IMPERIAL EQUITIES INC.

2nd Quarter Report 2024

Three and Six Months Ending March 31, 2024

Table of Contents

President's Report

for the second quarter ending March 31, 2024

President's Report

Second Quarter

March 31, 2024

We understand our industry as one that accrues value over time. Our focus is on careful investments, diligent stewardship, and strong relationships with tenants and partners who can rely on the promises we make and product we deliver.

We have never been a Company that focuses on quick wins and have rarely acquired property for a 'quick flip'. Instead, we evaluate each property for what it can add to our Company over time, and overall. These principles govern how we approach our work, including our constant focus on improving what we have. We do this because we want it to continue to perform for us for the long-term and we want our tenants to see us as a key partner in their success, and potentially part of their own growth stories. This focus has remained consistent throughout our 26 years of operations, resulting in steady performance, growth and continued confidence in our ability to sustain for the long term.

Our quarterly reports offer a regular opportunity to check-in on how well we are meeting our goals as a Company. And this Q2, as we report on some strategic divestitures and revaluations, it's important to check whether our decisions are aligned with our stated goals and keep us focused on our overall goal of sustainable growth.

We have always said we will consider opportunities to divest when the time is right, when we have maximized our potential return, or where the potential to do so is no longer evident. As of the end of this Q2, three properties are listed as *held for sale* with all three transactions scheduled to close subsequent to this Q2. The most significant of these is a property which we originally built for a single tenant in 2008. This property became vacant in 2023, after 15 years of continuous occupancy. This 58,393 square foot single tenant industrial building sits on a total of 7.66 acres and has been maintained in top condition and is designed and best suited for a single occupant. A single occupant did want the property, but as an owner, which is something we were ready to accept. Conditions on this transaction were waived subsequent to this Q2 and closing will take place in early Q3.

The other two properties held for sale at the end of this quarter include a 0.91 acre raw parcel of land in Edmonton with gross proceeds of $820,000, and a 12.9 acre raw parcel of land in Strathcona County, Alberta for gross proceeds of $6,500,000. Holding raw land is desirable for our Company in some conditions, but with no firm plans for development, and increasing property taxes impacting our bottom line, divestiture of these two assets made sense right now. Funds received from these transactions will both reduce outstanding debt and operating costs and will help to fund future growth, allowing us to turn our attention to new opportunities.

All investment or divestiture decisions are made with an eye on market conditions overall. We continue to closely monitor our market area which remains one of strongest industrial markets in the country and gives us confidence in our overall position. As we move into 2024, the industrial market in our primary Greater Edmonton region is performing well, with a continued decline in vacancy rate which dropped to 4.4% in the first quarter of the year, down from 4.7% in Q4, 2023. While the market is tight, it isn't moving at a fast pace, with both slow deal activity and limited inventories reflect more of a holding pattern, then a volatile, fast-moving market. Still with overall trends towards positive absorption, the overall market vacancy, has for the first time, dropped to pre-pandemic levels.

At the end of our Q2, our occupancy rate is reported at 90.3%, with more than half of this attributable to the 58,393 square foot property held for sale. The adjusted occupancy rate, removing the impact of that property, would be 95.2% which is in line with our Company's historic average. We currently have two vacancies, but the most notable is a 43,396 square foot building in Red Deer, Alberta which became vacant during the quarter, and which we are currently presenting to the market for either lease or sale opportunities.

On the cost side, our current spending requirements on property maintenance have slowed somewhat with the completion of some major projects in 2023 and has reduced this quarter as expected, resulting in a reduction in non-recoverable expenses. Still, the weighted average of interest rates on our mortgages has continue to grow quarter over quarter and has now reached a rate of 4.04% overall, up from 3.73% at September 30, 2023, or $231,121 more in financing costs over this same period last year. Mortgage renewals during the period showed increases of 1.63% over their prior interest rates, which shows that despite indications of some interest rate stability, we have not yet fully absorbed the cost increases expected with mortgage renewals.

We also continue to adjust our overall valuations to reflect fair market value on an ongoing basis. Adjustments were made related to the two parcels of land held for sale to bring the fair value in line with the offers to purchase. For the property that was vacated during this Q2, we've acknowledged new market conditions which would lead us to anticipate lower operating revenue in the future, resulting in an additional valuation adjustment.

In Q2, Company adjusted valuations resulted in a valuation loss of our investment properties recorded in the period. This valuation loss and the reclassification of investment properties now held for sale have resulted in a reduction in the overall fair value of investment properties from $243,582,506 at Q1, 2024 to $232,472,343 in Q2, 2024.

Our diligence in making these adaptations on an ongoing basis adds to our confidence that our overall position fairly reflects the value of our Company. We benefit from our understanding of the market, which ensures we maintain fair costs, defer no maintenance and are market competitive with our lease rates. This allows us to offer elements of predictability in an environment where there are too many inflationary factors, from interest rates to rapidly increasing property taxes, facing both our company and our tenants.

Our position is one of strength and stability. Performance is 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.

And it is on this basis that we are looking forward at opportunities to improve the assets we have, including through investments in energy efficiency and lower emission upgrades, including on some of our older assets. We are assessing investment opportunities across all market areas and remain particularly bullish on opportunities which we are considering in both Northwest Alberta and Northeast British Columbia, as well as potential new investments to build on our agricultural holdings. Our position is one of optimism as we scan the market and assess new growth.

I am pleased the decisions we made over the last Quarter which will reduce some costs as well as manage potential risks. They improve our overall position, and better position us to manage growth as well as be ready to seize on new investments in the coming 12 to 18 months.

Our second quarter is also when we have our annual meeting of shareholders, and I was pleased to have the chance to engage with our shareholders in March, 2024. The opportunity to hear feedback, share ideas and reflect on our journey is always valued by myself and our Board. Your feedback is welcome all throughout the year. Please don't hesitate to reach out.

Sincerely,

Sine Chadi
President & CEO

MD & A

Management's Discussion & Analysis

for the second quarter ending March 31, 2024

Imperial Equities Inc. MD&A as at May 15, 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 and six months ended March 31, 2024, 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 May 15, 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 and six months ended March 31, 2024.

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	March 31, 2024	September 30, 2023*
Total number of investment properties**	37	40
Total investment properties held for sale	3	-
Raw land properties held for future development**	6	8
Raw land properties under lease with tenants	4	4
Gross leasable area* (GLA) in square feet**	1,117,832	1,117,832

**The prior period figures have been updated to conform to the presentation in the current period.*
*** Excluding investment properties classified as held for sale.*
***Gross leaseable area is the square footage of space in the Company's investment properties that is leased or available to be leased to tenants.*

There have been no changes to the number or type of investment properties held by the Company at March 31, 2024 compared to the year ended September 30, 2023.

At March 31, 2024, the Company had three investment properties classified as held for sale. These consist of the investment property that was classified as held for sale at Q1 2024, as well as two raw land properties where sales agreements were entered into during Q2 2024.

The investment property classified as held for sale at December 31, 2023, which consists of land and building, had conditions waived and closed subsequent to March 31, 2024 for gross proceeds of $13,790,000. The purchaser assumed the outstanding mortgage of $9,483,143 on the property. An initial deposit received on the sale of $150,000 is included in receivables and contract liabilities in the statement of financial position at March 31, 2024.

One of the raw land properties that was reclassified as held for sale at March 31, 2024 consists of 0.91 Acres of land in Edmonton, Alberta. The property had conditions waived during the quarter and the sale closed subsequent to period end for gross proceeds of $820,000. Deposits of $50,000 received on the sale are included in cash and contract liabilities in the statement of financial position at March 31, 2024.

The other raw land property reclassified as held for sale at March 31, 2024 consists of 12.9 Acres of land in Strathcona County, Alberta. This property had conditions waived during the quarter, and the sale is expected to close in Q3 2024 for total gross proceeds of $6,500,000. An initial deposit of $100,000 is included in cash and contract liabilities at March 31, 2024. An additional deposit of $500,000 was received subsequent to period end. The remaining balance of the purchase price of $5,900,000 will be financed through a vendor-take-back loan bearing interest at 5% with a term of 3 years, and with the outstanding principal due in full at the end of the term.

The funds received from these sales will be used to reduce outstanding debt balances, fund operational expenditures, and for future growth.

During the three months ended March 31, 2024, the Company discontinued the purchase of the land that was under a purchase agreement at September 30, 2023. The purchase was discontinued due to delays in the timeline for the related potential build-to-suit project. The Company continues to engage with the tenant on the build-to-suit project. The deposit of $100,000 that was included in prepaids and deposits at September 30, 2023 was refunded, as conditions on the purchase were not waived by the Company.

Our Leasing Activities

By Gross Leasable Area ("GLA") in square feet	Six months ended March 31, 2024	Year ended September 30, 2023
Lease retention	21,127	70,679
New tenant leases	-	100,901
GLA of leases expiring within twelve months	53,495	118,018
Space available for lease*	50,515	65,512
Average lease term to maturity in years	4.68	4.49
Building occupancy	90.3%	94.1%

**Space available for lease has been reduced by the square footage of investment property held for sale.*

During the quarter, the Company renewed one lease with an existing tenant for a five-year term.

Subsequent to quarter end, the Company signed a lease renewal for a one-year term with a tenant on 12,124ft^2 of space which is included in the GLA of leases expiring within twelve months noted above.

The Company's tenant base continues to be consistent with prior periods, with National or Multi-National tenants leasing 79% of the Company's gross leaseable area and making up 87% of the total annual minimum rent received by the Company at March 31, 2024.

Lease Expiries and Vacant Space

At March 31, 2024, the occupancy rate for the Company's properties was 90.3% (September 30, 2023 – 94.1%). The occupancy rate at March 31, 2024 includes the impact of the vacant investment property that was classified as held for sale at March 31, 2024. Adjusting the occupancy rate to remove the square footage of investment property held for sale, where the sale was completed subsequent to the end of the quarter, results in an occupancy rate of 95.2%, which is consistent with historical occupancy rates for the Company.

At March 31, 2024, the Company had the following space available for lease:

- 7,119 ft^2 of space available in a 70,660 ft^2 building in which the remaining space is occupied by a single tenant.
- A 43,396 ft^2 single tenant building where the building was vacated by the tenant in February 2024.

At September 30, 2023, the Company had the following space available for lease:

- 7,119 ft^2 of space available in a 70,660 ft^2 building in which the remaining space is occupied by a single tenant.
- The 58,393 ft^2 single tenant building which was included in investment properties classified as held for sale during Q1 and Q2 2024, and where the sale was completed subsequent to Q2 2024.

GLA of leases expiring in the next twelve months

At March 31, 2024, there are three leases that are expiring within the next 12 months with a combined total of 53,495 ft^2 gross leaseable area. Subsequent to period end, one lease for 12,124 ft^2 was renewed for an additional one-year term. Management anticipates renewing the remaining leases that are expiring during the coming year based on preliminary conversations with tenants, and past renewal history.

Lease Rates

Average annual lease rates (by City) per square foot

	March 31, 2024	At September 30, 2023
Edmonton, Alberta	$ 11.09	$ 11.03
Red Deer, Alberta*	$ 17.89	$ 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. During the three months ended March 31, 2024, a building located in Red Deer, Alberta became vacant. As a result, the lease rate in Red Deer declined significantly.

The lease rate in Fort McMurray, Alberta increased starting in Q1 of 2024 as a result of a tenant commencing the payment of rent on 25,200 ft^2 of build-to-suit space that was available to the tenant prior to September 30, 2023, but with increased rental charges for the space not being effective until October 1, 2023.

Our Operations

Property Operations	Three months ended March 31,		Six months ended March 31,	
	2024	2023	2024	2023
% operating expense recoveries	81%	75%	79%	80%
Funds available for property improvement and growth	$ (47,729)	$ (108,659)	$ (75,604)	$ 98,738
Investment property improvements	$ -	$ 1,212,100	$ 5,826	$ 3,043,537

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 percentage of operating expense recoveries may vary from quarter to quarter due to the timing of repairs and maintenance expenditures varying compared to the recognition of the recovery revenue, however on an annual basis, the historic operating cost recovery percentage is expected to be between 85 – 90%.

In Q2 of the prior year Company incurred approximately $215,000 in non-recoverable expenses for the renovation of the Core Distribution building, which reduced the percentage of operating expense recoveries below 80%. If these costs were excluded from the calculation of the recovery percentage for the quarter, the recovery percentage would be 87%. In the six months ended March 31, 2024, the Company incurred approximately $164,000 of non-recoverable costs, of which $26,000 were incurred in the three months ended March 31, 2024. This resulted in a lower operating expense recovery percentage for the six-month period compared to the three-month period. The majority of of the non-recoverable expenses incurred in the six months ended March 31, 2024 relate to landscaping and drainage work on a single property.

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 March 31, 2024, funds available for property improvements and growth increased to a shortfall of $47,729 compared to a shortfall of $108,659 for the three months ended March 31, 2023. The increase is primarily related to decreased non-recoverable repairs and maintenance expense in the current year, which is offset by increased financing costs because of higher interest rates on bank operating facilities and mortgages renewed at higher rates over the past year.

The decrease in the funds available for property improvement and growth for the six months ended March 31, 2024 compared to the six months ended March 31, 2023 is due to the timing of non-recoverable repairs and maintenance expense in the prior year, which increased starting in Q2 of the year, as well as increased finance costs and increased principal repayments during the current six month period compared to the six month period in the prior year, as a result of the addition of a new mortgage in Q4 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 throughout the year. 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- and six-months ending March 31, 2024, the Company has undertaken no significant property improvements.

Our Financing

Financing	March 31, 2024	September 30, 2023
Debt to total assets ratio	50%	50%
Weighted average interest rates on mortgages	4.04%	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 its ability to consider additional financing opportunities as needed for future growth. The debt to assets ratio has remained at 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 rate on mortgages has increased to 4.04% at March 31, 2024 compared to 3.73% at September 30, 2023. During the three months ending March 31, 2024, the Company renewed two mortgages which both had increases of 1.63% over their prior interest rates. Over the next 12 months, the Company has 9 mortgages, with a total principal balance of $33,603,463 at March 31, 2024 and a weighted average interest rate of 3.92% 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 March 31, 2024, Management has been focused on the various property dispositions, as well as ensuring lease renewals are completed and mortgages are renewed for the best available rate. Additionally, the Company has been evaluating certain opportunities to acquire investment properties, as they arise. As of the reporting date, the Company has successfully sold one investment property consisting of land and building that were vacant after a tenant departure, and one piece of raw land, with one additional sale of raw land anticipated to close in Q3 2024. The cash flows expected from these sales will be used to reduce outstanding debt, and free up additional capacity for operations, and potential property acquisitions.

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. Initial review of the proposed CSSB Standards S1, and S2 was completed in the quarter, while the Company continues to monitor the ongoing consultations prior to adoption of the standards.

Financial Performance

Selected Income Statement Information

(in thousands of dollars)	Three months ended March 31,			Six months ended March 31,		
	2024	2023	Variance	2024	2023	Variance
Rental revenue	**4,846**	4,651	195	**9,796**	9,315	481
Property operating expenses	**1,513**	1,600	(87)	**3,121**	2,954	167
Income from operations	**3,333**	3,051	282	**6,675**	6,361	314
Finance costs	**1,444**	1,213	231	**2,875**	2,436	439
Administrative expenses	**361**	229	132	**631**	639	(8)
Amortization of deferred leasing	**95**	111	(16)	**190**	235	(45)
Amortization of right-of-use asset	**38**	38	-	**76**	76	-
Valuation loss (gain) from investment properties, net	**3,651**	(204)	3,855	**6,701**	(2,401)	9,102
Income before income tax	**(2,256)**	1,664	(3,920)	**(3,798)**	5,376	(9,174)
Income tax expense	**(94)**	343	(437)	**(93)**	979	(1,072)
Net income and comprehensive income	**(2,162)**	1,321	(3,483)	**(3,705)**	4,397	(8,102)
Earnings per share basic and diluted (in dollars)	**(0.23)**	0.14	(0.37)	**(0.39)**	0.47	(0.86)
Dividends per share (in dollars)	**0.02**	0.02	-	**0.04**	0.04	-

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 and six-month periods ended March 31, 2024, rental revenue was $4,846,316 and $9,796,469 compared to $4,650,934 and $9,315,301 for the three and six months ended March 31, 2023. The overall increase in rental income is due to increased minimum rent. Minimum rent increased for the three months ended March 31, 2024 due to increased rent received on the building expansion that was completed in Fort McMurray in 2023, with additional rent commencing in October 2023. Additional increases in the three- and six-month period relate to the rental of previously vacant locations, along with rate increases on some of the leases. During the three months ended March 31, 2024, one investment property was vacated at the end of February 2024, and the loss of this rental income partially offset rental increases for the quarter.

Income from operations is $3,333,507 for the three months ended March 31, 2024 compared to $3,050,782 for the three months ended March 31, 2023 and was $6,674,882 for the six months ended March 31, 2024 compared to $6,361,460 for the six months ended March 31, 2023. The increase is due to increased rental revenue as noted above, as well as reduced non-recoverable repairs & maintenance costs in the current period compared to the same period in the prior year.

The percentage of property operating expenses that were recovered from occupancy recoveries revenue was lower for the three months ended March 31, 2023 compared to the same period in the current year as a result of the non-recoverable repairs and maintenance costs incurred primarily for the renovation of the Core Distribution building.

Net income for the three months ended March 31, 2024 was a loss of $2,161,614 compared to income of $1,321,039 for the same period in the prior year and was a loss of $3,704,360 for the six months ended March 31, 2024 compared to income of $4,397,913 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 periods of the prior year.

Property Operating Expenses	Three months ended March 31,			Six months ended March 31,		
	2024	2023	Variance	2024	2023	Variance
Property taxes	**$ 836,612**	$ 746,350	$ 90,262	**$1,634,683**	$1,492,719	$141,964
Insurance	**61,455**	63,459	(2,004)	**122,911**	123,159	(248)
Repairs and maintenance	**444,286**	625,952	(181,666)	**1,092,150**	1,094,603	(2,453)
Utilities	**170,456**	164,391	6,065	**271,843**	243,360	28,483
	$1,512,809	$1,600,152	$(87,343)	**$3,121,587**	$2,953,841	$167,746

The decrease in property operating expenses for the three months ended March 31, 2024 compared to the same period in the prior year is primarily related to decreased repairs and maintenance expenses.

In the prior year, the Company incurred significant non-recoverable repairs and maintenance expenses related to renovations in the Core Distribution building, which were recognized in expense starting in Q2 of 2023. For the six months ended March 31, 2024, the Company incurred higher property operating expenses compared to the same period in the prior year because of increased property taxes. This was 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 vacancies 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 March 31,			Six months ended March 31,		
	2024	2023	Variance	2024	2023	Variance
Interest on mortgages	$1,025,442	$ 826,165	$199,277	$2,042,179	$1,685,661	$356,518
Interest on bank operating facilities	361,651	305,583	56,068	718,349	599,190	119,159
Interest on other unsecured financing	48,962	72,679	(23,717)	99,462	131,714	(32,252)
Interest on lease obligations	4,145	6,115	(1,970)	8,290	12,229	(3,939)
Amortization of deferred financing fees	19,759	21,472	(1,713)	39,144	42,778	(3,634)
Interest income	(15,883)	(19,059)	3,176	(31,863)	(35,440)	3,577
	$1,444,076	$1,212,955	$231,121	$2,875,561	$2,436,132	$439,429

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 March 31, 2024 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 and Q2 of 2024 compared to the same periods in the prior year. For the three and six months ended March 31, 2024, the interest paid on other unsecured financing decreased because of the decrease in the outstanding balance due to repayments during Q3 and Q4 of 2023.

Administrative Expenses	Three months ended March 31,			Six months ended March 31,		
	2024	2023	Variance	2024	2023	Variance
Salaries and benefits	$ 182,708	$ 154,439	$ 28,269	$ 346,061	$ 349,170	$ (3,109)
Public company costs	52,774	22,048	15,726	68,414	53,041	15,373
Professional fees	20,700	2,535	18,165	21,049	3,721	17,328
Office and other	105,279	50,188	70,091	195,623	243,497	(37,874)
	$ 361,461	$ 229,210	$ 132,251	$ 631,147	$ 639,429	$ (8,282)

Salaries and benefits were consistent for the six-month period compared to the same period in the prior year. The increase in salaries for the three months ended March 31, 2024 compared to 2023 was a result of the Company filling the CFO role during Q2 2023 with the position being vacant in Q1 and part of Q2 2023.

In Q1 and Q2 2023, the Company incurred salary expense for a general counsel position, which was vacant in Q1 and Q2 2024 which partially offset the decrease from the vacant CFO position in those quarters.

The increase in public company costs relates primarily to additional directors' fees as well as the payment of certain public company fees earlier in 2024 than 2023.

Office costs were lower for the six months ended March 31, 2024 compared to the same period in the prior year due to approximately $40,0000 in consulting costs which were incurred in Q1 and Q2 2023 and were paid for coverage of the former CFO's position during a leave of absence in 2023. These costs were not incurred during fiscal 2024. Office and other expenses for the three months ended March 31, 2024 were higher than for the three months ended March 31, 2023 due to timing differences in the recognition of certain accruals related to interest and penalties on taxes.

Professional fees are higher for the three and six months ended March 31, 2024 compared to the same periods in the prior year due to the timing of payment of tax preparation fees, which were billed and paid in Q1 2024 in the current year, and in the prior year were paid over several quarters.

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 is the result of adjusting the investment properties to fair value at the end of each reporting period. For the three and six months ended March 31, 2024 there were valuation losses of $3,651,350 and $6,701,056 respectively compared to valuation gains of $204,436 and $2,401,474 in the same period of the prior year. The change in investment property fair value is discussed below in "Investment properties".

Selected Statement of Financial Position Information

(in thousands)

	As at March 31, 2024	As at September 30, 2023	Variance
Investment properties	232,472	260,517	(28,045)
Right-of use asset	288	363	(75)
Total non-current assets	**232,760**	**260,880**	**(28,120)**
Current portion of mortgage receivable	1,422	1,439	(17)
Current assets	1,022	1,716	(694)
Total current assets	**2,444**	**3,155**	**(711)**
Investment property held for sale	21,110	-	21,110
Total assets	**256,314**	**264,035**	**(7,721)**
Mortgages	65,225	78,886	(13,661)
Security deposits	746	746	-
Lease liability	160	246	(86)
Deferred taxes	16,407	16,721	(314)
Total non-current liabilities	**82,538**	**96,599**	**(14,061)**
Other financing	2,915	3,565	(650)
Current portion of mortgages	38,653	28,852	9,801
Bank operating facilities	21,149	19,874	1,275
Other current liabilities	3,214	3,217	(3)
Total current liabilities	**65,931**	**55,508**	**10,423**
Total liabilities	**148,469**	**152,107**	**(3,638)**
Equity	**107,845**	**111,928**	**(4,083)**
Total equity and liabilities	**256,314**	**264,035**	**(7,721)**

Investment Properties

Investment properties are carried at fair value, which is determined by management using valuation methodologies at the end of each reporting period. At March 31, 2024, the Company changed the investment property valuation approach for two properties compared to the approach used at September 30, 2023. The investment property held for sale that consists of land and building was valued using the direct comparison approach at Q1 and Q2 2024 and the income approach at September 30, 2023. One investment property consisting of land and building was changed to a direct comparison approach at March 31, 2024 from an income approach at September 20, 2023, as the Company received an offer to purchase during the quarter which was used to determine fair value. There was no change in valuation methodologies applied at March 31, 2024 compared to those used at September 30, 2023 for any other properties.

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	142,277	-	142,277
Amortization of tenant inducements	(77,184)	-	(77,184)
Amortization of deferred leasing commissions	(189,735)	-	(189,735)
Change in straight-line rental revenue	(114,804)	-	(114,804)
Reclassification to investment property held for sale	(13,790,000)	(7,320,000)	(21,110,000)
Revaluation gains (losses), net	(5,375,230)	(1,325,826)	(6,701,056)
Balance, March 31, 2024	$ 228,134,707	$ 4,337,636	$ 232,472,343

During the quarter, the fair value of investment properties held for sale decreased from $243,582,506 at December 31, 2023 to $232,472,344 at March 31, 2024 as a result of the following:

- Reclassification of two investment properties consisting of vacant land to investment properties held for sale, resulting in a $7,320,000 decrease in the balance included in investment properties. A decrease in fair value of $1,320,000 was recorded in valuation loss on investment properties, net for the three months ended March 31, 2024.

- A further valuation loss on an investment property that was vacated at the end of February 2024. As a result of market conditions in the particular market that the property is located in, management has assessed that the expected net operating income of the property will be lower than initially anticipated. As a result, a further reduction in fair value of $3,652,672 was recorded in the three months ended March 31, 2024.

- The above reductions to fair value were offset by an increase in fair value on $1,221,696 on a property where management received an offer to purchase and reassessed the fair value of the property as a result.

For the six months ended March 31, 2024, in addition to the fair value adjustments noted above, the following fair value adjustments impacted the investment properties:

- Reclassification of one investment properties 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 recorded in valuation loss on investment properties, net in Q1, 2024.
- An initial valuation loss recorded of $2,862,450 for the property that was vacated in February 2024 that was recorded in Q1 2024.
- 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 and various immaterial adjustments. The net of these changes was an increase in fair value of $462,000.
- There was a gain on the fair value of the Company's property in Fort St. John of $216,157 because of a change in the capitalization rate to 8.00% at March 31, 2024 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 March 31, 2024 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 and six months ended March 31, 2024 were $45,000 and $90,000 respectively.

Current assets include receivables from tenants, prepaid expenses and deposits and cash balances with banks and in trust accounts. The balance has decreased at March 31, 2024 compared to September 30, 2023 as a result of a decrease 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 March 31 the Company has a balance payable, rather than prepaid. Insurance is paid in Q3 each year for a 12-month period. As a result, there is a decrease in the outstanding prepaid insurance balance between September 30 and March 31 each year. There was an additional decrease in prepaids and deposits as the result of the return of a $100,000 deposit that was paid towards a purchase of land that the Company determined it would not complete. This was offset by an increase in Receivables of $150,000 and cash of $150,000 related to deposits received towards the sales of three investment properties held for sale. One property did not have conditions waived as of period end, and therefore the deposit was included in receivables at March 31, 2024.

Mortgages including both current and long-term portions and excluding transaction fees have a balance of $103,980,347 at March 31, 2024 (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. Two mortgages were renewed in the period, with total principal balances at March 31, 2024 of $2,844,106. The interest rate on these mortgages increased from 4.30% to 5.93% as a result of increases in overall bank prime rates. Subsequent to period end, an additional mortgage was renewed at 6.010% compared to the prior rate of 2.110%. Principal repayments increased on all the mortgages renewed, because the Company maintained the same amortization period on the debt, even though interest rates had increased.

Security deposits have not changed at March 31, 2024 compared to September 30, 2023 and December 31, 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 is $59,344 at March 31, 2024 and remains unchanged from the prior quarter.

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 March 31, 2024 of $15,569,313 (September 30, 2023 – $15,842,858). The decrease in deferred tax is due to the decreased fair value of the investment properties for accounting purposes at March 31, 2024 compared to the value at September 30, 2023.

Bank operating facilities at March 31, 2024 have a balance of $21,149,058 with two of the Company's major lenders (September 30, 2023 - $19,873,766). The increase at March 31, 2024 reflects the use of the facilities to repay other financing, and outstanding payables.

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 March 31, 2024.

Other financing at March 31, 2024 $2,915,000 (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 $650,000 during the six months ended March 31, 2024, and repaid $1,300,000. The other financing was used for operating cash flows.

Other current liabilities include payables and accruals, contract liabilities, income taxes payable and the current portion of the lease liability. Payables and accruals decreased $533,534 from $2,614,324 at September 30, 2023 to $2,080,790 at March 31, 2024. Included in payables at March 31, 2024 is approximately $780,000 in property taxes payable, which is offset by a decrease due 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 Q1 2024. At March 31, 2024 the Company had $300,000 in contract liabilities, which is from deposits on property sales, and will be recognized in income when the property sales are completed.

Selected Cash Flow Information

(in thousands)	Three months ended March 31,			Six months ended March 31,		
	2024	**2023**	**Variance**	**2024**	**2023**	**Variance**
Cash provided by operating activities	**$ 4,030**	$ 3,600	$ 430	**$ 7,360**	$ 6,740	$ 620
Cash used in investing activities	**9**	(1,497)	1,506	**(894)**	(4,475)	3,581
Cash used in financing activities	**(3,904)**	(1,867)	(2,037)	**(6,417)**	(2,052)	(4,365)
Increase in cash and cash equivalents	**135**	236	(101)	**49**	213	(164)
Cash and cash equivalents, beginning of period	**338**	210	128	**424**	233	191
Cash and cash equivalents, end of period	**$ 473**	$ 446	$ 27	**$ 473**	$ 446	$ 27

Cash provided by operating activities for the three and six months ended March 31, 2024 was $4,030,198 and $7,360,268 (three months ended March 31, 2023 - $3,599,410 and $6,739,920). 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 is a result of an increase in net income before non-cash items as well as an increase in operating working capital due to increased accounts payable and contract liabilities, related to deposits received for property sales.

Cash (used in) provided by investing activities for the three and six months ended March 31, 2024 was $8,574 and $(894,608) compared to $(1,495,970) and $(4,474,587) for the same periods in the prior year. In the prior year, there were significant property additions related to the property expansion in Fort McMurray, and renovations to the Core Distribution building.

No similar significant projects were undertaken in 2024. Additionally, during Q1 2024, the Company made final payment on the outstanding payables for the Fort McMurray expansion, which resulted in a reduction in cash for the six months ended March 31, 2024.

Cash used in financing activities for the three and six months ended March 31, 2024 was $3,903,898 and $6,416,648 (three and six months ended March 31, 2023 - $1,867,320 and $2,051,867). 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 and six months ended March 31, 2024, the Company had increased principal payments on mortgages, and increased finance costs relating to mortgages being renewed at higher interest rates, and with higher monthly payments compared to the prior periods. Additionally, for the three and six months ended March 31, 2023, the Company received funding from other financing, as well as had advances under the bank operating facility, which were used to fund operations and property improvements. Advances from other financing and the bank operating facility were lower than repayments in the three and six months ended March 31, 2024.

For the three and six months ended March 31, 2024 there was a **net increase in cash** of $338,589 and $424,451 (March 31, 2023 – increase of $210,344 and $232,998).

Summary of Consolidated Quarterly Results

(in thousands)	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3
Revenue	**$ 4,846**	$ 4,950	$ 5,226	$ 5,196	**$ 4,651**	$ 4,664	$ 4,772	$ 4,759
Total Comprehensive (Loss) Income	**$(2,162)**	$ (1,543)	$ 1,126	$ 1,289	**$ 1,321**	$ 3,077	$ 1,648	$ 2,299
(in dollars) EPS-Basic	**$ (0.23)**	$ (0.16)	$ 0.12	$ 0.14	**$ 0.14**	$ 0.33	$ 0.17	$ 0.24
EPS-Diluted	**$ (0.23)**	$ (0.16)	$ 0.12	$ 0.14	**$ 0.14**	$ 0.33	$ 0.17	$ 0.24

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. In fiscal 2023 and continuing into fiscal 2024, the Company continued to have increasing 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(losses) gains, net from investment properties is summarized below:

(in thousands)	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3
Valuation net gains from investment property	**$ (3,651)**	$ (3,050)	$ 86	$ (357)	**$ 205**	$ 2,197	$ 668	$ 866

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 and Q2 2024, the Company recorded losses related to properties that were 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. In Q2, 2024 the losses were offset by a gain on a property where an offer to purchase provided evidence of an increased fair value.

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 or six months ended March 31, 2024.

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

	March 31, 2024	September 30, 2023
Available bank credit facilities	**$ 21,500,000**	$ 21,500,000
Bank facilities outstanding	**21,149,058**	19,873,766
Available credit facilities	**$ 350,942**	$ 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 March 31, 2024 nine mortgages are due in the next twelve months with combined principal balances of $33,603,463. One mortgage with a total principal balance of $3,427,880 at March 31, 2024 was renewed subsequent to period end.

The Company renewed two mortgages during the three months ended March 31, 2024 with total principal balances of $2,844,106 at March 31, 2024, and five mortgages with a total principal balance at March 31, 2024 of $14,107,373 over the six months ended March 31, 2024. Investment properties unencumbered with debt are valued at $14,294,346 at March 31, 2024 (September 30, 2023 - $22,714,118). This amount has declined at March 31, 2024 as a result of excluding the values of two of the investment properties held for sale, which had a value of $8,640,000 at September 30, 2023, and $7,320,000 at March 31, 2024. Overall, the ratio of debt to total assets remained 50% March 31, 2024, which is consistent with the ratio at September 30, 2023.

During the six months ended March 31, 2024, 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 discontinued the potential build-to-suit project discussed in the Q1 2024 MD&A as a result of the tenant requiring additional time to determine their needs and the potential scope of the project.

Subsequent to March 31, 2024, the Company received proceeds from the sale of two of the investment properties held for sale of approximately $4,200,000. The funds will be used to reduce bank operating facility and other financing debt, and to fund future operational and capital expenditures.

Related Party Transactions

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

Property management and maintenance fees of $356,415 and $740,848 (2023 – $319,919 and $667,847) for the three and six months ended March 31, 2024, were paid to Sable Realty & Management Ltd. ("Sable"), a company controlled by Sine Chadi, a director and officer of the Company.

Acquisition, disposition and leasing fees in the aggregate of $55,629 and $109,016 (2023 – $86,276 and $91,975) for the three and six months ended March 31, 2024 were paid to North American Realty Corp. ("NARC"), a company controlled by Sine Chadi.

Leased office space and parking were paid to Sable in the aggregate amount of $45,000 and $90,000 for the three and six months ended March 31, 2024 (2023 - $45,000 and $90,000).

Rent collected from Sable for commercial lease space was $23,731 and $47,461 for the three and six months ended March 31, 2024 (2023 – $23,730 and $47,461).

Vehicle lease payments of $4,800 and $9,600 (2023 - $7,500 and $15,000) for the three and six months ended March 31, 2025 were paid to North American Mortgage & Leasing Inc. ("NAML"), a company controlled by Sine Chadi, a director and officer of the Company.

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 and six months ended March 31, 2024 were $17,500 and $27,500 (2023- $15,000 and $25,000).

Compensation to Key Management Personnel

Compensation of key management personnel is as follows:

	Salaries and wages	Short-term benefits	Three months ended March 31,		Six months ended March 31,	
			2024	2023	2024	2023
Sine Chadi, President & CEO	$ 75,000	$ 1,958	$ 76,958	$ 76,863	$ 153,916	$ 154,429
Meghan DeRoo McConnan, CFO*	55,000	2,474	57,474	-	106,114	-
Total	**$ 130,000**	$ 4,432	**$ 134,432**	$ 76,863	**$ 260,030**	$ 154,429

** 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 March 31, 2024 were as follows:

Related Parties	October 1, 2023	Advances	Repayments	March 31, 2024
Jamel Chadi, Shareholder [1]	$ 1,965,000	$ -	$ (1,000,000)	**$ 965,000**
Sine Chadi, Shareholder [1]	1,600,000	200,000	(100,000)	**1,700,000**
NAMC [2]	-	450,000	(200,000)	**250,000**
Total	$ 3,565,000	$ 650,000	$ (1,300,000)	**$ 2,915,000**

1) Loans received from shareholders bear interest at an annual rate of 6%. Total interest expense for the three months ended March 31, 2024 was $45,428 (2023 - $65,888) and for the six months ended March 31, 2024 was $94,020 (2023 -$118,216). Accrued interest on the loans at March 31, 2024 is $327,774 (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 March 31, 2024 was $3,534 (2023 - $6,791) and for the six months ended March 31, 2024 was $5,442 (2023 -$13,498). Accrued interest on the loan at March 31, 2024 was $5,442 (September 30, 2023 - $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 included in prepaids and deposits at September 30, 2023. During Q2 2024, the Company discontinued the purchase, and the deposit was fully repaid. The related build-to-suit has been delayed, and the Company continues to keep in touch with the tenant as they determine their requirements.

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-and-six months ended March 31, 2024 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 and six months ended March 31, 2024.

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 the 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 Q2 2024 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 March 31, 2024, 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 May 15, 2024 are 9,451,242.

There are currently no options outstanding.

Dividends

During the three months ended March 31, 2024, the Company declared and paid dividends of $0.02 per share, totaling $189,025.

Subsequent to March 31, 2024, the Company issued a press release on April 1, 2024 announcing the declaration of a quarterly dividend of $0.02 per share payable on May 6, 2024 to shareholders of record effective April 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 recoveries divided by total property operating expense. 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 March 31,		Six months ended March 31,	
	2024	2023	2024	2023
Property tax and insurance recoveries	$ 804,162	$ 692,119	$ 1,602,889	$ 1,455,636
Operating expense recoveries	423,516	507,534	851,810	899,251
Total recoveries	$ 1,227,678	$ 1,199,653	$ 2,454,699	$ 2,354,887
Total property operating expenses	$ 1,512,809	$ 1,600,152	$ 3,121,587	$ 2,953,841
% of property operating expense recoveries	81%	75%	79%	80%

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.

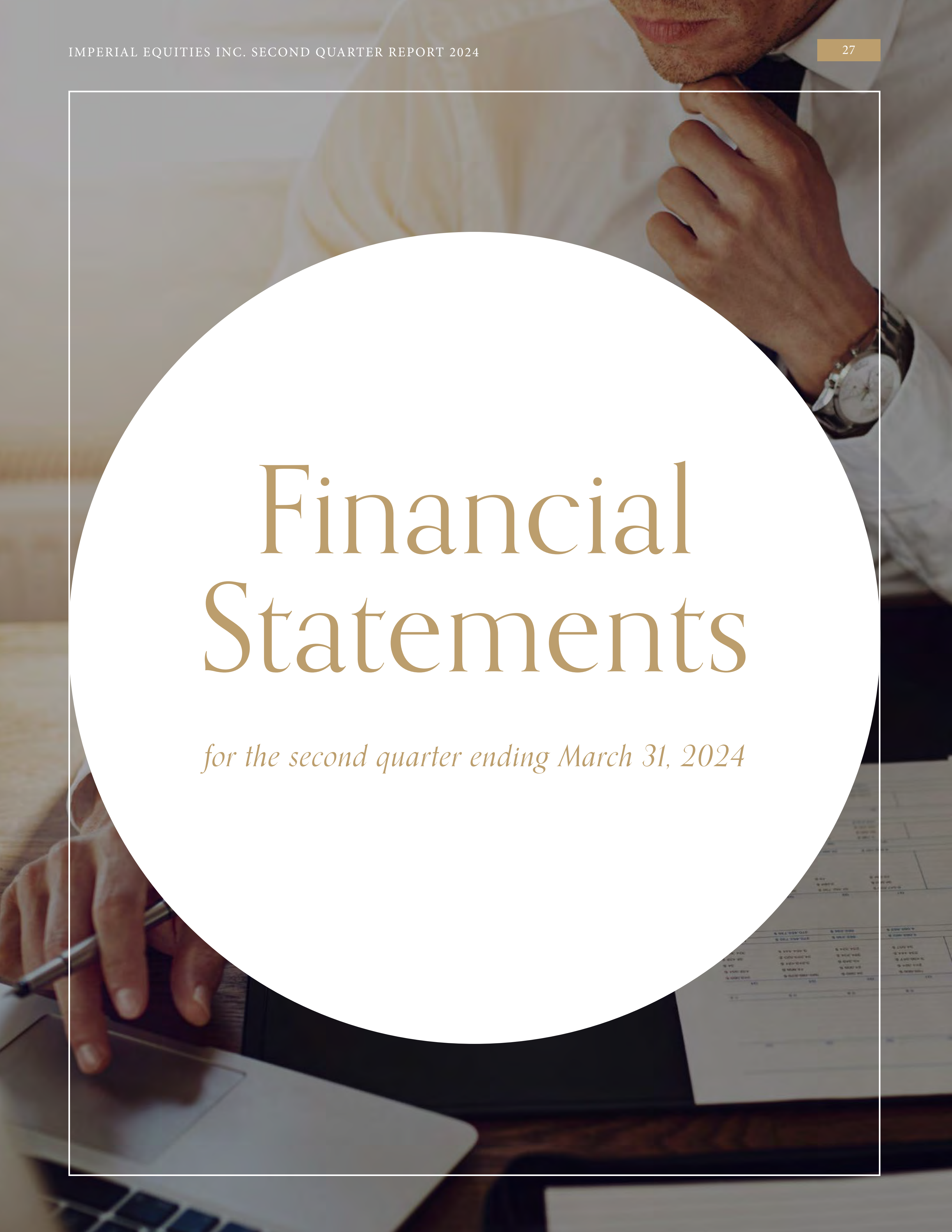
The calculation is as follows:

	Three months ended March 31,		Six months ended March 31,	
	2024	2023	2024	2023
Income from operations	$ 3,333,507	$ 3,050,782	$ 6,674,882	$ 6,361,460
Less: Interest on financing				
Finance costs	1,444,076	1,212,955	2,875,561	2,436,132
Add interest income	15,884	19,058	31,864	35,439
Less interest on lease obligation	(4,145)	(6,115)	(8,290)	(12,229)
Less amortization of deferred financing	(19,759)	(21,472)	(39,144)	(42,778)
Add capitalized interest	-	79,472	-	79,472
Less: Principal instalments on mortgages	1,436,056	1,283,898	2,859,991	2,496,036
	1,945,180	1,875,543	3,890,495	3,766,686
Funds available for property improvements and growth	$ (47,729)	$ (108,659)	$ (75,604)	$ 98,738

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

	As at March 31, 2024	As at September 30, 2023
Total Assets	**$ 256,313,671**	**$ 264,034,687**
Mortgages excluding transaction fees	103,980,347	107,870,842
Other financing	2,915,000	3,565,000
Bank operating facilities	21,149,058	19,873,766
Debt	**$ 128,044,405**	**$ 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 second quarter ending March 31, 2024

IMPERIAL EQUITIES INC.

Q2 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 statements, 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 statements 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.

IMPERIAL EQUITIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	March 31, 2024 (unaudited)	September 30, 2023 (audited)
Assets			
Investment properties	3	**$ 232,472,343**	$ 260,517,019
Right-of-use asset		**287,578**	362,598
Total non-current assets		**232,759,921**	260,879,617
Current portion of mortgage receivable		**1,422,270**	1,439,324
Receivables		**474,172**	237,344
Prepaid expenses and deposits	4	**73,845**	1,053,951
Cash		**473,463**	424,451
Total current assets		**2,443,750**	3,155,070
Investment properties held for sale	3	**21,110,000**	-
Total Assets		**$ 256,313,671**	$ 264,034,687
Liabilities			
Mortgages	5	**$ 65,224,788**	$ 78,886,257
Security deposits		**745,791**	745,791
Lease liability		**159,980**	245,776
Deferred taxes	6	**16,406,506**	16,721,444
Total non-current liabilities		**82,537,065**	96,599,268
Other financing	11	**2,915,000**	3,565,000
Income taxes payable		**666,453**	439,588
Current portion of lease liability		**167,505**	163,419
Current portion of mortgages	5	**38,652,545**	28,851,657
Contract liabilities	7	**300,000**	-
Bank operating facilities		**21,149,058**	19,873,766
Payables and accruals		**2,080,790**	2,614,324
Total current liabilities		**65,931,351**	55,507,754
Total Liabilities		**148,468,416**	152,107,022
Equity			
Issued share capital		**5,947,346**	5,947,346
Retained earnings		**101,897,909**	105,980,319
Total equity		**107,845,255**	111,927,665
Total Equity and Liabilities		**$ 256,313,671**	$ 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 (LOSS) INCOME (Unaudited)

	Notes	Three months ended March 31, 2024	Three months ended March 31, 2023	Six months ended March 31, 2024	Six months ended March 31, 2023
Rental revenue	7	**$ 4,846,316**	$ 4,650,934	**$ 9,796,469**	$ 9,315,301
Property operating expenses		**1,512,809**	1,600,152	**3,121,587**	2,953,841
Income from operations		**3,333,507**	3,050,782	**6,674,882**	6,361,460
Finance costs	8	**1,444,076**	1,212,955	**2,875,561**	2,436,132
Administration expenses		**361,461**	229,202	**631,147**	639,421
Amortization of deferred leasing		**94,867**	111,274	**189,735**	235,361
Amortization of right-of-use asset		**37,510**	37,510	**75,020**	75,020
Valuation loss (gain) from investment properties, net	3	**3,651,350**	(204,436)	**6,701,056**	(2,401,474)
(Loss) income before income tax		**(2,255,757)**	1,664,277	**(3,797,637)**	5,377,000
Income tax (recovery) expense	6	**(94,143)**	343,238	**(93,277)**	979,087
Net (loss) income and comprehensive (loss) income		**$ (2,161,614)**	$ 1,321,039	**$ (3,704,360)**	$ 4,397,913
Weighted average number of shares outstanding - basic & diluted		**9,451,242**	9,451,242	**9,451,242**	9,451,242
Earnings (loss) per share basic and diluted		**$ (0.23)**	$ 0.14	**$ (0.39)**	$ 0.47

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	-	-	(378,050)	**(378,050)**
Net loss and comprehensive loss	-	-	(3,704,360)	**(3,704,360)**
Balance, March 31, 2024	9,451,242	$ 5,947,346	$ 101,897,909	**$ 107,845,255**

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 March 31, 2024	Three months ended March 31, 2023	Six months ended March 31, 2024	Six months ended March 31, 2023
Operating activities					
Net (loss) income from operations		**$ (2,161,614)**	$ 1,321,039	**$ (3,704,360)**	$ 4,397,913
Finance costs		**1,444,076**	1,212,955	**2,875,561**	2,436,132
Leasing commissions		**(55,629)**	(5,699)	**(142,277)**	(376,728)
Items not affecting cash:					
Amortization of right-of-use asset		**37,510**	37,510	**75,020**	75,020
Amortization of tenant inducements		**40,395**	11,551	**77,184**	23,101
Amortization of deferred leasing commissions		**94,867**	111,274	**189,735**	235,361
Fair value changes on investment properties		**3,651,350**	(204,436)	**6,701,056**	(2,401,474)
Straight-line rental revenue		**59,180**	238,361	**114,804**	292,136
Deferred income taxes		**(196,060)**	107,841	**(314,938)**	751,245
Net change in operating working capital	9	**1,116,123**	769,014	**1,488,483**	1,307,214
Cash provided by operating activities		**4,030,198**	3,599,410	**7,360,268**	6,739,920
Investing activities					
Improvements and additions to investment properties		**-**	(1,212,100)	**(5,826)**	(3,043,537)
Proceeds from mortgage receivable		**8,574**	8,202	**17,054**	16,312
Change in payables and accruals for investing		**-**	(292,072)	**(905,836)**	(1,447,362)
Cash provided by (used in) investing activities		**8,574**	(1,495,970)	**(894,608)**	(4,474,587)
Financing activities					
Repayment of mortgages		**(1,945,180)**	(1,875,543)	**(3,890,495)**	(3,766,686)
Fees associated with new or renewed mortgages		**(2,000)**	(8,649)	**(9,230)**	(8,649)
Advances from other financing		**50,000**	1,135,000	**650,000**	2,715,000
Repayment of other financing		**(300,000)**	(740,000)	**(1,300,000)**	(1,040,000)
Finance costs paid		**(1,373,993)**	(1,108,368)	**(2,674,165)**	(2,228,234)
Principal repayments on lease liability		**(45,000)**	(45,000)	**(90,000)**	(90,000)
Dividends paid		**(189,025)**	(189,025)	**(378,050)**	(378,050)
Net (repayments) advances from bank operating facilities		**(98,700)**	964,265	**1,275,292**	2,744,752
Cash provided by (used in) financing activities		**(3,903,898)**	(1,867,320)	**(6,416,648)**	(2,051,867)
Increase in cash and cash equivalents		**134,874**	236,120	**49,012**	213,466
Cash and cash equivalents, beginning of period		**338,589**	210,344	**424,451**	232,998
Cash and cash equivalents, end of period		**$ 473,463**	$ 446,464	**$ 473,463**	$ 446,464

See accompanying notes to the interim condensed consolidated financial statements.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three and six months ended March 31, 2024
(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 May 15, 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 and six months ended March 31, 2024, 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 and six months ended March 31, 2024
(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, September 30, 2023	$ 247,539,383	$ 12,977,636	$ 260,517,019
Additions:			
Property improvements and additions	-	5,826	5,826
Leasing commissions	142,277	-	142,277
Amortization of tenant inducements	(77,184)	-	(77,184)
Amortization of deferred leasing commissions	(189,735)	-	(189,735)
Change in straight-line rental revenue	(114,804)	-	(114,804)
Reclassification to investment property held for sale	(13,790,000)	(7,320,000)	(21,110,000)
Revaluation gains (losses), net	(5,375,230)	(1,325,826)	(6,701,056)
Balance, March 31, 2024	**$ 228,134,708**	**$ 4,337,636**	**$ 232,472,343**

Investment properties held for sale
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 six months ending March 31, 2024 includes a loss of $1,023,855 related to adjusting the property to fair value. The 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. At March 31, 2024 an initial deposit on the sale of $150,000 was included in receivables and contract liabilities in the statement of financial position. Subsequent to March 31, 2024, conditions were waived, and the sale was closed for gross proceeds of $13,790.,000. The purchaser assumed the outstanding mortgage of $9,483,143 on the property.

At March 31, 2024, the Company reclassified two investment properties consisting of vacant land held for development to investment properties held for sale as a result of entering into conditional sales agreements on both properties.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three and six months ended March 31, 2024
(Unaudited)

3. Investment properties (cont'd)

One property had conditions waived during the quarter, and the sale closed subsequent to March 31, 2024 for gross proceeds of $820,000. An initial deposit received on the sale of $50,000 is included in receivables and contract liabilities in the statement of financial position at March 31, 2024.

The other property had conditions waived during the quarter, and the sale is expected to close in Q3 2024 for total gross proceeds of $6,500,000. An initial deposit of $100,000 is included in cash and contract liabilities at March 31, 2024. An additional deposit of $500,000 was received subsequent to period end. The remaining balance of the purchase price of $5,900,000 will be financed through a vendor-take-back loan bearing interest at 5% with a term of 3 years, and with the outstanding principal due in full at the end of the term.

The valuation loss on investment properties, net, for the three- and six-months ending March 31, 2024 includes a loss of $1,320,000 related to adjusting these two properties to fair value at March 31, 2024.

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

		March 31, 2024		**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	**$**	**10,525,633**	$	5,041,295
Fair values of properties where capitalization rates were applied	**$**	**213,696,690**	$	238,587,382
Weighted average capitalization rates on properties valued using income capitalization approach		**6.47%**		6.47%
Weighted average net operating income for properties valued using income capitalization approach	**$**	**719,399**	$	752,048
Fair value impact of increasing average capitalization rate by 0.25%	**$**	**(7,954,956)**	$	(8,883,294)
Fair value impact of a 1% decrease in net operating income	**$**	**(2,139,717)**	$	(2,388,624)
Land held for development				
Average price per acre of land	**$**	**79,357**	$	189,316
Number of acres held		**54.66**		68.55
Total fair value	**$**	**4,337,635**	$	12,977,635
Impact of a 10% decrease in the price per acre	**$**	**(433,764)**	$	(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)

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three and six months ended March 31, 2024
(Unaudited)

4. Prepaid expenses and deposits

		March 31, 2024		September 30, 2023
Prepaid operating expenses	$	**46,826**	$	926,932
Security deposits with municipalities		**27,019**		27,019
Deposits held in trust		**-**		100,000
Total	$	**73,845**	$	1,053,951

5. Mortgages

	Maturity Date	Monthly blended principal and interest payments	Rate	March 31, 2024	September 30, 2023
		$		$	$
	October 1, 2023			-	11,229
**	April 1, 2024	26,788	2.110%	3,427,880	3,551,844
	July 1, 2024	22,084	6.910%	1,345,743	1,430,709
	August 1, 2024	71,809	3.300%	7,595,591	7,899,062
	November 1, 2024	63,681	3.555%	6,784,473	7,044,169
	December 1, 2024	33,003	6.073%	2,691,125	2,806,416
	December 1, 2024	29,985	6.073%	2,445,036	2,549,785
	February 1, 2025	35,507	3.420%	3,882,033	4,027,712
	February 1, 2025	47,279	3.310%	3,949,877	4,166,544
	February 1, 2025	17,662	5.720%	1,481,705	1,544,751
	April 1, 2025	27,830	5.290%	2,986,176	3,073,687
	April 1, 2025	34,847	2.310%	4,087,869	4,248,881
	August 1, 2025	27,279	2.837%	3,192,066	3,309,756
*	October 1, 2025	53,312	7.020%	4,472,785	4,639,139
	October 1, 2025	63,227	6.720%	7,081,398	7,200,000
*	November 1, 2025	35,967	6.640%	3,085,032	3,202,558
*	December 1, 2025	43,161	6.763%	3,705,450	3,846,275
*	January 1, 2026	23,512	5.930%	1,585,652	1,682,599
*	January 1, 2026	18,660	5.930%	1,258,454	1,335,396
	April 1, 2026	23,715	2.675%	2,067,750	2,181,648
	July 1, 2026	76,219	2.710%	9,588,250	9,913,807
	July 1, 2026	39,884	2.710%	5,017,355	5,187,713
	October 1, 2026	65,250	2.940%	8,236,057	8,504,926
***	November 1, 2026	75,501	2.930%	9,587,735	9,898,484
	June 11, 2029	42,759	3.480%	4,424,855	4,613,752
	Total mortgages			103,980,347	107,870,842
	Less: current portion of principal payments			(38,652,545)	(28,851,657)
	Less: Balance of unamortized finance fees			(103,014)	(132,928)
				65,224,788	78,886,257
	Weighted average rate			4.04%	3.73%

*These mortgages were renewed during the six months ended March 31, 2024.
**This mortgage was renewed subsequent to period end for a term of 2 years, with a maturity date of April 1, 2026, bearing interest at 6.010% per annum, with monthly blended principal and interest payments of $33,135.
*** Subsequent to March 31, 2024, this mortgage was assumed by the purchaser of the related investment property (Note 3).

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three and six months ended March 31, 2024
(Unaudited)

6. Income taxes

a) Provision for income taxes

Components of income tax (recovery) expense

	Three months ended March 31.		**Six months ended March 31,**	
	2024	2023	**2024**	2023
Current tax expense	**$ 101,917**	$ 235,397	**$ 221,661**	$ 220,216
Prior period adjustments	**-**	-	**-**	7,626
Deferred tax expense	**(196,060)**	107,841	**(314,938)**	751,245
	$ (94,143)	$ 343,238	**$ (93,277)**	$ 979,087

b) Deferred taxes

	March 31, 2024	September 30, 2023
Deferred tax assets are attributable to the following:		
Lease liability	**$ 75,322**	$ 94,115
Offset of deferred tax liabilities	**(75,322)**	(94,115)
Net deferred tax assets	**$ -**	$ -

Deferred tax liabilities are attributable to the following:

	March 31, 2024	September 30, 2023
Straight-line rent receivable	**$ 435,743**	$ 462,148
Investment properties	**15,569,313**	15,842,858
Finance fees	**1,066**	3,479
Deferred leasing	**402,101**	413,016
Right-of-use-asset	**66,143**	83,398
Capital gain reserve	**7,462**	10,660
Total deferred tax liabilities	**16,481,828**	16,815,559
Offset of deferred tax assets	**(75,322)**	(94,115)
Net deferred tax liabilities	**$ 16,406,506**	$ 16,721,444

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three and six months ended March 31, 2024
(Unaudited)

7. Rental revenue

The Company leases its commercial properties under operating leases with current terms ranging between 1 and 15 years. Some leases have options to extend for further five-year terms and several leases are month to month.

	Three months ended March 31,		Six months ended March 31,	
	2024	2023	**2024**	2023
Rental revenue, contractual amount	**$ 3,718,213**	$ 3,701,192	**$ 7,533,758**	$ 7,250,650
Property tax and insurance recoveries	**804,162**	692,119	**1,602,889**	1,455,636
Amortization of tenant inducements	**(40,395)**	(11,551)	**(77,184)**	1,899
Straight-line rental revenue	**(59,180)**	(238,360)	**(114,804)**	(292,135)
Lease income	**4,422,800**	4,143,400	**8,944,659**	8,416,050
Operating expense recoveries	**423,516**	507,534	**851,810**	899,251
Total Rental Revenue	**$ 4,846,316**	$ 4,650,934	**$ 9,796,469**	$ 9,315,301

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

	2024	2023
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.

Contract liabilities
Contract liabilities consist of unearned revenue in the form of deposits received on sales of investment properties where the transfer of ownership of the property has not occurred as of period end.

8. Finance costs

	Three months ended March 31,		Six months ended March 31,	
	2024	2023	**2024**	2023
Interest on mortgages	**$ 1,025,444**	$ 826,164	**$ 2,042,180**	$ 1,685,660
Interest on bank operating facilities	**361,650**	305,583	**718,349**	599,190
Interest on other unsecured financing	**48,962**	72,679	**99,462**	131,714
Interest on lease obligations	**4,145**	6,115	**8,290**	12,229
Amortization of deferred financing fees	**19,759**	21,472	**39,144**	42,778
Interest income	**(15,884)**	(19,058)	**(31,864)**	(35,439)
Total	**$ 1,444,076**	$ 1,212,955	**$ 2,875,561**	$ 2,436,132

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three and six months ended March 31, 2024
(Unaudited)

9. Supplemental consolidated cash flow information

	Three months ended March 31		Six months ended March 31	
	2024	2023	**2024**	2023
Change in operating working capital:				
Receivables	**$ (241,615)**	$ 92,194	**$ (236,828)**	$ 217,897
Prepaid expenses and deposits	**178,649**	85,566	**980,106**	860,396
Security deposits	**-**	(950)	**-**	(950)
Payables and accruals	**771,968**	422,364	**218,340**	895,733
Contract liabilities	**300,000**	-	**300,000**	-
Income taxes payable	**107,121**	169,840	**226,865**	(665,862)
Net change in operating working capital	**$ 1,116,123**	$ 769,014	**$ 1,488,483**	$ 1,307,214
Interest paid	**$ 1,394,022**	$ 1,231,992	**$ 2,714,319**	$ 2,526,387
Income taxes paid	**$ 37,150**	$ 251,042	**$ 37,150**	$ 251,042

10. Fair value of financial instruments

Financial assets and liabilities:

	March 31, 2024	September 30, 2023
Financial assets		
Cash and cash equivalents	**$ 473,463**	$ 424,451
Receivables	**474,172**	237,344
Mortgage receivable	**1,422,270**	1,439,324
	$ 2,369,905	$ 2,101,119
Financial liabilities		
Bank operating facilities	**$ 21,149,058**	$ 19,873,766
Payables and accruals	**2,080,790**	2,614,324
Other financing	**2,915,000**	3,565,000
Lease liability	**327,485**	409,195
Security deposits	**745,791**	745,791
Mortgages	**103,980,347**	107,870,842
	$ 131,198,472	$ 135,078,918

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.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three and six months ended March 31, 2024
(Unaudited)

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 March 31, 2024, is $99,681,000 (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 6.84% (September 30, 2023 – 6.84%).

11. Related party transactions

The following are the related party transactions the Company entered into during the three and six months ended March 31, 2024.

a) *Management agreements*

Sable Realty & Management Ltd. ("Sable") provides property management services to the Company. North American Realty Corp. ("NARC"), which is provides asset management services to the Company. North American Mortgage & Leasing Inc.("NAML") leases vehicles to the Company. All three companies are controlled by the President and CEO of the Company.

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

	Three months ending March 31,		Six months ending March 31,	
	2024	**2023**	**2024**	**2023**
Property management and maintenance fees paid to Sable	**$ 356,415**	$ 319,919	**$ 740,848**	$ 667,847
Leasing fees paid to NARC	**55,629**	86,276	**109,016**	91,975
Vehicle lease payments paid to NAML	**4,800**	7,500	**9,600**	15,000
Total payments	**$ 416,844**	$ 413,695	**$ 859,464**	$ 774,822

At March 31, 2024, the Company has $nil in outstanding payables to Sable, NARC and NAML (2023- Payable to Sable of $55,128).

b) *Other related party transactions*

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

	Three months ending March 31,		Six months ending March 31,	
	2024	**2023**	**2024**	**2023**
Leased office space and parking	**$ 45,000**	$ 45,000	**$ 90,000**	$ 90,000
Rent at Sable Centre	**(23,731)**	(23,730)	**(47,461)**	(47,461)
Net payments for the period	**$ 21,269**	$ 21,270	**$ 42,539**	$ 42,539

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three and six months ended March 31, 2024
(Unaudited)

11. Related party transactions (cont'd)

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 March 31, 2024 were $17,500 (2023 – $15,000) and $27,500 for the six months ending March 31, 2024 (2023 - $25,000).

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 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 March 31		Six months ending March 31,	
	2024	2023	**2024**	2023
Salaries and wages	**$ 130,000**	$ 75,000	**$ 251,250**	$ 150,000
Short-term employee benefits	**4,432**	1,863	**8,780**	4,429
Total	**$ 134,432**	$ 76,863	**$ 260,030**	$ 154,429

iii) Other financing, unsecured

Related Parties	**Balance October 1, 2023**	**Advances**	**Repayments**	**Balance March 31, 2024**
Jamel Chadi, Shareholder[1]	$ 1,965,000	$ -	$ (1,000,000)	**$ 965,000**
Sine Chadi, Shareholder[1]	1,600,000	200,000	(100,000)	**1,700,000**
NAMC[2]	-	450,000	(200,000)	**250,000**
Total	$ 3,565,000	$ 650,000	$ (1,300,000)	**$ 2,915,000**

1) Loans received from shareholders bear interest at an annual rate of 6%. Total interest expense during the three months and six ended March 31, 2024 was $45,427 and $94,020 respectively (2023 - $55,472 and $97,165). Accrued interest on the loans at March 31, 2024 was $327,774 (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 and six months ended March 31, 2024, was $3,534 and $5,442 respectively (2023 - $6,791 and $16,431). Accrued interest on the loan at March 31, 2024 was $5,442 (September 30, 2023 - $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 May 6, 2024 to shareholders of record effective April 19, 2024.

Subsequent to March 31, 2024, sales of two of the investment properties classified has held for sale were completed (Note 3).

IMPERIAL
EQUITIES
INC.

2151 Rice Howard Place | 10060 Jasper Ave
Edmonton AB T5J 3R8

Tel: 780-424-7227
Fax: 780-425-6379

askus@imperialequities.com
www.imperialequities.com

TSX Venture Exchange
Trading Symbol: IEI