IMPERIAL EQUITIES INC.

1st Quarter Report 2024

Three Months Ending December 31, 2023

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President's Report

for the first quarter ending December 31, 2023

President's Report

First Quarter

December 31, 2023

The first Quarter of our 2024 fiscal year has been busy for our Company and with major projects complete and signs that the interest rate environment is beginning to stabilize, the Company is beginning to look a little farther afield for new growth opportunities.

I am pleased to report that there are several major projects that are currently under review in terms of acquisitions, dispositions and new builds.

The industrial market in the Greater Edmonton Region remains strong, with only a 4.5% vacancy rate at the end of 2023, and there is significant and competitive new product coming available across the region. Despite this, there continues to be positive absorption overall, and capitalization rates in the region remain steady at approximately 5.5 to 7% which are markedly higher than yields in Vancouver or Toronto. Strong absorption rates and higher yields represent ongoing opportunities for long-term rental income as well as overall valuation gains.

We continue to spend to maintain the condition and competitiveness of our properties. The effect of this level of investment is shown in the 9% decrease in our overall operating cost recoveries compared to the same period in fiscal 2023. As new leases are secured at competitive rates, we can expect to see costs rebalance over the term of the lease.

Our ongoing spending on property maintenance is only one part of our higher cost environment. The weighted average of interest rates on our mortgages has continue to grow quarter over quarter and has now reached a rate of 4% overall, and as mortgages are renewed, we will likely see that weighted average increase throughout the balance of this year.

While our overall rental revenue has increased slightly this quarter, it is outpaced by proportionately higher increases in operating expenses and finance and maintenance costs. These costs, and higher financing costs in particular, can have an adverse effect on property valuations. In Q1, the Company adjusted valuations within the portfolio to reflect current conditions. Such actions resulted in a valuation loss of our investment properties recorded in the period. This valuation loss and the reclassification of an investment property now held for sale have resulted in a reduction in the overall fair value of investment properties from $260,517,019 at Q4 2023 to $243,582,506.

We are confident that our position fairly reflects the increased costs we have had to absorb to maintain our overall investments. Because we continue to have no deferred maintenance on our properties and have recently completed major within-portfolio investments in 2023, our position is one of strength and stability. Despite showing a loss, our overall cash flows remain consistent and strong, and there was no interruption to our dividend which continues to be paid at a rate of $0.02 per share on a quarterly basis.

We have always taken the position that with every property there comes a time when we believe its potential is maximized and its disposition would be beneficial to the Company. During Q1, we entered into a conditional sales agreement on one of our existing properties. This is a property which was occupied for the past 15 years but became vacant prior to our last year end. It is a quality property that has delivered good value since we first built it in 2008. It is an ideal single-tenant property and in this case the ideal prospective occupant prefers to be in a position as owner – a scenario we were open to as we approached the market. We expect the sale of this property to close in Q3 2024.

This property represents the majority of the Company's total of 65,512 square feet of vacant space. Our total occupancy rate of 94.1% is consistent with our year-end 2023. Over the next 12 months 118,018 square feet of leasable space will come up for renewal. Of this total, 21,127 square feet was renewed subsequent to the end of this Quarter at its current rate and we are actively seeking to renew or market the balance.

Imperial Equities has a long tradition of developing new properties for national and international tenants. Our next major build-to-suit (BTS) opportunity is already on the drawing board. This BTS project for an existing tenant will involve the construction of the largest building in our portfolio to date. A large and very well-located property in northwest Edmonton is now under contract and if all approvals are secured, we anticipate construction could begin in Q4 2024 with a completion date in Q1 2026. Beyond representing a significant expansion opportunity for our Company and a key tenant, the property will also showcase our commitment to ESG with construction plans being crafted with maximum energy efficiency in mind.

The overall strength of our Company further fuels our desire to also consider new growth opportunities in northwest Alberta and Northern British Columbia, where the opportunities for industrial expansion are particularly strong. Market conditions and some indication that the interest rate environment has stabilized for the short-term both lend to growing confidence in the overall investment climate.
To support these efforts, we will continue to assess whether there are opportunities within our current portfolio to list some assets for sale. This many include certain raw land holdings, the disposition of which can help to fund future growth opportunities.

We are looking forward to assessing all opportunities to grow and to maximize returns on our assets. And we are grateful to be aided by the addition of a new CFO, officially as of January 1, 2024. Meghan DeRoo McConnan joined us as interim CFO in May 2023 and has now accepted the role on a permanent basis. Ms. DeRoo McConnan brings an incredible wealth of experience in finance, tax planning, ESG planning and governance to IEI and is proving to be a significant asset as we begin to plan our next steps.

I am grateful for all of the support and confidence of our team, our Board and our shareholders as we have navigated through several cost-intensive quarters. We are excited about what's ahead for our Company, and as always, I look forward to having the opportunity to discuss Company matters at our AGM on March 14, 2024, via Zoom.

Sincerely,

Sine Chadi
President & CEO

MD & A

Management's Discussion & Analysis

for the first quarter ending December 31, 2023

Imperial Equities Inc. MD&A as at February 14, 2024

The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an explanation of the performance of Imperial Equities Inc. ("Imperial" or "Imperial Equities" or the "Company") and its subsidiaries. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended December 31, 2023, and the related notes, as well as the audited consolidated financial statements and MD&A for the years ended September 30, 2023 and 2022.

Unless otherwise noted, all amounts in this MD&A are reported in Canadian dollars, which is the Company's presentation and functional currency. The information contained in this MD&A, including forward-looking statements, is based on information available to management as at February 14, 2024, except as otherwise noted.

Throughout the MD&A, Management will use measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar calculations presented by other issuers. These measures include operating expense recoveries, funds available for property improvements and growth, debt, debt to asset ratios, and unencumbered properties. A description of these measures and their limitations are discussed under "Non-IFRS financial Measures".

Imperial Equities Inc. trades on the TSX Venture Exchange under the symbol "IEI". Additional information on the Company may be obtained by visiting www.sedarplus.ca. The Company's Board of Directors, at the recommendation of the Audit Committee have reviewed and approved this interim MD&A and the accompanying unaudited interim condensed consolidated financial statements.

Forward-Looking Information

Some of the information that the Company provides in this document is forward-looking and therefore could change over time to reflect changes in the environment in which the Company operates and competes. This forward-looking information reflects the Company's intentions, plans, expectations, and beliefs, and is based on management's experience and assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances.

Forward-looking statements may involve but are not limited to, comments with respect to our initiatives for 2024 and beyond, future leasing, acquisition and financing plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results or outlook for our operations. By their nature, forward looking statements are subject to numerous risks and uncertainties including those discussed under Risks and Risk Management in the MD&A for the year ended September 30, 2023. Readers are cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be imprecise, and as such, undue reliance should not be placed on forward- looking statements.

Actual results, performance or achievements could differ materially from those expressed in or implied by these forward-looking statements. Except as may be required by law, the Company does not undertake to update any forward-looking statement, whether written or oral, made by the Company or on its behalf.

Our Business

Based in Edmonton, Alberta, Imperial Equities is a publicly traded company that invests in and manages industrial, agricultural, and commercial properties in its targeted markets throughout Western Canada. Since operations started in 1998, the Company has continuously increased revenues, and the fair value of its portfolio of investment properties through growth via acquisitions, the construction of build-to-suit projects, proactive maintenance of its properties, and responsive property management to build strong relationships with long-term tenants.

There have been no significant changes to the Company's overall business during the three months ended December 31, 2023.

Management and the Board monitor specific key performance indicators in four critical areas of the business: investment properties, leasing activities, property operations and financing, and the overall performance of the Company in governance, and environmental social and governance (ESG) impact. These key areas remain consistent with those discussed in the MD&A for the year ended September 30, 2023.

Our Investment Properties

Investment Properties	Three months ended December 31, 2023	Year ended September 30, 2023
Total number of investment properties	42	42
Total investment properties held for sale	1	-
Raw land properties held for future development	8	9
Raw land properties under lease with tenants	5	4
Gross leasable area (GLA) in square feet	1,117,832	1,117,832

There have been no changes to the investment properties held by the Company at December 31, 2023 compared to the year ended September 30, 2023. Gross leasable area is the square footage of space in the Company's investment properties that is leased or available to be leased to tenants.

During the quarter, the Company leased one of its raw land properties, consisting of 0.91 Acres of land in NW Edmonton, AB under a short-term lease. This parcel was reclassified from raw land properties held for future development to raw land properties under lease with tenants.

At December 31, 2023, the Company reclassified one of its investment properties to investment property held for sale in its statement of financial position as a result of entering into a conditional sales agreement. As of the reporting date, the conditions on the sale have not been waived.

During the year-ended September 30, 2023, the Company entered into a purchase agreement to acquire land for a total purchase price of $8,000,000. The purchase agreement was entered into as a part of a potential build-to-suit opportunity for an existing tenant, with a total estimated project cost of $30,000,000. An initial deposit of $100,000 was paid prior to the September 30, 2023 year-end, which was refundable if certain conditions were met. A further deposit of $600,000 is required when conditions are waived, with the balance of the purchase price being due when title is transferred.

Our Leasing Activities

Leasing Activities by Gross Leasable Area ("GLA") in square feet	Three months ended December 31, 2023	Year ended September 30, 2023
Lease retention	-	70,679
New tenant leases	-	100,901
GLA of leases expiring within twelve months	118,018	118,018
Space available for lease	65,512	65,512
Average lease term to maturity in years	4.49	4.95
Building occupancy	94.1%	94.1%

There have been no lease renewals or new leases signed during the three months ended December 31, 2023, other than a short-term lease noted above on raw land. The Company's tenant base continues to be consistent with the year ended September 30, 2023, with National or Multi-National tenants leasing 77% of the Company's gross leaseable area and making up 80% of the total annual minimum rent received by the Company.

Lease Expiries and Vacant Space

At December 31, 2023, the occupancy rate for the Company's properties remains at 94.1% (September 30, 2023 – 94.1%).

At December 31, 2023 the Company continues to have 65,512ft^2 of vacant space, consisting of one single-tenant building of 58,393ft^2 and 7,110ft^2 of vacant space located in a single-tenant building.

GLA of leases expiring in the next twelve months

As at December 31, 2023, there are five leases that are expiring within the next 12 months with a combined total of 118,018 ft^2 gross leaseable area. Subsequent to period end, one lease for 21,127ft^2 was renewed for an additional five-year term at the same lease rate. Management anticipates renewing most of the remaining leases during the coming year based on preliminary conversations with tenants, and past renewal history.

During the quarter, the Company was notified by one of its tenants that they do not intend to renew their lease, which expires in Q2 2024. The property related to this lease consists of 43,396ft^2 of gross leaseable area. The Company is actively marketing the property for lease and anticipates leasing to a new tenant within the current fiscal year.

Lease Rates

Average annual lease rates (by City) per square foot	At December 31, 2023	At September 30, 2023
Edmonton, Alberta	$ 11.03	$ 11.03
Red Deer, Alberta*	$ 22.43	$ 22.43
Fort Saskatchewan, Alberta*	$ 42.15	$ 42.15
Fort McMurray, Alberta	$ 39.80	$ 34.34
Leduc, Alberta	$ 17.27	$ 17.66
Hanna, Alberta	$ 19.95	$ 19.75
Nisku, Alberta	$ 13.39	$ 13.39
Vegreville, Alberta	$ 7.18	$ 7.18
Fort St. John, British Columbia	$ 14.75	$ 14.75

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

The Company also monitors its lease rates. There have been no significant changes to lease rates since the year ended September 30, 2023, with the exception of increased rates in Fort McMurray, Alberta. This increase reflects the addition of 25,200ft^2 of build-to-suit space that was available to a tenant prior to September 30, 2023, with the increased rental charges for the space not being effective until October 1, 2023.

Our Operations

Property Operations	Three months ended December 31, 2023	Three months ended December 31, 2022
% operating expense recoveries	76%	85%
Funds available for property improvement and growth	$ (27,875)	$ 207,397
Investment property improvements	$ 5,826	$ 1,831,437

Operating Expense Recoveries

The percentage of operating expense recoveries provides an indication of the amount of non-recoverable expenses that has to be covered by minimum rental revenue.

Property taxes, insurance, and operating expenses are budgeted annually and reconciled every 12 months on a tenant-by-tenant basis. All the Company's leases, except one, are triple net leases, which allows the landlord to recover all operating costs except for any structural repairs. The recovery percentage of 76% in the current period compared to 85% in the same period in the prior year, is due to $137,000 of non-recoverable repairs and maintenance expenses incurred during the three months ended December 31, 2023. If these expenses were excluded, the percentage of operating cost recoveries for the three months ending December 31, 2023 would be 83%.

Non-recoverable repairs and maintenance expenses are primarily related to two properties, where various maintenance items have been completed in conjunction with lease renewals on the properties that were completed in the prior year.

Funds Available for Property Improvements and Growth

Funds available for property improvements and growth is a measure that indicates the available cash flow from property operations after payments of debt. For the three months ended December 31, 2023, funds available for property improvements and growth decreased to a shortfall of $27,875 compared to funds available of $207,397 for the three months ended December 31, 2022. The decrease is primarily related to increased financing costs because of higher interest rates on bank operating facilities and mortgages renewed at higher rates over the past year. Additionally, there have been increased principal repayments during the current period compared to the prior year, as a result of the addition of a new mortgage in quarter four of 2023.

Investment in Property Improvements

During the prior year, the Company was focused on two large projects, which resulted in increased spending on property additions in Q1 2023 compared to Q1 2024. These projects included the expansion of a tenant location in Fort McMurray, and the renovation of the Core Distribution centre for a new tenant. For the three months ending December 31, 2023, the Company has been focused on maintenance projects, and has not undertaken any significant property improvements.

Our Financing

Financing	As at December 31, 2023	As at September 30, 2023
Debt to total assets ratio	50%	49%
Weighted average interest rates on mortgages	4.00%	3.73%

Management considers the ratio of debt to assets to be useful for evaluating the leverage the Company may have on its investment properties, including is ability to consider additional financing opportunities as needed for future growth. The debt to assets ratio has remained at around 50%, which is consistent with prior periods.

The Company monitors its interest rate on mortgages, as interest rates related to the financing of the properties are a key external factor that impacts the Company's overall profitability.

The weighted average interest rates on mortgages has increased to 4.00% at December 31, 2023 compared to 3.73% at September 30, 2023. During the three months ending December 31, 2023, the Company renewed three mortgages which had an average increase of 2.45% over their prior interest rates. Over the next 12 months, the Company has 8 mortgages, with a total balance of $27,718,312 and a weighted average interest rate of 3.99% that will be up for renewal.

Our Governance

There have been no changes to the strategic objectives of Management or Board of Directors of the Company since those discussed in the MD&A for the year ended September 30, 2023.

During the quarter ended December 31, 2023, Management has been focused on ensuring lease renewals are actively pursued with existing tenants, mortgages are renewed for the best available rate, and in evaluating and moving forward with property disposition, and build-to-suit discussions.

Our Environmental, Social and Governance ("ESG") Impact

There have been no changes to the regulatory environment since the year-ended September 30, 2023. Management continues to monitor for any communications from the Canadian Securities Administrators (CSA), and the Canadian Sustainability Standards Board (CSSB) related to the adoption of the requirements of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, and IFRS S2 *Climate-related disclosures*, issued by the International Sustainability Standards Board (ISSB).

As noted in the MD&A for the year ended September 30, 2023, the Company anticipates continuing to use the Global Reporting Initiative (GRI) as the framework for which to account for its environmental, social and governance related measures, and has commenced on assessing the requirements under GRI's Construction and Real Estate Disclosures in anticipation of including these measures in its 2024 annual report.

The Company continues to incorporate energy efficiency, and overall environmental awareness in its property operations including commencing a project during the quarter to replace lighting in a tenant location with new energy efficient LED lighting.

Financial Performance

(in thousands)
Three months ended December 31,

	2023	2022	Variance
Rental revenue	$ 4,950	$ 4,664	$ 286
Property operating expenses	1,609	1,354	255
Income from operations	3,341	3,310	31
Finance costs	1,431	1,223	208
Administrative expenses	270	410	(140)
Amortization of deferred leasing	95	124	(29)
Amortization of right-of-use asset	38	38	-
Valuation loss (gain) from investment properties, net	3,050	(2,197)	5,247
Income before income tax	(1,543)	3,712	(5,255)
Income tax expense	-	636	(636)
Net income and comprehensive income	$ (1,543)	$ 3,076	$ 4,619)
Earnings per share basic and diluted (in dollars)	$ (0.16)	$ 0.33	$ (0.49)
Dividends per share (in dollars)	$ 0.02	$ 0.02	$ -

Rental revenue includes minimum rent, which is recorded on a straight-line basis over the terms of the related leases, as well as property tax, insurance and occupancy cost recovery revenue. Rental revenue also includes adjustments for amortization of tenant inducements, as well as any settlement revenue received from tenants for payments for the early termination of leases, or for damages when a tenant is vacating a property.

For the three-month period ended December 31, 2023, rental revenue was $4,950,153 compared to $4,664,367 for the three months ended December 31, 2022. Of the total increase of $286,000, $264,000 related to increases in minimum rent in Q1 2024 compared to Q1 2023 resulting from the occupancy of spaces that were vacant in the prior year. The remainder of the increase in revenue is due to occupancy cost recovery revenue which has increased because of increased occupancy costs, as well as the collection of occupancy cost revenues from previously vacant locations.

Income from operations is $3,341,375 for the three months ended December 31, 2023 compared to $3,310,678 for the three months ended December 31, 2022. The modest increase is due to increased rental revenue as noted above. The percentage of property operating expenses that were recovered from occupancy recoveries revenue declined in the quarter ended December 31, 2023 compared to the same period in the prior year due to non-recoverable repairs and maintenance costs incurred during the period.

Net income for the three months ended December 31, 2023 was a loss of $1,541,880 compared to income of $3,712,723 for the same period in the prior year. The decrease in net income is directly related to the valuation loss from investment properties recorded in the period, as well as the increase in financing costs resulting from increased debt balances and increased interest rates compared to the same period of the prior year.

Property Operating Expenses	Three months ended December 31, 2023	Three months ended December 31, 2022	Variance
Property taxes	$ 798,071	$ 746,369	$ 51,702
Insurance	61,456	59,700	1,756
Repairs and maintenance	647,864	468,651	179,213
Utilities	101,387	78,969	22,418
	$ 1,608,778	$ 1,353,689	$ 255,089

The increase in property operating expenses is primarily related to increased repairs and maintenance expenses. The Company undertook additional non-recoverable repairs and maintenance expenses in conjunction with the renewals of certain leases in the prior year. There were also increases to property taxes, primarily due to the recording of property taxes on a property that had previously been exempt, and for which property taxes were not recorded until Q4 2023. Additionally, utilities increased because of vacant investment property where the Company is current paying for utilities, but in the same period of the prior year, the building was occupied and the tenant was paying for utilities directly.

Finance Costs	Three months ended December 31, 2023	Three months ended December 31, 2022	Variance
Interest on mortgages	$ 1,016,736	$ 859,496	$ 157,240
Interest on bank operating facilities	356,698	293,607	63,091
Interest on other unsecured financing	50,500	59,035	(8,535)
Interest on lease obligations	4,145	6,114	(1,969)
Amortization of deferred financing fees	19,385	21,306	(1,921)
Interest income	(15,980)	(16,381)	401
	$ 1,431,484	$ 1,223,177	$ 208,307

Finance costs have increased because of increases in outstanding bank operating facilities combined with increases in the floating rates on the bank operating facilities due to the overall increases in the bank prime rate for the three months ended December 31, 2023 compared to the same period in the prior year. In addition, mortgages that were renewed during fiscal 2023 were renewed at higher rates, resulting in increased mortgage interest in Q1 2024 compared to Q1 2023.

Administrative Expenses	Three months ended December 31, 2023	Three months ended December 31, 2022	Variance
Salaries and benefits	$ 163,353	$ 204,731	$ (41,378)
Public company costs	15,640	5,993	9,647
Professional fees	349	1,186	(837)
Office and other	90,344	198,309	(107,965)
Bad debts	-	-	-
	$ 269,686	$ 410,219	$ (140,533)

Administrative expenses declined in the current period compared to the same period in the prior year. This due in part to reduced salaries and benefits expense, as the three months ended December 31, 2022 included payments for one additional employee. Office and other expenses for the period ended December 31, 2022 included accruals for certain expenses which were adjusted in the subsequent quarter. Additionally, the three months ended December 31, 2022 include approximately $25,000 of costs related to contract financial reporting assistance, to assist with coverage of the former CFO's position during a leave of absence. These costs were not incurred during the three months ended December 31, 2023.

Amortization of deferred leasing and right-of-use asset are related to the accounting for deferred leasing costs and right-of-use asset. These amounts remain consistent with the comparable period of the prior year as there have not been any significant changes to the deferred leasing costs or right of use asset.

Valuation loss (gains) from investment properties, net are the result of adjusting the investment properties to fair value at the end of each reporting period. For the three months ended December 31, 2023 there was a valuation loss of $3,049,706 compared to a valuation gain of $2,197,038 in the same period of the prior year. The change in investment property fair value is discussed below in "Investment properties".

Selected Balance Sheet Information

	As at December 31, 2023	As at September 30, 2023	Variance
Investment properties	$ 243,582	$ 260,517	$ (16,935)
Right-of use asset	325	363	(38)
Total non-current assets	**243,907**	260,880	(16,973)
Current portion of mortgage receivable	1,431	1,439	(8)
Current assets	824	1,716	(892)
Total current assets	**2,255**	3,155	(900)
Investment property held for sale	13,790	-	13,790
Total Assets	**259,952**	264,035	(4,083)
Mortgages	72,565	78,886	(6,321)
Security deposits	746	746	-
Lease liability	203	246	(43)
Deferred taxes	16,603	16,721	(118)
Total non-current liabilities	**90,117**	96,599	(6,482)
Other financing	3,165	3,565	(400)
Current portion of mortgages	33,240	28,852	4,388
Bank operating facilities	21,248	19,874	1,374
Other current liabilities	1,986	3,217	(1,231)
Total current liabilities	**59,639**	55,508	4,131
Total liabilities	**149,756**	152,107	(2,351)
Equity	**110,196**	111,928	(1,732)
Total equity and liabilities	**259,952**	264,035	(4,083)

Investment Properties

Investment properties are carried at fair value, which is determined by management using valuation methodologies at the end of each reporting period. There was no change in valuation methodologies applied at December 31, 2023 compared to those used at September 30, 2023, with the exception of the valuation of the investment property held for sale. The investment property held for sale at December 31, 2023 was valued based on the direct comparison approach. This property vas valued using an income approach at September 30, 2023.

Changes in investment properties since the fiscal year-end of September 30, 2023, are detailed below.

	Income producing properties	Held for development	Total investment properties
Balance, September 30, 2023	$ 247,539,383	$ 12,977,636	$ 260,517,019
Additions:			
Property improvements and additions	-	5,826	5,826
Leasing commissions	86,648	-	86,648
Amortization of tenant inducements	(36,789)	-	(36,789)
Amortization of deferred leasing commissions	(94,868)	-	(94,868)
Change in straight-line rental revenue	(55,624)	-	(55,624)
Reclassification to investment property held for sale	(13,790,000)	-	(13,790,000)
Revaluation gains (losses), net	(3,043,880)	(5,826)	(3,049,706)
Balance, December 31, 2023	**$ 230,604,870**	**$ 12,977,636**	**$ 243,582,506**

Property improvements and additions include the structural improvements, and additions to the Company's property under development. Leasing commissions were paid for lease renewals during the quarter.

The Fair value of investment properties decreased from $260,517,019 at September 30, 2023 to $243,582,506 at December 31, 2023 as a result of the following:

- Reclassification of an investment property to held for sale resulting in a $13,790,000 decrease in the balance included in investment properties. A decrease in fair value of $1,023,855 was recorded on this property prior to its reclassification to held for sale.
- A valuation loss recorded on a property of $2,862,450 as a result of a tenant notifying the Company that they would not be renewing their lease during fiscal 2024 and would be vacating the building. Management anticipates that the building will be leased at a rate lower than previously expected as a result of changes in the market.
- Several buildings had increased rental revenue as a result of lease steps ups, and two tenants leased additional space that increased the rental revenue by tenant over the following 12-month period. This was offset by increases in capitalization rates on a property, to maintain a fair value that was consistent with overall market values. The net of these changes was an increase in fair value $551,000.

- There was a gain on the fair value of the Company's property in Fort St. John as a result of a change in the capitalization rate to 8.00% at December 31, 2023 compared to 8.50% at September 30, 2023. Management decreased the capitalization rate to reflect the increased economic and market activity in the region which the building is located, which has impacted the overall market prices.

Mortgage receivable at December 31, 2023 and September 30, 2023 is a vendor take back loan to the Company on the sale of a property that occurred during the year ended September 30, 2022. The balance of the mortgage receivable is due on July 31, 2024 and has been classified as a current asset.

Right-of-use asset and lease liability are for the Company's office lease and have been recorded in accordance with the requirements of IFRS 16 *Leases*. There have been no changes to the asset or lease liability since the year ended September 30, 2023. Lease payments for the three months ended December 31, 2023 were $45,000.

Current assets include receivables from tenants, prepaid expenses and deposits and cash balances with banks. The balance has decreased at December 31, 2023 compared to September 30, 2023 as a result of the decreased in prepaid property taxes and insurance. Property taxes are charged on a calendar year-end basis, and paid in full in June, and so at December 31 there is no longer any prepaid balance as the property taxes have been fully expensed. Insurance is paid in quarter 3 each year for a 12-month period. As a result, there is a decrease in the outstanding prepaid insurance balance between September 30 and December 31 each year.

Mortgages including both current and long-term portions have a balance of $105,925,528 at December 31, 2023 (September 30, 2023 - $107,870,842). The decrease in mortgages is as a result of paying down mortgages through monthly principal payments. There were no new mortgages advanced in the period. Three mortgages were renewed in the period, with total principal balances at December 31, 2023 of $11,468,604. The weighted average interest rate on these mortgages increased from 4.34% to 6.83% as a result of increased in overall bank prime rates. Subsequent to period end, an additional two mortgages were renewed, with interest rates increasing from 4.3% to 5.93%. Additionally, principal repayments increased on all the mortgages renewed, as a result of the Company maintaining the same amortization period on the debt, even though interest rates had increased.

Security deposits have not changed at December 31, 2023 compared to September 30, 2023. The Current portion of security deposits, which is included in payables and accruals, and is related to leases with terms that expire in the next twelve months, amounts to $59,344 at December 31, 2023 compared to $57,344 at September 30, 2023. The increase is a result of an additional deposit required from a tenant who commenced leasing one of the Company's parcels of land held for development, offset by a refund to a month-to month tenant who vacated the land held for development that they were leasing.

Deferred taxes are recorded on the difference between the accounting and tax bases of assets and liabilities. The difference between the fair value of investment properties recorded for accounting purposes, and the cost basis used for tax purposes generates the largest deferred tax liability at $15,740,678 (September 30, 2023 – $15,842,858). The decrease in deferred tax is primarily related to the decreased fair value of the investment property compared to the value at September 30, 2023.

Bank operating facilities at December 31, 2023 have a balance of $21,247,758 with two of the Company's major lenders (September 30, 2023 - $19,873,766). The increase at December 31, 2023 reflects the use of the facilities to repay other financing, and outstanding payables during the three months ended December 31, 2023.

There were no changes to the Company's credit facilities since September 30, 2023, and the Company is in compliance with all of the required covenants at December 31, 2023.

Other financing at December 31, 2023 $3,165,000 (September 30, 2023 – $3,565,000) is due to related parties. The loans are unsecured and bear interest at an annual rate of 6%. The Company received advances of $600,000 during the three months ended December 31, 2023, and repaid $1,000,000. The other financing was used for operating cash flows.

Other current liabilities include payables and accruals, income taxes payable and the current portion of the lease liability. Payables and accruals decreased $1,351,681 from $2,614,324 at September 30, 2023 to $1,262,643 at December 31, 2023. This decrease is due primarily to the payment of the final progress billing and holdbacks payable for the construction on the Fort McMurray property that was completed during the September 30, 2023 fiscal year. The outstanding payable related to the construction was $1,254,777 at September 30, 2023, and was paid in full prior to December 31, 2023.

Selected Cash Flow Information

(in thousands)	Three months ended December 31, 2023	Three months ended December 31, 2022	Variance
Cash provided by operating activities	**$ 3,330**	$ 3,140	$ 190
Cash used in investing activities	**(903)**	(2,978)	2,075
Cash used in financing activities	**(2,513)**	(185)	(2,328)
Increase in cash and cash equivalents	**(86)**	(23)	(63)
Cash and cash equivalents, beginning of year	**424**	233	191
Cash and cash equivalents, end of year	**$ 338**	$ 210	$ 128

Cash provided by operating activities for the three months ended December 31, 2023 was $3,330,070 (three months ended December 31, 2022 - $3,140,510). The Company continues to generate positive cash flows from operations which cover operating expenses, additions to investment properties, and payments on financing. The increase in the cash provided by operating activities was primarily driven by an increase in net income before non-cash items.

Cash used in investing activities for the three months ended December 31, 2023 was $903,182 compared to $2,978,616 for the same period in the prior year. The three months ending December 31, 2022 included property expenditures for the property expansion in Fort McMurray, and renovations to the Core Distribution building. No similar significant projects were undertaken in Q1 2024.

Cash used in financing activities for the three months ended December 31, 2023 was $2,512,750 (three months ended December 31, 2022 - $185,548). Changes in cash used in financing activities are driven by the timing of funds received from mortgages, and other financing, as well as the timing of draws or repayments on the bank operating facilities. During the three months ended December 31, 2022, the Company received net inflows of $1,280,000 in other financing, while for the three months ended December 31, 2023, the Company repaid a net amount of $400,000 on other financing. Additionally, the total principal repayments on mortgages increased for the three months ended December 31, 2023 compared to the same period in the previous year.

At December 31, 2023, there was a **net decrease in cash** of $85,862 (December 31, 2022 – decrease of $22,654).

Summary of Consolidated Quarterly Results

(in thousands)	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2
Revenue	**$ 4,950**	$ 5,226	$ 5,196	$ 4,651	**$ 4,664**	$ 4,772	$ 4,759	$ 4,654
Total Comprehensive Income	**$ (1,543)**	$ 1,126	$ 1,289	$ 1,321	**$ 3,077**	$ 1,648	$ 2,299	$ 1,910
(in dollars) EPS-Basic	**$ (0.16)**	$ 0.12	$ 0.14	$ 0.14	**$ 0.33**	$ 0.17	$ 0.24	$ 0.20
EPS-Diluted	**$ (0.16)**	$ 0.12	$ 0.14	$ 0.14	**$ 0.33**	$ 0.17	$ 0.24	$ 0.20

The Company is not significantly impacted by seasonality in its operations. Minimum rental revenue is recorded on a straight-line basis over the term of the lease, and property operating recoveries are recorded at estimated amounts throughout the year, with a reconciliation to actual recoveries completed at Q4 each year.

As a result, the revenue in Q4 may increase in comparison to prior quarters, as amounts receivable from tenants over the budgeted recoveries are accrued. Overall, the increase in revenue in Q3 and Q4 in fiscal 2023 relates to increased rental revenue from new tenant leases that commenced during the respective quarters. In fiscal 2022, the Company had vacancies that arose in Q3 and Q4 and were not filled until fiscal 2023.

Changes in comprehensive income relate primarily to fluctuations in the net valuation gain (loss) from investment properties and increases in finance costs. During fiscal 2023, and in Q1 2024 the Company had increased finance costs due to higher balances on the bank operating facilities, and higher interest rates on mortgages renewed throughout fiscal 2023.

The fluctuations in the valuation net gains (losses) from investment properties is summarized below:

(in thousands)	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2
Valuation net gains from investment property	**$ (3,050)**	$ 86	$ (357)	$ 205	**$ 2,197**	$ 668	$ 866	$ 380

Fluctuations in the valuation gains (losses) from investment properties, net quarter over quarter primarily reflect adjustments to the fair value of investment properties related to the completion of new or renewed leases, and completion or progress on redevelopment projects that improve the overall value of the buildings. During Q1 and Q2 2023, the Company had fair value gains as the result of the completion of large redevelopment projects as well as lease renewals and decreased vacancy.

In Q3 2023, the Company recognized a loss in fair value on a property that was vacated, which was offset in part due to a gain on a project under construction which moved closer to completion.

In Q4 2023, the Company recorded gains on the completion of two projects that resulted in increased rental revenue and overall building value, which was offset by valuation losses on a property which was vacant at year-end.

In Q1 2024, the Company recorded losses related to a property that was reclassified to held for sale, and on a property where a tenant indicated they were not renewing their lease in fiscal 2024, and the expected lease rate on the building was anticipated to decrease.

The fluctuations in earnings per share figures are directly related to the operational activities described herein. There have been no changes to the outstanding shares in the last eight quarters.

Liquidity and Capital Resources

There have been no significant changes in the Company's liquidity or capital resources available during the three months ended December 31, 2023.

The Company has the following available room under its bank operating facilities:

	December 31, 2023	September 30, 2023
Available bank credit facilities	$ 21,500,000	$ 21,500,000
Bank facilities outstanding	21,247,758	19,873,766
Available credit facilities	$ 252,242	$ 1,626,234

The Company considers its sources of financing to be mortgages, bank operating facilities, other financing, and cash generated from operating activities.

At December 31, 2023 eight mortgages are due in the next twelve months with combined principal balances of $27,718,312. Two of the mortgages with a total principal balance of $2,929,857 at December 31, 2023 were renewed subsequent to December 31, 2023. The Company renewed three mortgages during the three months ended December 31, 2023 with total principal balances of $11,648,604 at December 31, 2023.

Investment properties unencumbered with debt are valued at $22,934,223 at December 31, 2023 (September 30, 2023 - $22,714,118). Overall, the ratio of debt to total assets remained 50% December 31, 2023, which is consistent with the ratio at September 30, 2023.

During the three months ended December 31, 2023, the Company paid $1,254,777 for final progress billings and holdbacks payable on the completion of the construction project in Fort McMurray. This amount was paid from operating cash, and additional financing provided by related parties. The Company continued to pursue financing options in conjunction with the potential build-to-suit project. Financing for the project continues to be anticipated to be from a combination of operating cash flows, internal equity through refinancing of existing properties, and new construction financing.

Related Party Transactions

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

Property management and maintenance fees of $339,433 (2022 – $347,928) were paid to Sable Realty & Management Ltd. ("Sable"), a company controlled by Sine Chadi, a director and officer of the Company for the three months ended December 31, 2023.

Acquisition, disposition and leasing fees in the aggregate of $53,387 (2022 – $86,276) were paid to North American Realty Corp. ("NARC"), a company controlled by Sine Chadi for the three months ended December 31, 2023.

Leased office space and parking were paid to Sable in the aggregate amount of $45,000 (2022 - $45,000).

Rent collected from Sable for commercial lease space was $23,731 (2022 – $23,731).

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.sedarplus.ca>. These contracts and the associated fees and rates are reviewed by the Company's Board of Directors, and a summary of the terms is included in the annual MD&A for the year ended September 30, 2023.

Paid to Directors

Directors' fees paid to independent directors for attending directors' meetings during the three months ended December 31, 2023 were $10,000 (2022- $10,000).

Compensation to Key Management Personnel

Compensation of key management personnel is as follows:

	Salaries and Wages	Short-term Benefits	Three months ended December 31, 2023	2022
Sine Chadi, President & CEO	$ 75,000	$ 1,958	**$ 76,958**	$ 77,566
Meghan DeRoo McConnan, CFO*	46,250	2,390	**48,640**	-
Azza Osman, Former CFO*		-	-	38,351
Total	$ 121,250	$ 4,348	**$ 125,598**	$ 115,917

* *The former CFO was on leave commencing December 9, 2022, and departed the Company July 6, 2023. The CFO joined the Company May 23, 2023 as Interim CFO and became CFO effective January 1, 2024.*

Unsecured Financing

Transactions for the three months ended December 31, 2023 were as follows:

Related Parties	**October 1, 2023**	**Advances**	**Repayments**	**December 31, 2023**
Jamel Chadi, Shareholder [1]	$ 1,965,000	$ -	$ (1,000,000)	**$ 965,000**
Sine Chadi, Shareholder [1]	1,600,000	200,000	-	**1,800,000**
NAMC [2]	-	400,000	-	**400,000**
Total	$ 3,565,000	$ 600,000	$ (1,000,000)	**$ 3,165,000**

1) Loans received from shareholders bear interest at an annual rate of 6%. Total interest expense during the three months ended December 31, 2023 was $48,592 (2022 - $41,693). Accrued interest on the loans at December 31, 2023 is $282,346 (September 30, 2023 - $233,755) and is included in payables and accruals.

2) Loans from North American Mortgage Corp. ("NAMC"), a company controlled by the President and shareholder of the Company, bear interest at 6% per annum. Total interest expense for the three months ended December 31, 2023 was $1,908 (2022 - $6,706). Accrued interest on the loan at December 31, 2023 was $1,908 (September 30, 2023 is $nil) and is included in payables and accruals.

Planned Expenditures

During the year ended September 30, 2023, the Company entered into a purchase agreement to acquire land for a total purchase price of $8,000,000. The agreement required an initial deposit of $100,000 which was paid by the Company and is included in prepaids and deposits at December 31, 2023. The initial deposit is refundable if certain conditions related to completing a build-to-suit agreement with a third party, as well as receipt of and review of environmental and real property reports and approval by the Board of Directors of the Company, are not met. Within 30 days of the Company waiving the conditions, an additional $600,000 deposit is required, and the balance of the purchase price is due upon closing and transfer of the title of the land.

There are opportunities to purchase other properties currently on the market. The Company continues to look at all opportunities and evaluate the best possible alternatives. Cash needed to fund an acquisition of property will be provided through cash flows from operations, available funds through current bank credit facilities, and securing long-term financing. Related-party financing is available to the Company, generally on a short-term basis.

Changes in Accounting Policies and Critical Accounting Estimates

New and Amended Standards Adopted

Certain amendments disclosed in Note 2 of our unaudited interim condensed consolidated financial statements for the three months ended December 31, 2023 had an effective date of October 1, 2023 for the Company, but did not have a material impact on the consolidated financial statement or accounting policies for the three months ended December 31, 2023.

Future Accounting Standards

Standards, amendments, and interpretations that the Company reasonably expects to be applicable at a future date and intend to adopt when they become effective are described in Note 2 of audited consolidated financial statements for the year ended September 30, 2023. None of the amendments are anticipated to have a material impact on the Company's interim condensed consolidated financial statements.

Critical Judgments and Accounting Estimates

The preparation of condensed consolidated financial statements in accordance with IFRS requires us to make various estimates and assumptions. Future events may result in significant differences between estimates and actual results.

There has been no significant change in our critical judgements or accounting estimates in Q1 2023 from those described in our MD&A for the year ended September 30, 2023, in the Changes in Accounting Policies and Critical Accounting Estimates section, and Note 3 of our September 30, 2023 audited consolidated financial statements.

Other

Risks and Risk Management

The nature and extent of the Company's significant risks has not changed materially from those described in the Risks and Risk Management section of the MD&A for the year ended September 30, 2023.

Financial Instruments and Market Risk

At December 31, 2023, the nature and extent of our use of financial instruments did not change materially from those described in the Financial Instruments section of our MD&A for the year ended September 30, 2023.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Disclosure controls and procedures

There have been no material changes to the risks associated with disclosure controls and procedures and internal controls over financial reporting since those described in the Disclosure Controls and Procedures section of our MD&A for the year ended September 30, 2023.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. Total issued and outstanding shares at February 14, 2024 is 9,451,242.

There are currently no options outstanding.

Dividends

During the three months ending December 31, 2023, the Company declared and paid dividends of $0.02 per share, totaling $189,025.

Subsequent to the three months ended December 31, 2023, the Company issued a press release on January 3, 2024 announcing the declaration of a quarterly dividend of $0.02 per share payable on February 5, 2024 to shareholders of record effective January 19, 2024.

Non-IFRS Financial Measures

Operating expense recoveries, funds available for property improvements and growth, debt, debt to asset ratios and unencumbered properties are not measures recognized by IFRS, and do not have a standardized meaning prescribed by IFRS. Investors are cautioned that these measures should not replace net income or loss (as determined in accordance with IFRS) as an indicator of the Company's performance, of its cash flows from its operating, investing and financing activities or as a measure of its liquidity and cash flows. Furthermore, the Company's method of calculating these measures may differ from the methods used by other issuers. Therefore, the Company's calculation of these measures may not be comparable to similar measure presented by other issuers.

Operating expense recoveries and percentage of property operating expense recoveries: Total operating expense recoveries is a non-IFRS financial measure which is calculated below. The percentage of property operating expense recoveries is calculated as the total property operating expenses divided by total operating expense recoveries.

Management believes that this measure is important as it indicates how much of property operating expenses are required to be recovered from other sources of revenue.

Three months ended December 31,	2023	2022
Property tax and insurance recoveries	$ 798,727	$ 763,517
Operating expense recoveries	428,294	391,717
Total recoveries	$ 1,227,021	$ 1,155,234
Total property operating expenses	$ 1,608,778	$ 1,353,689
% of property operating expense recoveries	76%	85%

Funds available for property improvements and growth: Funds available for property improvements and future growth is a non-IFRS financial measure and is defined as income from operations, less interest on financing adjusted for interest income, interest on lease liabilities, amortization of deferred financing fees and capitalized interest, and principal repayments on mortgages. Management believes that this measure provides information about the funds available to the Company to use for reinvestment in properties or growth.

The calculation is as follows:

Three months ended December 31,	2023	2022
Income from operations	$ 3,341,375	$ 3,310,678
Less: Interest on financing		
Finance costs	1,431,485	1,223,177
Addback interest income	15,980	16,381
Less interest on lease obligation	(4,145)	(6,114)
Less amortization of deferred financing	(19,385)	(21,306)
	1,423,935	1,212,138
Less: Principal instalments on mortgages	1,945,315	1,891,143
Funds available for property improvements and growth	$ (27,875)	$ 207,397

Debt: Debt is a non IFRS financial measure and is calculated below. The debt to asset ratio is calculated as total assets divided by total debt. Management uses this measure to monitor the Company's current leverage, and the ability to obtain additional financing if needed.

	As at December 31, 2023	As at September 30, 2023
Total Assets	$ 259,952,078	$ 264,034,687
Mortgages excluding deferred financing fees	105,925,528	107,870,842
Other financing	3,165,000	3,565,000
Bank operating facilities	21,247,758	19,873,766
Debt	$ 130,338,286	$ 131,309,608
Ratio of debt to assets	50%	50%

Unencumbered properties: Unencumbered properties is a non-IFRS measure and is calculated as the fair value of properties which are not security for mortgages or bank operating facilities. Management uses this measure to evaluate the ability of the Company to obtain additional leverage through the ability to mortgage properties that currently are not security for debt.

Financial Statements

for the first quarter ending December 31, 2023

IMPERIAL EQUITIES INC.

Q1 2024 Interim Financial Statements

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.4(4)(a), if an auditor has not performed a review of the interim financial statement, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statement of Imperial Equities Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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IMPERIAL EQUITIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	**December 31, 2023 (unaudited)**	September 30, 2023 (audited)
Assets			
Investment properties	3	**$ 243,582,506**	$260,517,019
Right-of-use asset		**325,088**	362,598
Total non-current assets		**243,907,594**	260,879,617
Current portion of mortgage receivable		**1,430,844**	1,439,324
Receivables		**232,557**	237,344
Prepaid expenses and deposits	4	**252,494**	1,053,951
Cash		**338,589**	424,451
Total current assets		**2,254,484**	3,155,070
Investment property held for sale	3	**13,790,000**	-
Total Assets		**$ 259,952,078**	$264,034,687
Liabilities			
Mortgages	5	**$ 72,565,007**	$ 78,886,257
Security deposits		**745,791**	745,791
Lease liability		**202,890**	245,776
Deferred taxes	6	**16,602,566**	16,721,444
Total non-current liabilities		**90,116,254**	96,599,268
Other financing	11	**3,165,000**	3,565,000
Income taxes payable	6	**559,332**	439,588
Current portion of lease liability		**165,450**	163,419
Current portion of mortgages	5	**33,239,747**	28,851,657
Bank operating facilities		**21,247,758**	19,873,766
Payables and accruals		**1,262,643**	2,614,324
Total current liabilities		**59,639,930**	55,507,754
Total Liabilities		**149,756,184**	152,107,022
Equity			
Issued share capital		**5,947,346**	5,947,346
Retained earnings		**104,248,548**	105,980,319
Total equity		**110,195,894**	111,927,665
Total Equity and Liabilities		**$ 259,952,078**	$264,034,687

Post-reporting date events (Note 12)

Approved on Behalf of the Board

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

See accompanying notes to the interim condensed consolidated financial statements.

IMPERIAL EQUITIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

		Three months ended December 31,	
	Notes	**2023**	**2022**
Rental revenue	7	**$ 4,950,153**	$ 4,664,367
Property operating expenses		**1,608,778**	1,353,689
Income from operations		**3,341,375**	3,310,678
Finance costs	8	**1,431,485**	1,223,177
Administration expenses		**269,686**	410,219
Amortization of deferred leasing		**94,868**	124,087
Amortization of right-of-use asset		**37,510**	37,510
Valuation loss (gain) from investment properties, net	3	**3,049,706**	(2,197,038)
(Loss) income before income tax		**(1,541,880)**	3,712,723
Income tax expense	6	**866**	635,849
Net (loss) income and comprehensive (loss) income		**$ (1,542,746)**	$ 3,076,874
Weighted average number of shares outstanding - basic & diluted		**9,451,242**	9,451,242
Earnings (loss) per share basic and diluted		**$ (0.16)**	$ 0.33

See accompanying notes to the interim condensed consolidated financial statements.

IMPERIAL EQUITIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Number of shares	Capital stock	Retained earnings	Total
Balance, October 1, 2022	9,451,242	$ 5,947,346	$ 99,923,488	**$ 105,870,834**
Dividends paid	-	-	(756,099)	**(756,099)**
Net income and comprehensive income	-	-	6,812,930	**6,812,930**
Balance, September 30, 2023	9,451,242	5,947,346	105,980,319	**111,927,665**
Dividends paid	-	-	(189,025)	**(189,025)**
Net loss and comprehensive loss	-	-	(1,542,746)	**(1,542,746)**
Balance, December 31, 2023	9,451,242	$ 5,947,346	$ 104,248,548	**$ 110,195,894**

See accompanying notes to the interim condensed consolidated financial statements.

IMPERIAL EQUITIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Notes	Three months ended December 31, 2023	2022
Operating activities			
Net (loss) income from operations		**$ (1,542,746)**	$ 3,076,874
Finance costs		**1,431,485**	1,223,177
Leasing commissions		**(86,648)**	(371,029)
Items not affecting cash:			
Amortization of right-of-use asset		**37,510**	37,510
Amortization of tenant inducements		**36,789**	11,550
Amortization of deferred leasing commissions		**94,868**	124,087
Fair value changes on investment properties		**3,049,706**	(2,197,038)
Straight-line rental revenue		**55,624**	53,775
Deferred income taxes		**(118,878)**	643,404
Net change in operating working capital	9	**372,360**	538,200
Cash provided by operating activities		**3,330,070**	3,140,510
Investing activities			
Improvements and additions to investment properties		**(5,826)**	(1,831,437)
Proceeds from mortgage receivable		**8,480**	8,111
Change in payables and accruals for investing		**(905,836)**	(1,155,290)
Cash used in investing activities		**(903,182)**	(2,978,616)
Financing activities			
Repayment of mortgages through principal instalments		**(1,945,315)**	(1,891,143)
Fees associated with new or renewed mortgages		**(7,230)**	-
Advances from other financing		**600,000**	1,580,000
Repayment of other financing		**(1,000,000)**	(300,000)
Finance costs paid		**(1,300,172)**	(1,119,867)
Principal repayments on lease liability		**(45,000)**	(45,000)
Dividends paid		**(189,025)**	(189,025)
Net advances from bank operating facilities		**1,373,992**	1,780,487
Cash provided by (used in) financing activities		**(2,512,750)**	(184,548)
Increase in cash and cash equivalents		**(85,862)**	(22,654)
Cash and cash equivalents, beginning of period		**424,451**	232,998
Cash and cash equivalents, end of period		**$ 338,589**	$ 210,344

See accompanying notes to the interim condensed consolidated financial statements.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three months ended December 31, 2023
(Unaudited)

1. General information and 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 industrial, agricultural, and commercial properties primarily in Edmonton, throughout Alberta and in British Columbia. The Company's common shares trade on the TSX Venture Exchange (TSXV) under the symbol "IEI".

2. Statement of compliance and basis of preparation

Statement of compliance
These interim condensed consolidated financial statements have been prepared in accordance with International Financial Standards ("IAS") 34 *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and note disclosures normally included in the annual financial statements have been omitted or condensed.

The Board of Directors authorized these interim condensed consolidated financial statements for issue on February 14, 2024.

Basis of preparation
These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended September 30, 2023, except as explained below, and should be read in conjunction with the Company's annual September 30, 2023 consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The interim condensed consolidated statements are for the three months ended December 31, 2023, and are presented in Canadian dollars, which is the functional currency of the parent and subsidiary companies.

The interim condensed consolidated 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. All significant intercompany balances and transactions have been eliminated.

Use of estimates judgments and assumptions
The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. The significant judgments made by management when applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's annual September 30, 2023 audited consolidated financial statements.

New and amended standards adopted
Amendments to IAS 1 *Presentation of Financial Statements,* and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments will have an impact on the Company's disclosures of accounting policies in its annual consolidated financial statements, but not on the measurement, recognition, or presentation of any items in the Company's financial statements. The amendments did not have a material effect on the disclosures included in these interim condensed consolidated financial statements.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three months ended December 31, 2023
(Unaudited)

2. Statement of compliance and basis of preparation (cont'd)

Amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The effective date of these amendments is for annual periods beginning on or after January 1, 2023 and it is to be applied retrospectively. There was no material impact to the Company's interim condensed consolidated financial statements to as a result of the adoption of this amendment.

New and amended standards not yet adopted
The IASB has published several new, but not yet effective, standards, amendments to existing standards, and interpretations. None of these standards, amendments to existing standards, or interpretations have been early adopted by the Company, and management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. No pronouncements have been disclosed as they are not expected to have a material impact on the Company's interim condensed consolidated financial statements.

3. Investment properties

	Income producing properties	Held for development	Total investment properties
Balance, October 1, 2023	$ 247,539,383	$ 12,977,636	$ 260,517,019
Additions:			
Property improvements and additions	-	5,826	5,826
Leasing commissions	86,648	-	86,648
Amortization of tenant inducements	(36,789)	-	(36,789)
Amortization of deferred leasing commissions	(94,868)	-	(94,868)
Change in straight-line rental revenue	(55,624)	-	(55,624)
Reclassification to investment properties held for sale	(13,790,000)	-	(13,790,000)
Fair value gains (losses), net	(3,043,880)	(5,826)	(3,049,706)
Balance, December 31, 2023	**$ 230,604,870**	**$ 12,977,636**	**$ 243,582,506**

Investment property held for sale
As at December 31, 2023, the Company reclassified an investment property to held for sale as a result of entering into a conditional sales agreement. The valuation loss on investment properties, net for the three months ending December 31, 2023 includes a loss of $1,023,855 related to adjusting the property to fair value. This property was valued using a direct comparison approach prior to the reclassification to held for sale, and an income capitalization approach at September 30, 2023.

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3. Investment properties (cont'd)

The key Level 3 valuation inputs for the investment properties are set out below.

	December 31, 2023	September 30, 2023
Income producing property		
Range of capitalization rates applied to investment properties	**4.50% - 8.00%**	4.50% - 8.50%
Fair values of properties where direct comparison approach was used	**$ 5,041,295**	$ 5,041,295
Fair values of properties where the income capitalization approach was used	**$ 221,652,869**	$ 238,587,382
Weighted average capitalization rates on properties valued using the income capitalization approach	**6.46%**	6.47%
Weighted average net operating income of properties valued using the income capitalization approach	**$ 722,919**	$ 752,048
Fair value impact of increasing average capitalization rate by 0.25%	**$ (8,257,126)**	$ (8,883,294)
Fair value impact of a 1% decrease in net operating income	**$ (2,219,281)**	$ (2,388,624)
Land held for development		
Average price per acre of land	**$ 189,316**	$ 189,316
Number of acres held	**68.55**	68.55
Total fair value	**$ 12,977,635**	$ 12,977,635
Impact of a 10% decrease in the price per acre	**$ (1,297,764)**	$ (1,297,764)
Land under lease agreements with tenants		
Number of acres leased	**4.90**	4.90
Average price per acre	**$ 798,104**	$ 798,104
Total fair values of leased land	**$ 3,910,710**	$ 3,910,710
Impact of a 10% decrease in average price per acre	**$ (391,071)**	$ (391,071)

4. Prepaid expenses and deposits

	December 31, 2023	September 30, 2023
Prepaid operating expenses	**$ 125,475**	$ 926,932
Security deposits with municipalities	**27,019**	27,019
Deposits held in trust	**100,000**	100,000
Total	**$ 252,494**	$ 1,053,951

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5. Mortgages

	Maturity	Monthly blended principal and interest payments	Rate	December 31, 2023	September 30, 2023
		$		$	$
	October 1, 2023	11,266	3.950%	-	11,229
**	January 1, 2024	22,298	4.300%	**1,633,460**	1,682,599
***	January 1, 2024	17,696	4.300%	**1,296,397**	1,335,396
	April 1, 2024	26,788	2.110%	**3,490,024**	3,551,844
	July 1, 2024	22,084	6.910%	**1,388,587**	1,430,709
	August 1, 2024	71,809	3.300%	**7,747,947**	7,899,062
	November 1, 2024	63,681	3.555%	**6,914,893**	7,044,169
	December 1, 2024	33,003	6.073%	**2,749,202**	2,806,416
	December 1, 2024	29,985	6.073%	**2,497,802**	2,549,785
	February 1, 2025	17,662	5.72%	**1,513,450**	1,544,751
	February 1, 2025	35,507	3.420%	**3,955,181**	4,027,712
	February 1, 2025	47,279	3.310%	**4,058,655**	4,166,544
	April 1, 2025	34,847	2.310%	**4,168,606**	4,248,881
	April 1, 2025	27,830	5.29%	**3,030,217**	3,073,687
	August 1, 2025	27,279	2.837%	**3,251,118**	3,309,756
	October 1, 2025	63,227	6.720%	**7,152,951**	7,200,000
*	October 1, 2025 (2023 - October 1, 2023)	53,312 (2023 - 46,776)	7.020 % (2023 - 4.09%)	**4,554,405**	4,639,139
*	November 1, 2025 (2023 - November 1, 2023)	35,967 (2023 - 32,438)	6.640% (2023 - 4.33%)	**3,141,796**	3,202,558
*	December 1, 2024 (2023 - December 1, 2023)	43,161 (2023 - 39,285)	6.763% (2023 - 4.648%)	**3,772,403**	3,846,275
	April 1, 2026	23,715	2.675%	**2,124,888**	2,181,648
	July 1, 2026	39,884	2.710%	**5,102,820**	5,187,713
	July 1, 2026	76,219	2.710%	**9,751,576**	9,913,807
	October 1, 2026	65,250	2.940%	**8,370,982**	8,504,926
	November 1, 2026	75,501	2.930%	**9,743,674**	9,898,484
	June 11, 2029	42,759	3.480%	**4,514,494**	4,613,752
	Total mortgages			**105,925,528**	107,870,842
	Less: current portion of principal payments			**(33,239,747)**	(28,851,657)
	Less: balance of unamortized finance fees			**(120,774)**	(132,928)
				72,565,007	78,886,257
	Weighted average rate			**4.00%**	3.73%

*These mortgages were renewed during the period.
**This mortgage was renewed subsequent to period end for a term of 2 years, with a maturity date of January 1, 2026, bearing interest at 5.930% per annum, with monthly blended principal and interest payments of $23,512.
***This mortgage was renewed subsequent to period end for a term of 2 years, with a maturity date of January 1, 2026, bearing interest at 5.930% per annum, with monthly blended principal and interest payments of $18,660.

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6. Income taxes

a) Provision for income taxes

Components of income tax expense (recovery)

	Three months ended December 31,			
		2023		2022
Current tax expense	**$**	**119,744**	$	(15,181)
Prior period adjustments		**-**		7,626
Deferred tax expense		**(118,878)**		643,404
	$	**866**	$	635,849

b) Deferred taxes

		December 31, 2023		September 30, 2023
Deferred tax assets are attributable to the following:				
Lease liability	**$**	**84,718**	$	94,115
Offset of deferred tax liabilities		**(84,718)**		(94,115)
Net deferred tax assets	**$**	**-**	$	-
Deferred tax liabilities are attributable to the following:				
Straight-line rent receivable	**$**	**449,355**	$	462,148
Investment properties		**15,740,678**		15,842,858
Finance fees		**2,293**		3,479
Deferred leasing		**411,127**		413,016
Right-of-use-asset		**74,770**		83,398
Capital gain reserve		**9,061**		10,660
Total deferred tax liabilities		**16,687,284**		16,815,559
Offset of deferred tax assets		**(84,718)**		(94,115)
Net deferred tax liabilities	**$**	**16,602,566**	$	16,721,444

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7. Rental revenue

The Company leases its commercial properties under operating leases with current terms ranging between 1 and 16 years. Some leases have options to extend for further five-year terms and several leases are month to month.

a) Rental revenue

	Three months ended			
		December 31, 2023		December 31, 2022
Rental revenue, contractual amount	**$**	**3,815,545**	$	3,549,458
Property tax and insurance recoveries		**798,727**		763,517
Amortization of tenant inducements		**(36,789)**		13,450
Straight-line rental revenue		**(55,624)**		(53,775)
Lease income		**4,521,859**		4,272,650
Operating expense recoveries		**428,294**		391,717
Other		**-**		-
Total Rental Revenue	**$**	**4,950,153**	$	4,664,367

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

		2023		2022
One year	**$**	**13,624,168**	$	14,614,541
One to two years		**12,994,685**		12,407,411
Two to three years		**11,266,587**		11,605,143
Three to four years		**10,183,498**		9,866,305
Four to five years		**8,300,365**		8,834,466
Thereafter		**33,082,725**		24,659,157
	$	**89,452,028**	$	81,987,023

Month-to-month tenant lease revenue is not included in the above figures. The future contracted minimum rent receivable assumes all tenants will honor the financial obligations of their leases, to the terms of their leases, with no defaults or variations in the contracted amounts.

8. Finance costs

	Three months ended			
		December 31, 2023		December 31, 2022
Interest on mortgages	**$**	**1,016,736**	$	859,496
Interest on bank operating facilities		**356,699**		293,607
Interest on other unsecured financing		**50,500**		59,035
Interest on lease obligations		**4,145**		6,114
Amortization of deferred financing fees		**19,385**		21,306
Interest income		**(15,980)**		(16,381)
Total	**$**	**1,431,485**	$	1,223,177

IMPERIAL EQUITIES INC.

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9. Supplemental consolidated cash flow information

		Three months ended December 31,		
		2023		2022
Change in operating working capital:				
Receivables	**$**	**4,787**	$	125,703
Prepaid expenses and deposits		**801,457**		774,830
Payables and accruals		**(553,628)**		473,369
Income taxes payable		**119,744**		(835,702)
Net change in operating working capital	**$**	**372,360**	$	538,200

Interest paid	**$**	**1,320,297**	$	1,294,395
Income taxes paid	**$**	**-**	$	-

10. Fair value of financial instruments

		December 31, 2023		September 30, 2023
Financial assets				
Cash and cash equivalents	**$**	**338,589**	$	424,451
Receivables		**232,557**		237,344
Mortgage receivable		**1,430,844**		1,439,324
	$	**2,001,990**	$	2,101,119
Financial liabilities				
Bank operating facilities	**$**	**21,247,758**	$	19,873,766
Payables and accruals		**1,262,643**		2,614,324
Other financing		**3,165,000**		3,565,000
Lease liability		**368,340**		409,195
Security deposits		**745,791**		745,791
Mortgages		**105,804,754**		107,737,914
	$	**132,594,286**	$	134,945,990

Measurement of fair value

The carrying value of cash and cash equivalents, receivables, bank operating facilities, other financing, payables and accruals, and security deposits approximate their fair value because of the near-term maturity of those instruments.

The fair value of mortgages receivable is a level 2 measurement and is based on discounted future cash flows using rates that reflect observable current market rates for similar debt with similar terms and conditions. If the interest rate used to discount the fair value were to decrease by 1%, the fair value of the mortgage receivable would decrease by $9,000.

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10. Fair value of financial instruments (cont'd)

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 at December 31, 2023, is $100,565,000 (September 30, 2023 - $102,248,000). These estimates are subjective 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 was 7.04% (September 30, 2023 – 6.84%).

11. Related party transactions

The following are the related party transactions the Company entered into during the three months ended December 31, 2023 and 2022.

a) *Management agreements*

Sable Realty & Management Ltd. ("Sable"), a company controlled by the President and CEO of the Company, provides property management services to the Company. North American Realty Corp. ("NARC"), which is controlled by the President and CEO of the Company, provides asset management services to the Company.

Transactions with these two entities during the period under the terms of the management agreements are summarized below:

	Three months ending	
	December 31, 2023	**December 31, 2022**
Property management and maintenance fees paid to Sable	**$ 339,433**	$ 347,928
Leasing fees paid to NARC	**53,387**	86,276
Total payments	**$ 392,820**	$ 434,204

At December 31, 2023, the Company has $40,943 in outstanding payables to Sable (2022 - $nil).

b) *Other related party transactions*

i) Payments made to (received from) Sable in the normal course of business are as follows:

	Three months ending	
	December 31, 2023	**December 31, 2022**
Leased office space and parking	**$ 45,000**	$ 45,000
Rent at Sable Centre	**(23,731)**	(23,731)
Net payments for the period	**$ 21,269**	$ 21,269

ii) 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, 2023 were $10,000 (2022 – $10,000).

IMPERIAL EQUITIES INC.

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(Unaudited)

11. Related party transactions (cont'd)

iii) 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 amount disclosed in the table is recognized as an expense in the period. There were no other transactions with key management personnel in the period.

	Three months ending	
	December 31, 2023	December 31, 2022
Salaries and wages	**$ 121,250**	$ 110,961
Short-term employee benefits	**4,348**	4,956
Total	**$ 125,598**	$ 115,917

iv) Other financing, unsecured

Related Parties	**Balance October 1, 2023**	**Advances**	**Repayments**	**Balance December 31, 2023**
Jamel Chadi, Shareholder[1]	$ 1,965,000	$ -	$ (1,000,000)	**$ 965,000**
Sine Chadi, Shareholder[1]	1,600,000	200,000	-	**1,800,000**
NAMC[2]	-	400,000	-	**400,000**
Total	$ 3,565,000	$ 600,000	$ (1,000,000)	**$ 3,165,000**

1) Loans received from shareholders bear interest at an annual rate of 6%. Total interest expense during the three months ended December 31, 2023 was $48,592 (2022 - $41,693). Accrued interest on the loans at December 31, 2023 is $282,346 (September 30, 2023 - $233,755) and is included in payables and accruals.

2) Loans from North American Mortgage Corp. ("NAMC"), a company controlled by the President and CEO of the Company, bear interest at 6% per annum. Total interest expense for the three months ended December 31, 2023, was $1,908 (2022 - $6,706). Accrued interest on the loan at December 31, 2023 was $1,908 (September 30, 2023 is $nil) and is included in payables and accruals.

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

12. Post-reporting date events

Subsequent to period end, the Company declared a quarterly dividend of $0.02 per share totalling $189,025 which was paid on February 5, 2024 to shareholders of record effective January 19, 2024.

IMPERIAL EQUITIES INC.

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