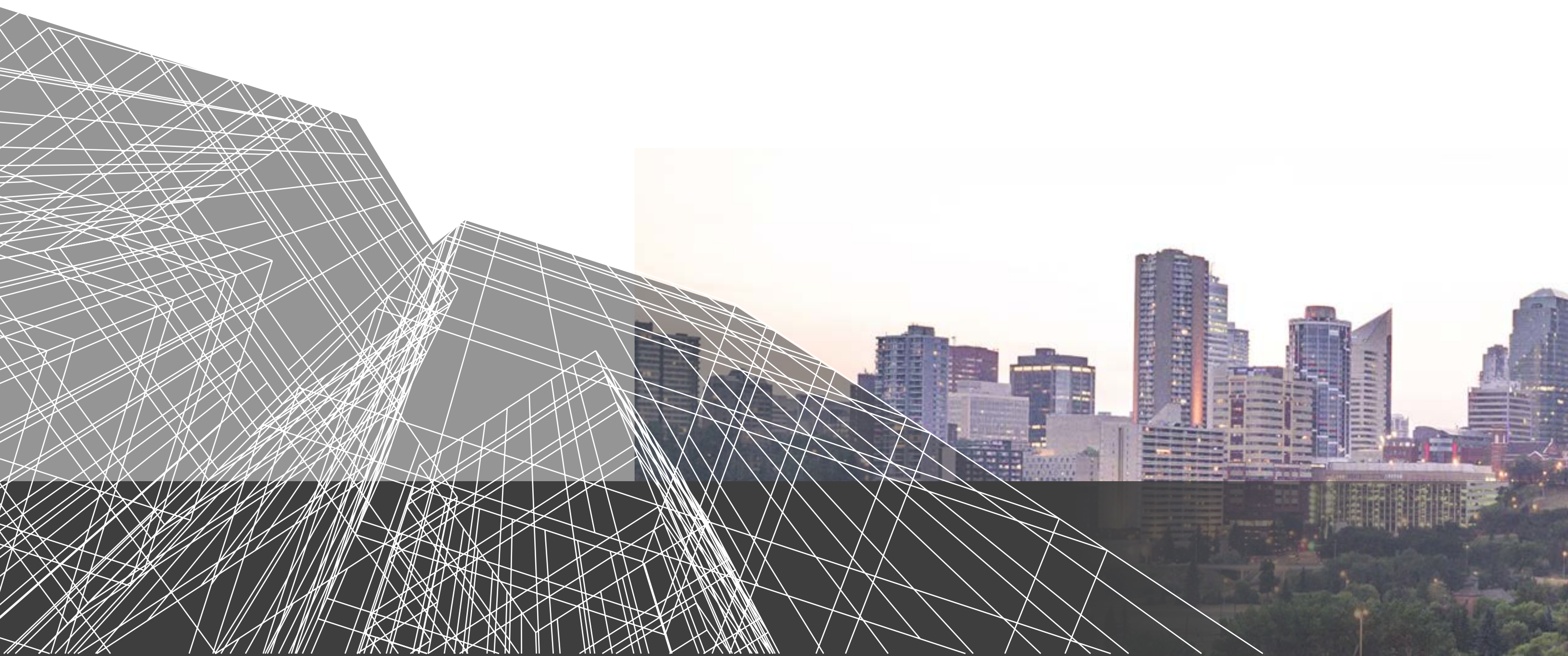
IMPERIAL EQUITIES INC.

1ST QUARTER REPORT

ENDING DECEMBER 31, 2017



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MD&A

MANAGEMENT'S DISCUSSION & ANALYSIS

for the First Quarter
ending December 31, 2017

2018 1ST QUARTER
PRESIDENT'S REPORT

at December 31, 2017

An economy that is largely based on a single commodity can be either lucrative or incredibly disruptive. For decades, the Alberta economy has seen its share of boom and bust cycles as it floats with the ups and downs of the world price for oil.

Being landlocked and having only one major market for its product can also have a detrimental effect, the likes of which we've seen in Alberta during the past several years. In early 2017, the Alberta economy began to breathe a major sigh of relief as measures, such as those taken by the Organization of Petroleum Exporting Countries (OPEC), began to take hold and the price of oil began its gradual climb. Recently, the Conference Board of Canada announced that Alberta has surged out of recession thanks to rising oil prices, rising production and a swift turnaround in drilling levels. By most accounts Alberta's economic growth in 2018 will likely be the highest among the Canadian Provinces.

The oil and gas sector, the lifeblood of our Alberta economy, clearly appears to be rebounding. This bodes well for Imperial Equities as we continue on, building on a solid foundation of first class industrial properties. Imperial's industrial real estate portfolio now consists of hundreds of thousands of leasable square feet throughout Alberta and our asset management team is continually vigilant seeking out potential investment properties worthy of being included in our portfolio. Our willingness to expand our real estate portfolio can be demonstrated by Imperials recent acquisitions as well as properties currently under contract and those that are currently under development.

In this Q1 we completed the acquisitions of a 24,855 ft2 industrial building and 2 vacant industrial lots in Edmonton's southeast industrial corridor. The acquisition of these properties now brings Imperial's land holdings in the immediate area to four different properties. The building is situated on 2.19 acres of improved land and is constructed with pre-engineered steel and has several heavy industrial cranes. The building was vacant throughout the negotiation process but subsequent to closing the transaction Management completed a new multi-year lease with Skyway Canada, a strong national company. The 2 vacant industrial lots are located contiguous to each of the buildings we own in the area. The tenants in each of the buildings expressed an interest in leasing the vacant lands and in this Q1, Management completed lease agreements that compliment the existing arrangements we have with each tenant. This scenario will provide Imperial with holding income as we contemplate the future development of these lands.

The long-awaited development of Coppertone III began in earnest and should be completed by the end of Q3, 2018. This new building will be another jewel within our own Coppertone Industrial Common which was created by Imperial back in 2004. Coppertone I and Coppertone II have been completed and are fully occupied with international tenants. The common theme among these buildings is the copper cladding and curtain wall finishes that make these industrial buildings superior to any other buildings in the area.

Although we have never ventured beyond the boundaries of a major or mid-sized city we're pleased to announce that Imperial has completed a long-term lease arrangement with a multinational company to develop a new John Deere dealership in Hanna, Alberta. An arrangement to acquire a 67 acre property was completed and Management will commence with a 16.5 acre subdivision to accommodate the new John Deere dealership. Construction of the 24,454 ft2 has already begun and occupancy is expected to take place by the end of Q4, 2018. The balance of the lands will be land banked for future development.

Interest rates in Canada have fluctuated dramatically over the past three decades and Imperial has taken every advantage presented to it. In 2015 as a response to plummeting oil prices, the Bank of Canada (BOC) twice lowered its key lending rate by 0.25% in each interval which brought the interest rates down from 1.0% to 0.5%. Financial institutions followed suit by reducing their prime lending rates and in turn provided mortgage financing at the lowest levels our company has ever experienced. Despite some minor fluctuations,

for every quarter in each year that we've been reporting our weighted average interest rate, Imperial's average rates had been declining. In 2017, notwithstanding oil prices had begun a modest recovery, the BOC argued that the stimulative power of the two rate cuts had achieved its intended goal and it was time to raise rates.

In July of 2017, for the first time in seven years, the BOC raised the interest rate by 0.25% to 0.75%. During this Q1, 2018 the BOC again raised its key lending rate by a further 0.25% to 1.0%. Subsequent to this Q1, the BOC again raised the interest rates by a further 0.25% to a new high of 1.25% and by most accounts Canadians can expect the BOC to raise rates even further. With every increase announced by the BOC, financial institutions were quick to react and raise their rates accordingly.

The ability for a company to finance its real estate assets at the lowest rates possible is as prudent as negotiating the highest priced lease rate. Despite the recent increases in interest rates, Imperial continues to maintain a relatively low weighted average interest rate of 3.04%. Management is extremely vigilant and maintains a close watch on fluctuations in interest rates.

Imperial's real estate portfolio remains the cornerstone of the company. Since its inception, Imperial has been resolute in ensuring the quality of its assets are superior and the scale of its tenant base being primarily international, national or large regional. Our steadfast resolution to stay committed to these principals has certainly allowed us to forge forward on a solid foundation which should hold Imperial in good stead despite an economic downturn. Our entire portfolio remains 100% occupied and in some cases our tenants are asking for expanded space which we will gladly oblige. Continuing to expand our real estate portfolio with quality tenants is a priority for management. Our growth will not abate and is expected to increase throughout 2018 and 2019. Several opportunities are currently being explored and will likely be acted upon in our upcoming Q2, 2018.

Maintaining a standard worthy of being included in the portfolio requires continuous care and upkeep of each property. Our asset management team is continually vigilant of potential maintenance problems and recommends the appropriate corrective actions when identified. This process serves to ensure that our properties remain in good condition with contented tenants. Ensuring that our properties are fully leased and generating revenue is paramount.

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 15, 2018 and all Shareholders are encouraged to attend.

We are optimistic about the continued growth of Imperial Equities and as always, we would like to thank our shareholders for their ongoing support and do invite you to contact any of the directors with comments, concerns or investment opportunities. Additional information on our Company can be viewed on line at our website **www.imperialequities.com** or **www.sedar.com.**

Sincerely,

Sine Chadi
Chief Executive Officer and Chairman of the Board

IMPERIAL EQUITIES INC. MD&A AS AT JANUARY 31, 2018

The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an explanation of the performance of Imperial Equities Inc. ("Imperial" or the "Company" or "Imperial Equities") and its subsidiaries. This MD&A should be read in conjunction with the consolidated interim financial statements for the 1st quarter ended December 31, 2017 and the related notes. Imperial Equities Inc. trades on the TSX Venture Exchange under the symbol "IEI'. Additional information on the Company may be obtained by visiting www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in the MD&A and is also responsible to ensure that appropriate procedures and controls exist internally that will provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with International Financial Reporting Standards. In addition, the Company's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company and have reviewed and approved this MD&A and the accompanying consolidated interim financial statements.

FORWARD-LOOKING INFORMATION

In our report to shareholders, management may talk about the current economy and express opinions on future interest rates and capitalization rates that we might experience or speculate on future market conditions. This forward-looking information is based on management's current assessment of market conditions based on their expertise as well as the opinions of other professionals in this industry. While management may consider these statements to be reasonably optimistic and favorable, the opinions and estimates of future trends are subject to risk and uncertainties. Readers are encouraged to read the risk factors identified in Note 19 of our 2018 1st Quarter consolidated interim financial statements and this MD&A. Any forward-looking statements in our report should not be relied upon as facts, as actual results may differ from estimates.

ADDITIONAL NON-IFRS MEASURES

Throughout the MD&A, management will use measures that may include Adjusted EBITDA (net income from continuing operations before interest, taxes, depreciation and amortization, valuation gains, straight-line rental revenue and other non-recurring items) and NOI (net operating income from properties which includes property revenue less direct property operating expenses and excludes non-cash and extraordinary items, administrative expenses, amortization, valuation gains or losses, gains or losses on sales of investment property, stock based compensation, interest and income taxes). 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. Management believes its use of Adjusted EBITDA and NOI provides the shareholders and prospective investors with an additional performance measure to show the cash flow from operations that is available to finance debt and further growth of the Company. A detail of the calculation and a further description can be found in this MD&A.

BUSINESS OVERVIEW

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

Since operations began in 1998, Imperial Equities has achieved solid growth quarter after quarter for the past 20 years. The Board of Directors along with corporate Management are all committed to the growth of the Company and looking forward to fiscal 2018 with much vigor and enthusiasm.

STRATEGIC DIRECTION

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

.The fundamental strategic goals that drive our Company are:

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

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

KEY PERFORMANCE DRIVERS

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

The CEO and CFO have been with the Company since becoming publicly traded 20 years ago. There is a strong Board of Directors with significant real estate experience to guide decisions surrounding strategic direction and achieving the goals and objectives of the Company. This dedication and professional experience of Imperial's management team has helped the Company achieve positive earnings every quarter the Company has been in business.

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

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

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

SUMMARY OF PERFORMANCE INDICATORS

FOR THE 1ST QUARTER ENDING DECEMBER 31,

	2017	2016
Number of leasable properties	**24**	18
Number of properties under development	**2**	-
Number of properties held for future development	**3**	3
Total leasable square feet	**780,388**	637,023
Occupancy year to date	**100%**	99.9%
Average lease term to maturity in years	**4.59**	4.61
Total square footage of leases up for renewal in the next twelve months	**18,096**	101,693
% operating cost recoveries to operating costs	**83%**	89%
Weighted average interest rates on mortgages	**3.04%**	3.03%
Other financing	**Nil**	Nil

Changes in total leasable square feet year over year = net increase of 143,365

- Acquisition of Coppertone VII 47,652 ft2 February 2017
- Acquisition of Derrick building 34,404 ft2 April 2017
- Acquisition of Skyway building 24,855 ft2 December 2017
- Under construction 36,454 ft2 at Q1 2018

There are three tenants with leases up for renewal in the next twelve months totalling 18,096 ft2 . Two of the three tenants have indicated a desire to renew, and the remaining tenant is expected to renew when their remaining one-year term is up.

AVERAGE ANNUAL LEASE RATES

PER SQUARE FOOT

	2017	2016
Edmonton and surrounding area, Alberta	**$ 10.53**	$ 10.53
Red Deer, Alberta*	**$ 24.89**	$ 24.31
Fort Saskatchewan, Alberta*	**$ 42.80**	$ 44.40
Fort McMurray, Alberta	**$ 47.39**	$ 6.89

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

LEASE PROFILES AS AT DECEMBER 31, 2017

TOTAL SQUARE FEET OF LEASED SPACE

SINGLE TENANT BUILDINGS	EXPIRY YEAR
10,758	2018
30,939	2019
25,580	2020
40,766	2021
240,207	2022
64,393	2023
43,396	2024
26,400	2026
75,000	2028
25,024	2029
582,463	**Weighted Average Remaining Terms 6.12 years**

MULTI-TENANT BUILDINGS	EXPIRY YEAR
4,798	month to month
7,338	2018
55,858	2019
80,970	2020
972	2021
9,037	2022
2,498	2023
161,471	**Weighted Average Remaining Terms 2.64 years**

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

Operating cost recoveries are budgeted annually and reconciled every 12 months on a tenant by tenant basis. All the Company's leases are triple net leases which allow the Landlord to recover operating costs. Management will decide on large maintenance items as to how it will treat the recovery of those costs from the tenant, so as not to incur hardship on their operations. Sometimes this means allowing the tenant to pay over time. 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 costs not recovered by the Landlord. Historical optimal recovery percentages will be in the range of 80%-86%. At December 31, 2017 recoveries are 83% compared to 89% in the prior year which is well within the Company's optimal range.

Weighted average rates on the mortgages have increased marginally in 2017 compared to 2016 with interest rates now rising for new, and renewed financing from the Company's lenders. The Company renewed two mortgages during the current period, and renewed a third mortgage subsequent to the quarter ending. Rates were slightly higher but did not affect the weighted average rates in a big way. The weighted average rate is now 3.04% compared to 3.03% one year ago.

The Company has completed the plans and obtained necessary permits for the construction of Coppertone III, a 12,000 ft2 building on 1.25 acres in the Coppertone Industrial Common in North West Edmonton. Construction commenced in Q1 2018. Construction has also commenced on 16.5 acres in Hanna, Alberta where the Company is constructing a build to suit building comprising 24,454 sf2 for an international company involved in the agribusiness.

PERFORMANCE HIGHLIGHTS FOR THE 1ST QUARTER

ENDING DECEMBER 31, 2017

In Q1 the Company **acquired 1.7 acres adjacent to the Derrick building** in SE Edmonton for a total purchase price of $1,450,746. A new 5-year lease agreement commenced November 1, 2017.

In Q1 the Company completed the **acquisition of the Skyway Canada building** for a total purchase price of $2,796,892. Situated in SE Edmonton, the building is 24,855 sf2 on 2.19 acres. A **5-year lease agreement** with Skyway, a large national company, commences January 1, 2018.

In Q1 the Company **completed the acquisition of 1.49 acres** adjacent to the Skyway building. This land is now under lease to Skyway and the lease commences January 1, 2018. The total acquisition cost was $1,092,119.

In Q1 the Company completed negotiations for a **build to suit, 24,454 sf2 building** in Hanna, Alberta. The tenant Cervus Equipment, is an international company that will sell and service John Deere equipment to the agriculture community. Construction commenced in Q1 2018 with completion expected by Q4 2018. The Company acquired a 65.75 acre parcel of land within the corporate limits of Hanna, for a total purchase price of $325,000. A new 20 – year lease agreement for the building on 16.5 acres was completed in Q1 2018. The final process in the acquisition of the land was completed subsequent to this quarter ending.

In Q1 two mortgages were paid in full and two new mortgages were received on the same properties providing some additional capital. A third mortgage with a term date of January 1, 2018 was also renewed. A marginal increase in the interest rates affected the **weighted average rate of interest on all mortgages which is now 3.04%** at December 31, 2017 (September 30, 2017 – 3.00%).

All of Imperial's properties remain **100% occupied.**

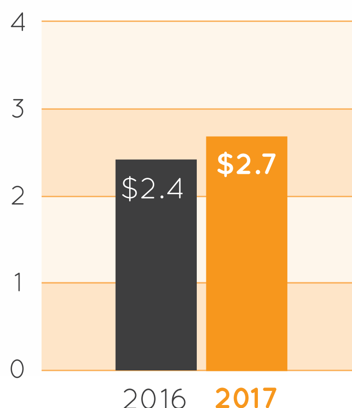
In Q1 The Company received an **additional operating line of credit** with one of the Company's major lenders. The total limit is $5,000,000 with $4,500,000 immediately available to assist with property acquisitions and general expenditures. This credit facility bears interest at prime + .95%.

The Company's total **equity** is $8.72 per share at December 31, 2017 (September 30, 2017 - $8.66).

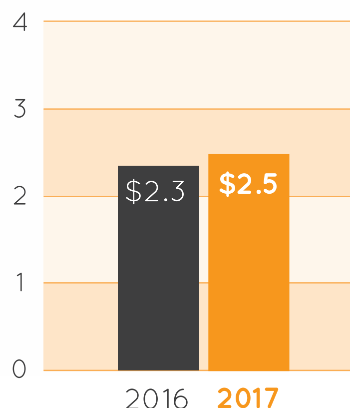
PERFORMANCE RESULTS FOR THE 1ST QUARTER

ENDING DECEMBER 31, 2017

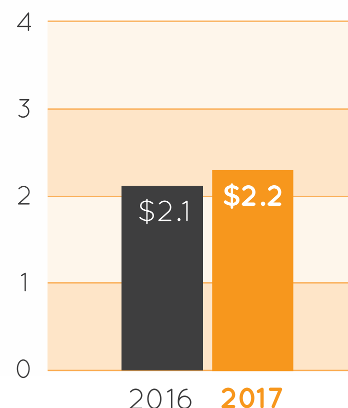
RENTAL REVENUE
(Millions)



PROPERTY NOI
Income from Operations (Millions)



ADJUSTED EBITDA
(Millions)



- **Property net operating income ("NOI") for the real estate** segment is defined as net operating income from properties which includes property revenue less direct property operating expenses and excludes non-cash and extraordinary items, administrative expenses, amortization, valuation gains or losses, gains or losses on sales of investment property, stock based compensation, interest and income (excluding amortization of tenant inducements). Management believes that this is a useful measure of cash available from operations to assess performance of the real estate portfolio and measure the income generated by properties to support finance repayments. Commercial property net operating income, together with capitalization rates applied on a property by property basis, is widely used to value investment property in the real estate industry.

- **Management is of the opinion that ADJUSTED EBITDA as** calculated below is another useful measure for investors to use when evaluating the ability of the Company to generate cash to service interest on debt, and facilitate growth in the Company. Income taxes are removed from the earnings because they often include deferred taxes which are non-cash. Removing the interest expense also allows an investor to see the operating cash flows from properties without the influence of how the Company has financed its properties. When comparing other real estate companies, the differences in how companies finance their assets, together with their individual tax situations are taken out of the equation.

- **NOI and ADJUSTED EBITDA are non-IFRS financial** measures used by most Canadian real estate companies and should not be considered as an alternative to net income or comprehensive income, cash flow from operating activities, or any other measure prescribed under IFRS. This measure does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

ADJUSTED EBITDA AT DECEMBER 31,

	2016	2017
Net income and total comprehensive income	$ 725,233	**$ 661,438**
Add (subtract):		
Valuation gains on investment property	(165,644)	**(185,145)**
Straight-line rental revenue	(26,656)	**(31,980)**
Interest	584,253	**689,552**
Amortization	75,181	**78,927**
Income taxes	872,493	**1,021,438**
ADJUSTED EBITDA from continuing operations	**$ 2,064,860**	**$ 2,234,230**

RESULTS OF OPERATIONS AND CASH FLOWS

For over four years the Company has enjoyed better than 99% occupancy in its properties. There have been no significant changes in operations for each quarter during 2017 or 2016, except for fluctuations in earnings resulting from the fair valuations of investment properties.

Net valuation gains (losses) per quarter:

Q2 2017	Q3 2017	Q4 2017	Q1 2018
$363,625	$ (197,446)	$ 280,967	$ 185,145

Q2 2016	Q3 2016	Q4 2016	Q1 2017
$ 491,789	$ (463,113)	$ 739,947	$ 165,644

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. 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. During 2016 and 2017 Management decided to marginally increase the cap rates on some of the properties where the Company believes property values and lease rates may decrease slightly; the result of more product coming on stream from developers eager to lease up vacant buildings. Some properties' cap rates increased to maintain existing values despite increasing contracted revenue streams which typically drive up the value. The net losses at Q3 each year are the result of small increases in the revenue stream which typically cause fair value increases, netted against items capitalized. Building improvements are typically performed in the warmer summer months of Q3. The capitalized building improvements generally exceed any incremental fair value increase because of the improvements, and will therefore have the effect of a negative adjustment to the property's carrying value, to bring it to fair value at the reporting date. At Q3 each year, property taxes are capitalized to vacant land causing a negative revaluation to bring the values back to estimated market rates.

During Q1 2018 the Company lowered the value of one property due to the uncertainty surrounding their Receivership at September 30, 2017. Subsequent to this quarter ending, Management entered into a new lease agreement with a purchaser of the business, under substantially the same terms as the previous lease.

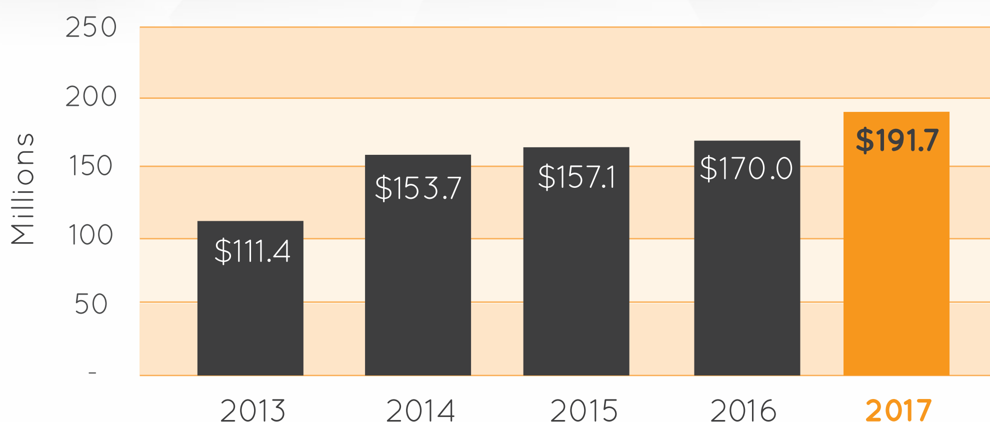
At each quarter during 2017, the Company adjusted the cap rates upward on several properties because if left unadjusted, the increase in contracted revenue for the next twelve months would cause fair value increases that are not likely indicative of current market values. Notwithstanding there are increases in contracted rents, the cap rates were adjusted upward to keep values of the properties at estimated current market values, despite having a higher income stream.

During Q4 2016 the Company leased the only vacant space in the portfolio which had been vacant for 5 months. The new tenant lease and revenue stream increased the value of the property in addition to other property increases where revenue increased.

- **Income from operations** at December 31, 2017 is up $221,876 over December 31, 2016 due to the acquisitions completed in Q2 and Q3 2017. In Q1 2018 the Company acquired two land parcels and leased them to existing tenants, and completed the purchase of the Skyway building which will begin generating revenue in Q2 2018.

- **Administrative** expenses were up $43,058 in Q1 2018 over Q1 2017 due to a charitable donation in the amount of $40,000. Regular administrative expenses include salaries, annual finance fees on lines of credit, charitable donations, shareholder communications and other sundry accounts.

- **Amortization** includes amortization of deferred leasing costs and transaction costs associated with new mortgages. Leasing fees charged with the signing of new tenants or upon lease renewals are amortized over the life of the respective leases varying from one to fifteen years. Transaction costs are amortized over the term of the respective mortgage, usually five years.



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

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

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

Construction of new buildings are valued at cost until the earlier of the date that fair value can be reliably determined or the projects are complete. Vacant land and land under lease included in investment property, is valued using management's research of similar vacant land that has sold recently, or is available for sale.

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

- **Interest income** is the amortization of the discount on the note receivable. The discount is now fully amortized at December 31, 2017.

- **Interest expense** on mortgages and other financing is higher this year with the addition of new mortgages. Total mortgage balances at December 31, 2017 are $81,569,807 compared to $74,527,964 at December 31, 2016. The Company also received additional lines of credit in the last twelve months to assist with acquisitions.

DECEMBER 31,	2017	2016
ADJUSTED EBITDA	$ 2,234,230	$ 2,064,860
Interest expense	$ 689,552	$ 584,253
Interest coverage ratio	3.24	3.53
Minimum threshold set by Management	1.50	1.50

The adjusted EBITDA is used to show cash generated from operations before interest and income taxes and non-cash items on the statement of earnings. This is the amount of cash the Company has available to service the interest on its debt. The goals of the Company include maintaining strong operating cash flows to fund further growth and generating cash that well exceeds finance obligations, and Management's minimum interest coverage threshold noted above. The Company continues to achieve both goals.

CHANGES IN CASH FLOWS

Cash inflows from operating activities were $3,305,366 at December 31, 2017 (December 31, 2016 – $1,093,014). The Company continues to generate positive cash from operations to cover day to day expenditures and bank cash for future opportunities. Affecting the cash flows at Q1 2018 were the non-cash working capital figures which includes changes in deposits. At Q4 2017 the Company had placed deposits totalling $1,517,049 on agreements to purchase investment property. When these deposits were applied to the acquisitions in Q1 2018, the working capital figure increased at December 31, 2017.

Cash outflows from real estate investing were $5,688,339 at December 31, 2017 (December 31, 2016 – $1,587,560). Property acquisitions during Q1 2018 totalled $5,339,757. During Q1 2018 there were two new leases and three lease renewals incurring leasing fees of $261,161.

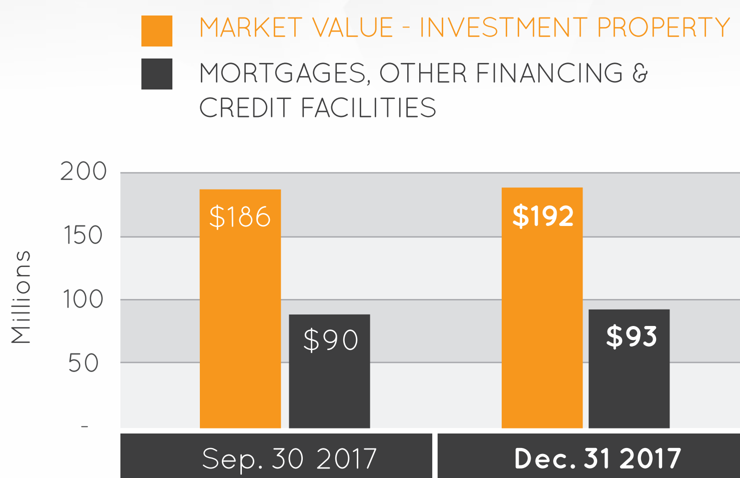
Net cash inflows from financing were $1,805,669 at December 31, 2017 compared to cash outflows of $1,191,059 at December 31, 2016. During Q1 2018 the Company received an increase in available credit facilities from $8,000,000 to $12,500,000. The Company utilized an additional $2,196,099 of this credit facility during the current period, to assist with closing three property acquisitions. During Q1 2018 the Company received proceeds from two mortgages totalling $7,825,000. These additional funds, paid out two mortgages in full, and other financing of $1,300,000 that was outstanding at September 30, 2017.

Transaction costs associated with new and renewed mortgages totalled $21,290 at December 31, 2017 compared to $35,930 at December 31, 2016. These costs are amortized over the terms of the respective mortgages and are shown net of the mortgages on the consolidated interim statements of financial position.

During Q1 2018 the Company purchased 13,500 common shares under the normal course issuer bid for a total cost of $57,580 (December 31, 2016, a total of 26,200 shares were purchased for a total cost of $113,765).

At December 31, 2017 there was a **net decrease in cash** of $577,304 compared to a decrease in cash the prior year of $1,685,605.

SIGNIFICANT BALANCE SHEET CHANGES



> " **EQUITY** in investment properties has **increased $3,022,291** since September 30, 2017 – the result of monthly principal payments on the mortgages, repayment of other financing, and year to date net increases to the property values. "

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

The increase in the investment properties since September 30, 2017 is attributed to the following:	
▸ increase in the balance of deferred leasing after amortization	$ 203,045
▸ an increase in the straight-line rent receivables	31,980
▸ capital expenditures on properties	87,421
▸ amortization of tenant inducements	(9,091)
▸ fair value net increases	185,145
▸ property acquisitions	5,339,757
Total increase September 30, 2017 to December 31, 2017	**$ 5,838,257**

▸ **Loan receivable** at December 31, 2017 and September 30, 2017 relates to the sale of the Company's subsidiary Imperial Distributors, in 2015. At September 30, 2017 the loan is net of a discount. The loan was non-interest bearing and therefore discounted and amortized over the twoyear term. Cash received at December 31, 2016 was $500,000. After Q1 2018 the Company received the sum of $100,000 toward the loan. The remaining amount of $400,000 will earn interest at an annual rate of 6.5% and will be repaid in six monthly installments of $67,919 commencing February 1, 2018.

▸ **Trade receivables** at December 31, 2017 and September 30, 2017 are net of an allowance for doubtful accounts of $16,061. The allowance was made for one tenant with rental arrears. At September 30 each year, the occupancy cost reconciliations are done on a property by property basis which will typically increase the trade receivables at year end.

▸ **Prepaid expenses and deposits** have a balance at December 31, 2017 of $86,283 (September 30, 2017-$2,008,256) relating to prepaid property insurance premiums and security deposits with municipalities. At September 30, 2017 there were deposits of $1,517,049 placed pursuant to three offers to purchase investment property that closed in Q1 2018. The balance of prepaid expenses at September 30, 2017 is for property taxes, insurance, a deposit with a municipality, and a refundable mortgage commitment fee.

Mortgages at December 31, 2017 have a balance of $81,569,806 (September 30, 2017 - $79,891,816). During Q1 2018 two mortgages were repaid in full at their term dates, and new mortgages were placed with the same lender on the properties.

At December 31, 2017, there are two mortgages up for renewal in the next twelve months with combined principal balances of $1,570,702 which are shown as current liabilities. After the quarter ended, the Company renewed one mortgage for a further term of 5 years. When the second mortgage reaches maturity, the Company will decide to renew it or pay it in full.

Netted against mortgages on the consolidated interim statements of financial position is the balance of unamortized transaction costs of $242,354 at December 31, 2017 (September 30, 2017 – $241,874).

Other financing unsecured at September 30, 2017, in the amount of $1,300,000 was repaid during Q1 2018 with interest at an annual rate of 6%. Total interest paid was $10,903.

Bank operating facilities at December 31, 2017 have a balance of $11,702,215 with two of the Company's major lenders (September 30, 2017 - $9,506,115 with one of the Company's major lenders). These credit facilities assisted with the acquisitions of investment property during the past year.

During Q1, 2018 the Company received a new line of credit ("LOC") from one of its major lenders, with a current limit of $4,500,000. The LOC is secured by a general security agreement and a collateral mortgage in the amount of $5,000,000 placing a fixed charge against three properties with a fair value at December 31, 2017 of $38,716,984. The facility bears interest at prime + .95% and can be used for property acquisitions and general operations. There are no financial covenants with this credit facility.

In the prior year, the Company had two credit facilities at December 31, 2016; one had a limit of $1,800,000 with an interest rate of prime plus 1%. This line of credit was secured by a specific revenue producing property with a fair value of $8,400,000 at December 31, 2016. During Q2 2017 the Company closed this line of credit.

The second credit facility received an increase in the limit during Q2 and Q3 2017 from $3,000,000 to $8,000,000 and at September 30, 2017, the Company received an additional temporary increase of $1,500,000 repayable in Q1 2018. The credit facility bears interest at prime plus 1% per annum and is secured by specific revenue producing properties with combined fair values of $17,409,767 at December 31, 2017. This line of credit incurs standby fees on any unused portion of the facility. The revolving demand facility is available to assist with property acquisitions, payment of development costs, and general corporate purposes. The balance on this line of credit at December 31, 2017 is $7,532,284 (September 30, 2017 - $9,506,115).

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

CREDIT FACILITIES	December 31, 2017	September 30, 2017
Bank credit facilities	$ 12,500,000	$ 9,500,00
Amounts drawn on facilities	(11,702,215)	(9,506,115)
Available credit facilities	**$ 797 785**	$ (6,115)

The overdrawn amount of $6,115 at September 30, 2017 relates to interest expense.

Payables and accruals decreased $172,074 from September 30, 2017 to a balance of $500,715 at December 31, 2017. Accruals include interest on loans, prepaid rents from tenants and the current portion of tenant security deposits.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2
REVENUE	**3,328,342**	3,396,004	3,319,384	3,211,027	**2,951,195**	2,648,633	2,684,838	2,712,959
TOTAL COMPREHENSIVE INCOME	**661,438**	1,860,217	564,313	1,587,629	**725,234**	1,646,469	717,301	1,424,335
EPS - BASIC	**0.07**	0.19	0.06	0.16	**0.08**	0.17	0.08	0.15
EPS - DILUTED	**0.07**	0.19	0.06	0.16	**0.07**	0.17	0.08	0.15

QUARTERLY CHANGES IN THE REVENUE

At Q1 2018 revenue increased with the addition of one new land lease. The Skyway building and adjacent land will begin generating revenue in Q2 2018.

The revenue at Q4 2017 increased with end of the year operating cost recoveries billed to the tenants, and adjustments made to the straight-line rent calculation. There were no new leases in Q4 2017.

Revenue increased in Q3 2017 and Q2 2017 with revenue generated from three new acquisitions; Coppertone VII, Coppertone VIII and the Derrick building in those quarters.

Revenue increased $302,562 during Q1 2017 compared to Q4 2016, from the acquisition of the Seaboard building at the end of Q4 2016. The only vacant space prior to Q1 2017 was in Q3 and Q4 2016 where there was one vacant space of 10,408 square feet available for lease. This space was leased during Q4 2016 with revenue beginning in the first quarter of Q1 2017. The newly acquired Coppertone VII & VIII began generating revenue February 1, 2017, and the Derrick building April 1, 2017. The Company's investment portfolio remains 100% occupied.

The loss of one tenant in Q3 2016 is reflected in the slight drop in revenue in Q3 and Q4 2016 from Q2 2016. Additionally, the lower revenue in Q4 2016 is the result of the amortization of tenant inducements that are netted against revenue over the term of the lease. Fluctuations in revenue quarter to quarter will be the result of an increase in budgeted operating expense recoveries, increases due to reconciliations of operating costs to budget at each Q4, and increases in straight line revenue due to lease renewals with increases in the rent.

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

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

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

Net valuation gains (losses) per quarter:

Q2 2017	Q3 2017	Q4 2017	Q1 2018
$ 363,625	$ (197,446)	$ 280,967	$ 185,145

Q2 2016	Q3 2016	Q4 2016	Q1 2017
$ 491,789	$ (463,113)	$ 739,947	$ 165,644

At Q4 each year, net valuation gains will be offset by the end of the year expenses for auditing fees. Each third quarter, the Company capitalizes property taxes on vacant land which are billed annually in June, and any capital improvements to buildings that are often completed in the warmer summer months. Together, these expenditures increase the property carrying value, contributing to a revaluation loss, when bringing the properties back to market value.

While a considerable number of properties had increases in the contracted revenue stream which drives up the value when capitalized, the Company chose to keep the values the same by adjusting the cap rates upward. There is no evidence in the market to suggest the related property values are increasing or decreasing at the present, therefore most of the values are adjusted slightly upward in the quarter to offset the amortization of deferred charges, including straight line rent, deferred leasing fees, and tenant inducements.

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 affect on earnings for the fourth quarter. Q3 2016 had a net decrease of $463,113 in the fair values as a property that was under contract to sell had to be reduced in value to reflect the disposition costs. At the same date, other properties had an increase in the contracted revenue, and Management increased the capitalization rates in order to keep the valuations constant.

Q2 2016 had an increase in valuation gains of $491,789 due to significant increases in contracted revenue for the next twelve months.

During 2016 the Company decided to increase the cap rates on some of the properties where there was a possible risk of the tenant having some exposure to the oil industry. There was only one lease renewal and one new lease that positively affected the fair value of the associated property during 2016. 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.

Overall, there continues to be net valuation gains on a year to date basis.

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 December 31, 2017 are 9,614,442 (September 30, 2017 – 9,614,442). The Company renewed its normal course issuer bid which expired August 30, 2017 for a further year expiring on August 30, 2018. In Q1 2018 the company purchased 13,500 shares for a total cost of $57,580. All the shares remain in treasury until they are cancelled.

During the year ending September 30, 2017, the Company purchased 26,200 shares for $113,765. All the shares were cancelled at September 30, 2017 along with 30,800 shares that were held in treasury at the beginning of the year. The excess purchase price paid over the cost of the issued shares was $217,175. This amount was charged to retained earnings at September 30, 2017.

At December 31, 2017 and September 30, 2017 there are 475,000 share options issued and outstanding under the Company's stock option plan. The options entitle the holder to one common share in exchange for each option held at an option price of $4.25. The options expire August 26, 2019.

DIVIDENDS

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

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

RELATED PARTY TRANSACTIONS

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

- **Property management and maintenance fees** in the amount of $234,019 (December 31, 2016 - $158,484) were paid to Sable Realty & Management Ltd., ("Sable") a company controlled by Sine Chadi, a director and officer of the Company. Fees paid to Sable are pursuant to a contract with Imperial Equities Inc. to bill for the management and maintenance of its properties for a fee of 4% of rents collected. Maintenance performed by Sable's property management team is charged at competitive rates of $50-$65 per hour (December 31, 2016 - $50-$65 per hour) for labour, plus equipment and parts charges. Sable provides its own trucks, tools and equipment to perform property maintenance. Imperial Equities recovers 100% of the 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 involved in maintaining the property.

- **Leasing, acquisition and disposition fees** in the aggregate of $204,487 (December 31, 2016 – $38,817) were paid to North American Realty Corp. ("NARC") a Company controlled by Sine Chadi. At December 31, 2017, $52,851 was paid for the acquisitions of two vacant parcels of land and the Skyway building. Leasing fees of $151,637 were paid for commissions on five lease transactions. Fees and commissions are in line with current industry standards and are comparable to similar transactions undertaken by the Company with unrelated parties.

- **Office rent, parking and warehouse lease space** were paid to Sable in the aggregate amount of $79,918 (December 31, 2016 – $92,820). Imperial Equities shares office space with Sable and pays $8,000 per month. Warehouse lease space rental fees to store materials owned by Imperial, has been discontinued in Q1 2018.

- **Fees** paid in the amount of $50,000 (December 31, 2016 - $60,000) were paid to Sable for the services provided by the Company's Chief Financial Officer who is not paid directly by Imperial Equities.

The above transactions took place at amounts which in management's opinion approximate normal commercial rates and terms and occurred in the normal course of operations. The transactions have been recorded at the exchange amount.

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

Paid to directors

Directors' fees paid for attending directors' meetings were $7,500 at December 31, 2017 (December 31, 2016 - $4,000). Fees per meeting are currently $2,500. At the annual general meeting on March 3, 2017, the shareholders approved the election of four board members to serve for the following year (December 31, 2016 there were six board members). The fees paid are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations.

Compensation to key management personnel

The Company's key management personnel include the President Sine Chadi who is also a director and significant shareholder of the Company. Total salary paid to Mr. Chadi at December 31, 2017 was $75,000 (December 31, 2016 - $75,000).

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

Related party financing from North American Mortgage Corp. totalling $50,000 was received and repaid during Q1 2018, without interest.

Unsecured interim financing from shareholders

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

In the prior year, financing of $2,675,000 was received from two shareholders. $775,000 was repaid with interest at an annual rate of 8%. $600,000 was repaid with interest at 6% per annum. Total interest paid was $10,653.

LIQUIDITY, CAPITAL RESOURCES AND SOLVENCY

THE COMPANY'S LIQUIDITY POSITION	December 31, 2017	September 30, 2017
Cash and cash equivalents	$ 266,032	$ 843,336
Receivables	11,143	81,534
Current loan receivable	500,000	496,414
	$ 777,175	$ 1,421,284
Payables and accruals	$ 500,715	$ 672,789
Bank operating facilities	11,702,215	9,506,115
Other financing	-	1,300,000
Income taxes, net	183,398	852,725
	$12,386,328	$ 12,331,629
LIQUIDITY RATIO	.06	.12

The liquidity ratio decreased from September 30, 2017 as the Company used available cash and credit facilities to fund the acquisitions of two vacant parcels of land, and the Skyway building. Conventional mortgage financing will be placed on the Skyway property in Q2, 2018.

1ST QUARTER CASH FLOWS

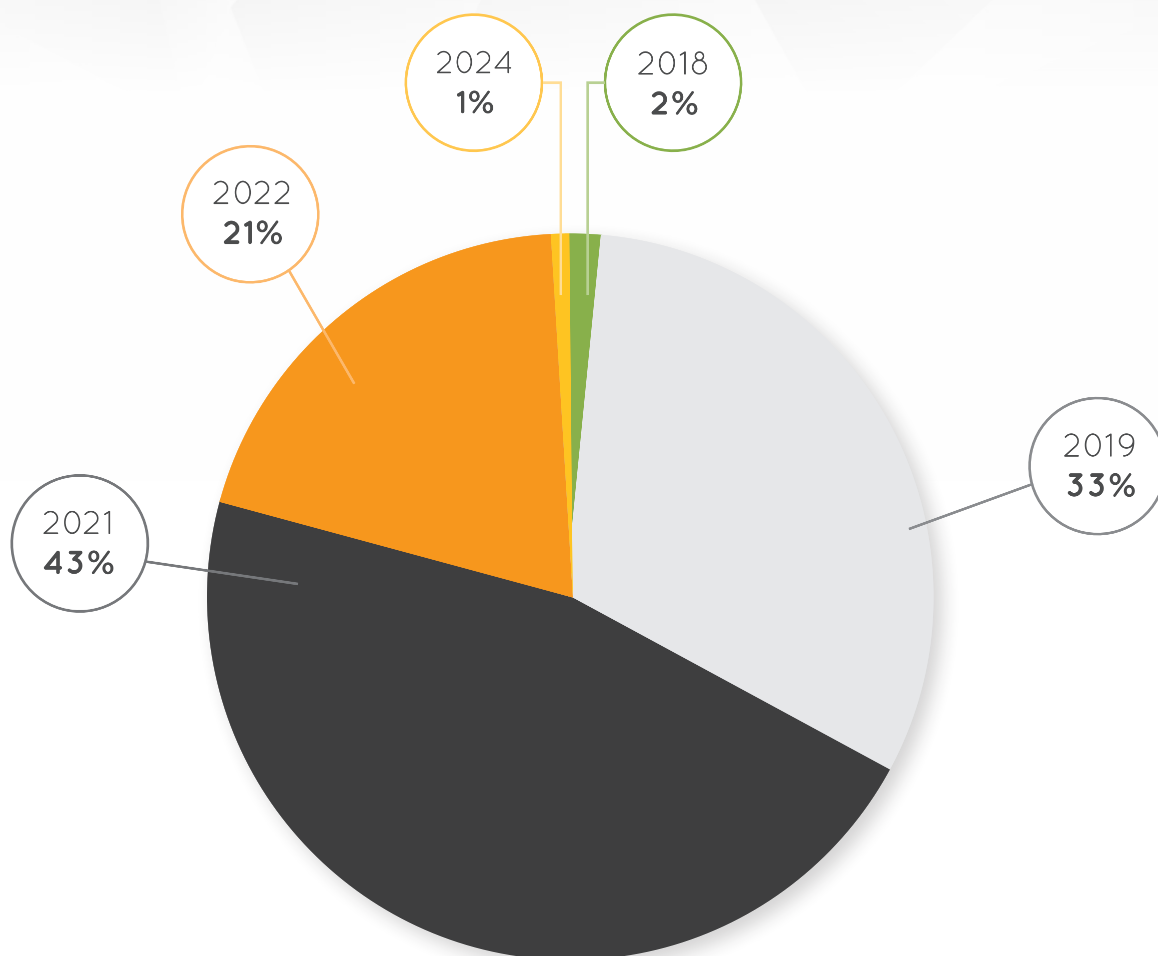
YEAR ENDING	December 31, 2017	September 30, 2017
Cash inflow from operations	$ 3,305,366	$ 1,093,014
Cash outflow from investing	(5,688,339)	(1,587,560)
Cash inflow from financing	1,805,669	(1,191,059)
Net cash outflow for the period	$ (577,304)	$ (1,685,605)

The Company continues to have sufficient **cash flow from operations** to fund day to day operations and provide additional funds for growth.

Cash outflow from investing at December 31, 2017 and 2016, includes the cash used to fund acquisitions. This was offset during 2017 by receiving $500,000 from the receivable on the sale of a subsidiary in 2015.

At each quarter **financing activities** include the repayment of principal and interest on mortgages through regular monthly payments, and a net draw on the credit facilities of $2,196,099 at December 31, 2017 (December 31, 2016 – net draw $491,854). The draws were used to assist with closing property acquisitions and repay other financing of $1,300,000 during Q1 2018.

MATURITY DATES OF MORTGAGES
AT DECEMBER 31, 2017



Mortgages on the investment properties have term dates varying to 2024. The weighted average interest rate on the mortgages has continued to decline each year as mortgages have been renewed at lower rates of interest. At September 30, 2017, the weighted average rate was 3.00%. During Q1 2018 interest rates began to rise, and two mortgages that were received this quarter had slightly higher rates increasing the weighted average rate at December 31, 2017 to 3.04%. There are two mortgages up for renewal in the next twelve months with combined principal balances of $1,570,702 at December 31, 2017. After this quarter ending, the Company renewed one mortgage for a further five-year term. At the term date of the second mortgage, the Company will decide to renew the mortgage or pay it in full.

Total monthly principal and interest payments are $623,837 or $1,871,511 quarterly. Cash flow from continuing operations at December 31, 2017 before changes in non-cash working capital is $4,554,395. The cash flow will increase next quarter with the added revenue from the Skyway building and the receipt of conventional mortgage financing. The Company currently has excess funds to cover the debt repayments and provide funds for further growth.

Based on the fair values of the investment properties at December 31, 2017 and the related debt including mortgages, and the bank operating facilities, there is equity of $98,462,561 in the properties. Upon renewal of mortgages, the Company may have the option of increasing the leverage on a particular property and subject to the lender's approval, provide increased capital. Other capital resources include related party interim financing, and the unused portion of the credit facilities.

LEVERAGE RATIOS

	December 31, 2017	September 30, 2017
Investment properties	**$ 191,734,582**	**$ 185,896,325**
Mortgages	**(81,569,806)**	(79,891,816)
Other financing	**-**	(1,300,000)
Bank operating facilities	**(11,702,215)**	(9,506,115)
Total debt	**$ (93,272,021)**	**$ (90,697,931)**
Total equity in the properties	**98,462,561**	**$ 95,198,394**
Debt to asset ratio	**.49**	**.49**
Interest coverage ratio	**3.24**	**3.31**

Provided our investment portfolio continues to remain strong and interest rates remain favourable, the Company will continue to evaluate its practise of increasing leverage on some of the properties where available.

The sale of a subsidiary at December 31, 2015 generated a $1,000,000 receivable which was repayable in two installments of $500,000 on the first and second anniversary of the sale. The first instalment was received at December 31, 2016. The remaining $500,000 will be paid in full by July 1, 2018.

During Q1 2018 the Company started construction on 1.25 acres of land in NW Edmonton to build a 12,000 sf2 building on speculation that it will be completed and leased by Q4 2018.

Subsequent to this quarter ending, the Company completed the purchase of 65.75 acres in Hanna, Alberta for a total cost of $325,000. In Q1 2018 Management completed negotiations with Cervus Equipment to construct a 24,454 sf2 building on 16.5 acres of the 65.75 acre parcel. A new 20 - year lease agreement with the tenant will commence when the project is completed, which is estimated to be in Q4 2018.

The Company has no other commitments to purchase or sell assets, other than as disclosed above.

CRITICAL ESTIMATES OF THE CURRENT ECONOMIC ENVIRONMENT AND OUTLOOK

The economic environment that the Imperial operates in could be adversely affected by tenants that may be challenged due to the oil and gas sector of our economy. During 2017, we encountered three such cases where tenants advised that they are experiencing some temporary cash flow issues and asked for some relief by deferring part or all of their rent for a period of time.

One very small tenant is starting to make monthly payments on their arrears. The rent from this tenant amounts to one half of one percent of monthly rents and not considered a financial threat if the tenant, in a worst-case scenario, had to vacate. At December 31, 2017 and September 30, 2017 Management included an allowance for bad debt for this tenant, but firmly expects to recover all the arrears.

Early in 2017 a tenant with direct exposure to the oil and gas industry contacted Management to advise of their cash flow challenges and asked to defer part of their rent for one year. Upon the expiration of the deferred period in Q2 2018, Management expects to recover all of the contracted rent as stipulated in the lease agreement.

Lastly, an Edmonton based tenant asked Management to provide them with some time to resolve their company's cashflow issues. In Q1 2018, this tenant went into receivership. Management recorded the full receivable of $241,912 from this tenant as a bad debt at September 30, 2017. The Receiver paid the Company rent for the period they occupied the premises. A buyer for the business was found, and a new lease agreement with the purchaser takes effect in Q2 2018.

There are no other indications from any other tenants that they will not be able to pay their rent. During Q1 2018, two new leases were signed, and three leases were renewed.

Imperial continues to be very successful with all its financing requirements and has taken advantage of low interest rates to ensure stability for the Company, and provide the building blocks for continued growth. Risk factors still exist and are always considered when making 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 IEI if the tenant fails to make contracted rental payments.

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

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

The risk of vacancy of any leased space is the 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 sat vacant, the carrying costs and mortgage payments could be paid for with existing cash flows from operations. At December 31, 2017 and September 30, 2017 Imperial remains 100% occupied.

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

- **Market values of the investment properties** can decrease if the demand for industrial properties lease space decreases and rental rates are reduced, or capitalization rates increase. Imperial's exposure to the market value of its real estate assets affects mortgages up for renewal. Properties with mortgages that are maturing in the next 12 months are externally appraised for their current market value. Factors that influence market value are the income generated from the property, demand, vacancy rates, term of the current lease, strength of the current tenant, age of the building and location. Imperial is not aware of any obstacles at this date that would negatively affect its ability to refinance its buildings as the mortgages come due. The Company has determined that capitalization rates used to evaluate a property have recently moved slightly upward however the demand for industrial space is still favorable. The total fair value of the investment properties at December 31, 2017 is $191,734,582. The mortgages and bank operating facilities encumbered on the properties leaves equity in the properties of $98,462,561 at December 31, 2017 which Management believes will be sufficient to absorb any decline in values and support our ability to refinance.

- **Lease rates** may adjust downward if demand for industrial lease space decreases. As demand for this type of lease space goes up so does the lease rate. In any economic downturn, we could expect that the demand for space decreases and therefore the lease rate would decrease accordingly. Imperial is mindful of these risks. Management believes that leases that are up for renewal in 2018 will be renewed at the same or higher rates than the Company is currently achieving.

- **Interest rates** on mortgages that are up for renewal will likely rise as the Bank of Canada continues to keep inflation in check by increasing its benchmark interest rates. The mortgages that were up for renewal prior to September 30, 2017 were successfully renewed at lower rates than the prior terms. New mortgages being placed now will be at slightly higher rates than we have been experiencing in the past few years. The Company tries to mitigate the risk of rising interest rates by fixing rates for longer terms and by minimizing its exposure to floating rate financing. All mortgages have fixed rates.

Environmental risk

The Company is subject to various federal, provincial and municipal laws relating to the environment. To mitigate this risk, each newly acquired property or those currently owned by the Company has undergone a thorough Phase I Environmental Site Assessment (ESA) by a qualified environmental consultant. This ESA then becomes a benchmark used in conjunction with the tenant leases which 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 prompting regular reviews of security measures to take appropriate steps to reduce this risk. While the Company is aware it cannot protect against all types of attacks and human error, management has an adequate defense against the most common ones. Policies to protect the Company's data from a breach include the following:

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

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

PLANNED EXPENDITURES

At the date of this MD&A the Company has no other financial commitments for the purchase or sale of assets or for tenant incentives that has not already been disclosed.

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

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies

Future accounting pronouncements

A Future accounting policies

The Company has reviewed the following new and revised accounting pronouncements that have been issued but are not yet effective as at the date of authorization of these consolidated financial statements. The Company plans to apply the revised standards on their effective date.

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

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

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact this new standard will have on its consolidated financial statements.

IFRS 9, “Financial Instruments” will replace IAS 39 “Financial Instruments: Recognition and Measurement”. The new standard includes guidance on recognition and de-recognition of financial assets and financial liabilities, extensive changes to IAS 39’s guidance on the classification and measurement of financial assets, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is considering the implications of the standard and the impact on the Company.

IFRS 15, “Revenue from Contracts with Customers” was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18 Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue-Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these

costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is in the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 16, "Leases" was issued in January 2016. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. Lessor accounting, however, remains largely unchanged, and the distinction between operating and finance leases is retained. This standard will be effective for annual periods beginning after January 1, 2019, with early adoption permitted so long as IFRS 15 has been adopted. The Company has not yet begun the process of evaluating the impact this new standard will have on its consolidated financial statements.

IAS 40, "Investment Property" has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in December 2016. The amendments clarify that:

- an entity transfers property to, or from, investment property when, and only when, there is evidence that a change in use of the property has occurred; and
- the entity must have taken observable actions to support such a change — management's intentions alone do not provide evidence of a change in use.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact this new standard will have on its consolidated financial statements.

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

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.

B Critical judgments in applying accounting policies

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

(i) Leases

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

(ii) Investment property

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

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

(iii) Income tax

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

C Critical accounting estimates and assumptions

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

Investment properties

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

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

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

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

Income taxes

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

MEASURES NOT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Throughout the MD&A, management will use measures that may include Adjusted EBITDA (net income from continuing operations before interest, taxes, depreciation, amortization, valuation gains and straight-line rental revenue) and NOI (net operating income from properties which includes property revenue less direct property operating expenses and excludes non-cash and extraordinary items, administrative expenses, amortization, valuation gains or losses, gains or losses on sales of investment property or equipment, stock based compensation, interest and income taxes). 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. Management believes its use of Adjusted EBITDA and NOI provides the shareholders and prospective investors with additional performance measures to show the cash flow from operations that will be used to finance debt and further growth of the Company. A detail of the calculation can be found on page 13 in this MD&A.

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. In Q3 2017, Management has undertaken measures to begin to mitigate such material weakness.

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

The Audit Committee provides oversight of financial statements and MD&A released to the public on a quarterly basis. The Company cannot guarantee that controls and procedures in place will prevent all errors or misstatements.

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL STATEMENTS

FOR THE FIRST QUARTER

ending December 31, 2017

IMPERIAL EQUITIES INC.
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2017	September 30, 2017
Assets			
Investment properties	3	191,734,582	185,896,325
Total non-current assets		**191,734,582**	**185,896,325**
Loan receivable	4	500,000	496,414
Receivables	5	11,143	81,534
Prepaid expenses and deposits	6	86,283	2,008,256
Cash and cash equivalents		266,032	843,336
Total current assets		**863,458**	**3,429,540**
Total Assets		**192,598,040**	**189,325,865**
Liabilities			
Mortgages	7	74,349,381	68,629,558
Security deposits		423,605	325,538
Deferred taxes	11	14,648,272	13,810,232
Total non-current liabilities		**89,421,258**	**82,765,328**
Current portion of mortgages	7	6,978,072	11,020,384
Other financing	8	-	1,300,000
Bank operating facilities	9	11,702,215	9,506,115
Payables and accruals	10	500,715	672,789
Income taxes payable		183,398	852,725
Total current liabilities		**19,364,400**	**23,352,013**
Total Liabilities		**108,785,658**	**106,117,341**
Equity			
Issued share capital	13	5,992,572	6,050,152
Contributed surplus	13	593,750	593,750
Retained earnings		77,226,060	76,564,622
Total Equity		**83,812,382**	**83,208,524**
Total Equity and Liabilities		**192,598,040**	**189,325,865**

Post-reporting date events (Note 21)
Guarantees and contingencies (Note 17)

See accompanying notes to the unaudited consolidated interim financial statements.

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

	Notes	2017	2016
Rental revenue	16 (a)	2,669,827	2,386,052
Property operating expense revenue		658,515	565,143
Property operating expenses	16 (b)	(789,295)	(634,024)
Income from operations		**2,539,047**	**2,317,171**
Administration expenses		(276,423)	(233,365)
Amortization		(78,927)	(75,181)
Valuation net gains from investment properties	3	185,145	165,644
Income before interest and income tax		**2,368,842**	**2,174,269**
Interest income		3,586	7,710
Interest expense		(689,552)	(584,253)
Income before income tax		**1,682,876**	**1,597,726**
Income tax expense	11	(1,021,438)	(872,493)
Net income and total comprehensive income		**661,438**	**725,233**
Earnings per share, basic	14	**.07**	**.08**
Earnings per share, diluted	14	**.07**	**.07**

See accompanying notes to the unaudited consolidated interim financial statements.

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

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
October 1, 2017	9,614,442	$ 6,050,152	$ 593,750	$ 76,564,622	$ 83,208,524
Shares repurchased during the period	-	(57,580)	-	-	(57,580)
Shares cancelled during the period	-	-	-	-	-
Net income	-	-	-	661,438	661,438
Balance December 31, 2017	9,614,442	$ 5,992,572	$593,750	$ 77,226,060	$ 83,812,382

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
October 1, 2016	9,640,642	$ 5,946,742	$ 593,750	$ 72,044,404	$ 78,584,896
Shares held in treasury at beginning of year	-	139,322	-	-	139,322
Shares cancelled during the year	(32,600)	(20,540)	-	(127,037)	(147,577)
Net income	-	-	-	725,233	725,233
Balance December 31, 2016	9,608,042	$ 6,065,524	$593,750	$ 72,642,600	$ 79,301,874

See accompanying notes to the unaudited consolidated interim financial statements.

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

	Notes	2017	2016
Operating activities			
Net income from continuing operations		661,438	725,233
Interest on financing		689,552	573,576
Items not affecting cash:			
Amortization of discount on loan receivable		(3,586)	(7,710)
Amortization of tenant inducements		9,091	9,091
Fair value changes on investment properties		(185,145)	(165,644)
Amortization		78,927	75,181
Straight-line rental revenue		(31,980)	(26,656)
Deferred income taxes		838,040	628,279
Change in non-cash working capital	12	1,249,029	(718,337)
Cash inflow from operating activities		**3,305,366**	**1,093,014**
Investing activities			
Purchase of investment properties		(5,339,757)	(2,070,500)
Additions to investment properties		(87,421)	1,259
Proceeds from loan receivable		-	500,000
Direct leasing costs		(261,161)	(18,319)
Cash outflow used for investing activities		**(5,688,339)**	**(1,587,560)**
Financing activities			
Proceeds from mortgages		7,825,000	-
Repayment of mortgages		(6,147,008)	(1,065,152)
Transaction costs paid		(21,290)	(35,930)
Advances from other financing		-	-
Repayment of other financing		(1,300,000)	-
Interest on financing		(689,552)	(573,576)
Purchase of common shares for cancellation		(57,580)	(8,255)
Net advances (repayment) on bank operating facilities		2,196,099	491,854
Cash inflow (outflow) from financing activities		**1,805,669**	**(1,191,059)**
Decrease in cash and cash equivalents		(577,304)	(1,685,605)
Cash and cash equivalents, beginning of year		843,336	2,115,033
Cash and cash equivalents, end of period		**266,032**	**429,428**

Supplemental consolidated cash flow information (Note 12)

See accompanying notes to the unaudited consolidated interim financial statements.

1. Nature of operations

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

2. Significant accounting policies

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

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

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

These consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the most recent annual financial statements. These statements have not been reviewed by the Company's auditors and should be read in conjunction with the Company's 2017 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 construction 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 direct leasing costs.

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(f)). 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 construction

The cost of properties under construction includes direct development costs, realty taxes, and borrowing costs directly attributable to the development. Investment properties under construction 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 construction 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 construction at cost until either the fair value becomes reliably determinable, or construction is completed (whichever is earlier).

Borrowing costs related to properties under construction

Borrowing costs associated with direct expenditures on properties under construction 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 interest expense along with amortization of mortgage transaction costs.

(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 to provide a return in the form of dividends, lower costs or other economic benefit. Building and other asset acquisitions, which meet the above definition of a business, are recorded as business combinations and the acquisition method of accounting for these transactions is applied. Building and other asset acquisitions which do not meet the above definition of a business are recorded as an asset addition. There are no acquisitions which meet the definition of a business in the current or comparative year.

(d) Impairment of assets

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

generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the consolidated statement of comprehensive income. After the recognition of an impairment loss, the depreciation charge related to that asset is also revised for the adjusted carrying amount on a systematic basis over the remaining useful life of the asset. 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 (net of amortization) 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.

(f) Leases – Company as lessor

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

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

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

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

(g) Segment reporting

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

(h) Income tax

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

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

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

(i) Provisions

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

(j) Revenue recognition

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

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

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

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

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

(k) Fair value measurements

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

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

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

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

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

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

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

(l) Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instruments. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled, or expire.

All financial instruments and certain non-financial derivatives are initially measured at fair value. Financial liabilities are initially recognized net of transaction costs. The Company does not have any derivatives embedded in financial or non-financial contracts.

The following summarizes the Company's classification and subsequent measurement of financial instruments:

Financial assets and liabilities	Classification	Subsequent measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Receivables and loan receivable	Loans and receivables	Amortized cost
Bank operating facilities	Other financial liabilities	Amortized cost
Payables and accruals	Other financial liabilities	Amortized cost
Other financing	Other financial liabilities	Amortized cost
Mortgages	Other financial liabilities	Amortized cost
Security deposits	Other financial liabilities	Amortized cost

Financial assets measured at amortized cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, because of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

(m) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of three months of less.

(n) Stock based compensation

The Company has established a stock option plan for its directors, management and key employees as described in Note 15. The Company uses the fair value method of accounting for stock options. The fair value of the option grants is calculated on the grant date for employees using the Black-Scholes Option Pricing Model and recognized as compensation expense over the vesting period of those granted options, adjusted for estimated forfeitures. The corresponding adjustment is recorded to contributed surplus. The fair value of the option grants to non-employees is calculated based on the value of the services provided in exchange for the option issue. When the options are exercised the proceeds received by the Company, together with the related amount in contributed surplus, are added to share capital. Forfeited or expired options are put back into the pool of available stock options for future grants. No adjustment is recorded for stock options that expire unexercised. For stock options which expire unexercised, the corresponding amount in contributed surplus is transferred to retained earnings. There is no adjustment to past compensation expense. Compensation expense related to forfeited options is reversed on the forfeiture date provided the options have not vested.

(o) Normal course issuers bid

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

(p) Critical judgments in applying accounting policies

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

(i) Leases

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

(ii) Investment properties

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

In the normal course of operations the Company acquires investment properties. At the time of acquisition, the Company considers whether the acquisition represents the acquisition of a business or a group of assets

and liabilities. All acquisitions of investment properties acquired to date by the Company have been determined to be asset acquisitions.

(iii) 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 construction are set out in Note 3.

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

Investment property under construction is also valued at fair value, except if such value cannot be reliably determined. In the exceptional case when a fair value cannot be reliably determined, such property is recorded at cost. The fair value of investment property under construction is determined using either the discounted cash flow method or the IAS 16 cost method with use of a residual value of zero.

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

(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.

(r) Future accounting pronouncements

The Company has reviewed the following new and revised accounting pronouncements that have been issued but are not yet effective as at the date of authorization of these consolidated financial statements. The Company plans to apply the revised standards on their effective date.

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

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

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact this new standard will have on its consolidated financial statements.

IFRS 9, "Financial Instruments" ("IFRS 9"), issued in July 2014, and replaces IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 addresses the classification and measurement of all financial assets and financial liabilities within the scope of the current IAS 39 and a new expected credit loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting. Also included are the requirements to measure debt-based financial assets at either amortized cost or fair value through profit or loss ("FVTPL") and to measure equity-based financial assets as either held-for-trading or as fair value through other comprehensive income ("FVTOCI"). No amounts are reclassified out of other comprehensive income ("OCI") if the FVTOCI option is elected. Additionally, embedded derivatives in financial assets would no longer be bifurcated and accounted for separately under IFRS 9. A new general hedge accounting standard, part of IFRS 9 (2013), was issued in November 2013, permitting additional hedging strategies used for risk management to qualify for hedge accounting. The IASB has set January 1, 2018 as the effective date for the mandatory application of IFRS 9. The Company is in the process of assessing the impact of IFRS 9 on its consolidated financial statements.

IFRS 15, "Revenue from Contracts with Customers" was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18 Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue-Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of some gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is in the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 16, "Leases" was issued in January 2016. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. Lessor accounting, however, remains largely unchanged, and the distinction between operating and finance leases is retained. This standard will be effective for annual periods beginning after January 1, 2019, with early adoption permitted so long as IFRS 15 has been adopted. The Company has not yet begun the process of evaluating the impact this new standard will have on its consolidated financial statements.

IAS 40 "Investment Property" has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in December 2016. The amendments clarify that:

- an entity transfers property to, or from, investment property when, and only when, there is evidence that a change in use of the property has occurred; and
- the entity must have taken observable actions to support such a change — management's intentions alone do not provide evidence of a change in use.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact this new standard will have on its consolidated financial statements.

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

3. Investment properties

Level 3	Three months ended December 31, 2017	Year ended September 30, 2017
Balance beginning of year	$ 185,896,325	$ 159,634,487
Additions (decreases):		
Capital expenditures	87,421	308,470
Amortization of tenant inducements	(9,091)	(36,365)
Leasing commissions net of amortization	203,045	21,713
Property acquisitions	5,339,757	17,133,798
Transfer from investment properties held for sale	-	8,104,500
Revaluation gains, net	185,145	612,790
Loss on sale of equipment	-	(74,033)
Change in straight-line revenues	31,980	190,965
Balance end of year	**$ 191,734,582**	**$ 185,896,325**

Valuation methodology and processes

The fair value of investment properties as of December 31, 2017 and September 30, 2017 is determined internally by management using the 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.

The investment property held for sale at September 30, 2016 was classified as a Level 2 asset. This property was transferred to a Level 3 asset at September 30, 2017. There were no transfers in or out of Level 3 fair value measurements for investment properties during the current period.

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

of the building or area, whether it is single tenant or multi tenanted and vacancy rates in the area. Market information related to the external sale of similar buildings within a similar geographic location is also taken into consideration.

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

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

	December 31, 2017	September 30, 2017
Range of capitalization rates applied to investment properties	5.00% - 7.00%	5.00% - 7.00%
Fair values of properties where cap rates were applied	$ 169,306,167	$ 166,047,426
Weighted average cap rates	6.26%	6.24%
Fair value impact of increasing average cap rate by 0.25%	$ (9,734,549)	$ (9,635,229)
Fair value impact of a 1% decrease in net operating income	$ (5,016,618)	$ (4,993,344)

This calculation was used on all the investment properties except for Oliver Crossing, vacant land, property under development, and leased land.

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

	December 31, 2017	September 30, 2017
Oliver Crossing		
Fair value	$ 8,400,000	$ 8,400,000
Impact of a $10 change in price per square foot	$ 525,000	$ 525,000
Vacant land		
Average price per acre of land held	$ 674,085	$ 698,956
Number of acres held	15.13	16.38
Total fair values of land held	$ 10,198,900	$ 11,448,900
Impact of a 10% change in average price per acre	$ 1,019,890	$ 1,144,890
Property under development		
Coppertone III – 1.25 acres	$ 1,250,000	$ 1,250,000
Land under lease agreements with tenants		
Number of acres leased	3.19	-
Average price per acre	$ 808,627	$ -
Total fair values of leased land	$ 2,579,519	$ -

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

	December 31, 2017	September 30, 2017
Straight line rent receivable	$ 1,438,043	$ 1,406,063
Leasing costs	1,035,789	832,744
Tenant inducements	327,273	336,364
	$ 2,801,105	$ 2,575,171

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

4. Loan receivable

	December 31, 2017	September 30, 2017
	$ 500,000	$ 496,414

The loan receivable relates to the sale of a subsidiary in December 2015. An instalment payment of $100,000 was received by the Company and deposited after the current quarter. The balance of $400,000 bears interest at an annual rate of 6.5% and is due in six equal instalments of $67,919.31 commencing February 1, 2018.

5. Receivables

	December 31, 2017	September 30, 2017
Tenant receivables	$ 27,204	$ 97,595
Less provision for impairment, beginning of year	(16,061)	-
Provision for impairment during the period	-	(16,061)
Receivables, net	**$ 11,143**	**$ 81,534**

The Company has many tenants that are multinational companies with solid credit ratings. The receivables at September 30, 2017 include invoices for occupancy costs that were reconciled at year end.

At September 30, 2017 there is one tenant with rental arrears and the Company has recorded a provision for impairment of this receivable. There was no additional provision for impaired receivables at December 31, 2017 as the Company has assessed the receivables to be collectible.

6. Prepaid expenses and deposits

	December 31, 2017	September 30, 2017
Prepaid operating expenses	$ 29,844	$ 430,207
Deposits on offers to purchase investment property	-	1,517,049
Security deposits with municipalities	56,439	20,000
Refundable deposits	-	41,000
Total prepaid expenses and deposits	**$ 86,283**	**$ 2,008,256**

Prepaid operating expenses at December 31, 2017 are for property insurance (September 30, 2017 - property insurance and property taxes).

At September 30, 2017 the Company had placed deposits of $1,517,049 on agreements to purchase investment property. The acquisitions were completed in the current quarter.

The refundable deposit at September 30, 2017 was received in the current quarter.

7. Mortgages

Maturity	Rate	December 31, 2017	September 30, 2017	Lender
October 1, 2021	2.470%	8,319,144	8,445,018	RBC
January 1, 2019	2.630%	2,700,350	2,743,490	RBC
January 1, 2021	2.980%	3,926,975	3,988,201	RBC
January 1, 2021	2.980%	6,076,289	6,171,024	RBC
January 1, 2019	2.630%	2,143,775	2,177,932	RBC
January 1, 2019	2.620%	1,864,374	1,904,583	RBC
April 1, 2021	2.880%	6,275,546	6,371,859	RBC
October 1, 2021	2.470%	7,110,586	7,253,384	RBC
June 1, 2022	2.730%	2,547,873	2,594,94	RBC
September 1, 2017	3.486%	-	2,564,288	CIBC
December 1, 2022	3.670%	4,100,000	-	CIBC
October 1, 2017	3.357%	-	2,248,805	CIBC
December 1, 2022	3.671%	3,725,000	-	CIBC
January 1, 2018	3.100%	865,826	884,065	RBC
October 1, 2018	3.610%	704,876	731,921	RBC
July 1, 2019	3.450%	10,921,961	11,043,785	RBC
November 1, 2019	3.334%	9,740,424	9,847,403	CIBC
February 1, 2022	3.040%	6,449,719	6,540,597	RBC
April 1, 2021	2.948%	3,374,880	3,422,088	CIBC
July 1, 2024	5.000%	722,209	958,459	Private
Total mortgages		81,569,807	79,891,816	
Less current portion:		(6,978,072)	(11,020,384)	
Less transactions costs		(242,354)	(241,874)	
		74,349,381	**68,629,558**	
Weighted average rates		**3.04%**	**3.00%**	

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.

8. Other financing, unsecured

	December 31, 2017	September 30, 2017
Other financing, beginning of the year	$ 1,300,000	$ -
Advances from related parties	50,000	3,350,000
Repayments of other financing	(1,350,000)	(2,050,000)
Other financing, end of the period	**$ -**	**$ 1,300,000**

Repayments of $1,300,000 during the current period were repaid with interest at an annual rate of 6%. Total interest paid was $10,903. Repayments of $50,000 were repaid with zero interest.

At September 30, 2017 principal repayments in the amount of $1,350,000 made to related parties were repaid with interest at an annual rate of 8%. Principal repayments of $700,000 made to related parties were repaid with interest at an annual rate of 6%). All related party financing is unsecured with no specified dates of repayment and therefore are due on demand. (Note 20(b)

The fair value of related party loans at September 30, 2017 approximates their carrying value as the amounts are due on demand.

9. Bank operating facilities

	December 31, 2017	September 30, 2017
Imperial Equities Inc.	$ 11,702,215	$ 9,506,115

The Company has credit facilities set out as follows:

At December 31, 2017 Imperial Equities Inc. has an operating line of credit (LOC) with a limit of $8,000,000 (September 30, 2017 - a limit of $8,000,000 and provisions for a temporary increase of an additional $3,000,000).

This LOC is used to assist with property acquisitions and general operations and has a balance at December 31, 2017 of $7,532,284 (September 30, 2017 - $9,506,115). The credit facility bears interest at prime plus 1% per annum (September 30, 2017 – interest at prime plus 1% per annum) and is secured by specific revenue producing properties with combined fair values of $17,409,767 (September 30, 2017 fair values of $17,227,241). The Company pays a standby fee of .25% per annum, payable monthly on the un-drawn portion of the facility. Specific covenants of this credit facility are that there be a minimum of 90% occupancy of the secured buildings and adherence to a margin formula as outlined below.

Availability under the facility will be restricted to the lending value assigned to the properties which will be the lesser of: a) the level at which a Debt Service Coverage Ratio of 1.30 can be maintained, less the Prior Debt on the properties, or b) the level at which a Loan to Value Ratio of 65% 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. For these secured properties, the loan to value is set at 65%, unchanged from the prior year.

Debt service = annual principal and interest payments based on 25-year amortization and an interest rate that is the greater of 5.5% or the Government of Canada Benchmark Bond Yields plus 225 basis points.

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

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

At December 31, 2017 the debt service coverage ratio is 1.33 and the loan to value ratio is 61% (September 30, 2017 the debt service coverage ratio was 1.31 and the loan to value ratio was 77%).

The Company's lender that holds the credit facility had allowed the Company to overdraw the facility at the fiscal year end of September 30, 2017. At the year end, the Company was in the process of paying out two mortgages that were due on September 1, 2017 and October 1, 2017 and replacing them with two new mortgages through the same lender. The two new mortgages would provide additional capital to complete a purchase agreement immediately following the year end. As the lender was unable to fund the mortgages prior to the year end, the lender agreed to allow the Company to overdraw the credit facility and allow the loan to value ratio to exceed 65% at September 30, 2017, until the mortgages were fully advanced in Q1 2018. The Company did not breach any financial covenants during the current year, or prior year.

During the current period, the Company received an additional operating line of credit with a limit of $4,500,000 from one of the Company's major lenders. This credit facility bears interest at prime plus .95% per annum and is secured by three revenue producing properties with combined fair values at December 31, 2017 of $38,716,984. There are no specific covenants or margin formulas for this line of credit. The balance on the credit facility at December 31, 2017 is $4,169,931.

10. Payables and accruals

	December 31, 2017	September 30, 2017
Trade payables	$ 37,088	$ 68,118
Accrued loan interest	202,288	195,136
Current portion of tenant security deposits	14,075	37,850
Accrued payables	46,253	193,529
Prepaid rents	201,011	178,156
Total payables and accruals	**$ 500,715**	**$ 672,789**

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

11. Income taxes

a) Provision for income taxes

Components of income tax expense

	2017	2016
Current tax expense	$ 183,398	$ 244,214
Deferred tax expense	838,040	628,279
	$ 1,021,438	**$ 872,493**

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:

	2017	2016
Expected income tax expense at 27% (2016-27%)	$ 454,376	$ 431,386
Increase (decrease) resulting from:		
Non-deductible items	6,799	1,188
Rate differences	560,263	439,919
	$ 1,021,438	**$ 872,493**

b) Deferred taxes

Deferred tax assets are attributable to the following:

	December 31, 2017	September 30, 2017
Financing fees	$ 39,472	$ 10,319
Non-capital losses	3,402	-
Loan receivable	-	968
Deferred tax assets	42,874	11,287
Offset of tax	(42,874)	(11,287)
Net deferred tax assets	**$ -**	**$ -**

Deferred tax liabilities are attributable to the following:	December 31, 2017	September 30, 2017
Straight-line rent receivable	$ 388,889	$ 379,637
Investment properties	13,895,378	13,087,371
Tenant inducements	88,364	90,818
Capital gain reserve	38,852	38,852
Deferred leasing	279,663	224,841
Tax liabilities	14,691,146	13,821,519
Offset of tax	(42,874)	(11,287)
Net tax liabilities	**$ 14,648,272**	**$ 13,810,232**

$30,273,649 (September 30, 2017 - $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.

12. Supplemental consolidated cash flow information from continuing operations

Change in non-cash working capital	2017	2016
Decrease in receivables	$ 70,391	$ 57,151
Decrease (increase) in prepaid expenses and deposits	1,921,972	(55,704)
Decrease in payables and accruals	(172,074)	(277,537)
Decrease in income taxes payable	(669,327)	(442,247)
Increase (decrease) in security deposits	98,067	-
Total change in non-cash working capital	**$ 1,249,029**	**$ (718,337)**
Interest paid from continuing operations	$ 398,398	$ 573,576
Income taxes paid	$ 852,724	$ 683,929

13. Share capital

a) The Company has unlimited authorized common share capital.

	December 31, 2017	September 30, 2017
Number of shares issued		
Balance beginning of year	9,614,442	9,671,442
Shares cancelled during the period	-	(57,000)
Ending number of shares	**9,614,442**	**9,614,442**

	December 31, 2017	September 30, 2017
Capital stock		
Balance beginning of year	$ 6,050,152	$ 5,946,742
Shares repurchased and held in treasury	(57,580)	-
Shares previously held in in treasury	-	139,322
Shares cancelled during the period	-	(35,912)
Ending capital stock	**$ 5,992,572**	**$ 6,050,152**

The Company received approval from the TSX Venture Exchange to purchase up to 480,227 common shares representing 5% of the outstanding shares under a normal course issuer bid ("NCIB") that expires August 30, 2018.

During the current period the Company repurchased 13,500 shares for a total cost of $57,580. All the shares remain in treasury until they are cancelled.

During the prior year, 26,200 shares were repurchased for a total cost of $113,765. All the shares were cancelled along with the 30,800 shares held in treasury from the prior year. The excess of the purchase price over the cost of the shares in the amount of $217,175, was charged to retained earnings.

b) Contributed surplus

Contributed surplus arises because of recording the fair value of options granted under the share option plan and the options granted as part of a share issuance. The fair value of the options is recorded to contributed surplus as the options vest. Upon exercise, the proceeds received, as well as any balance previously recorded to contributed surplus, are credited to capital stock.

	December 31, 2017	September 30, 2017
Contributed surplus, beginning and end of period	**$ 593,750**	**$ 593,750**

14. Earnings per share

The following are the weighted average number of shares outstanding:

	December 31, 2017	December 31, 2016
Net income and total comprehensive income for the year	$ 661,438	$ 725,233
Weighted average shares outstanding – basic	9,611,525	9,609,512
Unexercised dilutive options	21,424	37,842
Weighted average shares outstanding – diluted	9,632,949	9,647,353
Earnings per share - basic	$ .07	$ .08
Earnings per share - diluted	$ .07	$ .07

15. Stock-based compensation plan

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

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Yrs.)
Opening balance at October 1, 2017	475,000	$ 4.25	1.92
Ending balance at December 31, 2017	**475,000**	**$ 4.25**	**1.67**

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Yrs.)
Opening balance at October 1, 2016	475,000	$ 4.25	2.92
Ending balance at September 30, 2017	**475,000**	**$ 4.25**	**1.92**

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

The contractual term of each option granted is five years. There are no cash settlement alternatives. The Company does not have a past practice of cash settlement for these share options. All the options outstanding as of December 31, 2017 and September 30, 2017 are exercisable.

16. Rental revenue

The Company leases commercial properties under operating leases with lease terms generally between 3 and 15 years. Some leases have options to extend for further five-year terms, one land lease is month to month, and two small tenant leases are month to month.

a) Rental revenue

	2017	2016
Rental revenue, contractual amount	$ 2,675,738	$ 2,368,487
Amortization of tenant inducements	(9,091)	(9,091)
Straight line of rental revenue from leases	31,980	26,656
Rental revenue on statement of comprehensive income	**$ 2,669,827**	**$ 2,386,052**

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

	2017	2016
No later than one year	$ 10,980,656	$ 9,081,923
2 – 5 years	38,305,611	31,410,582
Over 5 years	21,142,182	28,737,435
Total	**$ 70,428,449**	**$ 69,229,940**

The month to month tenant revenue is not included in the future contracted minimum rent receivable.

b) Property operating expenses

	2017	2016
Property taxes	$ 443,266	$ 372,767
Insurance	21,367	29,810
Repairs and maintenance	150,528	88,204
Management fees	149,698	128,234
Utilities	24,438	15,008
Total property operating expenses	**$ 789,297**	**$ 634,023**

17. Guarantees and contingencies

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 20.

18. Capital risk management

The Company defines capital that it manages as the aggregate of its equity and interest-bearing debt. The Company's objectives when managing capital are to ensure that the Company will continue as a going concern, so that it can sustain daily operations and provide adequate returns to its shareholders. The Company is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced, or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt. The Company mitigates these risks by its continued efforts to stagger the maturity profile of its long-term debt, enhance the value of its real estate properties, and maintain high occupancy levels. The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

	December 31, 2017	September 30 2017
Mortgages	$ 81,569,806	$ 79,891,815
Bank operating facilities	11,702,215	9,506,115
Other financing	-	1,300,000
Total debt financing	93,272,021	90,697,930
Equity	83,812,382	83,208,524
Total capital	**$ 177,084,403**	**$ 173,906,454**

19. Financial instruments

	December 31, 2017	September 30, 2017
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 266,032	$ 843,336
Receivables, net of provisions	11,143	81,534
Loan receivable, net of amortized discount	500,000	496,414
	$ 777,175	**$ 1,421,284**
Financial liabilities		
Other financial liabilities		
Bank operating facilities	$ 11,702,215	$ 9,506,115
Payables and accruals	500,715	672,789
Other financing	-	1,300,000
Security deposits	423,605	325,538
Mortgages	81,569,806	79,891,815
	$ 94,196,341	**$ 91,696,257**

The carrying value of cash and cash equivalents, receivables, loan receivable, bank operating facilities, other financing, payables and security deposits approximate their fair value because of the near-term maturity of those instruments. 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, 2017 is $80,327,306 (September 30, 2017 - $78,566,380). 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 3.570% (September 30, 2017 – 3.448%).

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 $11,143 (September 30, 2017 - $81,534) and cash and cash equivalents of $266,032 (September 30, 2017 - $843,336). Credit risk for Imperial Equities Inc. arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss with a policy of credit assessment for all new lessees and by limiting its exposure to any one tenant. Credit risk associated with cash and cash equivalents is mitigated through the Company holding cash and cash equivalents with reputable financial institutions.

Trade accounts receivable that have been deemed uncollectible are expensed as bad debts and charged to net income in the period when the account is determined to be doubtful. During the prior year, the Company had a tenant that experienced difficulty paying their rent. This tenant was put into receivership and the Company wrote off the rent receivable of $257,209 at September 30, 2017 as a bad debt. The Receiver found a buyer for this tenant's

business, and a new lease was entered into after this quarter ended. Estimates for the allowance for doubtful accounts are determined on a tenant-by-tenant evaluation of collectability at each reporting date. As at September 30, 2017, an allowance for doubtful accounts was recorded in the amount of $16,061 for one small tenant. The Company will continue to closely monitor this tenant for financial stability. All other accounts are deemed collectible.

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, 2017 is $11,702,215 (September 30, 2017 - $9,506,115). 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 $117,022 (September 30, 2017 - $95,062). The Company minimizes its exposure to interest rate risk to the extent that all mortgages have fixed rates with terms varying from one to five years.

Liquidity risk

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

The Company was successful during the current period taking advantage of leverage opportunities on two mortgages that were in the process of being renewed at September 30, 2017. Both mortgages were paid in full at their due date and new mortgages were received on the properties. The proceeds of the mortgages were used to repay an amount on a line of credit that had a balance at September 30, 2017 of $9,506,115. During the current period, the Company secured an additional new credit facility with one of the Company's major lenders to be used for property acquisitions and general operations. The limit on this credit facility is $4,500,000 and bears interest at prime plus .95% per annum.

The Company will be able to meet its future obligations through normal operations and current credit facilities.

Contractual obligations at December 31, 2017

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	$ 8,615,757	$ 35,920,588	$ 42,835,219	$ -	$ 87,371,564
Payables and accruals	500,715	-	-	-	500,715
Security deposits	14,075	118,869	193,065	111,671	437,680
	$ 9,130,547	$ 36,039,457	$ 43,028,284	$ 111,671	$ 88,309,959
Other financing	-	-	-	-	-
Operating facilities	11,702,215	-	-	-	11,702,215
	$ 20,832,762	**$ 36,039,457**	**$ 43,028,284**	**$ 111,671**	**$ 100,012,174**

Contractual obligations at September 30, 2017

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	$ 12,166,612	$ 35,755,205	$ 36,819,106	$ -	$ 84,740,923
Payables and accruals	672,789	-	-	-	672,789
Security deposits	37,850	22,493	191,374	111,671	363,388
	$ 12,877,251	$ 35,777,698	$ 37,010,480	$ 111,671	$ 85,777,100
Other financing	1,300,000	-	-	-	1,300,000
Operating facilities	9,506,115	-	-	-	9,506,115
	$ 23,683,366	**$ 35,777,698**	**$ 37,010,480**	**$ 111,671**	**$ 96,583,215**

20. 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	$50-$65/hour for labour plus charges for truck, equipment and parts (September 30, 2017 - $50-$65/hour)
Project management	contracted directly with the tenant and charged back under the terms of their lease
Office rent and parking	flat rate of $8,000 monthly
Warehouse lease space	December 31, 2017 discontinued (September 30, 2017 -market rate for comparable leased space)
Leasehold improvements	contracted directly with the tenant and charged back under the terms of their lease
Fees for CFO	$200,000 ($210,000-September 30, 2017)

Payments to North American Realty Corp.:

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

Payments for the three months ending December 31,	2017	2016
Property management and maintenance fees	$ 234,019	$ 158,484
Acquisition fees	52,851	20,500
Leasing fees	151,637	18,317
Disposition fees	-	-
Office rent and parking	24,000	24,000
Warehouse lease space	5,918	8,820
Fees for CFO	50,000	60,000
Total payments	**$ 518,424**	**$ 290,121**
Amounts payable at December 31	**$ -**	**$ -**

b) *Other related party transactions*

i) Directors are paid a fee for attending directors' meetings. The fees are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations. Total fees paid for the three months ending December 31, 2017 were $7,500 (December 31, 2016 – $4,000).

ii) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Company's key management personnel include the President Sine Chadi who is also a director of the Company. Total compensation paid to Mr. Chadi for the three months ending December 31, 2017 was $75,000 (December 31, 2016 - $75,000).

iii) Other financing, unsecured

Related Parties	Balance Oct 1'17	Advances	Repayments	Balance Dec 31'17
NAMC[1]	$ -	$ 50,000	$ (50,000)	$ -
Jamel Chadi, Shareholder[2]	1,300,000	-	(1,300,000)	-
Total	**$ -**	**$ 50,000**	**$ (1,350,000)**	**$ -**

Related Parties	Balance Oct 1'16	Advances	Repayments	Balance Sep 30'17
NAMC[1]	$ -	$ 675,000	$ (675,000)	$ -
Jamel Chadi, Shareholder[2]	-	1,900,000	(600,000)	1,300,000
Sine Chadi, Shareholder[2]	-	775,000	(775,000)	-
Total	**$ -**	**$ 3,350,000**	**$ (2,050,000)**	**$ 1,300,000**

1. NAMC is controlled by a director and major shareholder of the Company. Total interest paid at December 31, 2017 was Nil (September 30, 2017 - $12,845).
2. Total interest paid to shareholders at December 31, 2017 was $10,903 (September 30, 2017 - $10,653).

21. Post-reporting date events

Subsequent to the quarter ending, the Company completed a purchase agreement to acquire 65.75 acres of vacant land in Hanna, Alberta for a total purchase price of $325,000. The Company also completed negotiations for a build to suit building of 24,454 f^2 on a 16.5 acre parcel of the lands. The corresponding lease of the land and building includes a 20 - year term with Cervus, an international company that sells and services John Deere equipment.

22. Authorization of consolidated financial statements

The consolidated interim financial statements for the three months ending December 31, 2017 (including comparatives) were authorized for issue by the Board of Directors on January 31, 2018.

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