment model that requires more timely recognition of expected credit losses and a new hedge accounting model. The adoption of IFRS 9 did not result in any adjustments upon transition. Financial assets which include cash and cash equivalents, restricted cash, accounts receivable and loan receivable were previously classified as Loans and Receivables are now classified as amortized cost. This change in classification did not result in any changes in measurement of financial assets. The Company was required to revise its impairment methodology under IFRS 9 for its financial assets, to account for expected credit losses. To measure the expected credit loss, financial assets have been grouped based on shared credit risk characteristics and the days past due. There was no significant impact to the measurement, recognition or disclosures of financial liabilities.

IFRS 15, “Revenue from Contracts with Customers” was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18 Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue-Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard’s requirements will also apply to the recognition and measurement of some gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities. The Company’s most material revenue stream is rental revenue and it is outside the scope of the new standard. The adoption of the new standard did not have a material impact on the consolidated statements of income and comprehensive income. The Company’s pattern of revenue recognition is unchanged and there were no adjustments to the opening retained earnings on the adoption of this standard.

IAS 40 was issued in December 2016 with an amendment effective January 1, 2018 that requires an asset to be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The Company adopted these amendments and clarifications in its consolidated interim financial statements on a retroactive basis and it did not result in any impact.

The Company adopted the Amendments to IFRS 3, Business Combinations (“IFRS 3 Amendments”) effective October 1, 2018 in advance of its mandatory effective date. Amendments clarifies the definition of a business in determining whether an acquisition is a business combination or an asset acquisition. It has removed the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs and the reference to an ability to reduce costs, and requires, at a minimum, the acquired set of activities and assets to include an input and a substantive process to meet the definition of a business. IFRS 3 Amendments also provides for an optional concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. If substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set of activities and assets is determined not be a business and no further assessment is needed. This election is made separately for each transaction. The Company has adopted the standard prospectively. All acquisitions to date are considered asset acquisitions and applying the IFRS 3 Amendments did not have an impact on the consolidated financial statements.

After the adoption of the IFRS 3 Amendments, the Company will account for business combinations in which control is acquired under the acquisition method. When an acquisition is made, the Company considers the inputs, processes and outputs of the acquiree in assessing whether it meets the definition of a business. If the acquired set of activities and assets lack a substantive process in place but will be integrated into the Company’s existing operations, the acquisition ceases to meet the definition of a business and is accounted for as an asset acquisition. Assets acquired through asset acquisitions are initially measured at cost, which includes transaction costs incurred.

Future accounting standards

IFRS 16, “Leases” was issued in January 2016. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. Lessor accounting, however, remains largely unchanged, and the distinction between operating and finance leases is retained. This standard will be effective for annual periods beginning after January 1, 2019, with early adoption permitted so long as IFRS 15 has been adopted. The Company has assessed this standard and consistent with IAS 17, leases with tenants will be accounted for as operating leases in the same manner they are currently being reported. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments", was issued in June 2017 as a clarification to requirements under IAS 12 "Income Taxes". IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued and have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated interim financial statements.

(b) Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimation uncertainty, in applying the Company's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

(i) Leases

The Company has entered commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts with tenants as operating leases. In applying this policy, the Company makes judgments with respect to the point in time at which revenue recognition under the lease commences.

(ii) Investment property

The Company's accounting policies relating to investment property are described in Note 2 (b) of the consolidated financial statements. In applying this policy, judgment is applied in determining whether certain costs are additions to the carrying amount of the property to be capitalized and, for properties under development, identifying the point at which practical completion of the property occurs and the directly attributable borrowing costs are included in the carrying value of the development property. Capitalization of expenses ceases to occur when the investment property is available for use. This judgement is applied when the property is substantially complete and is typically concurrent with occupancy. Judgment is also applied in determining the extent and frequency of independent appraisals.

In the normal course of operations, the Company acquires investment properties. At the time of acquisition, the Company considers whether the acquisition represents the acquisition of a business or a group of assets and liabilities. All acquisitions of investment properties acquired to date by the Company have been determined to be asset acquisitions.

(iii) Income tax

The Company follows the asset/liability method for calculating deferred income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction.

(c) Critical accounting estimates and assumptions

The Company makes estimates and assumptions that affect carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Actual results could differ from estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

Investment properties

The choice of the valuation method for fair valuing and the critical estimates and assumptions underlying the valuation of investment properties and investment properties under construction are set out in Note 3 in the consolidated financial statements.

Significant estimates used in determining the fair value of the investment properties includes capitalization rates and normalized net operating income (which is influenced by inflation rate, interest rates, vacancy rates, structural reserves and standard costs) by property, using property specific capitalization rates.

Investment property under construction is also valued at fair value, except if such value cannot be reliably determined. In the exceptional case when a fair value cannot be reliably determined, such property is recorded at cost. The fair value of investment property under construction is determined using either the discounted cash flow method or the residual method.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets and capitalization rates applicable to those assets. In addition, development risks (such as construction and leasing risks) are also taken into consideration when determining the fair value of investment property under construction. These estimates are based on local market conditions existing at the reporting date. In arriving at estimates of market values, management used their market knowledge and professional judgement and did not rely solely on historical transaction comparables. In these circumstances, there is more uncertainty than which exists in a more active market in estimating the fair values of investment property. The critical estimates and assumptions underlying the valuation of investment properties and developments are set out in Note 3.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expense already recorded.

Valuation of loan receivable

The valuation of the loan receivable is based on management's best estimate of the collectability of the principal balance. Management monitors the loan receivable for indications of impairment on an ongoing basis.

MEASURES NOT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Throughout the MD&A, management will use measures that will include Investment properties encumbered with debt, clear title properties and total debt on encumbered properties. These measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar calculations presented by other issuers. Different issuers may use the same term(s) to refer to different calculations or may vary the definitions of a particular term from one period to another period. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies.

DISCLOSURE CONTROLS AND PROCEDURES

Risks Associated with Disclosure Controls and Procedures & Internal Control over Financial Reporting

Imperial Equities' major weakness in internal controls and procedures has always been the lack of segregation of duties in the accounting department. The potential impact of a material weakness in internal controls on the financial statements would be the possibility of a material misstatement going undetected. Management is responsible for the existence and effectiveness of systems, controls and procedures to ensure that information used internally by management and disclosed externally is reliable and timely. Management has initiated measures to mitigate such material weakness with the addition of new staff to segregate duties.

Imperial Equities is a Venture Issuer and is not required to certify the design and evaluation of the disclosure controls and procedures and internal control over financial reporting and has not completed such an evaluation. There are inherent limitations on the ability of the certifying officers to design and implement on a cost effective basis DC&P and ICFR for Imperial and therefore there may be additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

The CFO is employed by Sable Realty & Management Ltd. and in addition to performing the accounting and reporting functions of the Company, the CFO also provides accounting functions to numerous other private companies owned and operated by the CEO. There is the potential for conflict of interest regarding related party transactions. All related party transactions are disclosed each quarter and the Audit Committee is provided with comparable figures for fees charged by other companies.

All proposed acquisitions are discussed at the audit committee stage. Once all internal conditions are met, an independent appraisal is ordered. Upon the successful closing of the transaction, acquisition fees charged by the asset manager, a related party, are disclosed to the audit committee. The Audit Committee provides oversight of financial statements and MD&A released to the public on a quarterly basis.

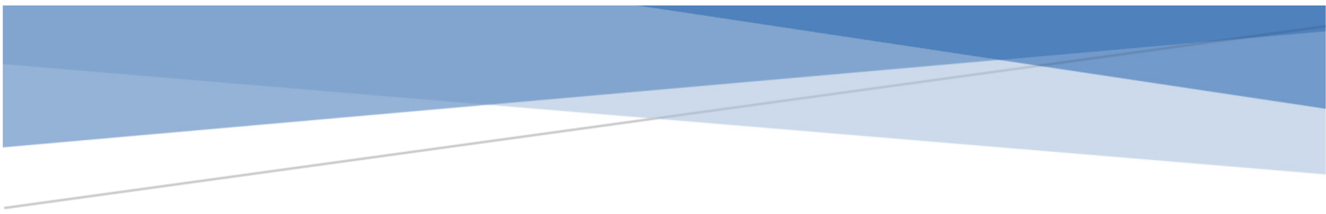
The Company cannot guarantee that controls and procedures in place will prevent all errors or misstatements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements to report.

FINANCIAL STATEMENTS

for the Third Quarter
ending June 30, 2019



IMPERIAL EQUITIES INC.

Q3 2019 Financial Statements

NOTICE TO READERS OF THE INTERIM FINANCIAL STATEMENTS
The interim consolidated financial statements have not been reviewed by the Company's auditors and should be read in conjunction with the Company's 2018 annual consolidated financial statements.

IMPERIAL EQUITIES INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	Notes	(unaudited) June 30, 2019	(audited) September 30, 2018
Assets			
Investment properties	3	218,805,652	206,710,736
Total non-current assets		**218,805,652**	**206,710,736**
Loan receivable	4	1,030,167	1,009,825
Receivables	6	81,940	242,792
Prepaid expenses and deposits	7	1,251,789	1,218,946
Restricted cash	8	1,300,000	400,000
Short term investments	5	240,000	373,500
Cash and cash equivalents		250,756	2,343,520
Total current assets		**4,154,652**	**5,588,583**
Total Assets		**222,960,304**	**212,299,319**
Liabilities			
Mortgages	8	74,644,982	64,146,206
Security deposits		614,369	611,654
Deferred taxes	12(b)	15,085,284	14,299,347
Total non-current liabilities		**90,344,635**	**79,057,207**
Current portion of mortgages	8	15,919,967	21,280,840
Other financing	22 (b)	5,070,000	4,020,000
Bank operating facilities	9	22,946,004	18,457,672
Payables and accruals	10	752,505	3,145,876
Income taxes payable		650,386	915,477
Total current liabilities		**45,338,862**	**47,819,865**
Total Liabilities		**135,683,497**	**126,877,072**
Equity			
Issued share capital	14(a)	5,858,822	6,030,758
Contributed surplus	14(b)	593,750	593,750
Retained earnings		80,824,235	78,797,739
Total Equity		**87,276,807**	**85,422,247**
Total Equity and Liabilities		**222,960,304**	**212,299,319**

Guarantees, contingencies and commitments (Note 18)
Post-reporting date events (Note 23)

See accompanying notes to the consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
Three and nine months ending June 30,

	Notes	Current Quarter 2019	Prior Year Quarter 2018	9 Months June 30 2019	9 Months June 30 2018
Rental revenue	17(a)	**3,121,351**	2,253,899	**9,167,936**	7,704,075
Property operating expense recoveries		**852,306**	676,893	**2,377,579**	2,041,252
Property operating expenses	17(b)	**(996,190)**	(839,371)	**(3,005,574)**	(2,488,147)
Income from operations		**2,977,467**	2,091,421	**8,539,941**	7,257,180
Finance costs	11	**(895,941)**	(720,389)	**(2,963,437)**	(2,191,568)
Administration expenses		**(61,723)**	(255,147)	**(134,155)**	(833,672)
Amortization of deferred leasing		**(72,231)**	(85,983)	**(210,872)**	(202,450)
Unrealized gains (losses) on short term investments	3	**6,000**	-	**(133,500)**	-
Valuation net gains (losses) from investment property	3	**(148,530)**	(4,702,567)	**(1,635,159)**	(4,281,718)
Income (loss) before income tax		**1,805,042**	(3,672,665)	**3,462,818**	(252,228)
Income tax (expense) recovery	12(a)	**(285,194)**	509,387	**(1,436,322)**	(800,412)
Net income (loss) and total comprehensive income (loss) for the period		**1,519,848**	(3,163,278)	**2,026,496**	(1,052,640)
Earnings (loss) per share, basic and diluted	15	**0.16**	(0.33)	**0.21**	(0.11)

See accompanying notes to the consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Nine months ending June 30,

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
October 1, 2018	9,583,642	$ 6,030,758	$ 593,750	$ 78,797,739	$ 85,422,247
Shares repurchased during the period	-	(171,936)	-	-	(171,936)
Net income	-	-	-	2,026,496	2,026,496
Balance June 30, 2019	9,583,642	$ 5,858,822	$593,750	$ 80,824,235	$ 87,276,807

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
October 1, 2017	9,614,442	$ 6,050,152	$ 593,750	$ 76,564,622	$ 83,208,524
Shares repurchased during the period	-	(22,200)	-	-	(22,200)
Shares cancelled during the period	(13,500)	(8,495)	-	(49,085)	(57,580)
Net loss	-	-	-	(1,052,640)	(1,052,640)
Balance June 30, 2018	9,600,942	$ 6,019,457	$593,750	$ 75,462,897	$ 82,076,104

See accompanying notes to the consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
Three and nine months ended June 30,

	Notes	Current Quarter 2019	Prior Year Quarter 2018	9 Months June 30 2019	9 Months June 30 2018
Operating activities					
Net income from operations		**1,519,848**	(3,163,279)	**2,026,496**	(1,052,640)
Finance costs		**895,941**	720,389	**2,963,437**	2,191,568
Items not affecting cash:					
Amortization of discount on loan receivable		**-**	-	**-**	(3,586)
Amortization of tenant inducements		**-**	318,182	**-**	336,364
Amortization of deferred leasing commissions		**72,231**	85,983	**210,872**	202,450
Fair value losses on investment properties		**148,530**	4,702,567	**1,635,159**	4,281,718
Unrealized (gain) loss on short term investments		**(6,000)**	-	**133,500**	-
Straight-line rental revenue		**(2,894)**	92,399	**72,953**	(51,757)
Deferred income taxes		**43,596**	(562,056)	**785,937**	347,970
Leasing commissions		**(23,277)**	(606,972)	**(220,020)**	(877,549)
Net change in operating working capital	13 a)	**(1,321,180)**	(899,196)	**(909,743)**	(680,221)
Cash provided by operating activities		**1,326,795**	688,017	**6,698,591**	4,694,317
Investing activities					
Purchase of investment properties		**(2,595,044)**	(1,397,441)	**(11,482,864)**	(7,131,140)
Completed property under development		**(253,568)**	(1,581,446)	**(1,865,104)**	(3,356,753)
Improvements and additions to investment properties		**(58,509)**	(166,689)	**(445,909)**	(278,413)
Proceeds from loan receivable		**-**	200,528	**-**	432,442
Net change in investing working capital	13 a)	**100,000**	184,040	**(1,694,361)**	2,130,022
Cash used in investing activities		**(2,807,121)**	(2,761,008)	**(15,488,238)**	(8,203,842)
Financing activities					
Proceeds from new mortgages		**-**	-	**9,400,000**	10,050,000
Repayment of mortgages on maturity		**-**	-	**-**	(4,813,092)
Repayment of mortgages through principal instalments		**(1,458,985)**	(1,476,771)	**(4,238,166)**	(4,260,011)
Restricted cash held in guaranteed investment certificates		**(300,000)**	-	**(900,000)**	-
Amortization of deferred finance fees		**20,236**	21,692	**65,252**	65,079
Fees associated with new or renewed mortgages		**(42,875)**	-	**(89,186)**	(36,609)
Advances from other financing		**1,050,000**	2,500,000	**1,800,000**	2,550,000
Repayment of other financing		**-**	-	**(750,000)**	(1,350,000)
Finance costs		**(895,941)**	(720,389)	**(2,963,437)**	(2,191,568)
Purchase of common shares for cancellation		**741**	(22,200)	**(171,936)**	(79,780)
Net advances on bank operating facilities		**3,223,752**	1,979,310	**4,488,333**	3,150,782
Net change in financing working capital	13 a)	**(112,177)**	1,330	**56,023**	53,720
Cash (used) provided by financing activities		**1,484,751**	2,282,972	**6,696,883**	3,138,521
		-	-	**-**	-
Increase (decrease) in cash and cash equivalents		**4,425**	209,981	**(2,092,764)**	(371,004)
Cash and cash equivalents, beginning of period		**246,331**	262,351	**2,343,520**	843,336
Cash and cash equivalents, end of period		**250,756**	472,332	**250,756**	472,332

Reconciliation of the opening and closing balances for liabilities arising from financing activities Note 13 b).

See accompanying notes to the consolidated interim financial statements.

1. Nature of operations

Imperial Equities Inc. ("the Company") was incorporated in Edmonton, Alberta, Canada. The registered and operating office of the Company is 2151, 10060 Jasper Avenue, Edmonton, Alberta T5J 3R8. The Company's operations consist of the acquisition, development and redevelopment of commercial and industrial properties primarily in Edmonton and throughout Alberta. All the operations of Imperial Equities Inc. are conducted in Canadian funds. The Company's common shares trade on the TSX Venture Exchange (TSXV) under the symbol "IEI". These consolidated interim financial statements include the Company and its wholly owned subsidiaries, Imperial Equities Properties Ltd. ("IEPL"), 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.

2. Significant accounting policies

(a) Statement of compliance, basis of presentation and consolidation

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated interim financial statements have been prepared on a historical cost basis, except for investment properties and certain financial instruments that have been measured at fair value. These consolidated interim financial statements are prepared on a going concern basis and are presented in Canadian dollars, which is the Company's functional currency.

These consolidated interim financial statements have been prepared using the same accounting policies and methods of computation in all material respects as the most recent annual financial statements except for the impact of the adoption of accounting standards described in Note 2 (r). These statements have not been reviewed by the Company's auditors and should be read in conjunction with the Company's 2018 annual consolidated financial statements. The preparation of interim financial statements in conformity with IAS34 requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, which are the entities over which the Company has control. The Company controls the entity when the Company is exposed to or has rights to variable returns from its involvement with the entity and can affect those returns. All significant intercompany balances and transactions have been eliminated.

Comparative information in the consolidated interim financial statements includes reclassification of certain balances to provide consistency with current period classification Note 13. The current period classification more appropriately reflects the Company's core operations and any changes are not material to the financial statements as a whole.

(b) Investment properties

Investment properties are comprised of acquired commercial properties, developed commercial properties, and properties under development or re-development, held to earn rental income or for capital appreciation or both.

Investment properties

Investment properties are measured initially at cost including transaction costs. Transaction costs include various professional fees, initial leasing commissions and other costs to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. After initial recognition, investment properties are stated at fair value. Related fair value gains and losses arising from changes in the fair values are recorded in the consolidated statements of comprehensive income in the period in which they arise.

The carrying value of investment properties also includes straight-line rent receivable, tenant incentives and leasing commissions.

Tenant incentives are inducements given to prospective tenants to move into the properties or to existing tenants to extend the lease term. The net book value of tenant incentives is included in the carrying value of the investment properties and are deducted from rental revenue on a straight-line basis over the term of the tenant's lease.

Investment properties are derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated statements of comprehensive income in the period of retirement or disposal. Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous reporting period financial statements.

Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of re-development or development with a view to sale. Investment properties are reclassified to "Investment properties held for sale" when the criteria set out in IFRS 5 "Non-Current Asset Held for Sale and Discontinued Operations" are met (Note 2(e)). If the investment property is not sold and the criteria are no longer met, the investment property is no longer classified as "Investment properties held for sale."

Vacant land owned by the Company is held for capital appreciation or future development and treated as investment property.

Investment properties under development

The cost of properties under development includes direct development costs, realty taxes, and borrowing costs directly attributable to the development. Investment properties under development are measured at fair value at each reporting date and any gains or losses are recognized in the consolidated statements of comprehensive income. If the fair value of investment properties under development is not reliably determinable, but the Company expects the fair value of the properties to be reliably determinable when construction is complete, it measures those investment properties under development at cost until either the fair value becomes reliably determinable, or construction is completed (whichever is earlier).

Borrowing costs related to properties under development

Borrowing costs associated with direct expenditures on properties under development are capitalized. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale, are complete. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs along with amortization of deferred finance fees, and net of interest income.

(c) Business combinations

In accordance with IFRS 3 – Business Combinations ("IFRS 3"), the acquisition of an asset or group of assets is recorded as a business combination if the assets acquired and the liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. Building and other asset acquisitions, which meet the above definition of a business, are recorded as business combinations and the acquisition method of accounting for these transactions is applied. Building and other asset acquisitions which do not meet the above definition of a business are recorded as an asset addition. There are no acquisitions which meet the definition of a business in the current or comparative year.

(d) Impairment of assets

At the end of each reporting period, assets, other than those identified in the standards as not being applicable to IAS 36 – Impairment of Assets such as investment properties recorded at fair value, are assessed for any indication of impairment. Should an indication of impairment exist, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is defined as the higher of an asset's "fair value less costs of disposal" and its "value-in-use". In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the consolidated statements of comprehensive income. Should this impairment loss be determined to have reversed in a future period, a reversal of the impairment loss is recorded in the consolidated statements of comprehensive income. However, the reversal of an impairment loss will not increase the carrying amount that would have been determined had no impairment loss been recognized.

(e) Investment property held for sale

Investment property is categorized as held for sale where the property is available for sale in its present condition and the sale is highly probable. For this purpose, a sale is highly probable: (a) if management is committed to a plan to achieve the sale, (b) there is an active program to find a buyer, (c) the property is being actively marketed at a reasonable price, (d) the sale is anticipated to be completed within one year from the date of classification, and (e) it is unlikely there will be changes to the plan. Where a property is acquired with a view to resale, it is classified as held for sale if the disposal is expected to take place within one year of the acquisition and it is highly likely that the other conditions referred to above will be met within a brief period following the acquisition. Retrospective application is not required; therefore, comparative figures will not be adjusted to reflect property held for sale. On reclassification to or from investment property held for sale, investment property that is measured at fair value continues to be so measured.

(f) Leases – Company as lessor

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statements of comprehensive income as they arise.

Other leases are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

The Company has assessed all leases in which it is the lessor to be operating leases.

(g) Segment reporting

Operating segments are defined as components of the Company for which separate financial information is available and is evaluated by the chief decision makers in allocating resources and assessing performance. All the Company's operations are solely in Canada and are under one business, commercial real estate.

(h) Income tax

Income tax expense is comprised of current and deferred taxes. Current and deferred tax is recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes for the current period, including any adjustments to tax payable in respect of previous years, are recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to settle, based on the laws that have been enacted or substantively enacted by the reporting date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that it is no longer probable that they can be utilized.

(i) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the best estimate of the consideration required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as interest expense.

(j) Revenue recognition

Revenue from investment properties is recognized when a tenant has a right to occupy the leased asset. Rental income from investment properties is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received. The Company has retained substantially all the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payment is not made on such basis. The lease term is the non-cancellable period of the lease.

Rental revenue also includes contractual recoveries of operating expenses, including property taxes and is recognized as income in the period that recoverable costs are chargeable to the tenants. The recoveries are included gross of the related costs in revenue, as management considers that the Company acts as principal in this respect. Some of the Company's leases allow the tenant to pay property taxes directly to the municipality. When the tenant chooses this option, the Company does not recognize any revenue recovery or expense related to those property taxes.

Accelerated rent adjustments occur when the Company agrees to allow a tenant to terminate their lease in advance of the contractual lease term. The proceeds of the negotiated rent adjustment are recognized in income when it is receivable, and there is no ongoing contractual obligation.

When management determines collectability of revenue under a lease is not reasonably assured, revenue is no longer recorded.

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognized only when all the significant conditions are satisfied.

(k) Fair value measurements

The Company measures certain non-financial assets such as investment property, at fair value at the end of each reporting period. Fair values of financial instruments measured at amortized cost, are disclosed in the notes to the consolidated financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Company must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest. A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(l) Financial instruments

Financial assets are recognized when the Company becomes party to the contractual provisions of the financial instruments. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. For financial assets, the Company applies the simplified expected credit loss approach, which requires expected lifetime losses to be

recognized from initial recognition. Short term investments are initially recognized at fair value and subsequently measured at fair value through profit and loss.

Financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instruments and they are derecognized when they are extinguished, discharged, cancelled, or expire.

Classification and measurement

Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Financial liabilities are classified and measured on two categories: amortized cost or FVTPL.

The following summarizes the Company's classification and measurement of financial assets and liabilities:

	Classification and Measurement
Financial Assets	
Cash, cash equivalents and restricted cash	Amortized cost
Short term investments	FVTPL
Receivables and loans receivable	Amortized cost
Financial Liabilities	
Bank operating facilities	Amortized cost
Payables and accruals	Amortized cost
Other financing	Amortized cost
Mortgages	Amortized cost
Security deposits	Amortized cost

The Company does not have any derivatives embedded in financial or non-financial contracts.

(m) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash and short-term investments with original maturities of three months of less. Restricted cash represents cash held in guaranteed investment certificates as collateral, pursuant to certain lender agreements.

(n) Stock based compensation

The Company has established a stock option plan for its directors, management and key employees as described in Note 16. The Company uses the fair value method of accounting for stock options. The fair value of the option grants is calculated on the grant date for employees using the Black-Scholes Option Pricing Model and recognized as compensation expense over the vesting period of those granted options, adjusted for estimated forfeitures. The corresponding adjustment is recorded to contributed surplus. The fair value of the option grants to non-employees is calculated based on the value of the services provided in exchange for the option issue. When the options are exercised the proceeds received by the Company, together with the related amount in contributed surplus, are added to share capital. Forfeited or expired options are put back into the pool of available stock options for future grants. No adjustment is recorded for stock options that expire unexercised. For stock options which expire unexercised, the corresponding amount in contributed surplus is transferred to retained earnings. There is no adjustment to past compensation expense. Compensation expense related to forfeited options is reversed on the forfeiture date provided the options have not vested.

(o) Normal course issuers bid

Common shares purchased under the normal course issuer bid ("NCIB") are acquired at market value. The transaction reduces the number of common shares outstanding and the transaction value, including costs, reduces capital stock at the adjusted cost base of the shares repurchased with the remaining transaction value charged to retained earnings. For shares acquired and not cancelled, the transaction value, including costs, reduces capital stock.

(p) Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimation uncertainty, in applying the Company's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

(i) Leases

The Company has commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts with tenants as operating leases. In applying this policy, the Company makes judgments with respect to the point in time at which revenue recognition under the lease commences.

(ii) Investment properties

The Company's accounting policies relating to investment properties are described in Note 2(b). In applying this policy, judgment is applied in determining whether certain costs are additions to the carrying amount of the property to be capitalized and, for properties under development, identifying the point at which practical completion of the property occurs and the directly attributable borrowing costs are included in the carrying value of the development property. Capitalization of expenses ceases to occur when the property under development is available for use. This judgement is applied when the property is substantially complete and is sometimes concurrent with occupancy.

In the normal course of operations, the Company acquires investment properties. At the time of acquisition, the Company considers whether the acquisition represents the acquisition of a business or a group of assets and liabilities. All acquisitions of investment properties acquired to date by the Company have been determined to be asset acquisitions.

(iii) Classification of tenant incentives

Payments are sometimes made to, or on behalf of, tenants of our commercial properties when new leases are signed. When the payments add future value to the space independent of the lease in place, such costs are capitalized to the investment property. If the costs incurred are specific to the lessee, and do not have stand-alone value, these costs are treated as tenant incentives and amortized on a straight-line basis to revenue over the lease term in accordance with SIC 15, Operating leases – incentives.

(iv) Income tax

The Company follows the asset/liability method for calculating deferred income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction.

(q) Critical accounting estimates and assumptions

The Company makes estimates and assumptions that affect carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Actual results could differ from estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

(i) Investment properties

The choice of valuation method and the critical estimates and assumptions underlying the calculation of the fair value of investment properties and investment properties under development is set out in Note 3.

Significant estimates used in determining the fair value of the investment properties includes capitalization rates and normalized net operating income (which is influenced by inflation rate, vacancy rates, and standard costs) by property, using property specific capitalization rates.

Investment property under development is valued at cost until either the fair value becomes reliably determinable, or construction is completed (whichever is earlier).

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets and capitalization rates applicable to those assets. In addition, development risks (such as construction and leasing risks) are also taken into consideration when determining the fair value of investment property under development. These estimates are based on local market conditions existing at the reporting date. In arriving at estimates of market values, management used their market knowledge and professional judgement and did not rely solely on historical transaction comparables. In these circumstances, there is more uncertainty than which exists in a more active market in estimating the fair values of investment property. The critical estimates and assumptions underlying the valuation of investment properties and developments are set out in Note 3.

(ii) Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expense already recorded.

(iii) Stock-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuing its stock options to employees and directors at the date of issue. Management uses estimates of the expected life, the risk-free rate, expected volatility, and expected forfeiture rate when calculating the value of the options issued. These estimates may vary from the actual expense incurred.

(iv) Valuation of loan receivable

The valuation of the loan receivable is based on management's best estimate of the collectability of the principal balance. Management monitors the loan receivable for indications of impairment on an ongoing basis.

(r) Adoption of accounting standards

The Company has adopted the following standards in its consolidated interim financial statements.

IFRS 2 Share-based Payment has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in June 2016. The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company has adopted the standard and there was no impact on the consolidated interim financial statements.

IFRS 9, Financial Instruments replace IAS 39 and introduces a new classification and measurement model with three classification categories, 'amortized cost', 'fair value' and 'fair value through other comprehensive income', for financial assets, as well as an expected loss impairment model that requires more timely recognition of expected credit losses and a new hedge accounting model. The adoption of IFRS 9 did not result in any adjustments upon

transition. Financial assets which include cash and cash equivalents, restricted cash, accounts receivable and loan receivable were previously classified as Loans and Receivables are now classified as amortized cost. This change in classification did not result in any changes in measurement of financial assets. The Company was required to revise its impairment methodology under IFRS 9 for its financial assets, to account for expected credit losses. To measure the expected credit loss, financial assets have been grouped based on shared credit risk characteristics and the days past due. There was no significant impact to the measurement, recognition or disclosures of financial liabilities.

IFRS 15, “Revenue from Contracts with Customers” was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18 Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue-Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard’s requirements will also apply to the recognition and measurement of some gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities. The Company’s most material revenue stream is rental revenue and it is outside the scope of the new standard. The adoption of the new standard did not have a material impact on the consolidated statements of income and comprehensive income. The Company’s pattern of revenue recognition is unchanged and there were no adjustments to the opening retained earnings on the adoption of this standard.

IAS 40 was issued in December 2016 with an amendment effective January 1, 2018 that requires an asset to be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The Company adopted these amendments and clarifications in its consolidated interim financial statements on a retroactive basis and it did not result in any impact.

The Company adopted the Amendments to IFRS 3, Business Combinations (“IFRS 3 Amendments”) effective October 1, 2018 in advance of its mandatory effective date. Amendments clarifies the definition of a business in determining whether an acquisition is a business combination or an asset acquisition. It has removed the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs and the reference to an ability to reduce costs, and requires, at a minimum, the acquired set of activities and assets to include an input and a substantive process to meet the definition of a business. IFRS 3 Amendments also provides for an optional concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. If substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set of activities and assets is determined not be a business and no further assessment is needed. This election is made separately for each transaction. The Company has adopted the standard prospectively. All acquisitions to date are considered asset acquisitions and applying the IFRS 3 Amendments did not have an impact on the consolidated interim financial statements.

After the adoption of the IFRS 3 Amendments, the Company will account for business combinations in which control is acquired under the acquisition method. When an acquisition is made, the Company considers the inputs, processes and outputs of the acquiree in assessing whether it meets the definition of a business. If the acquired set of activities and assets lack a substantive process in place but will be integrated into the Company’s existing operations, the acquisition ceases to meet the definition of a business and is accounted for as an asset acquisition. Assets acquired through asset acquisitions are initially measured at cost, which includes transaction costs incurred.

Future accounting standards

IFRS 16, “Leases” was issued in January 2016. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the

right to use the underlying asset for the lease term. Lessor accounting, however, remains largely unchanged, and the distinction between operating and finance leases is retained. This standard will be effective for annual periods beginning after January 1, 2019, with early adoption permitted so long as IFRS 15 has been adopted. The Company has assessed this standard and consistent with IAS 17, leases with tenants will be accounted for as operating leases in the same manner they are currently being reported. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments", was issued in June 2017 as a clarification to requirements under IAS 12 "Income Taxes". IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019. The Company is in the process of assessing the impact on its consolidated financial statements.

3. Investment properties

	Income Producing Properties	Completed Properties Under Development	Held For Development	Total Investment Properties
Opening balance at September 30, 2018	$ 186,853,753	$ 9,340,565	$ 10,516,418	**$ 206,710,736**
Additions:				
Property improvements and additions	316,115	-	129,794	**445,909**
Completed construction costs	-	1,865,104	-	**1,865,104**
Leasing commissions	173,464	46,556	-	**220,020**
Property acquisitions	9,803,127	-	1,679,737	**11,482,864**
Change in straight-line rental revenue	(28,866)	(44,087)	-	**(72,953)**
Revaluation losses, net	(1,441,819)	(60,422)	(132,918)	**(1,635,159)**
Amortization of deferred leasing commissions	(199,940)	(10,932)	-	**(210,872)**
Ending balance at June 30, 2019	**$ 195,475,834**	**$ 11,136,784**	**$ 12,193,031**	**$ 218,805,652**

	Income Producing Properties	Properties Under Development	Held For Development	Total Investment Properties
Opening balance at September 30, 2017	$ 174,447,425	$ -	$ 11,448,900	**$ 185,896,325**
Additions:				
Capitalized property taxes and other	-	20,420	122,109	**142,529**
Capitalized interest	-	86,354	-	**86,354**
Property improvements	408,968	-	-	**408,968**
Construction costs	-	6,916,537	-	**6,916,537**
Leasing commissions	821,747	256,764	-	**1,078,511**
Property acquisitions	15,707,210	105,839	317,518	**16,130,567**
Change in straight-line revenues	141,838	-	-	**141,838**
Revaluation (losses) gains, net	(4,058,468)	704,651	(122,109)	**(3,475,926)**
Amortization of deferred leasing	(278,603)	-	-	**(278,603)**
Amortization of tenant inducements	(336,364)	-	-	**(336,364)**
Transfers (from) to	-	1,250,000	(1,250,000)	-
Ending balance at September 30, 2018	**$ 186,853,753**	**$ 9,340,565**	**$ 10,516,418**	**$ 206,710,736**

Valuation methodology and processes

The fair value of investment properties at each reporting period is determined internally by management using assumptions and market information obtained from industry professionals and qualified external appraisers. Management uses inputs from external appraisers as additional sources of information when recording property specific attributes. Investment properties carried at fair value are categorized by level according to the significance of the inputs used in making the measurements. As the fair value of investment properties is determined with significant unobservable inputs, all the investment properties are classified as Level 3 assets. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 fair value measurements for investment properties during the above periods.

Management's primary internal valuation model is based on a capitalization of forecasted normalized net operating income approach. The Company determines the forecasted normalized net operating income using a one-year income forecast for each property based on current in-place rents and assumptions about occupancy, structural and vacancy reserves, less cash outflows expected to operate and manage each individual property within the portfolio. Capitalization rates used to estimate fair market value consider many factors including but not limited to; the location of the property, the size of the land parcel, site coverage, the quality and strength of tenants, whether lease rates are over or under current market rates, demand for the type and use of the property, the age of the building, any special use characteristics of the building or area, whether it is single tenant or multi tenanted and vacancy rates in the area. Market information related to the external sale of similar buildings within a similar geographic location is also taken into consideration.

These factors were used to determine the fair value of investment properties at each reporting date. Investment properties are valued on a highest and best use basis. For all the Company's investment properties, except for the Oliver Crossing property, land held for development and unoccupied buildings, the current use is the highest and best use. The Company's executive management team is responsible for determining fair value measurements including verifying all major inputs included in the valuation. Management, along with the Audit Committee, discuss the valuation process and key inputs on a quarterly basis.

The key level 3 valuation metrics for the investment properties except for those described below are set out in the following tables:

	June 30, 2019	**September 30, 2018**
Range of capitalization rates applied to investment properties	5.00% - 8.85%	5.00% - 7.17%
Fair values of properties where cap rates were applied	$ 194,301,913	$ 181,766,587
Weighted average cap rates	6.27%	6.27%
Fair value impact of increasing average cap rate by 0.25%	$ (7,447,323)	$ (6,968,691)
Fair value impact of a 1% decrease in net operating income	$ (1,943,021)	$ (1,817,669)

This calculation was used on all the investment properties except for Oliver Crossing, land held for development, and land under lease agreements.

The market value of Oliver Crossing is based on the total square footage of land multiplied by a dollar value per square foot. Land held for development is valued using management's research of similar vacant land that has sold recently or is available for sale. Land under lease agreements is valued at the market value of the land valued using management's research of similar land that has sold recently or is available for sale.

	June 30, 2019	September 30, 2018
Oliver Crossing		
Fair value	$ 8,400,000	$ 8,400,000
Impact of a $10 change in price per square foot	$ 525,000	$ 525,000
Land held for development		
Average price per acre of land	$ 163,349	$ 163,349
Number of acres	64.38	64.38
Total fair values	$ 10,516,497	$ 10,516,418
Impact of a 10% change in average price per acre	$ 1,051,650	$ 1,051,642
Property available for lease		
Coppertone III – 12,024 sf, Edmonton, AB	$ -	$ 3,473,629
Impact of a $10 change in price per square foot	$ -	$ 120,256
Land under lease agreements with tenants		
Number of acres leased	7.90	4.90
Average price per acre	$ 707,246	$ 798,104
Total fair values of leased land	$ 5,587,245	$ 3,910,710
Impact of a 10% change in average price per acre	$ 558,725	$ 391,071

One investment property entitles the lessee to purchase the land and building under an Option to Purchase agreement that expires January 15, 2021.

Included in the carrying amount of investment properties are the following:

	June 30, 2019	September 30, 2018
Straight line rent receivable	$ 1,474,950	$ 1,547,901
Leasing commissions	1,641,802	1,632,652
	$ 3,116,752	$ 3,180,553

All the above are amortized over the terms of the respective leases.

4. Loan receivable

	June 30, 2019	September 30, 2018
Loan receivable, beginning of year	$ 1,009,825	$ 496,414
Additional loan receivable	-	2,200,000
Reversal, (provision) for impairment	900,000	(1,000,000)
Principal payments received	(879,658)	(686,589)
Balance, end of the period	**$ 1,030,167**	**$ 1,009,825**

The contractual receivable at June 30, 2019 is $1,130,167 (September 30, 2018 - $2,009,825). During the current period, the Company reinstated a portion of the receivable that was previously considered impaired. Monthly instalments are to be received until May 1, 2020.

In the prior year, an accelerated rent adjustment of $2,992,928 was negotiated with a tenant that was granted an early termination of their lease. Contractual consideration was as follows:

Cash received on the termination date	$ 243,219
150,000 common shares of the tenant's company valued at $2.00 per share at the termination date	300,000
Adjustment to the balance of the mortgage payable to the tenant	249,709

Monthly instalments of $105,850 for 22 months inclusive of interest at an annual rate of 6%	2,200,000
Total contractual accelerated rent adjustment	2,992,928
Adjustment to fair value on initial recognition	(1,000,000)
Accelerated rent adjustment	**$ 1,992,928**

The loan receivable of $496,414 at September 30, 2017 was received in full during the prior year.

5. Short – term investments

Level 1 Measurement	June 30, 2019	September 30, 2018
Marketable securities, beginning of year	$ 373,500	$ -
Value of shares acquired	-	300,000
Change in fair value	(133,500)	73,500
Balance at the end of the period	**$ 240,000**	**$ 373,500**

6. Receivables

	June 30, 2019	September 30, 2018
Tenant receivables	$ 78,889	$ 136,324
Accrued interest	13,051	10,772
Excise taxes receivable and rebates receivable	-	111,757
Provision for impairment	(10,000)	(16,061)
Receivables, net	**$ 81,940**	**$ 242,792**

The tenant receivables at September 30, 2018 include invoices for occupancy costs that were reconciled at year end and subsequently collected.

7. Prepaid expenses and deposits

	June 30, 2019	September 30, 2018
Prepaid operating expenses	$ 1,195,350	$ 497,507
Deposits on offers to purchase investment property	-	665,000
Security deposits with municipalities	56,439	56,439
Total prepaid expenses and deposits	**$ 1,251,789**	**$ 1,218,946**

Prepaid operating expenses at June 30, 2019 are for property taxes and insurance (September 30, 2018 - property taxes and insurance).

At September 30, 2018 the Company had refundable deposits of $665,000 on agreements to purchase investment property. Of the total deposits, $445,000 was applied to three acquisitions and the remaining $200,000 was refunded, all in Q1 2019.

8. Mortgages

	Maturity	Rate	June 30, 2019	September 30, 2018
*	November 1, 2019	3.334%	9,079,639	9,414,128
*	January 1, 2020	3.410%	1,618,943	1,742,156
	January 1, 2021	2.980%	3,549,961	3,740,559
	January 1, 2021	2.980%	5,492,928	5,787,844
	April 1, 2021	2.880%	5,682,983	5,982,442
	April 1, 2021	2.948%	3,084,274	3,231,172
	October 1, 2021	2.470%	6,235,145	6,676,895
	October 1, 2021	2.470%	7,547,463	7,936,856
	February 1, 2022	3.040%	5,889,815	6,172,934
	June 1, 2022	2.730%	2,258,829	2,404,821
	December 1, 2022	3.670%	3,783,149	3,943,735
	December 1, 2022	3.671%	3,437,150	3,583,038
	January 1, 2023	3.570%	755,615	811,376
	February 1, 2023	3.750%	2,073,519	2,159,649
	October 1, 2023	3.950%	537,989	622,274
	October 1, 2023	4.090%	6,093,698	6,300,000
	November 1, 2023	4.330%	4,179,287	-
	December 1, 2023	4.648%	4,980,540	-
	January 1, 2024	4.300%	2,442,730	2,569,227
	January 1, 2024	4.300%	1,938,675	2,039,948
	August 1, 2024	3.300%	10,168,734	10,550,178
	Total mortgages		$ 90,831,066	$ 85,669,230
	Less: current portion of principal payments		(15,919,967)	(21,280,840)
	Less: balance of unamortized finance fees		(266,117)	(242,184)
			$ 74,644,982	**$ 64,146,206**
	Weighted average rate		**3.35%**	**3.13%**

*Mortgages due in the next twelve months

All the above mortgages are repayable in blended monthly payments of interest and principal. The security pledged for each mortgage is limited to the related investment property, except for one mortgage that matured July 1, 2019. Additional security and collateral for the lender of this mortgage included monthly instalments of $100,000 held in interest bearing GIC's, for a total debt service reserve in the aggregate of $1,300,000. Total instalments at June 30, 2019 are $1,300,000 (September 30, 2018 - $400,000) and are classified as restricted cash. Prior to this quarter ending, this mortgage was renewed for a further five years and the additional collateral of $1,300,000 held in GIC's was released to the Company effective July 1, 2019.

9. Bank operating facilities

	June 30, 2019	September 30, 2018
Bank operating facilities	$ 22,946,004	$ 18,457,672

At June 30, 2019 and September 30, 2018, the Company has two credit facilities set out as follows:

1) An operating line of credit (LOC) with a limit of $10,000,000 (September 30, 2018 - a limit of $10,000,000).

   This LOC is used to assist with property acquisitions and general operations and has a balance at June 30, 2019 of $9,985,169 (September 30, 2018 - $9,888,223). The credit facility bears interest at prime plus 1% per annum (September 30, 2018 – interest at prime plus 1% per annum) and is secured by specific revenue producing properties with combined fair values of $40,040,854 (September 30, 2018, specific revenue producing properties with combined fair values of $39,870,611). The Company pays a standby fee of .25% per annum (September 30, 2018 - .25% per annum) payable monthly on the un-drawn portion of the facility. Specific covenants of this credit facility are that there be a minimum of 90% occupancy of the secured buildings and adherence to a margin formula as outlined below.

   Availability under the facility will be restricted to the lending value assigned to the properties which will be the lesser of: a) the level at which a Debt Service Coverage Ratio of 1.25 can be maintained, less the Prior Debt on the properties, (unchanged from September 30, 2018): or b) the level at which a Loan to Value Ratio of 70% can be maintained with respect to the secured properties, over which the Lender has a 1st mortgage and 60% with respect to the secured properties over which the Lender holds a 2nd mortgage, less the prior debt on the properties (unchanged from September 30, 2018). For these secured properties, the loan to value is set at 70%, unchanged from the prior year.

   Debt service = annual principal and interest payments based on 25-year amortization and an interest rate that is the greater of 5.0% (September 30, 2018 - 5.0%) or the Government of Canada Benchmark Bond Yields plus 225 basis points.

   Net Operating Income is stabilized operating income from the secured properties adjusted for normal operating expenses, common area maintenance expenses, property taxes and other expenses that are not recovered from the tenants.

   Loan to Value Ratio is the total debt on the properties divided by the current market value of the properties.

Loan Covenant Requirements:	Min. 90% Occupancy	DSCR 1.25	LTV 70%
June 30, 2019	**Yes**	**1.15**	**70%**
September 30, 2018	Yes	1.12	72%

   The aggregate of the LTV on all secured properties equals the "Preliminary Lending Value" and at June 30, 2019 the Preliminary Lending Value met the ratio requirement of 70%. At March 31, 2019 the LTV was 71%, however the lender had agreed to the "Final Lending Value" of $10,000,000 and therefore the Company was not in breach of its covenants. The Lender will allow the Final Lending Value to be accommodated until March 31, 2020 at which time it will be adjusted back down to the Preliminary Lending Value, as recalculated at that time. Any resulting margin shortfall is to be covered by the Company's own resources.

   At September 30, 2018 the debt covenants exceeded the Preliminary Lending Value, however the Final Lending Value of $10,000,000 was approved by the lender until March 31, 2019, at which date it was renewed for a further year.

2) An additional operating LOC with a limit of $13,000,000 (September 30, 2018 – a limit of $10,000,000).

   This credit facility bears interest at prime plus .95% per annum and is secured by specific revenue producing properties with combined fair values at June 30, 2019 of $73,322,641 (September 30, 2018 - $64,956,941).

There are no specific covenants or margin formulas for this line of credit. The balance on the credit facility at June 30, 2019 is $12,960,835 (September 30, 2018 - $8,569,449).

10. Payables and accruals

	June 30, 2019	September 30, 2018
Trade payables	$ 157,573	$ 1,814,114
Accrued loan interest	284,752	228,729
Current portion of tenant security deposits	5,531	25,624
Accrued liabilities	21,098	734,175
Prepaid rents	283,551	343,234
Total payables and accruals	**$ 752,505**	**$ 3,145,876**

Trade payables and accrued liabilities at September 30, 2018 include construction payables for projects that were completed during the current period.

Prepaid rents from tenants largely relates to rent due on the first of the following month, and the balance represents rents paid in advance which is recognized in revenue over the applicable months. The carrying value of payables and accruals approximates fair value due to their short-term maturity.

11. Finance costs

The components of finance costs are as follows:

	June 30, 2019	June 30, 2018
Interest on mortgages	$ 2,258,723	$ 1,821,911
Interest on bank operating facilities	709,687	340,860
Interest on other unsecured financing	5,633	15,309
Amortization of deferred finance fees	65,254	65,080
Capitalized interest	-	(40,370)
Interest income	(75,860)	(11,222)
	$ 2,963,437	**$ 2,191,568**

At Q1 and Q2 2019 the Company had accrued interest at an annual rate of 6% on other financing. During Q3 2019 the Company reversed that accrual. See Note 23 (b) iii).

12. Income taxes

a) Provision for income taxes

Components of income tax expense

	June 30, 2019	June 30, 2018
Current tax expense	$ 650,385	$ 452,442
Deferred tax expense	785,937	347,970
	$ 1,436,322	**$ 800,412**

The actual income tax provision differs from the expected amount calculated by applying Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

	2019	2018
Income (loss) before income taxes	$ 3,462,818	$ (252,228)
Expected income tax expense (recovery) at 27%	$ 934,960	$ (68,102)
Increase (decrease) resulting from:		
Non-taxable items	20,218	16,432

Tax rate differentials	481,144	852,082
	$ 1,436,322	**$ 800,412**

b) Deferred taxes

Deferred tax assets are attributable to the following:

	June 30, 2019	**September 30, 2018**
Financing fees	$ 85	$ 6,259
Marketable securities	18,023	-
Deferred tax assets	18,108	6,259
Offset of tax	(18,108)	(6,259)
Net deferred tax assets	**$ -**	**$ -**

Deferred tax liabilities are attributable to the following:	**June 30, 2019**	**September 30, 2018**
Straight-line rent receivable	$ 398,236	$ 417,933
Investment properties	14,260,775	13,436,855
Marketable securities	-	9,923
Finance fees	1,095	79
Deferred leasing	443,286	440,816
Deferred tax liabilities	15,103,392	14,305,606
Offset of tax	(18,108)	(6,259)
Net tax liabilities	**$ 15,085,284**	**$ 14,299,347**

$30,273,649 (September 30, 2018 - $30,273,649) related to investments in certain subsidiaries was not recognized because it was not probable that the temporary difference will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

13. Supplemental consolidated cash flow information

a) Changes in working capital

Net change in operating working capital	**June 30, 2019**	**June 30, 2018**
Decrease in receivables	$ 160,852	$ 12,464
Increase in loans receivable	(20,342)	-
Increase in prepaid expenses and deposits	(697,843)	(648,740)
(Decrease) increase in payables and accruals	(90,034)	198,384
Decrease in income taxes payable	(265,091)	(400,283)
Increase in security deposits	2,715	157,954
	$ (909,743)	**$ (680,221)**
Net change in investing working capital		
Decrease in deposits in trust for property acquisitions	$ 665,000	$ 1,517,049
Decrease (increase) in construction payables and accruals	(2,359,361)	612,973
	$ (1,694,361)	**$ 2,130,022**
Net change in financing working capital		
Decrease in refundable deposits with lenders	$ -	$ 41,000
Increase in accrued interest payable	56,023	12,720
	$ 56,023	**$ 53,720**

Interest paid	$ 3,232,540	$ 2,169,765
Income taxes paid	$ 915,370	$ 970,044

In the prior year at June 30, 2018, the Company corrected prior period errors to the classification of changes in investing working capital and financing working capital which were erroneously included in operating working capital. In the September 30, 2018 annual consolidated financial statements, these errors were incorrectly reported as changes in accounting policies. The September 30, 2018 annual consolidated financial statements Note 2 (r) should have stated these reclassifications were corrections to prior period errors. The impact of these errors is shown below.

Prior year changes to statements of cash flows	**September 30, 2017**
Cash inflow from operating activities of continuing operations, previously stated	$ 6,078,965
Interest income, reclassified to financing activities	(19,636)
Direct leasing costs, reclassified from investing activities	(268,611)
Deposits in trust for investment properties, reclassified to investing activities	1,367,049
Payables for acquisition fees, reclassified to investing activities	128,625
Refundable deposit, reclassified to financing activities	41,000
Accrued interest on financing, reclassified to financing activities	(18,994)
Cash inflow from operation activities, reclassified	**$ 7,308,398**
Cash outflow used in investment activities of continuing operations, previously stated	$ (17,187,879)
Deposits in trust for investment properties, reclassified from operating activities	(1,367,049)
Payables for acquisition fees, reclassified from operating activities	(128,625)
Direct leasing costs, reclassified to operating activities	268,611
Cash used in investing activities, reclassified	**$ (18,414,942)**
Cash provided by financing activities of continuing operations, previously stated	$ 9,837,217
Refundable deposit, reclassified from operating activities	(41,000)
Accrued interest on financing, reclassified from operating activities	18,994
Interest income, reclassified to finance costs in operating activities	19,636
Cash provided by financing activities, reclassified	**$ 9,834,847**

Consolidated interim financial statements for the periods December 31, 2018 and March 31, 2019 failed to provide a note stating that prior period errors were corrected as follows.

Amounts reclassified to or from operating activities to investing activities and financing activities during the prior year at December 31, 2017

	December 31, 2017
Cash inflow from operating activities as previously reported	$ 3,305,366
Interest income reclassified to financing activities	(3,586)
Leasing commissions reclassified from investing activities	(261,161)
Deposits in trust, reclassified to investing activities	(1,517,049)
Refundable deposit, reclassified to financing activities	(41,000)
Accrued interest on financing, reclassified to financing activities	(7,152)
Cash inflow from operating activities, reclassified	**$ 1,475,418**
Cash outflow used for investing activities as previously reported	$ (5,688,339)
Leasing commissions reclassified to operating activities	261,161
Decrease in deposits in trust for property acquisitions, reclassified from operating activities	$ 1,517,049
Cash outflow from investing activities, reclassified	**$ (3,910,129)**

Cash inflow from financing activities as previously reported	$ 1,805,669
Interest income reclassified from operating activities	3,586
Decrease in refundable deposits with lenders reclassified from operating activities	$ 41,000
Increase in accrued interest payable reclassified from operating activities	7,152
Cash inflow from financing activities, reclassified	**$ 1,857,407**

Amounts reclassified to or from operating activities to investing activities and financing activities during the prior year at March 31, 2018

	March 31, 2018
Cash inflow from operating activities as previously reported	$ 5,802,514
Interest income reclassified to financing activities	(7,992)
Leasing commissions reclassified from investing activities	(270,577)
Deposits in trust, reclassified to investing activities	(1,465,256)
Refundable deposit, reclassified to financing activities	(41,000)
Accrued interest on financing, reclassified to financing activities	(11,390)
Cash inflow from operating activities, reclassified	**$ 4,006,300**
Cash outflow used in investing activities as previously reported	$ (7,178,666)
Leasing commissions reclassified to operating activities	270,577
Decrease in deposits in trust for property acquisitions reclassified from operating activities	1,465,256
Cash outflow from investing activities, reclassified	**$ (5,442,834)**
Cash inflow from financing activities as previously reported	$ 795,166
Decrease in refundable deposits with lenders reclassified from operating activities	41,000
Interest income reclassified from operating activities	7,992
Increase in accrued interest payable reclassified from operating activities	11,390
Cash inflow from financing activities, reclassified	**$ 855,548**

b) Reconciliation of the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

	Opening Balance October 1, 2018	**Transactions During Period**	**Closing Balance June 30, 2019**
Mortgages, excluding transactions fees	85,669,232		
Proceeds of new mortgages		9,400,000	
Repayment of mortgages upon maturity		-	
Repayment of mortgages through principal instalments		(4,238,166)	90,831,066
Restricted cash held in guaranteed investment certificates	400,000	(900,000)	1,300,000
Unamortized finance fees Note 8.	(242,184)		
Amortization of finance fees		65,252	
Fees associated with new or renewed mortgages		(89,186)	(266,117)
Other financing	4,020,000		
Advances from other financing		1,800,000	
Repayment of other financing		(750,000)	5,070,000
Finance costs from statements of comprehensive income		(2,963,437)	
Purchase of common shares for cancellation		(171,936)	
Bank operating facilities	18,457,672		
Net advances on bank operating facilities		4,488,332	22,946,004
Accrued interest on financing Note 10.	228,729	56,023	284,752
Cash provided by financing activities		**6,696,883**	

Prior Year	Opening Balance October 1, 2017	Transactions During Period	Closing Balance June 30, 2018
Mortgages, excluding transactions fees	79,891,816		
Proceeds of new mortgages		10,050,000	
Repayment of mortgages upon maturity		(4,813,092)	
Repayment of mortgages through principal instalments		(4,260,011)	80,868,713
Restricted cash held in guaranteed investment certificates	-	-	-
Unamortized finance fees Note 8.	(241,874)		
Amortization of finance fees		65,079	
Fees associated with new or renewed mortgages		(36,609)	(213,404)
Other financing	1,300,000		
Advances from other financing		2,550,000	
Repayment of other financing		(1,350,000)	2,500,000
Finance costs from statements of comprehensive income		(2,191,568)	
Purchase of common shares for cancellation		(79,780)	
Bank operating facilities	9,506,115		
Net advances on bank operating facilities		3,150,782	12,656,897
Refundable deposit with lenders Note. 7	(41,000)		
Deposit returned		41,000	-
Accrued interest on financing Note 10.	195,136	12,720	207,856
Cash provided by financing activities		**3,138,521**	

14. Share capital

a) The Company has unlimited authorized common share capital.

	June 30, 2019	September 30, 2018
Number of shares issued		
Balance beginning of year	9,583,642	9,614,442
Shares cancelled	-	(30,800)
Ending number of shares	**9,583,642**	**9,583,642**
Capital stock		
Balance beginning of year	$ 6,030,758	$ 6,050,152
Shares held in treasury	(171,936)	-
Shares cancelled during the period	-	(19,394)
Ending capital stock	**$ 5,858,822**	**$ 6,030,758**

The Company received approval from the TSX Venture Exchange to purchase up to 480,047 common shares representing 5% of the outstanding shares under a normal course issuer bid ("NCIB") that expires August 30, 2019. During the current period, the Company repurchased 43,700 shares for a total cost of $171,936. All the repurchased shares are held in treasury until cancelled.

During the prior year 30,800 shares were repurchased for a total cost of $128,890. All the repurchased shares were cancelled and the excess of the purchase price over the cost of the shares in the amount of $109,496 was charged to retained earnings.

b) **Contributed surplus**

Contributed surplus arises because of recording the fair value of options granted under the share option plan and the options granted as part of a share issuance. The fair value of the options is recorded to contributed surplus as

the options vest. Upon exercise, the proceeds received, as well as any balance previously recorded to contributed surplus, are credited to capital stock.

	June 30, 2019	September 30, 2018
Contributed surplus, beginning and end of the period	**$ 593,750**	**$ 593,750**

15. Earnings per share

The following are the weighted average number of shares outstanding:

	June 30, 2019	June 30, 2018
Net income (loss) and comprehensive income (loss) for the period	$ 2,026,496	$ (1,052,640)
Weighted average shares outstanding – basic	9,578,149	9,604,801
Unexercised dilutive options	-	15,360
Weighted average shares outstanding – diluted	9,578,149	9,620,161
Earnings per share – basic and diluted	**$ .21**	**$ (.11)**

At June 30, 2019 the exercise of options would have an antidilutive effect on earnings per share.

16. Stock-based compensation plan

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

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Yrs.)
Opening balance at October 1, 2018	475,000	$ 4.25	.92
Ending balance at June 30, 2019	**475,000**	**$ 4.25**	**.17**

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Yrs.)
Opening balance at October 1, 2017	475,000	$ 4.25	1.92
Ending balance at September 30, 2018	**475,000**	**$ 4.25**	**.92**

The Board of Directors may designate which directors, management and key employees of the Company are to be granted options. Under the Directors', Management, Employees' and Consultants' Stock Option Plan (the "Plan"), the number of Common Shares reserved for issuance at any time pursuant to the Plan is 875,000. An Amendment to the Fixed Stock Option Plan was put forth at the annual and special meeting of the Shareholders held on March 21, 2013. The disinterested shareholders voted for an amendment to the Plan that provides for the maximum number of capital common shares reserved for issuance at any time pursuant to the Plan be increased from 875,000 to 1,800,000. All other components in terms of the Plan remain in full force and effect.

The contractual term of each option granted is five years. There are no cash settlement alternatives. The Company does not have a past practice of cash settlement for these share options. All the options outstanding as of June 30, 2019 and September 30, 2018 are exercisable.

17. Rental revenue

The Company leases commercial properties under operating leases with lease terms generally between 5 and 20 years. Some leases have options to extend for further five-year terms and some small leases are month to month.

a) Rental revenue

	June 30, 2019	June 30, 2018
Rental revenue, contractual amount	$ 9,240,889	$ 7,988,682
Amortization of tenant inducements	-	(336,364)
Straight line of rental revenue from leases	(72,953)	51,757
Rental revenue on statement of comprehensive income	**$ 9,167,936**	**$ 7,704,075**

Future contracted minimum rent receivable from non-cancellable tenant operating leases is as follows:

	2019	2018
No later than one year	$ 12,701,999	$ 10,599,121
2 – 5 years	38,062,653	33,704,664
Over 5 years	25,707,313	16,525,123
	$ 76,471,966	**$ 60,828,907**

The month to month tenant revenue is not included in the future contracted minimum rent receivable. The future contracted minimum rent receivable could be negatively impacted by a tenant having financial difficulties and unable to meet their rent obligations. The future rent receivable assumes all tenants will honor the financial obligations of their leases, to the terms of their leases, with no defaults or variations in the contracted amounts.

b) Property operating expenses

	June 30, 2019	June 30, 2018
Property taxes	$ 1,733,435	$ 1,400,380
Insurance	74,478	62,337
Repairs and maintenance	584,694	485,435
Management fees	516,218	449,357
Utilities	96,749	90,638
	$ 3,005,574	**$ 2,488,147**

18. Guarantees, contingencies and commitments

a) In the normal course of operations, the Company and its subsidiaries execute agreements that provide for indemnification and guarantees to third parties, such as engagement letters with advisors and consultants, and service agreements. The Company has also agreed to indemnify its directors and certain of its officers and employees in accordance with the Company's bylaws. Certain agreements do not contain any limits on the Company's liability and, therefore, it is not possible to estimate the Company's potential liability under these indemnities, and as such no provision has been included in these financial statements. Further the Company maintains insurance policies that may provide coverage against certain claims under these indemnities.

b) The Company maintains insurance on its properties. The all-risk property insurance includes replacement cost and rental value coverage (including coverage for the perils of flood and earthquake).

c) The Company has contracts in place with related parties to provide property management and asset management. Both contracts have been in place since 1999 and have been renewed on an annual basis with no changes to the terms. Further information can be found in the Related Party Transactions in Note 22.

20. Capital risk management

The Company defines capital that it manages as the aggregate of its 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 favourable terms or with interest rates as favourable 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 adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

	June 30, 2019	September 30 2018
Mortgages	$ 90,831,066	$ 85,669,230
Bank operating facilities	22,946,004	18,457,672
Other financing	5,070,000	4,020,000
Total debt financing	118,847,070	108,146,902
Equity	87,276,807	85,422,247
Total capital	**$ 206,123,877**	**$ 193,569,149**

21. Financial instruments

	June 30, 2019	September 30, 2018
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 250,756	$ 2,343,520
Restricted cash	1,300,000	400,000
Short term investments	240,000	373,500
Receivables, net of provisions	81,940	242,792
Loan receivable, net of provision	1,030,167	1,009,825
	$ 2,902,863	**$ 4,369,637**
Financial liabilities		
Other financial liabilities		
Bank operating facilities	$ 22,946,004	$ 18,457,672
Payables and accruals	752,505	3,145,876
Other financing	5,070,000	4,020,000
Security deposits	614,369	611,654
Mortgages	90,831,066	85,669,230
	$ 120,213,944	**$ 111,904,432**

The carrying value of cash and cash equivalents, restricted cash, receivables, loan receivable, bank operating facilities, other financing, payables and accruals and security deposits approximate their fair value because of the near-term maturity of those instruments. The fair value of short - term investments is a level 1 measurement valued at the quoted market price. The fair value of mortgages payable is a level 2 measurement and is based on discounted future cash flows using rates that reflect observable current market rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable as at June 30, 2019 is $91,520,157 (September 30, 2018 - $84,553,051). 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 interest rate used for this calculation is 3.30% (September 30, 2018 – 4.090%).

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

The Company's maximum exposure to credit risk is the balance of its trade receivables of $81,940 at June 30, 2019 (September 30, 2018 - $129,263), cash and cash equivalents of $250,756 (September 30, 2018 - $2,343,520), restricted cash of $1,300,000 at June 30, 2019 (September 30, 2018 - $400,000) and loan receivable of $1,030,167, net of a provision of $100,000 (September 30, 2018 - $2,009,825 net of a provision of $1,000,000).

Credit risk on trade receivables for Imperial Equities Inc. 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 and by limiting its exposure to any one tenant. Credit risk associated with cash and cash equivalents is mitigated through the Company holding cash and cash equivalents with reputable financial institutions. Restricted cash is held in GIC's with a financial institution and was released as security subsequent to this quarter ending. Credit risk associated with the loan receivable arises from the possibility that the counterparty may experience financial difficulty and be unable to make the contractual payments.

For accounts receivable the Company applies the simplified credit loss approach, which requires the Company to recognize lifetime expected credit losses for all accounts receivables and loan receivable balances by applying an expected loss rate based on historical credit losses adjusted for current and forward looking information which may affect the ability of the customers to settle receivables. Historically the Company has very little credit losses as the majority of tenants have been able to meet their financial obligations. Only one tenant continues to have cash flow issues and the resulting AFDA of $10,000 applies to this tenant (September 30, 2018 – AFDA was $16,061 for the same tenant).

The loan receivable was incurred when a tenant was granted an early termination of their lease in Fort McMurray Alberta in 2018. The resultant lease surrender premium included a receivable from the tenant which is payable over 22 months. As the tenant was experiencing cash flow problems at that date, the Company was not certain of their ability to continue payments for 22 months to repay their debt. During the current period, as they paid their monthly obligations on time, the Company reversed the AFDA proportionate to their payments. The Company has a provision for impairment of the loan receivable of $100,000 at June 30, 2019 (September 30, 2018 - $1,000,000).

Accounts receivable and loan receivable are written off when there is no reasonable expectation of recovery.

Interest rate risk
The Company's exposure to interest rate risk relates to its short-term floating interest rates on bank operating facilities. The required cash flow to service the debt will fluctuate because of the changing prime interest rate. The balance on the bank operating facilities at June 30, 2019 is $22,946,004 (September 30, 2018 - $18,457,672). Under the assumption any balance of debt is outstanding for a further one year; a 1% increase in the prime rate would have a negative impact on the future annual earnings of the Company of $229,460 (September 30, 2018 - $184,577). The Company minimizes its exposure to interest rate risk to the extent that all mortgages except one have fixed rates with terms of five years. One mortgage was renewed at a fixed rate for a further one-year term.

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 and private parties. Management estimates that cash flows from operating activities will provide sufficient cash requirements to cover normal operating and budgeted expenditures. Short–term investments held by the Company may have some liquidity risk due to the underlying low trading volumes of the stock.

During the current year, the Company received two new conventional mortgages secured against a new property acquisition and one of the buildings that was newly constructed. Three mortgages were renewed for further five - year terms and one mortgage was renewed for one year. Concurrent with the renewal of a specific mortgage on July 1, 2019, the restricted cash held in GIC's of $1,300,000 was released to the Company. The proceeds of $1,300,000 plus interest were used to repay other financing.

During this quarter the Company received an additional $3,000,000 limit to one of the Company's bank operating facilities. An increase to the limit of the second facility in the amount of $3,500,000 was finalized subsequent to this quarter ending. An investment property purchased in the third quarter was purchased using available credit facilities. This new property was used as additional security to increase the limit of the second credit facility.

The Company will be able to meet its future obligations through normal operations, current credit facilities and the use of related party interim financing.

Contractual obligations at June 30, 2019

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	$ 18,781,878	$ 45,578,318	$ 34,736,454	$ -	$ 99,096,650
Payables and accruals	752,505	-	-	-	752,505
Security deposits	5,531	241,992	47,340	325,037	619,900
	19,539,914	45,820,310	34,783,794	325,037	100,469,055
Other financing	5,070,000	-	-	-	5,070,000
Operating facilities	22,946,004	-	-	-	22,946,004
	$ 47,555,918	**$ 45,820,310**	**$ 34,783,794**	**$ 325,037**	**$ 128,485,059**

Contractual obligations at September 30, 2018

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	$ 23,730,510	$ 35,111,505	$ 33,739,056	$ -	$ 92,581,071
Payables and accruals	3,145,876	-	-	-	3,145,876
Construction contracts	1,521,661	-	-	-	1,521,661
Security deposits	25,624	87,354	179,430	344,870	637,278
	28,423,671	35,198,859	33,918,486	344,870	97,885,886
Other financing	4,020,000	-	-	-	4,020,000
Debt service reserve (Note 8)	900,000	-	-	-	900,000
Operating facilities	18,457,672	-	-	-	18,457,672
	$ 51,801,343	**$ 35,198,859**	**$ 33,918,486**	**$ 344,870**	**$ 121,263,558**

22. Related party transactions

The following are the related party transactions of the Company.

a) *Management Agreements*

Sable Realty & Management Ltd. provides property management services to Imperial Equities Inc. The company is controlled by the President and CEO of the Company, Sine Chadi. North American Realty Corp. is also controlled by Mr. Chadi and provides asset management services to the Company.

Fee structure

Payments to Sable Realty & Management Ltd.:

Property management	4% of gross rents paid plus a flat fee for ground maintenance on certain properties
Property maintenance	$65/hour for labour plus charges for truck, equipment and parts (September 30,2018 - $50-$65/hour)
Fees for Chief Financial Officer	$16,667 monthly, unchanged from the prior year
Office rent and parking	flat rate of $8,350 monthly (September 30, 2018 – average $8,145/mo.)

Warehouse lease space	discontinued at December 31, 2017

Payments to North American Realty Corp.:

Leasing	3% of the value of lease renewals to a maximum of five years 6% of the value of new leases for the first five years plus 3% of the value of the leases that extend from six years to a maximum of ten years
Acquisitions	1% of the purchase price of the property
Dispositions	3% of the sale price of investment property

Payments for the nine months ending June 30,	**2019**	**2018**
Property management and maintenance fees	$ 734,558	$ 633,160
Acquisition fees	113,250	56,101
Leasing fees	134,119	788,676
Office rent and parking	75,150	72,700
Warehouse lease space	-	5,918
Fees for Chief Financial Officer	150,000	150,000
Total payments	**$ 1,207,077**	**$ 1,706,555**
Amounts payable at June 30,	**$ -**	**$ -**

b) *Other related party transactions*

i) 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. Total fees paid for the nine months ending June 30, 2019 were $40,000 (June 30, 2018 – $37,500).

ii) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Company's key management personnel include the President Sine Chadi who is also a director of the Company. Total compensation paid to Mr. Chadi for the nine months ending June 30, 2019 was $225,000 (June 30, 2018 - $225,000).

iii) Other financing, unsecured

Related Parties	**Balance Oct 1'18**	**Advances**	**Repayments**	**Balance 30-Jun-19**
NAMC[1]	$ -	$ 750,000	$ (750,000)	$ -
Imperial Land Corp.[2]	4,020,000	1,050,000		5,070,000
Total	**$ 4,020,000**	**$ 1,800,000**	**$ (750,000)**	**$ 5,070,000**

Related Parties	**Balance Oct 1'17**	**Advances**	**Repayments**	**Balance Sep 30'18**
NAMC[1]	$ -	$ 50,000	$ (50,000)	$ -
Diane Buchanan, Shareholder[3]	-	1,200,000	(1,200,000)	-
Jamel Chadi, Shareholder[3]	1,300,000	1,300,000	(2,600,000)	-
Imperial Land Corp.[2]	-	4,020,000	-	4,020,000
Total	**$ 1,300,000**	**$ 6,570,000**	**$ (3,850,000)**	**$ 4,020,000**

1. North American Mortgage Corp. ("NAMC") is controlled by Mr. Sine Chadi, President of the Company. Total interest paid at an annual rate of 6% at June 30, 2019 was $5,633. (No interest was paid on the repayment of the loan in the prior year due to the short-term nature of the loan.)

2. Imperial Land Corp. is controlled by Mr. Sine Chadi, President of the Company. Total interest accrued at an annual rate of 6% in Q1 2019 and Q2 2019 was reversed. The loans were paid in full subsequent to this quarter ending. Total interest paid was $19,287. (September 30, 2018 – accrued interest at an annual rate of 6% totalled $19,287.)

3. Loans repaid to shareholders totalling $3,800,000 in the prior year were repaid with interest at an annual rate of 6%. Total interest paid at September 30, 2018 was $43,685.

All related party financing is unsecured with no specified dates of repayment and therefore are due on demand. The fair value of the related party loans at both reporting dates approximates their carrying value as the amounts are due on demand.

23. Post-reporting date events

Subsequent to the quarter ending, the Company received an increase to one of the operating facilities. The total limit was increased to $13,500,000 from $10,000,000. Specific investment properties are held as additional security and there were no changes to the covenants.

Subsequent to the quarter ending, the Company repaid the related party financing of $5,070,000 plus accrued interest of $19,287.

Subsequent to the quarter ending, the Company entered an agreement to sell an investment property for $1,710,000. The offer is in the due diligence phase. Should the purchaser remove conditions, the sale will close in Q4 2019.

24. Authorization of the unaudited consolidated interim financial statements

The consolidated interim financial statements for the nine months ending June 30, 2019 (including comparatives) were authorized for issue by the Board of Directors on August 8, 2019.

Signed "Sine Chadi", Director *Signed "Kevin Lynch",* Director