1ST

IMPERIAL EQUITIES INC.

QUARTER REPORT 2020

ENDING DECEMBER 31, 2019

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1ST QUARTER ENDING DECEMBER 31, 2019

Management's Discussion and Analysis of the Results of Operations and Financial Condition

PRESIDENT'S REPORT

1st Quarter
December 31, 2019

▸ For more than twenty years, Imperial Equities has achieved year over year profitability. It's a track record we are proud of and one we have maintained consistently, even when our world seemed to be less than certain.

After several years of capriciousness, we are pleased to see signs that Alberta's energy sector will be boosted by the construction of the Trans Mountain Pipeline, and that the recent Federal Court of Appeals decision to uphold the Federal approval makes its path forward beyond certain. We are thrilled to know our energy products will have greater access to tidewater and new markets as a result of this project. This will very likely boost the local economy, and benefit many of our tenants. While we are optimistic about economic prospects locally, we know we must make our own success.

Imperial's ability to understand our context, and how it will shape the markets we invest in, has helped us know when to move on new opportunities and stay ahead of the curve. But no matter the context, there are two fundamental principles that have always guided our efforts.

First, we continuously scan the market. The best opportunities, based on industry, tenancy and location, will rarely just appear. Only a process of ongoing market search and comprehensive due diligence helps determine whether an asset can be expected to perform well. Second, we are rigorous asset managers, whether building a new project, or acquiring an older property, our actions can determine whether we can realize the full value of a property.

The principles sound straight-forward but executing them well and consistently is a practice of deep work that relies on rigor, tenacity and persistence. In addition, with more than 100 years of industry experience, represented by our Board of Directors and our Management Team, we are well positioned to understand the market, to build and train the right team and to be effective stewards of our portfolio. This makes all the difference to our investors, our tenants and to our long-term success.

With depth of experience in the industrial market, Imperial strives to be a preferred industrial landlord in Canada – and each year we are growing closer to this goal. We are rigorous in our efforts to grow, profitably, year over year and we continue to see the fruits of these efforts.

But we are also at a pivot point in our Company – one of scale, where the assets we hold, the geographies where we invest and industries we serve are all growing. Our base portfolio and our growth trajectory will require new structure and we must consider new paths forward. This Q1 2020 Report highlights some of the ways our Company is beginning to reposition its efforts towards these new horizons.

Understanding that growth is going to require us to look at new markets, industries and locations is something that our Company has already begun to address. Our initial investments in the agricultural sector, with our properties in Hanna and Vegreville, are performing well, and our investment pipeline contains the potential for new growth in this sector this year. These investments, along with our properties in Fort McMurray and Red Deer have allowed us to incrementally build our asset management tools and teams to cover new ground, and while this effort will need to continue to be built out, we are satisfied that we have a foundation that can manage on greater scale and at distance.

Industry-wise, we are learning the needs of new sectors as well. And while a portion of our portfolio remains focused on servicing the energy sector, our long-term will be more diverse, and require us to be responsive across multiple industries and geographies. Ensuring that the necessary tools and resources are in place to manage all assets to Imperial's standards is our primary goal.

As we poise for our next stage of growth, we know our ability to capture and retain committed investors will be key. Investors buy in and stay committed for a variety of reasons, but assurance of ongoing and early returns, such as through dividends is one major factor that will attract and retain investors. To this end, our Board of Directors decided this quarter to bring back dividends. Effective Q1, 2020, Imperial Equities will pay an annual dividend of $0.10 per share (paid quarterly), the first payment being due on January 31, 2020.

A dividend is both a signal of our confidence in our Company's growth and profitability and an expression of gratitude to our shareholders who have shown their confidence in us. We believe it allows our investors to share in our growth with a regular return on their investment, while maintaining their investment for the long-term.

This quarter, we also continued to expand our portfolio with a $6,670,000 purchase and lease-back of the Wajax Building in Nisku Industrial Park, near Edmonton. Nisku is located proximate to both the QEII highway corridor and the Edmonton International Airport, and in the midst of Alberta's leading industrial and manufacturing business park. This 37,200 square foot property is the second deal we've done with Wajax, a leading Canadian industrial parts supplier. We are pleased to be able to extend this quality relationship, after first securing Wajax as a tenant in Fort McMurray in 2018. By already having a strong relationship in place, we were able to move quickly to secure this deal, and secure conventional mortgage financing for it. The property is extremely well maintained, which, along with the continued occupancy by Wajax means no deferred maintenance or other renovation costs which can be associated with new tenancies.

In our existing portfolio we are pleased to be reporting a 96% occupancy at the end of this Q1. We do have two vacancies that we are actively marketing including a 32,762 square feet industrial/warehouse space in a multi-tenant industrial building, and a commercial/retail vacancy of 4,907 square feet. Priority is being given to marketing and filling this space and towards the 139,845 square feet of leases which will be up for renewal within this fiscal year. All efforts will be made to ensure existing tenancies are retained at market competitive rates.

We also are in the process of assessing a busy pipeline of potential opportunities for our Company and expect to move forward on several fronts this year. Our Wajax transaction was supported by conventional mortgage financing, and our Company continues to have strong relationships with our lending partners, enabling us to manage our growth through conventional means. However, as we begin to contemplate larger scale growth we will be open to other debt or equity-based instruments and our Board of Directors will consult with shareholders as needed as we begin to consider new types of transactions.

As we position ourselves for new growth, we are building out more of the structural foundation our Company will require. To this end, in Q1 we welcomed a new Chief Operating Officer for our Company who will lead our efforts to development more of the structure we need to support our growth strategy. Patricia Misutka is a strong corporate strategist who has worked across private, public and not-for-profit organizations. Her strategic insights and operational expertise are poised to help us focus, refine and improve our internal processes and develop the tools that allow us to grow, while maintaining the nimbleness our entrepreneurial organization has always maintained. This work also includes developing more structure around our current resources and development of new tools and processes to measure our efficiency and manage our resources – both properties and our people and partners.

Another key corporate priority this year will be the ongoing development of our ***Imperial Sustainability Initiative*** – our green plan. Greening of our properties has been a growing focus for our company, in order to keep pace with the expectations of our tenants, investors and financial partners. Our green plan will focus on our asset management activities and our environmental impacts. Our programs to date have focused on ensuring energy efficiency, through the installation of LED lighting across all properties and through ensuring that properties that are built or renovated would include elements of the Leadership in Energy and Environmental Design Standards (LEEDS) certification standards.

Moving forward, we will continuously evaluate cost-effective ways of greening our portfolio to meet higher certification standards. Throughout 2020, we will begin to report on our sustainability framework in a manner which aligns with global reporting standards for our industry. This is a new level of accountability that will only be more important as we build our portfolio, acquire new global tenant relationships, work in new jurisdictions and stay current with global investment standards. Our Company will publish our first stand-alone annual sustainability report at the end of 2020.

Our commitment to sustainability will incorporate social indicators, providing our shareholders with a more robust accounting of the impacts Imperial has on the communities where we operate. We have always led as a caring corporate citizen, responding to a myriad of organizations in the communities where we invest, both through charitable contributions and in-kind support. This includes the direct participation of those who work with our Company. Being a good corporate citizen continues to be a major part of our corporate mandate and will be a factor in how we measure our community impact.

Each year we convene an Annual General Meeting of the shareholders of Imperial Equities. The Meeting is an opportunity for Management to provide shareholders as well as any stakeholders and observers, a comprehensive overview of the Company's progress during the past 12 months as well as the events that will likely occur in the ensuing fiscal year. This year the Meeting will take place on Thursday March 12, 2020 and all Shareholders are encouraged to attend.

We are excited about the year ahead and about the opportunities we see in front of us and we remain grateful to our shareholders for their ongoing support. We invite you to reach out to any of the Directors with any questions, comments or investment opportunities.

Sincerely,

Sine Chadi
Chief Executive Officer and Chairman of the Board

MD&A

MANAGEMENT'S DISCUSSION & ANALYSIS

For the First Quarter
ending December 31, 2019

IMPERIAL EQUITIES INC. MD&A AS AT FEBRUARY 12, 2020

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 "Imperial Equities" or the "Company") and its subsidiaries. This MD&A should be read in conjunction with the consolidated interim financial statements for the three months ended December 31, 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 ("IFRS"). 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 interim financial statements.

FORWARD-LOOKING INFORMATION

In our report to shareholders, Management may talk about the current economy and express opinions on future market conditions. This forward-looking information is based on Management's current assessments made based on internal 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 23 of the consolidated interim financial statements and this MD&A. Any forward-looking statements in this report should not be relied upon as facts, as actual results may differ from estimates.

ADDITIONAL NON-IFRS MEASURES

Debt and unencumbered 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

Based in Edmonton, Alberta, Imperial Equities is a publicly traded company anchored by commercial, industrial, and agricultural properties in its targeted markets in Canada.

Annually, since operations began in 1998, Imperial Equities has achieved solid growth. The Board of Directors along with corporate Management are all vigorously and enthusiastically committed to the continued growth of the Company.

STRATEGIC DIRECTION

Imperial's Value Statement

Imperial's team of professionals is dedicated and motivated to grow its real estate portfolio and earn value for its shareholders. As a growth-focused Company, Imperial has financed acquisitions largely through conventional mortgages. However, issuing new share capital may be considered at a future date to support the Company's growth objectives. The Company believes in building value in the shares through a commitment to acquire and develop high-quality properties and gain capital appreciation to benefit shareholders. As part of its strategy, Imperial would consider the disposition of a property where it believes that it has maximized the potential of that property and its disposition would be beneficial to the Company.

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

Strategic Goals

1. Acquire commercial, industrial, and agricultural properties in strategic locations for capital appreciation
2. Acquire fully occupied, single-tenant or multi-tenant industrial properties with long-term lease agreements and rental rates commensurate with the location
3. Finance acquisitions with the lowest available cost of capital
4. Achieve a defined rate of return on each asset
5. Maximize the revenue potential of each asset in its region
6. Dispose of older assets that may have reached their maximum earning potential to reduce the overall age of the properties in the portfolio
7. Community investment

KEY PERFORMANCE DRIVERS

Imperial Equities continues to engage a dedicated team of professionals to manage and oversee business activities. The CEO and CFO have been with the Company since becoming publicly traded 21 years ago. During this quarter, the Company hired Patricia Misutka as Chief Operating Officer ("COO"). Patricia brings extensive experience as a corporate strategist to her role with Imperial. In addition, there is a strong Board of Directors with significant real estate experience to guide and assess Company strategy and investment decisions. 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 the Company delivers on its strategies and executes due diligence. This assessment will include the size of the tenant, the length of time they have been in business, their operations and exposure to the industry they operate in; all these factors will be a part of our evaluation of the strength of their lease covenant. The Company's success is also impacted by external factors including the overall economic health of industries operating in the province of Alberta. Alberta is still largely reliant on the oil industry and the Company is careful to select tenants that are best able to weather an economic downturn. Another external factor is interest rates related to financing of the properties. Investment properties are financed with conventional mortgages that can expose the Company to possible increases in interest rates, affecting operating income and cash flow. The Company, in the short term, does not consider rising interest rates to have a significant impact on the operating cash flows. Any new commercial lease terms associated with new acquisitions and lease renewals will reflect changing market conditions including current interest rates and will be assessed on this basis.

Strategic Objectives:

- Conduct 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.
- Monitor the quality of tenants in the portfolio to reduce the risk of defaults on leases.
- Maintain the assets to high standards including structural, mechanical and cosmetic to showcase the existing properties to prospective tenants or purchasers.
- Complete 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 business partners, while ensuring the costs are competitive.
- Maximize the cash flow from operations to ensure funding for growth opportunities.
- Select mortgage terms that provide a low cost of capital and utilize debt leverage opportunities.
- Minimize higher rate short-term borrowings to reduce the cost of capital.

KEY PERFORMANCE INDICATORS

	Three months ending December 31, 2019	Year ending September 30, 2019
Investment Properties		
Total number of investment properties	36	35
Property acquisitions during the period	1	4
Property dispositions during the period	-	1
Raw land properties held for future development	9	9
Raw land properties under lease with tenants	5	5
Gross leasable area (GLA) square feet	926,395	889,195
Leasing Activities by Gross Leasable Area (GLA)		
Leases renewed	-	48,973
New tenant leases	37,200	87,177
GLA of leases expiring within twelve months	139,845	95,206
Space available for lease	37,471	32,762
Average lease term to maturity in years	3.87	4.08
Building occupancy	96.4%	96.3%
Property Operations		
% operating expense recoveries	82%	82%
Income from operations	$ 2 ,996,536	$ 12,504,230
Investment property improvements	$ 33,546	$ 475,141
Financing		
Debt to total assets ratio	53%	53%
Weighted average interest rates on mortgages	3.37%	3.35%

INVESTMENT PROPERTIES

Acquisition during the current period

- Wajax in Nisku, AB. 37,200 ft^2 acquired in December 2019

Raw land properties held for future development – unchanged from the prior year

- 12.9 acres in Strathcona County, AB
- 2.24 acres in NW Edmonton, AB
- 49.25 acres in Hanna, AB
- 3 acres in NW Edmonton, AB

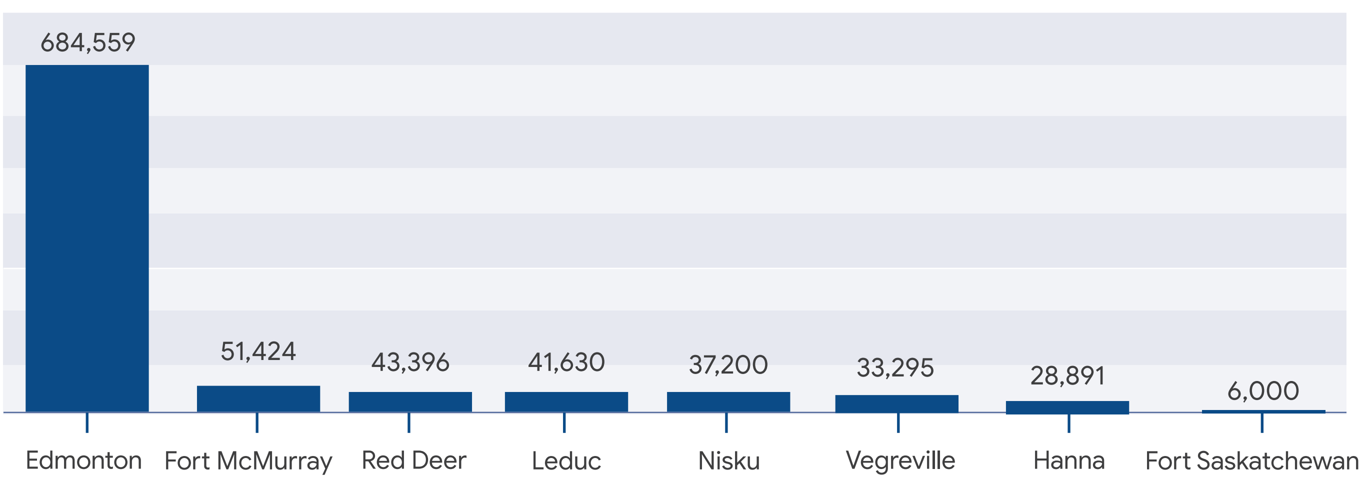
Raw land properties under lease with tenants – unchanged from the prior year

- 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 acres in NW Edmonton, AB. under lease with an existing tenant
- 3 acres in NW Edmonton, AB. under individual leases with six tenants

Gross leasable area (GLA) increased by net 37,200 square feet since September 30, 2019, with the following addition:

	SF^2
• Wajax building in Nisku, AB	37,200
Total GLA at September 30, 2019	889,195
Total GLA at December 31, 2019	**926,395**

Alberta Property Portfolio - GLA by City

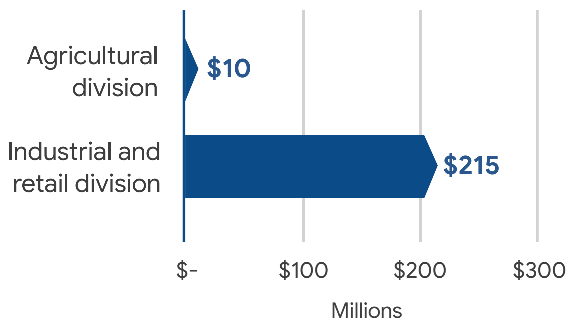


The Company has expanded its investment property holdings to locations outside of major cities and has begun to explore opportunities in provinces across Canada.

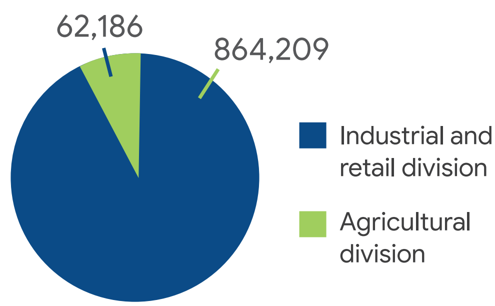
INVESTMENT PROPERTY DIVERSIFICATION

- During the prior year, the Company completed two property acquisitions that are now classified as agricultural division.

Fair Value of Investment Property



Total Square Feet



The first property was a new build-to-suit project in Hanna, Alberta, that was completed in Q1 2019. The tenant, Cervus Equipment Corporation is an international tenant that operates 63 heavy equipment and farm implement dealerships across Canada, Australia, and New Zealand.

The second agricultural property was acquired in Q3 2019 and is located in Vegreville, Alberta. The tenant Rocky Mountain Equipment is a multi-branch dealership focused around the Case and New Holland brands of equipment.

The total annual combined rental revenue for these two properties is $884,564.

The Company is working towards further acquisitions that will expand the agricultural division in Alberta and adjoining provinces.

LEASING ACTIVITIES

Gross Leasable Area - Square Feet

	Three months ending December 31, 2019	Year ending September 30, 2019
Total GLA at beginning of the year	**889,195**	810,018
Expiring lease space at beginning of the year	**(95,206)**	(81,735)
Additional leases expiring in the next 12 months	**(44,639)**	-
Tenant lease renewals	**-**	48,973
Lease renewals under negotiation	**102,374**	-
New tenant leases and amendments	**37,200**	87,177
Property sold during the year	**-**	(8,000)
Available for lease	**37,471**	32,762
Total GLA at end of the period	**926,395**	**889,195**

LEASE RETENTION DURING THE PRIOR YEAR

Location	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

Leases that are expiring in the next twelve months are either under current negotiations, or the notice period is not yet effective.

The performance drivers of the Company include ensuring a low turnover of tenants through lease retentions and maintaining high occupancy levels. During the prior year, 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.

Total GLA of leases expiring in the next twelve months

There are seven tenant leases expiring during the next twelve months, totaling 139,845 ft^2. The renewal process for each tenant will commence pursuant to provisions in their lease agreement.

Space available for lease

Current vacant space available for lease includes 32,762 ft^2 in one of the Company's multi-tenant buildings and 4,907 ft^2 in a multi-tenant retail plaza. The Company is actively marketing these spaces for lease.

LEASE TERMS
AT DECEMBER 31, 2019

SINGLE-TENANT BUILDINGS

Square Feet	58,875	52,890	240,207	75,151	74,206	26,400	29,450	116,630	62,224	28,891
Maturity Year	2020	2021	2022	2023	2024	2026	2027	2028	2029	2038

Total Square Feet: **764,924**

MULTI-TENANT BUILDINGS

Square Feet	4,798	80,970	2,941	9,037	4,929	21,127
Maturity Year	Month to Month	2020	2021	2022	2023	2024

Total Square Feet: **123,802**

Total GLA of existing leases:
888,726

Available GLA for lease:
37,669

Total GLA at December 31, 2019:
926,395

Weighted Average Remaining Lease Terms

Single-Tenant Buildings:
5.49 years

Multi-Tenant Buildings:
2.89 years

Total average lease term to maturity:
3.87 years

The risk to the Company when a tenant does not renew a lease is for the Company to absorb the ongoing operating costs of 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, primarily through responsive property management which ensures their leased space in the building, and the exterior parking lot and landscaping, are all 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, per square foot at December 31

	2019	2018
Edmonton, Alberta	**$ 11.96**	$ 11.84
Red Deer, Alberta*	**$ 25.45**	$ 25.07
Fort Saskatchewan, Alberta*	**$ 36.11**	$ 35.40
Fort McMurray, Alberta	**$ 43.26**	$ 43.25
Leduc, Alberta	**$ 15.70**	$ 15.70
Hanna, Alberta	**$ 19.17**	$ 18.24
Nisku, Alberta	**$ 13.00**	$ -
Vegreville, Alberta	**$ 7.18**	$ -

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

At December 31, 2019, the year-to-date occupancy is 96.4% (September 30, 2019 - 96.3%).

PROPERTY OPERATIONS

	Three months ending December 31, 2019	Year ending September 30, 2019
Property tax and insurance recoveries	**$ 625,912**	$ 2,444,428
Operating expense recoveries	**199,150**	908,825
	$ 825,062	$ 3,353,253
Total property operating expenses	**$ 1,001,959**	$ 4,093,678
% of property operating expense recoveries	**82%**	82%

Property taxes, insurance, and operating expenses are budgeted annually and reconciled every 12 months on a tenant-by-tenant basis. All of the Company's leases except one small lease are triple net leases, which allows the landlord to recover all operating costs except for any structural repairs. Management will decide how to treat the recovery from the tenant of expenses related to large maintenance items, so as not to impose hardship on the tenant's operations. In some cases, Management will amortize the expenditures over a period 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%.

Further affecting recoveries is vacant space of 37,471 ft^2 in multi-tenant buildings, and a tenant in a single-tenant building for whom the landlord is currently absorbing the operating expenses. Management is working closely with this tenant to accommodate their current situation.

Recovery percentages will vary each quarter depending on utilities, snow removal, lawn care, and other seasonal expenditures. 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.

	Three months ending December 31, 2019	Year ending September 30, 2019
Income from operations for the period	**$ 2,996,536**	**$ 12,504,230**
Less: Interest on financing* during the period	1,063,140	4,048,009
Less: Principal instalments on mortgages, during the period	1,465,304	5,617,362
Funds available for property improvements and growth	$ 468,092	$ 2,838,859

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

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

	Three months ending December 31, 2019	Year ending September 30, 2019
Total property improvements during the period	**$ 33,546**	**$ 475,141**

During this Q1 2020 the Company made improvements to two parking lots by installing geotechnical fabric and resurfacing with concrete, as well as forming proper concrete retaining walls. One building received new overhead heaters and minor structural improvements. Property improvements during the prior year included parking lot upgrades, energy efficient mechanical components such as 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, keeps 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 the properties and tenants, the Company has enjoyed a very high quality of work while ensuring costs are very competitive.

The Company is continuing to convert all buildings to energy efficient LED lighting both interior and exterior light fixtures. In addition, energy efficient heating, ventilating, and air conditioning units are being installed to replace outdated units. The impacts of these improvements are the reduction of the operating costs to the tenants, and the promotion of a greener environment through reduced emissions.

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

FINANCING

▸ Debt, and unencumbered 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.

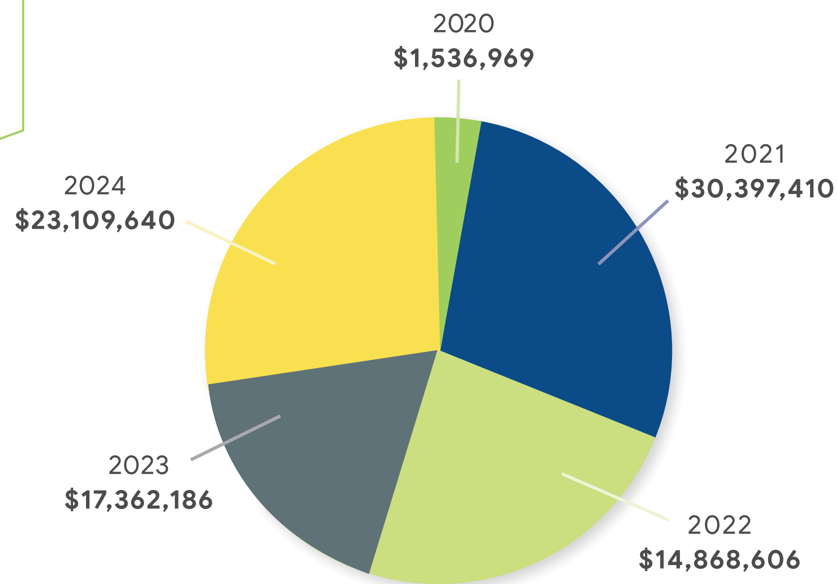
Management considers the ratio of debt to assets to be useful for evaluating the leverage the Company may have on its investment properties to consider additional financing opportunities if any.

	Three months ending December 31, 2019	Year ending September 30, 2019
Investment properties	**$ 225,395,281**	**$ 218,468,890**
Mortgages excluding transaction fees	87,274,811	88,740,115
Other financing	3,300,000	-
Bank operating facilities	28,338,036	26,353,212
Debt	**$ 118,912,847**	**$ 115,093,327**
Ratio of debt to assets	**53%**	**53%**

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 December 31, 2019, have fair values of $17,204,993. (September 30, 2019 - $17,204,993).

Weighted average interest rates on the mortgages have increased to 3.37% at December 31, 2019, from 3.35% at September 30, 2019, with rates rising for both new and renewed financing from the Company's lenders. During this quarter, the Company renewed one mortgage at the term date and renewed another mortgage that is due subsequent to this quarter ending. Also subsequent to the quarter ending, a new mortgage was received on the recent acquisition which allowed the Company to repay other financing that was outstanding at December 31, 2019.

MORTGAGE MATURITIES



The following table details the mortgage activities during the first quarter.

Maturity Date	Rate	Principal Balance Sept. 30 '19	Mortgages Advanced/ Assumed	Y-T-D Principal Payments	Principal Paid on Maturity	Principal Balance Dec. 31 '19
01-Jan-20	3.410%	$ 1,578,129		$ 41,160		$ 1,536,969
01-Jan-21	2.980%	3,485,483	-	64,957		3,420,527
01-Jan-21	2.980%	5,393,160	-	100,509		5,292,651
01-Apr-21	2.880%	5,581,728		101,981		5,479,747
01-Apr-21	2.948%	3,034,587	-	50,052		2,984,536
01-Oct-21	2.470%	6,086,078		149,984		5,936,094
01-Oct-21	2.470%	7,416,065	-	132,208		7,283,857
01-Feb-22	3.040%	5,794,009	-	96,531		5,697,478
01-Jun-22	2.730%	2,209,502		49,663		2,159,839
01-Dec-22	3.670%	3,728,639	-	55,007		3,673,632
01-Dec-22	3.671%	3,387,629	-	49,973		3,337,656
01-Feb-23	3.750%	2,044,271	-	29,521		2,014,750
01-Oct-23	3.950%	509,368	-	28,903		480,465
01-Oct-23	4.090%	6,014,888	-	79,612		5,935,276
01-Nov-23	4.330%	4,126,623		53,232		4,073,391
01-Dec-23	4.648%	4,919,773		61,469		4,858,304
01-Jan-24	4.300%	2,401,720	-	41,449		2,360,271
01-Jan-24	4.300%	1,906,127	-	32,896		1,873,230
01-Aug-24	3.300%	10,156,050		132,571	-	10,023,479
01-Nov-24	3.555%	8,966,286	-	113,627		8,852,659
		$ 88,740,115	**$ -**	**$ 1,465,304**	**$ -**	**$ 87,274,811**

All 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.

ACTIVITY DURING THE FIRST QUARTER

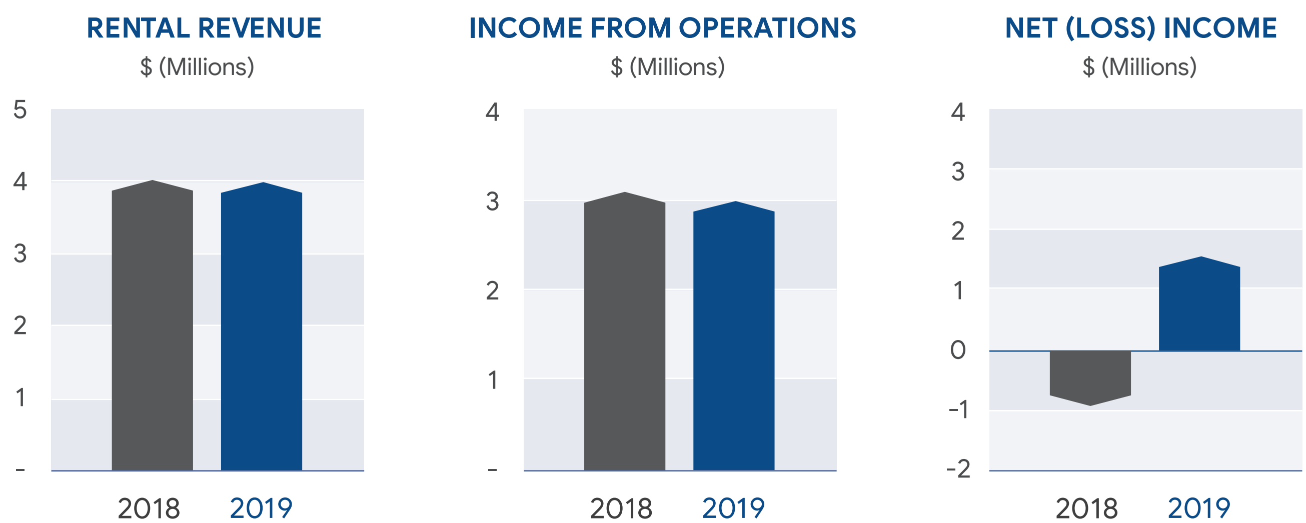
DECEMBER 31, 2019

- Imperial expanded its executive Management team to include the position of **Chief Operating Officer**. The COO is tasked with strategic planning of the Company's long-term direction and operational structure, and the allocation of resources to support the Company's pursuit of an increased scale of operations and future overall growth.

The Company completed an agreement to **purchase a 37,200 ft^2 building situated on 2.82 acres** in Nisku, Alberta. The total purchase price was $6,670,000. The tenant, Wajax, signed a 10-year lease agreement, making this their second location with Imperial.

The Company renewed one mortgage at its term date for a further five years and received approval for financing on the new acquisition in Nisku. Mortgage proceeds of $5,002,000 were received subsequent to the quarter ending.

PERFORMANCE RESULTS



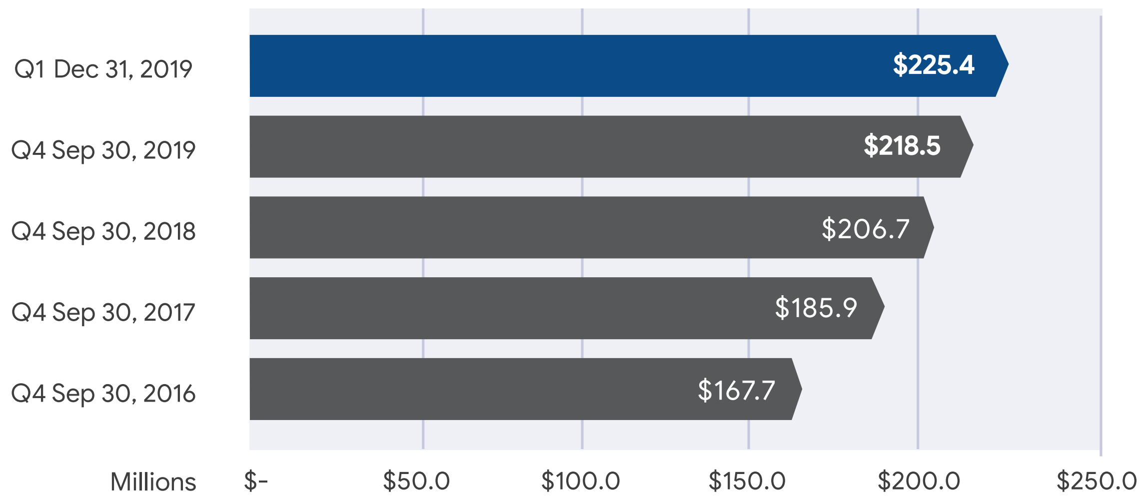
- With the addition of several investment property acquisitions and new leases in the last twelve months, the rental revenue has increased year over year. During Q1 in the prior year, a reversal of a provision relating to a loan receivable in the amount of $300,000 increased the revenue.

The net loss during Q1 2018 is the result of valuation net losses of $1,453,502 recorded on the investment properties, compared to valuation net gains of $89,563 at Q1 2020.

RESULTS OF OPERATIONS AND CASH FLOWS

- During Q1 2020, a tenant that leased 4,907 ft^2 in a multi-tenant retail plaza vacated their space prior to their lease expiry. A second lease space of 32,762 ft^2 available in a multi-tenant industrial building brings the year-to-date occupancy to 96.4%.

FAIR MARKET VALUE OF INVESTMENT PROPERTIES



- **Valuation net gains (or losses) from investment property** are the result of market values at each reporting date. They are 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, the strength of tenant, term of lease, lease rate, age of the building, size of the building, construction of the 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 favorable 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 newer construction. Higher capitalization rates apply to the Company's older buildings and take into consideration whether the property is multi-tenanted, the condition of the building, the strength of the tenants, the site coverage and the 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. 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 is 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 lands that have sold recently or are 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. Affecting operations for each quarter are the fair valuations of investment properties.

Net valuation gains (losses) per quarter:

2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2
$ 89,563	$ 1,103,099	$ (148,530)	$(33,127)	$(1,453,502)	$805,792	$ (4,702,567)	$ 235,704

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. Management marginally increases the cap rates on some of the properties where the Company believes property values and lease rates have decreased slightly as a 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

LOCATION	December 31, 2019 Total GLA sf	December 31, 2019 Range Cap Rates	Rate Change	September 30, 2019 Total GLA sf	September 30, 2019 Range Cap Rates
Edmonton, Alberta	651,797	4.50% - 6.80%	↔	651,797	4.50% - 6.80%
Red Deer, Alberta	43,396	6.35%	↑	43,396	6.33%
Fort Saskatchewan, Alberta	6,000	6.41%	↔	6,000	6.41%
Fort McMurray, Alberta	51,424	6.14% - 6.33%	↔	51,424	6.14% - 6.33%
Leduc, Alberta	41,630	6.50%	↓	41,630	6.85%
Vegreville, Alberta	33,295	8.50%	↔	33,295	8.50%
Nisku, Alberta	37,200	6.50%		-	
Hanna, Alberta	28,891	7.00%	↔	28,891	7.00%
	893,633			856,433	
Available for lease, Edmonton, Alberta	32,762			32,762	
Total GLA (square feet)	926,395			889,195	

Some of the leases 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. Cap rates continue to be evaluated on a property-by-property basis to ensure values reflect current market conditions.

At Q4 2019 there was an appreciation gain on vacant land that was valued at the market rate for similar land available for sale, and a gain recorded on a retail plaza that was valued at the current cap rate for this type of property.

During Q1 2019, the Company lowered the values of two properties, which contributed significantly to the net valuation losses of $1,453,502. One property, from which a tenant occupying 32,762 ft^2 vacated after paying out its 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, carrying costs, and leasing costs. A tenant in the second property requested a reduction in its contracted lease rate to the term of its lease. The lower 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 each such 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 with a current lease in place, and 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. Concurrent with 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 was lower than the lease that was terminated due to decreased market conditions in Fort McMurray. 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.

Fair value losses will often occur during Q3 each year, being the result of items capitalized as building improvements that 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.

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.

Unadjusted **Income from operations** is higher in 2019 over 2018 due to increased revenue generated from acquisitions and new leases in the last twelve months. In the prior year, income 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. At Q1 2019 revenue was also increased by $300,000 due to a reversal of a loan impairment provision made in the prior year.

- **Finance costs** include interest on financing and amortization of deferred finance fees, and are net of interest income. Interest on financing is up slightly at December 31, 2019, compared to December 31, 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 its lines of credit and related-party financing in the last twelve months to assist with new acquisitions.

- **Amortization of right-of-use asset** refers to the head office lease space for the Company. Effective October 1, 2019 the Company has recorded a right-of-use asset and it will be amortized over the term of the lease on a straight-line basis.

- **Loss on short-term investments** is the accounting loss on the disposal of all the short-term investments during Q1 2020. In the prior year, the investment loss is the result of valuing the marketable securities at market prices at the reporting date.

CHANGES IN CASH FLOWS

- **Cash provided by operating activities** was $2,771,721 at Q1 2020 (Q1 2019 – $2,347,543). 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 tenants in new acquisitions.

- **Cash used in investing activities** was $6,339,269 at Q1 2020 (Q1 2019 – $11,951,908) as the Company completed one acquisition in the quarter. In the prior year period, there were additional acquisitions and construction costs associated with the properties under development at that date.

- **Net cash provided by financing activities** was $2,662,471 at Q1 2020 compared to $7,292,570 at Q1 2019. In the prior year period, the Company received mortgage proceeds of $9,400,000.

At Q1 2020, there was a **net decrease in cash** of $905,077 compared to a net decrease in cash at Q1 2019 of $2,311,795.

CHANGES IN FINANCIAL POSITION

- **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, the unamortized balance of deferred leasing costs and unamortized balance of tenant inducements, if any. Changes since the fiscal year-end of September 30, 2019, are detailed below.

	Income Producing Properties	Held For Development	Total Investment Properties
Opening balance at September 30, 2019	$ 205,702,397	$ 12,766,493	$ 218,468,890
Additions:			
Property improvements and additions	33,474	-	33,474
Capitalized property taxes and other	-	72	72
Leasing commissions	112,883	-	112,883
Property acquisitions	6,736,863	-	6,736,863
Amortization of tenant inducements	(6,878)	-	(6,878)
Change in straight-line rental revenue	47,634	-	47,634
Revaluation gains (losses), net	89,563	-	89,563
Amortization of deferred leasing commissions	(87,220)	-	(87,220)
Ending balance at December 31, 2019	**$ 212,628,716**	**$ 12,766,565**	**$ 225,395,281**

Property improvements include structural improvements, HVAC units, and parking lot improvements. Leasing commissions were paid for a new lease on the acquisition in Nisku, Alberta with rent commencing in Q2 2020.

- **Right-of-use asset** relates to the head office lease with payments made to a related party. Note 24 (b). The asset was recorded at the present value of the lease payments to the term of the lease. This asset will be amortized on a straight-line basis over the term of the lease.

- **Loan receivable** of $421,405 at Q1 2020 is net of a $100,000 provision for impairment (Q4 2019 – loan of $728,063 net of a provision of $100,000). The loan relates to the early lease termination of a tenant in Fort McMurray, Alberta. Monthly installments are due until May 1, 2020. Provided all installments are received, the $100,000 provision will be reversed to revenue.

- **Receivables** of $56,263 at Q1 2020 and $279,846 at Q4 2019 are net of an allowance for doubtful accounts of $10,000. At September 30, 2019 receivables include tenant occupancy costs reconciliations that were collected subsequent to the year-end.

- **Prepaid expenses and deposits** have a balance at Q1 2020 of $94,286 (Q4 2019 – $661,714) relating to property insurance premiums and security deposits with municipalities. At Q4 2019 prepaid expenses included property taxes that are amortized to December 31.

- **Mortgages** at Q1 2020 have a balance of $87,274,811 (Q4 2019 – $88,740,115). The decrease is a result of regular monthly principal payments. During the current period, one mortgage was renewed for a further five-year term. At Q1 2020 there is one mortgage up for renewal in the next twelve months with a principal balance of $1,536,969, which is shown as a current liability. Subsequent to this quarter ending, the mortgage was renewed for a further one-year term. Netted against mortgages on the consolidated interim statements of financial position is the balance of unamortized fees associated with new or renewed mortgages, totaling $246,957 at Q1 2020 (Q4 2019 – $242,184).

- **Other financing** unsecured at Q1 2020 of $3,300,000 is due to related parties. The loans are unsecured and bear interest at an annual rate of 6%. Other financing was used to assist with the acquisition in Nisku, Alberta until a conventional mortgage was placed subsequent to the quarter ending.

- **Bank operating facilities** at Q1 2020 have a balance of $28,338,036 with two of the Company's major lenders (Q4 2019 - $26,353,212 with two of the Company's major lenders).

CREDIT FACILITIES

	December 31, 2019	September 30, 2019
Bank credit facilities	$ 26,500,000	$ 26,500,000
Amounts drawn on facilities	(28,338,036)	(26,353,212)
(Overdrawn) available credit facilities	**$ (1,836,036)**	**$ 146,788**

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

1. An operating Line of Credit with a limit of $13,500,000 (unchanged from September 30, 2019).

This LOC is used to assist with property acquisitions and general operations and has a balance at December 31, 2019, of $13,490,040 (September 30, 2019 - $13,372,362). The credit facility bears interest at prime plus 1% per annum (unchanged from September 30, 2019) and is secured by specific revenue-producing properties with combined fair values of $46,351,336 (September 30, 2019, specific revenue-producing properties with combined fair values of $46,341,730). The Company pays a standby fee of .25% per annum (September 30, 2019 – .25% per annum) payable monthly on the undrawn 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, 2019); 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, 2019). For these secured properties, the loan to value is set at 70%, unchanged from the prior year.

Debt Service Coverage Ratio ("DSCR") is the net operating income, divided by the debt service.

- Debt service = annual principal and interest payments based on 25-year amortization and an interest rate that is the greater of 5.0% (unchanged from September 30, 2019) 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 ("LTV") is the total debt on the secured properties divided by the current market value of the secured properties.

The Company was not in breach of its covenants at December 31, 2019 or at September 30, 2019.

2 An additional operating Line of Credit with a limit of $13,000,000 (unchanged from September 30, 2019).

This credit facility bears interest at prime plus .95% per annum (unchanged from September 30, 2019) and is secured by specific revenue-producing properties with combined fair values at December 31, 2019 of $73,153,615 (September 30, 2019 - $73,601,828).

During the current period, this LOC was amended by an increase to the limit as follows:

(a) Deleting “$13,000,000.00 revolving demand facility by way of:” and replacing it with “$14,900,000.00 revolving demand facility, reducing to $13,000,000.00 by way of:”

(b) Replacing the portion under the heading AVAILABILITY with the following:
“AVAILABILITY
The Borrower may borrow, repay and reborrow up to the amount of this facility provided this facility is made available at the sole discretion of the Bank and the Bank may cancel or restrict the availability of any unutilized portion at any time and from time to time without notice.

The amount available under this facility is temporarily increased for the period commencing December 23, 2019 and ending January 31, 2020 (the “Reduction Date”). This temporary increase is for the above referenced period only. On the Reduction Date (and provided that the Bank has not cancelled this facility or issued a demand for repayment), the amount available under the facility shall reduce to $13,000,000.00 and the Borrower shall make all payments necessary to ensure that outstanding Borrowings under this facility do not exceed the amount available at any time and from time to time.”

There are no specific covenants or margin formulas for this LOC. The balance on the credit facility at December 31, 2019 is $14,847,997 (September 30, 2019 – $12,980,850).

Subsequent to the quarter ending, and prior to the Reduction Date, the LOC was reduced to below $13,000,000.00.

- **Lease liability** is the result of the adoption of IFRS 16 “Leases” at October 1, 2019. The Company has recorded a lease liability at the present value of the remaining lease payments for its head office leased space. The lease payments were discounted using the Company’s incremental borrowing rate of 4.95%. Previously these payments were expensed as rent. A corresponding entry was made to a right-of-use asset which is amortized on a straight-line basis over the term of the lease.

- **Payables and accruals** are $942,774 at Q1 2020 (Q4 2019 – $800,176). The balances include accrued interest on financing, prepaid rents from tenants, and regular payables.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Revenue	3,998,495	4,152,393	4,273,657	4,150,537	4,021,321	5,497,881	2,930,792	3,486,193
Total Comprehensive Income (Loss)	1,533,740	4,393,990	1,519,848	1,393,144	(886,496)	3,395,251	(3,163,279)	1,449,203
EPS-Basic	0.16	0.46	0.16	0.15	(0.09)	0.35	(0.33)	0.15
EPS-Diluted	0.16	0.46	0.16	0.15	(0.09)	0.35	(0.33)	0.15

QUARTERLY CHANGES IN THE REVENUE

▸ The increase in revenue during 2019 reflects additional revenue from new tenant leases. At each Q4, revenue includes the reconciliation of occupancy costs and associated billings to tenants. During Q4 2018, revenue of $1,992,928 is non-recurring revenue generated from the accelerated rent adjustment for early termination of a lease.

In Q3 2018 revenue was impacted by the amortization of tenant inducements relating to one lease that was terminated when the tenant was placed in receivership. The total amortization of $336,364 was a charge against revenue.

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

Net valuation gains (losses) per quarter:

2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2
$ 89,563	$ 1,103,099	$ (148,530)	$ (33,127)	$(1,453,502)	$ 805,792	$ (4,702,567)	$ 235,704

Q4 2019 unrealized gains are net of small losses. The largest gains occurred on two properties: 3 acres of vacant land in west Edmonton, where land was revalued to market at Q4 2019 based on similar land values in the immediate area; and a multi-tenant plaza that is the type of property currently in high demand in Edmonton, that was revalued based on similar properties available for sale or sold in the immediate area.

Q1 2019 unrealized losses reflect small gains and losses on all the properties where revaluing the properties to market values takes into consideration the 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. During Q1 2019, three properties had larger write-downs due to events that occurred subsequent to the year-end. A tenant vacated 32,762ft^2 or 34% of a multi-tenant building. The lower value on this property reflects the loss in revenue and the costs to relet the space. During the latter part of Q1 2019, a tenant 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.

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. A new lease was signed with a large national tenant. The new lease rental revenue is lower than the lease that was terminated due to decreased market rates in Fort McMurray. All other inputs remaining the same, the effect of the lowered income from the new lease is a decrease of $4,464,828 in the fair value of the land and building.

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 some of the cap rates upward during 2018 and 2019. Most of the values are adjusted slightly upward 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 Q1 2020 is 9,496,442 unchanged from Q4 2019. The Company received approval to renew its normal course issuer bid, which now expires on September 2, 2020. During Q1 2020, the Company purchased 1,500 shares for a total cost of $5,430. The shares will remain in treasury until canceled.

In the prior year, the Company purchased 90,500 shares for a total cost of $361,082. Of those shares, 87,200 were canceled with a charge to retained earnings of $292,419. The remaining 3,300 shares will remain in treasury until canceled.

There are currently no options outstanding.

DIVIDENDS

- The Company issued a press release on January 6, 2020, announcing the declaration of a quarterly dividend of $.025 per share payable on January 31, 2020 to shareholders of record effective January 13, 2020.

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.

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 $242,430 (Q1 2019 - $218,122) 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 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 (unchanged from Q1 2019) for labour, plus truck charges, equipment use, 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 undertaken by Management, as compared to the tenant, in maintaining the property.

- **Acquisition and leasing fees** in the aggregate of $179,583 (Q1 2019 – $78,000) were paid to North American Realty Corp. ("NARC"), a company controlled by Sine Chadi. In the current period, $66,700 was paid to NARC for the acquisition of the Wajax building in Nisku, Alberta. Leasing fees were $112,883 for the negotiated lease in the same building. 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.

- **Leased office space and parking** were paid to Sable in the aggregate amount of $25,050 (unchanged from Q1 2019). Imperial Equities shares office space with Sable and pays $8,350 per month (unchanged from Q1 2019).

- **Fees** for the Chief Financial Officer of $60,000 (Q1 2019 – $50,000) were paid to Sable for the services provided by the Company's Chief Financial Officer who is not paid directly by Imperial Equities.

- **Rent collected** from Sable for commercial lease space was $22,104 at Q1 2020 (Q1 2019 – Nil). Sable currently leases a 7,871 ft^2 building in Edmonton, Alberta from the Company.

- **Rent collected from** Sable Realty Corp., a company controlled by Sine Chadi, who is a director and officer of the Company, was $6,000 at Q1 2020 (Q1 2019 - Nil). Sable Realty Corp. leases commercial space in one of the Company's multi-tenant buildings in Edmonton, Alberta.

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 Company's Board of Directors.

Paid to Directors

Directors' fees paid for attending directors' meetings were $12,500 at Q1 2020 (Q1 2019 - $10,000). Fees per director per meeting are $2,500, unchanged from the prior year. 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 President Sine Chadi, who is also a director and significant shareholder of the Company. Total salary paid to Mr. Chadi during Q1 2020 was $75,000, unchanged from the prior year. The Company's COO, Patricia Misutka, was paid $15,000 at Q1 2020 (Q1 – 2019 Nil).

Unsecured interim financing from directors and shareholders

In the current year, $600,000 was received from a director and a shareholder. The loan bears interest at an annual rate of 6%. A shareholder advanced the Company $2,700,000 during the current period which also bears interest at an annual rate of 6%. Total accrued interest at Q1 2020 is $543.

In the prior year, a director and shareholder advanced the sum of $200,000 to the Company, which was repaid in the prior year with interest at an annual rate of 6%. Total interest paid was $1,184.

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

In the prior year, interim party financing from North American Mortgage Corp. totaling $750,000 was received and repaid with interest at an annual rate of 6% during Q1 2019. The total interest paid was $5,633.

Unsecured interim financing from a company under common control

In the prior year, interim financing of $5,070,000 was owed to a company that is under common control by Sine Chadi. The $5,070,000 was repaid in full during the prior year. Total interest paid was $19,287 calculated at an annual rate of 6%.

LIQUIDITY, CAPITAL RESOURCES AND SOLVENCY

- Income from operations or cash flows from operating activities is the primary source 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.

	December 31, 2019	December 31, 2018
Income from operations	$ 2,996,536	$ 3,077,285
Cash provided by operating activities	$ 2,771,721	$ 2,347,543

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 funding 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 obtaining the required financing to continue growth and to satisfy short-term borrowing needs and obligations.

Investment properties that are unencumbered with debt total $17,204,993 at Q1 2020. The ratio of debt to assets is 53%, providing possible leverage opportunities in the future.

At Q1 2020, there is one mortgage totaling $1,536,969 and shown as a current liability. Subsequent to the quarter ending, the Company has renewed the mortgage for a further one-year term. When mortgages are renewed, the Company may have the option of increasing the debt on a particular property, subject to the lender's approval, to provide increased capital. There is a 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.

During Q1 2020, the Company received an increase to one of the Lines of Credit to facilitate the purchase of an investment property at Q1 2020. Subsequent to the quarter ending, a conventional mortgage was received by the same lender and the Line of Credit was reduced. There was no change to any of the financial covenants.

Other sources of funds include the loan receivable of $421,405 (before a provision of $100,000), which will contractually provide monthly cash receipts of $105,850 until May 1, 2020.

The Company has no other contractual commitments to purchase or sell assets, other than as disclosed above, and as disclosed in Note 25 of the consolidated interim financial statements.

CRITICAL ESTIMATES OF THE CURRENT ECONOMIC ENVIRONMENT AND OUTLOOK

- The economic environment in which Imperial operates within could be adversely affected by tenants challenged by unfavorable economic conditions.

During Q1 2020, an Edmonton-based tenant occupying a single-tenant building encompassing 50,000 ft^2 asked Management for some relief from its current lease obligations due to cash flow issues. Management will monitor this tenant's performance. Also, during Q1 2020, a tenant occupying 4,907 sf2 was unable to meet its lease obligations and vacated the premises. The retail space is being actively marketed for lease.

To date, there are no 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 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 a 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 are very likely to manage their operations sustainably during any economic turbulence. The Company does not have any tenant comprising 10% or more of its rental revenue thus limiting potential impacts from a single tenant.

Mix of Tenant Base	Institutional	Multi-National	National	Regional Large	Regional Medium	Local Small	Totals
% of Occupied GLA	8%	41%	29%	9%	8%	5%	100%
% of Annual Rental Revenue	3%	48%	28%	12%	4%	4%	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 property taxes and insurance, operating expense recoveries, and month-to-month leases.

As shown above, Imperial's real estate portfolio is predominately comprised of large single-tenant buildings that are leased to multinational, national and large regional tenants.

Most tenants have been with Imperial for many years and the Company conducts due diligence on all prospective tenants. Notwithstanding the size of each individual tenant, Imperial's risks involve losing tenants 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 if any, could be paid for with existing cash flows from operations. At Q1 2020 Imperial's occupancy rate is 96.4% year-to-date.

As with all the Company's past transactions, future opportunities will be evaluated through proper due diligence, assessment of industry conditions and geographical locations, and other external considerations.

- **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 Q1 2020, one 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, the 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.

The total fair value of the investment properties at Q1 2020 is $225,395,281 which includes $17,204,993 of properties unencumbered with debt. The mortgages and bank operating facilities against specific properties total $118,912,847 or 53% of the investment properties. 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 the demand for comparable lease space decreases, which is expected in any economic downturn. As demand for this type of lease space increases, so does the lease rate. Imperial is mindful of these risks. Management believes that any further leases that are up for renewal in the next twelve months will likely be renewed at the same rates, but the Company will be responsive to economic conditions.

- **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, with the exception of one, were renewed at higher rates than the prior terms. 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 and those currently owned by the Company have 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 include 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, promoting 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 strictly 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 backup the system daily.

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

PLANNED EXPENDITURES

▶ 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 available to the Company, generally 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 as an interim measure until lower financing is put in place.

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Adoption of accounting standards

The Company has adopted IFRS 16, "Leases" which introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the commencement of all leases, except for short-term leases and leases of low value assets. The change in the definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has determined its previously classified operating lease falls under the new definition and a right-of-use asset and lease liability have been recognized at the date of adoption, being October 1, 2019. The Company has recorded a lease liability at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate. A right-of-use asset was measured at an amount equal to the lease liability. The Company has applied the modified retrospective approach and, therefore, the comparative information has not been restated.

Under IFRS 16, lessor accounting remains largely unchanged, and the distinction between operating and finance leases is retained. The Company has assessed this standard and, consistent with IAS 15, leases with tenants will be accounted for as operating leases in the same manner as they are currently being reported.

In June 2017, the IASB issued IFRIC 23, Uncertainty over income tax treatments (“IFRIC 23”). IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12, Income taxes when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019 with early adoption permitted. IFRIC23 requires the Company to contemplate whether uncertain tax treatments should be considered separately or together as a group, based on which approach provides better predictions of the resolution, and to determine if it is probable that the tax authorities will accept the uncertain tax treatment or, if it is not probable that the uncertain tax treatment will be accepted, measure the uncertainty based on the most likely amount or expected value, depending on which method better predicts the resolution of the uncertainty. On October 1, 2019, the Company adopted this standard with no impact on its consolidated financial statements.

Future accounting standards

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 financial statements.

(a) 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.

The Company applies judgement in assessing whether an arrangement is, or contains, a lease in which the Company is a lessee, and in determining the lease term by considering the probability of an option being exercised to extend the term. Judgment was applied in determining the incremental borrowing rate and discount rate applied to the lease liability and right-of-use asset.

(ii) Investment property

The Company’s accounting policies relating to investment property are described in Note 2 (b) of the consolidated interim 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 judgment 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 the 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.

(b) 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 include capitalization rates and normalized net operating income (which is influenced by the inflation rate, interest rates, vacancy rates, structural reserves, and standard costs) of the property, using property-specific capitalization rates.

Investment property under construction is also valued at fair value, unless 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 judgment and did not rely solely on historical transaction comparables. In estimating the fair values of investment property in these circumstances, there is more uncertainty than which exists in a more active market. 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 the 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 debt and unencumbered investment 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 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 the 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 First Quarter
ending December 31, 2019

IMPERIAL EQUITIES INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	Notes	(unaudited) December 31, 2019	(audited) September 30, 2019
Assets			
Investment properties	3	225,395,281	218,468,890
Right-of-use asset	4	925,250	-
Total non-current assets		**226,320,531**	**218,468,890**
Loan receivable	5	421,405	728,063
Receivables	7	56,263	279,846
Prepaid expenses and deposits	8	94,286	661,714
Short term investments	6	-	276,000
Cash and cash equivalents		150,654	1,035,322
Total current assets		**722,608**	**2,980,945**
Total Assets		**227,043,139**	**221,449,835**
Liabilities			
Mortgages	9	79,682,482	72,647,419
Lease liability	11	779,574	-
Security deposits		592,763	558,030
Deferred taxes	14 (b)	12,833,446	12,901,426
Total non-current liabilities		**93,888,265**	**86,106,875**
Current portion of mortgages	9	7,345,372	15,850,616
Current portion of lease liability		170,050	-
Other financing	23 (b)	3,300,000	-
Bank operating facilities	10	28,338,036	26,353,212
Payables and accruals	12	942,774	800,176
Income taxes payable		49,627	857,306
Total current liabilities		**40,145,859**	**43,861,310**
Total Liabilities		**134,034,124**	**129,968,185**
Equity			
Issued share capital	17 (a)	5,955,720	5,962,095
Retained earnings		87,053,295	85,519,555
Total Equity		**93,009,015**	**91,481,650**
Total Equity and Liabilities		**227,043,139**	**221,449,835**

Guarantees, contingencies, and commitments (Note 21)
Post-reporting date events (Note 25)

See accompanying notes to the consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
Three months ending December 31,

	Notes	2019	2018
Rental revenue	16, 20	**3,998,495**	4,021,321
Property operating expenses	16	**(1,001,959)**	(944,036)
Income from operations		**2,996,536**	3,077,285
Finance costs	13	**(1,075,109)**	(990,742)
Administration expenses		**(305,222)**	(315,603)
Amortization of deferred leasing		**(87,220)**	(66,707)
Amortization of right-of-use asset		**(37,510)**	-
Loss on short term investments	6	**(17,494)**	(136,500)
Valuation net gains (losses) from investment property	3	**89,563**	(1,453,502)
Income before income tax		**1,563,545**	114,231
Income tax recovery (expense)	14 (a)	**(29,805)**	(1,000,727)
Net income (loss) and comprehensive income (loss)		**1,533,740**	(886,496)
Earnings (loss) per share basic and diluted	18	**0.16**	(0.09)

See accompanying notes to the consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
Three months ending December 31,

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
October 1, 2019	9,496,442	$ 5,975,822	$ -	$ 85,519,555	$ 91,495,377
Shares repurchased, held in treasury	-	(20,102)	-	-	(20,102)
Net income	-	-	-	1,533,740	1,533,740
Balance December 31, 2019	9,496,442	$ 5,955,720	$ -	$ 87,053,295	$ 93,009,015

	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	-	(69,136)	-	-	(69,136)
Net loss	-	-	-	(886,496)	(886,496)
Balance December 31, 2018	9,583,642	$ 5,961,622	$593,750	$ 77,911,243	$ 84,466,615

See accompanying notes to the consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
Three months ending December 31,

	Notes	2019	2018
Operating activities			
Net income (loss) from operations		1,533,740	(886,496)
Finance costs		1,075,109	990,742
Items not affecting cash:			
Amortization of right-of-use asset	4	37,510	-
Amortization of tenant inducements		6,878	-
Amortization of deferred leasing commissions		87,220	66,707
Fair value (gains) losses on investment properties		(89,563)	1,453,502
Unrealized losses on short term investments		17,494	136,500
Changes in straight-line rental revenue		(47,634)	169,846
Deferred income tax (recovery) expense		(67,978)	720,217
Leasing commissions		(112,883)	-
Net change in operating working capital	15	331,829	(303,475)
Cash provided by operating activities		2,771,721	2,347,543
Investing activities			
Purchase of investment properties		(6,736,863)	(8,863,708)
Property under development		-	(1,605,997)
Improvements and additions to investment properties		(33,546)	(323,146)
Net proceeds on sale of short-term investments		258,486	-
Net change in investing working capital	15	172,654	(1,159,057)
Cash used in investing activities		(6,339,269)	(11,951,908)
Financing activities			
Proceeds from new mortgages		-	9,400,000
Repayment of mortgages through principal instalments		(1,465,304)	(1,327,054)
Restricted cash held in guaranteed investment certificates		-	(300,000)
Amortization of deferred finance fees		21,330	22,212
Fees associated with new or renewed mortgages		(26,211)	(29,306)
Advances from other financing		3,300,000	750,000
Repayment of other financing		-	(750,000)
Finance costs		(1,075,109)	(990,742)
Principal repayments on lease liability		(13,136)	
Purchase of common shares for cancellation		(25,839)	(69,136)
Net advances on bank operating facilities		1,984,824	564,002
Net change in financing working capital	15	(38,084)	22,594
Cash provided by financing activities		2,662,471	7,292,570
Decrease in cash and cash equivalents		(905,077)	(2,311,795)
Cash and cash equivalents, beginning of year		1,035,322	2,343,520
Cash and cash equivalents, end of period		130,245	31,725

See accompanying notes to the consolidated financial statements.

1. Description of the Company

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, the 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 2019 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.

(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 any 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

The determination of whether an arrangement is, or contains, a lease is whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 interim statements of comprehensive income as they arise.

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

Company as lessee

The Company assesses whether a contract is, or contains, a lease at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Lease payments included in the measure of the lease liability comprise: fixed payments (including in-substance fixed payments), less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees; the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever: the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured either at fair value (in the case of right-of-use assets which are considered part of investment properties) or at cost less accumulated depreciation and impairment losses (for right-of-use assets which are considered property, plant and equipment). Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applied IAS 36 to determine whether a right-of-use asset is impaired. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments and are included in operating expenses in the consolidated interim statements of comprehensive income. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient on its contract for office space which contains both lease and non-lease components.

(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 operating decision-maker in allocating resources and assessing performance. The CODM is the President and Chief Executive Officer who has determined there are two reportable segments beginning in the current fiscal year, an agricultural division and an industrial/retail division. All the Company's operations are solely in Canada and are under one business, commercial real estate. The CODM and the board of directors will evaluate the performance of the segments based on income from operations and have set a predetermined level of resources to be allocated to the growth of the agricultural division.

(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

Contracted rental revenue is recognized and measured in accordance with IAS 17 *Leases*. Revenue commences when a tenant has a right to occupy the leased asset. Base rents or minimum rents in lease contracts are 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.

Rental revenue includes recoveries of property taxes, insurance, and operating expenses. Operating expense recoveries from tenants are providing a service to the tenant and therefore are non-lease components. IFRS 15 *Revenue from Contracts with Customers* requires revenue recognized from non-lease components to be disclosed separately from other sources of revenue. Operating expense recoveries are recognized over time for services rendered in the period they are earned. 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. Rental revenue also includes accelerated rent adjustments that 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.

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.

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 an 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 enough 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 flow 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 general approach to recognize impairment losses which requires losses to be recognized from possible defaults in the next twelve months. 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, canceled, or expire.

<u>Classification and measurement</u>

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 in 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
Lease liability	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 or less. Restricted cash in the prior year 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 19. 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 options 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 that 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 canceled, 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 interim 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.

The Company applies judgement in assessing whether an arrangement is, or contains, a lease in which the Company is a lessee, and in determining the lease term by considering the probability of an option being exercised to extend the term. Judgement was applied in determining the incremental borrowing rate and discount rate applied to the lease liability and right-of-use asset.

(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 judgment 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 the 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 include capitalization rates and normalized net operating income (which is influenced by the inflation rate, vacancy rates, and standard costs) by individual properties, 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 judgment 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 the 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 or reversals of impairment on an ongoing basis.

(r) Adoption of accounting standards

The Company has adopted IFRS 16, "Leases" which introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the commencement of all leases, except for short-term leases and leases of low value assets. The change in the definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has determined its previously classified operating lease falls under the new definition and a right-of-use asset and lease liability have been recognized at the date of adoption, October 1, 2019. The Company has recorded a lease liability at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate. A right-of-use asset was measured at an amount equal to the lease liability. The Company has applied the modified retrospective approach and, therefore, the comparative information has not been restated.

Under IFRS 16, lessor accounting remains largely unchanged, and the distinction between operating and finance leases is retained. The Company has assessed this standard and consistent with IAS 15, leases with tenants will be accounted for as operating leases, in the same manner, they are currently being reported.

In June 2017, the IASB issued IFRIC 23, Uncertainty over income tax treatments ("IFRIC 23"). IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12, Income taxes when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019 with early adoption permitted. IFRIC23 requires the Company to contemplate whether uncertain tax treatments should be considered separately or together as a group, based on which approach provides better predictions of the resolution, and to determine if it is probable that the tax authorities will accept the uncertain tax treatment or, if it is not probable that the uncertain tax treatment will be accepted, measure the uncertainty based on the most likely amount or expected value, depending on which method better predicts the resolution of the uncertainty. On October 1, 2019, the Company adopted this standard with no impact on its consolidated interim financial statements.

3. Investment properties

	Income Producing Properties	Properties Under Development	Held For Development	Total Investment Properties
Opening balance at September 30, 2019	$ 205,702,397	$ -	$ 12,766,493	**$ 218,468,890**
Additions:				
Property improvements and additions	33,474	-	-	**33,474**
Capitalized property taxes and other	-	-	72	**72**
Leasing commissions	112,883	-	-	**112,883**
Property acquisitions	6,736,863	-	-	**6,736,863**
Amortization of tenant inducements	(6,878)	-	-	**(6,878)**
Change in straight-line rental revenue	47,634	-	-	**47,634**
Revaluation gains (losses), net	89,563	-	-	**89,563**
Amortization of deferred leasing commissions	(87,220)	-	-	**(87,220)**
Ending balance at December 31, 2019	**$ 212,628,716**	**$ -**	**$ 12,766,565**	**$ 225,395,281**

	Income Producing Properties	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	475,141	-	-	**475,141**
Capitalized property taxes and other	-	-	132,873	**132,873**
Construction costs	-	1,888,941	-	**1,888,941**
Leasing commissions	220,020	-	-	**220,020**
Property acquisitions	9,834,476	-	1,679,737	**11,514,213**
Tenant inducements, net of amortization	132,982	-	-	**132,982**
Change in straight-line rental revenue	(94,359)	-	-	**(94,359)**
Sale of investment property	(1,681,325)	-	-	**(1,681,325)**
Transfer to (from)	11,229,506	(11,229,506)	-	**-**
Revaluation gains (losses), net	(969,525)	-	437,465	**(532,060)**
Amortization of deferred leasing commissions	(298,272)	-	-	**(298,272)**
Ending balance at September 30, 2019	**$ 205,702,397**	**$ -**	**$ 12,766,493**	**$ 218,468,890**

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 the 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.

Land with holding income including Oliver Crossing, and land held for development are valued based on sale data within the market area. 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, discusses 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:

	December 31, 2019	September 30, 2019
Range of capitalization rates applied to investment properties	4.50% - 8.50%	4.50% - 8.50%
Fair values of properties where cap rates were applied	$ 200,318,079	$ 193,391,689
Weighted average cap rates	6.29%	6.27%
Fair value impact of increasing average cap rate by 0.25%	$ (7,655,830)	$ (7,417,369)
Fair value impact of a 1% decrease in net operating income	$ (2,003,181)	$ (1,933,917)
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	$ 10,516,497
Impact of a 10% change in average price per acre	$ 1,051,650	$ 1,051,650
Land under lease agreements with tenants		
Number of acres leased	7.90	7.90
Average price per acre	$ 779,837	$ 779,837
Total fair values of leased land	$ 6,160,710	$ 6,160,710
Impact of a 10% change in average price per acre	$ 616,071	$ 616,071

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:

	December 31, 2019	September 30, 2019
Straight line rent receivable	$ 1,501,179	$ 1,453,543
Tenant inducements	126,102	132,979
Leasing commissions	1,580,064	1,554,400
	$ 3,207,345	$ 3,140,922

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

4. Right-of-use asset

The following table presents the change in the balance of the Company's right-of-use asset which is its office lease:

	December 31, 2019	September 30, 2019
Opening balance	$ -	$ -
Adoption of IFRS 16 (Note 2)	962,760	-
Amortization expense	(37,510)	-
Ending balance	**$ 925,250**	**$ -**

5. Loan receivable

	December 31, 2019	September 30, 2019
Loan receivable, beginning of year	$ 728,063	$ 1,009,825
Reversal of provision for impairment	-	900,000
Principal payments received	(306,658)	(1,181,762)
Balance, end of the period	**$ 421,405**	**$ 728,063**

The contractual receivable at December 31, 2019 is $521,405 (September 30, 2019 - $828,063). During the prior year, the Company reinstated a portion of the receivable that was previously considered impaired. The reversal amount of $900,000 was recorded as revenue in the prior year. Monthly installments are to be received until May 1, 2020.

6. Short – term investments

Short-term investments are common shares that were disposed of on the open market during the current period. Total net proceeds from the sale were $258,486 creating an accounting loss on disposal of $17,494 at December 31, 2019. (December 31, 2018 - $136,500 was recorded as an unrealized loss on investments).

7. Receivables

	December 31, 2019	September 30, 2019
Tenant receivables	$ 58,656	$ 277,965
Accrued interest	2,607	4,140
Other	5,000	7,741
Provision for impairment	(10,000)	(10,000)
Receivables, net	**$ 56,263**	**$ 279,846**

The tenant receivables at September 30, 2019 include invoices for occupancy costs that are reconciled at year-end and subsequently collected.

8. Prepaid expenses and deposits

	December 31, 2019	September 30, 2019
Prepaid operating expenses	$ 43,347	$ 610,775
Security deposits with municipalities	50,939	50,939
Total prepaid expenses and deposits	**$ 94,286**	**$ 661,714**

Prepaid operating expenses at December 31, 2019 are for insurance (September 30, 2019 – insurance and property taxes).

9. Mortgages

	Maturity	Rate	December 31, 2019	September 30, 2019
*	January 1, 2020	3.410%	$ 1,536,969	$ 1,578,129
	January 1, 2021	2.980%	3,420,527	3,485,483
	January 1, 2021	2.980%	5,292,651	5,393,160
	April 1, 2021	2.880%	5,479,747	5,581,728
	April 1, 2021	2.948%	2,984,536	3,034,587
	October 1, 2021	2.470%	5,936,094	6,086,078
	October 1, 2021	2.470%	7,283,857	7,416,065
	February 1, 2022	3.040%	5,697,478	5,794,009
	June 1, 2022	2.730%	2,159,839	2,209,502
	December 1, 2022	3.670%	3,673,632	3,728,639
	December 1, 2022	3.671%	3,337,656	3,387,629
	February 1, 2023	3.750%	2,014,750	2,044,271
	October 1, 2023	3.950%	480,465	509,368
	October 1, 2023	4.090%	5,935,276	6,014,888
	November 1, 2023	4.330%	4,073,391	4,126,623
	December 1, 2023	4.648%	4,858,304	4,919,773
	January 1, 2024	4.300%	2,360,271	2,401,720
	January 1, 2024	4.300%	1,873,230	1,906,127
	August 1, 2024	3.300%	10,023,479	10,156,050
	November 1, 2024	3.555%	8,852,659	8,966,286
	Total mortgages		$ 87,274,811	$ 88,740,115
	Less: current portion of principal payments		(7,345,372)	(15,850,616)
	Less: balance of unamortized finance fees		(246,957)	(242,080)
			$ 79,682,482	**$ 72,647,419**
	Weighted average rate		**3.37%**	**3.35%**

*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.

10. Bank operating facilities

	December 31, 2019	September 30, 2019
Bank operating facilities	$ 28,338,036	$ 26,353,212

The Company has two credit facilities set out as follows:

1) An operating line of credit (LOC) with a limit of $13,500,000 (September 30, 2019 - a limit of $13,500,000).

   This LOC is used to assist with property acquisitions and general operations and has a balance at December 31, 2019, of $13,490,040 (September 30, 2019 - $13,372,362). The credit facility bears interest at prime plus 1% per annum (September 30, 2019 – prime plus 1% per annum) and is secured by specific revenue-producing properties with combined fair values of $46,351,336 (September 30, 2019, specific revenue-producing properties with combined fair values of $46,341,730). The Company pays a standby fee of .25% per annum (September 30, 2019 - .25% per annum) payable monthly on the undrawn 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, 2019): 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, 2019). For these secured properties, the loan to value is set at 70%, unchanged from the prior year.

   Debt Service Coverage Ratio ("DSCR") is the net operating income, divided by the debt service.

   - *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, 2019 - 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 ("LTV") is the total debt on the secured properties divided by the current market value of the secured properties.

Loan Covenant Requirements:	Min. 90% Occupancy	DSCR 1.25	LTV 70%
December 31, 2019	Yes	2.89	69%
September 30, 2019	Yes	2.89	69%

   The Company was not in breach of its covenants at December 31, 2019 or September 30, 2019.

2) An additional operating LOC with a limit of $13,000,000 (September 30, 2019 – a limit of $13,000,000).

   This credit facility bears interest at prime plus .95% per annum (unchanged from September 30, 2019) and is secured by specific revenue-producing properties with combined fair values at December 31, 2019 of $73,153,615 (September 30, 2019 - $73,601,828).

During the current period, the LOC was amended by an increase to the limit as follows:

(a) deleting "$13,000,000.00 revolving demand facility by way of:" and replacing it with "$14,900,000.00 revolving demand facility, reducing to $13,000,000.00 by way of:"
(b) Replacing the portion under the heading AVAILABILITY with the following:
"AVAILABILITY
The Borrower may borrow, repay and reborrow up to the amount of this facility provided this facility is made available at the sole discretion of the Bank and the Bank may cancel or restrict the availability of any unutilized portion at any time and from time to time without notice.

The amount available under this facility is temporarily increased for the period commencing December 23, 2019 and ending January 31, 2020 (the "Reduction Date"). This temporary increase is for the above referenced period only. On the Reduction Date (and provided that the Bank has not cancelled this facility or issued a demand for repayment), the amount available under the facility shall reduce to $13,000,000.00 and the Borrower shall make all payments necessary to ensure that outstanding Borrowings under this facility do not exceed the amount available at any time and from time to time."

There are no specific covenants or margin formulas for this line of credit. The balance on the credit facility at December 31, 2019 is $14,847,997 (September 30, 2019 - $12,980,850). Subsequent to the quarter ending, and prior to the Reduction Date, the LOC was reduced to below $13,000,000.00.

11. Lease liability

The following table presents the change in the balance of the Company's lease liability:

	December 31, 2019	September 30, 2019
Opening balance	$ -	$ -
Adoption of IFRS 16 (Note 2)	962,760	-
Lease payments	(25,050)	-
Interest	11,914	-
Ending balance	**$ 949,624**	**$ -**
Current portion	$ 170,050	$ -
Non-current portion	$ 779,574	
Incremental borrowing rate	4.95%	

Estimated future principal payments required to meet the lease liability as at December 31, 2019 are as follows:

12 months ending December 31, 2020	$ 123,649
12 months ending December 31, 2021	139,755
12 months ending December 31, 2022	146,032
12 months ending December 31, 2023	153,261
12 months ending December 31, 2024	160,847
Thereafter	226,080
Total	**$ 949,624**

12. Payables and accruals

	December 31, 2019	September 30, 2019
Trade payables	$ 267,692	$ 98,659
Accrued loan interest	247,585	245,670
Current portion of tenant security deposits	54,679	47,068
Accrued liabilities	63,570	162,309

Prepaid rents	309,248	246,470
Total payables and accruals	**$ 942,774**	**$ 800,176**

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.

13. Finance costs

The components of finance costs are as follows:

	December 31, 2019	**December 31, 2018**
Interest on mortgages	$ 736,038	$ 718,880
Interest on bank operating facilities	314,645	231,157
Interest on other unsecured financing	543	47,470
Interest on lease obligations	11,914	-
Amortization of deferred finance fees	21,330	22,212
Interest income	(9,361)	(28,977)
	$ 1,075,109	**$ 990,742**

14. Income taxes

a) Provision for income taxes

Components of income tax (recovery) expense

	December 31, 2019	**December 31, 2018**
Current tax expense	$ 97,783	$ 280,510
Deferred tax (recovery) expense	(67,978)	720,217
	$ 29,805	**$ 1,000,727**

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 before income taxes	$ 1,563,545	$ 114,231
Expected income tax expense at 25.75% (2018 - 27%)	$ 402,612	$ 30,842
Increase (decrease) resulting from:		
Non-taxable items	4,484	2,605
Tax rate differentials and tax rate changes	(375,292)	967,280
	$ 29,805	**$ 1,000,727**

b) Deferred taxes

Deferred tax assets are attributable to the following:

	December 31, 2019	**September 30, 2019**
Financing fees	$ 2,595	313
Donations	27,378	27,378
Deferred tax assets	29,973	27,691
Offset of tax	(29,973)	(27,691)
Net deferred tax assets	**$ -**	**$ -**

Deferred tax liabilities are attributable to the following:	December 31, 2019	September 30, 2019
Straight-line rent receivable	$ 345,271	$ 334,315
Investment properties	12,150,598	12,236,412
Finance fees	4,137	878
Deferred leasing	363,415	357,512
Deferred tax liabilities	12,863,419	12,929,117
Offset of tax	(29,973)	(27,691)
Net tax liabilities	**$ 12,833,446**	**$ 12,901,426**

$30,273,649 (September 30, 2019 - $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.

15. Supplemental consolidated cash flow information

Changes in working capital

	December 31, 2019	December 31, 2018
Net change in operating working capital		
Decrease in receivables	$ 223,583	$ 113,269
Decrease (increase) in loans receivable	306,658	(11,157)
Decrease in prepaid expenses and deposits	567,428	466,860
Increase (decrease) in payables and accruals	8,030	(219,384)
Decrease in income taxes payable	(807,680)	(634,968)
Increase (decrease) in security deposits	33,810	(18,095)
	$ 331,829	**$ (303,475)**
Net change in investing working capital		
Decrease in deposits in trust for property acquisitions	$ -	$ 665,000
Increase (decrease) in payables and accruals	172,654	(1,824,058)
	$ 172,654	**$ (1,159,058)**
Net change in financing working capital		
Increase in refundable deposits with lenders	$ -	$ (70,586)
(Decrease) increase in accrued interest payable	(38,084)	93,180
	$ (38,084)	**$ 22,594**
Interest paid	$ 1,065,056	$ 745,010
Income taxes paid	$ 905,468	$ 915,477

	December 31, 2019	December 31, 2018
Non-cash transactions		
Adoption of IFRS 16 (Note 2)		
Right-of-use asset	$ 962,760	$ -
Lease liability	$ 962,760	-

16 Segmented Information

IFRS 8, Operating Segments requires reportable segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker for the purpose of assessing performance and allocating resources to segments. The CODM has determined there are two reportable segments in the current fiscal year, based on the different economic environments they operate in. The following summary presents segmented financial information by industry divisions.

December 31,	Agricultural Division		Industrial & Retail Division		Corporate		CONSOLIDATED	
	2019	2018	2019	2018	2019	2018	2019	2018
Rental revenue, contractual amount	$ 193,783	$ 43,917	$ 2,938,892	$ 2,904,550	$ -	$ -	$ 3,132,675	$ 2,948,467
Property tax and insurance recoveries	21,277	903	604,635	538,690	-	-	625,912	539,593
Operating expense recoveries	1,620	4,676	197,530	216,223	-	-	199,150	220,900
Accelerated rent adjustment	-	-	-	482,207	-	-	-	482,207
Amortization of tenant inducements	-	-	(6,878)	-	-	-	(6,878)	-
Straight-line rental revenue	16,663	18,894	30,973	(188,740)	-	-	47,636	(169,846)
Rental revenue	233,342	68,390	3,765,153	3,952,931	-	-	3,998,495	4,021,321
Property operating expenses								
Property taxes and insurance	(21,277)	(903)	(629,847)	(538,690)	-	-	(651,123)	(539,593)
Operating expenses								
Repairs and maintenance	(413)	-	(167,221)	(206,390)	-	-	(167,634)	(206,390)
Management fees	(8,772)	(1,980)	(153,425)	(167,598)	-	-	(162,196)	(169,578)
Utilities	-	-	(21,005)	(28,474)	-	-	(21,005)	(28,474)
subtotals	(30,461)	(2,883)	(971,498)	(941,154)	-	-	(1,001,959)	(944,036)
Income from operations	202,881	65,507	2,793,655	3,011,777	-	-	2,996,536	3,077,285
Finance costs								
Interest on mortgages	(56,387)	(1,287)	(679,652)	(717,593)	-	-	(736,038)	(718,880)
Interest on bank operating facilities	-	-	-	-	(314,644)	(231,157)	(314,644)	(231,157)
Interest on other unsecured financing	-	-	-	-	(543)	(47,470)	(543)	(47,470)
Interest on lease obligations	-	-	-	-	(11,914)	-	(11,914)	-
Amortization of deferred finance fees	(1,508)	-	(19,822)	(22,212)	-	-	(21,330)	(22,212)
Capitalized interest	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	9,361	28,977	9,361	28,977
subtotals	(57,895)	(1,287)	(699,474)	(739,805)	(317,740)	(249,650)	(1,075,109)	(990,742)
Administration expenses	-	-	-	-	(305,222)	(315,603)	(305,222)	(315,603)
Amortization of deferred leasing	(3,210)	-	(84,010)	(66,707)	-	-	(87,220)	(66,707)
Amortization of right-of-use asset	-	-	-	-	(37,510)	-	(37,510)	-
Unrealized gains (losses) on short term investments	-	-	-	-	(17,494)	(136,500)	(17,494)	(136,500)
Loss on the sale of investment property	-	-	-	-	-	-	-	-
Valuation net gains (losses) from investment property	80,737	(77,183)	8,826	(1,376,319)	-	-	89,563	(1,453,502)
Income (loss) before income tax	222,513	(12,963)	2,018,997	828,947	(640,456)	(701,753)	1,563,545	114,231
Income tax (expense) recovery	(57,297)	3,467	(519,892)	(221,743)	547,384	(782,451)	(29,805)	(1,000,727)
Net income (loss) and total comprehensive income (loss) for the year	$ 165,216	$ (9,495)	$ 1,499,105	$ 607,203	$ (93,073)	$ (1,484,204)	$ 1,533,740	$ (886,496)
Investment properties	$ 10,494,015	$ 7,415,643	$ 214,901,266	$ 208,397,889			$ 225,395,281	$ 215,813,532
Mortgages	$ 4,858,304	$ 5,100,000	$ 82,416,507	$ 88,642,178			$ 87,274,811	$ 93,742,178
Additions to investment properties	$ -	$ 1,605,997	$ 33,546	$ 323,146			$ 33,546	$ 1,929,143

17. Share capital

a) The Company has unlimited authorized common share capital.

	December 31, 2019	September 30, 2019
Number of shares issued		
Balance beginning of year	9,496,442	9,583,642
Shares cancelled	-	(87,200)
Ending number of shares	**9,496,442**	**9,496,442**
Capital stock		
Balance beginning of year	$ 5,975,822	$ 6,030,758
Shares held in treasury	(20,102)	(13,727)
Shares cancelled during the period	-	(54,936)
Ending capital stock	**$ 5,955,720**	**$ 5,962,095**

The Company received approval from the TSX Venture Exchange to purchase up to 479,182 common shares representing 5% of the outstanding shares under a normal course issuer bid ("NCIB") that expires September 2, 2020. During the current period, the Company repurchased 1,500 shares for a total cost of $5,430. These shares are held in treasury until cancelled.

During the prior year, 90,500 shares were repurchased for a total cost of $361,082. Of the shares repurchased, 87,200 were cancelled and the excess of the purchase price over the costs of the shares in the amount of $292,420 was charged to retained earnings. The remaining 3,300 shares are held in treasury until cancelled.

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. During the prior year, all the outstanding options expired, and the contributed surplus was recorded to retained earnings.

	December 31, 2019	September 30, 2019
Contributed surplus, beginning of the year	$ -	$ 593,750
Expired options		(593,750)
Contributed surplus, end of the period	**$ -**	**$ -**

18. Earnings per share

The following are the weighted average number of shares outstanding:

	December 31, 2019	December 31, 2018
Net income (loss) and comprehensive income (loss)	$ 1,533,740	$ (886,496)
Weighted average shares outstanding – basic	9,492,998	9,582,860
Unexercised dilutive options	-	-
Weighted average shares outstanding – diluted	9,492,998	9,582,860
Earnings per share – basic and diluted	**$ .16**	**$ (.09)**

19. Stock-based compensation plan

The following table reflects the activity in the prior year 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
Expired options	(475,000)	$ 4.25	-
Ending balance at September 30, 2019	**-**	**-**	**-**

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. There are currently no options outstanding.

20. 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.

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

	December 31, 2019	December 31, 2018
No later than one year	$ 12,851,744	$ 11,942,938
2 – 5 years	36,354,022	38,333,318
Over 5 years	25,714,924	28,394,365
	$ 74,920,690	**$ 78,670,622**

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.

21. 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 24.

22. 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 favorable terms or with interest rates as favorable as those of the existing debt. The Company mitigates these risks by its continued efforts to stagger the maturity profile of its long-term debt, enhance the value of its real estate properties, and maintain high occupancy levels. The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

	December 31, 2019	September 30 2019
Mortgages	$ 87,274,811	$ 88,740,115
Lease liability	949,624	-
Bank operating facilities	28,338,036	26,353,212
Other financing	3,300,000	-
Total debt financing	119,862,471	115,093,327
Equity	93,009,015	91,481,650
Total capital	**$ 212,871,486**	**$ 206,574,977**

23. Financial instruments

	December 31, 2019	September 30, 2019
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 150,654	$ 1,035,322
Short term investments	-	276,000
Receivables, net of provisions	56,263	279,846
Loan receivable, net of provision	421,405	728,063
	$ 628,322	**$ 2,319,231**
Financial liabilities		
Other financial liabilities		
Bank operating facilities	$ 28,338,036	$ 18,457,672
Payables and accruals	942,774	3,145,876
Other financing	3,300,000	4,020,000
Lease liability	949,624	-
Security deposits	558,030	611,654
Mortgages	87,274,811	85,669,230
	$ 121,363,275	**$ 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 in the prior year 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 December 31, 2019 is $87,261,583 (September 30, 2019 - $88,682,977). 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 3.555% (September 30, 2019 – 3.555%).

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 $56,263 at December 31, 2019 (September 30, 2019 - $267,965), cash and cash equivalents of $150,654 (September 30, 2019 - $1,035,322), and loan receivable of $421,405, net of a provision of $100,000 (September 30, 2019 - $728,063 net of a provision of $100,000).

Credit risk on trade receivables 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. 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 and the loan receivable the Company applies the general approach to recognize expected credit losses in the next twelve months. Management uses 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 most tenants have been able to meet their financial obligations. The resulting allowance has been set at $10,000 at December 31, 2019 (September 30, 2019 – $10,000).

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 December 31, 2019 is $28,338,036 (September 30, 2019 - $26,353,212). 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 $283,380 (September 30, 2019 - $263,532). 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 during the prior year 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 enough 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 enough cash requirements to cover normal operating and budgeted expenditures.

During the current period, the Company renewed one mortgage for a further five - year term and one mortgage was renewed for one year.

During the current period, the Company received a temporary increase of $1,900,000 to the limit on one of the Company's bank operating facilities. This increase facilitated the purchase of an investment property during the quarter. Subsequent to the quarter ending, conventional mortgage financing was placed on the new acquisition and the line of credit was reduced. 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 December 31, 2019

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	$ 10,131,154	$ 44,874,606	$ 40,426,775	$ -	$ 95,432,535
Payables and accruals	942,774	-	-	-	942,774
Lease liability	170,050	360,670	360,000	235,050	1,125,770
Security deposits	54,679	229,805	1,448	361,509	647,441
	11,298,657	45,465,081	40,788,223	596,559	98,148,520
Operating facilities	28,338,036	-	-	-	28,338,036
	$ 39,636,693	**$ 45,465,081**	**$ 40,788,223**	**$ 596,559**	**$ 126,486,556**

Contractual obligations at September 30, 2019

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	$ 18,437,048	$ 44,360,063	$ 33,410,035	$ -	$ 96,207,146
Payables and accruals	800,176	-	-	-	800,176
Security deposits	47,069	200,454	32,538	325,037	605,098
	19,284,293	44,560,517	33,442,573	325,037	97,612,420
Operating facilities	26,353,212	-	-	-	26,353,212
	$ 45,637,505	**$ 44,560,517**	**$ 33,442,573**	**$ 325,037**	**$ 123,965,632**

24. 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, 2019 - $65/hour)
Project fees	large scale improvements to tenant space are negotiated at the time services are requested

Payments to North American Realty Corp.:

Leasing	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 3% of the value of lease renewals to a maximum of five years
Acquisitions	1% of the purchase price of the property
Dispositions	3% of the sale price of investment property

Payments for the three months ending December 31,	2019	2018
Property management and maintenance fees	$ 242,430	$ 218,122
Acquisition fees	66,700	78,000
Leasing fees	112,883	-
Total payments	**$ 422,013**	**$ 296,122**
Amounts payable at December 31,	**$ 188,563**	**$ -**

b) *Other related party transactions*

i) Payments made to (received from) Sable Realty & Management Ltd.

	2019	2018
Leased office space and parking	$ 25,050	$ 25,050
Fees for the Chief Financial Officer	60,000	50,000
Rent at Sable Centre	(22,104)	-
Net payments for the period	**$ 62,946**	**$ 75,050**

ii) Sable Realty Corp. a company controlled by Sine Chadi leases space at one of the Company's commercial properties. The total lease revenue received by the Company was $6,000 (December 31, 2018 – Nil).

iii) 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 three months ending December 31, 2019 were $12,500 (December 31, 2018 – $10,000).

iv) 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 and the Chief Operating Officer, Patricia Misutka.

Three months ending December 31,	2019	2018
Sine Chadi	$ 75,000	$ 75,000
Patricia Misutka	15,000	-
	$ 90,000	**$ 75,000**

v) Other financing, unsecured

Related Parties	Balance Oct 1'19	Advances	Repayments	Balance 31-Dec-19
Jamel Chadi, Shareholder[1]	$ -	$ 2,700,000	$ -	$ 2,700,000
Sine Chadi, Shareholder[1]		600,000		600,000
Total	**$ -**	**$ 3,300,000**	**$ -**	**$ 3,300,000**

Related Parties	Balance Oct 1'18	Advances	Repayments	Balance Sep 30'19
NAMC[2]	$ -	$ 750,000	$ (750,000)	$ -
Sine Chadi, Shareholder[1]		200,000	(200,000)	-
Imperial Land Corp.[3]	4,020,000	1,050,000	(5,070,000)	-
Total	**$ 4,020,000**	**$ 2,000,000**	**$ (6,020,000)**	**$ -**

1. Loans received from shareholders bear interest at an annual rate of 6%. Total accrued interest at December 31, 2019 is $543. In the prior year, loans repaid to shareholders totaling $200,000 were repaid with interest at an annual rate of 6%. Total interest paid at September 30, 2019, was $1,184.

2. North American Mortgage Corp. ("NAMC") is controlled by Mr. Sine Chadi, President of the Company. Total interest paid in the prior year at an annual rate of 6% was $5,633.

3. Imperial Land Corp. is controlled by Mr. Sine Chadi, President of the Company. Total interest paid in the prior year at an annual rate of 6% was $19,287.

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 the reporting dates approximates their carrying value as the amounts are due on demand.

25. Post-reporting date events

Subsequent to the quarter ending, the Company received conventional mortgage financing of $5,002,500 which was placed on the newest acquisition in Nisku, Alberta.

Subsequent to the quarter ending, the Company placed a deposit on an offer to purchase a 71,381 ft^2 building situated on 2.97 acres in west Edmonton, Alberta. The Company is currently in the due diligence phase of the offer with an expected closing date in Q2 2020.

26. Authorization of the unaudited consolidated interim financial statements

The unaudited consolidated interim financial statements for the three months ending December 31, 2019 (including comparatives) were authorized for issue by the Board of Directors on February 12, 2020.

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

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