2nd QUARTER REPORT

ENDING MARCH 31, 2017

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FOR THE SECOND QUARTER
ENDING MARCH 31, 2017

PRESIDENT'S REPORT
2nd QUARTER REPORT TO SHAREHOLDERS

March 31, 2017

A renewed optimism is what best describes the current economic climate in Alberta. Like nature's signs of spring, Alberta's economy has begun to show signs of new growth.

Mega mergers and acquisitions within the oil and gas sector have unquestionably yielded a reassuring sentiment of a robust industry that will likely be around for a long time to come. The Petroleum Services Association of Canada has raised its forecast for drilling activity for 2017 in view of rising optimism in the oil and gas industry. The Calgary-based group now says it expects 5,150 wells to be drilled this year, up 23 per cent over its forecast in early November 2016.

While the oil and gas sector seems to be rebounding from several years of lackluster performance, governments on all levels continue to advance the rhetoric for diversification initiatives. In Alberta, the provincial government recently announced around $100 million in investments as part of its stated goal to further diversify the provincial economy. These funds are slated to support job creation and innovation in the renewable energy sectors particularly in areas of the province that are heavily dependent on oil & gas.

One bright beacon of economic progress has been the construction activity in Edmonton. For years Edmonton has lagged behind its Canadian counterparts in keeping up with demand within all sectors of real estate development. The recent boom in residential, office and retail construction, particularly in downtown Edmonton has certainly helped protect this part of the province from the woes of economic decline. All real estate sub-sectors have continued to enjoy a relatively strong market even with increased pricing commensurate with its demand. Imperial Equities has long concentrated on the Edmonton marketplace and its industrial real estate in particular. Remarkably, industrial lease rates in Imperial's portfolio of Class A industrial properties in Edmonton have not waned and in fact have remained constant. Lease renewals over the past 24 months have yielded rates and terms that are equal or higher than the previous leases.

Imperial's portfolio of properties throughout Alberta remain 100% occupied and demand for industrial space, although reduced from previous years, is very much an ensuing trend that we strive to keep pace with. We have been in growth mode for some time now and our latest acquisitions can clearly demonstrate our claim as well as our ability to make strategic purchases. During the past two quarters alone, we've grown our asset base by over $23 million and are committed to a further $5.2 million to close in early Q3, 2017. Imperial's growth will not abate and is expected to increase throughout 2017 and 2018. Opportunities are constantly being identified and scrutinized and if a property fits our investment criteria we will act swiftly to acquire it.

Our determination to expand the real estate portfolio can also be demonstrated by the developments within our Coppertone Industrial Common (Coppertone). Imperial created this industrial subdivision in the Mitchell Industrial district, a most desirable industrial area within Edmonton. Coppertone has long been a source of pride for Imperial and expanding its footprint is a priority. The common theme among the recently constructed buildings is the copper cladding and curtain wall finishes that make these industrial buildings superior to anything else in the area. Phases I and II have been completed and are fully occupied with international tenants. The planning stages of Phase III have been completed and a development permit has been obtained. Construction of a new copper cladded structure will likely begin in Q3, 2017 and expected to be completed in Q2, 2018. This 10,000 ft2 structure will be built on a 1.25 acre site adjacent to our Coppertone II property. Although we have seldom constructed buildings without a prearranged tenant, this one will likely be spoken for prior to its completion. Its size, appearance, layout & location is still the most desirable type of property in Edmonton!

Management is always vigilant in identifying potential acquisitions of properties within the Coppertone expanse. One such property is a large multi-tenant building adjacent Coppertone's eastern boundary that was identified as a potential acquisition. The location of this property would be strategic to Imperial's long term goal of creating an attractive and functional industrial area in northwest Edmonton. After completing a rigorous due diligence process, Management finalized an agreement and completed the purchase. The building is situated on 2.82 acres of prime commercial/industrial real estate with considerable frontage along the highly utilized 149 Street in northwest Edmonton. Built in 1999, the 47,652 ft2 building is an aesthetically pleasing multi-tenant building which is fully occupied with long term tenants including the government of Canada. It has excellent curb appeal and superb exposure to one of Edmonton's most travelled thoroughfares. The Property will certainly be a very appealing addition to Imperial's growing real estate portfolio and has been renamed to Coppertone VII.

Southeast Edmonton has long been a desired location for industrial development that has gained the attention of industrial consumers as well as investors. It is a large industrial area that has been developed to accommodate almost every discipline within this sector of real estate including several oil refineries. Arterial roadways have been designed to allow for an easy flow of truck traffic through the city and onto major Alberta highways. During this Q2 we completed the negotiations for the purchase of a 34,404 ft2 industrial building situated on 3.76 acres of prime industrial land in southeast Edmonton. The building is comprised of 11,016 ft2 of office space and 23,388 ft2 of warehouse. Originally constructed in 1993 the building has recently undergone extensive renovations that will suit the existing tenant. Closing of the transaction took place on April 1, 2017.

The cost of borrowing continues to be the lowest we've ever experienced and our borrowing options for acquisitions or development of new properties remain strong. The Bank of Canada continues to maintain its overnight rate at 0.5% which is a historic low. Imperial has developed and maintained an excellent relationship with its commercial lenders which speaks volumes for the willingness of the lenders to compete for Imperial's business. This competitive environment certainly bodes well for Imperial as we renew any of our existing mortgages. At March 31st,2017 our weighted average interest rate has been reduced to an all-time low of 3.03% per annum. This low interest rate environment will likely put downward pressure on capitalization rates which would in turn create an upward effect on the price of a revenue producing property. This situation can only enhance or at the very least, solidify the value of Imperial's assets which is currently valued at over $182 million.

Although access to funds is relatively straightforward and the cost of borrowing funds is at all-time lows, Imperial Equities has remained steadfast in its principle to keep its debt ratio low. A Debt Ratio is one type of financial leverage ratios used to measure a company's financial stability and ability to handle its obligations. It is defined as the ratio of the total liabilities including mortgage and other financing debt to the total value of all assets and is expressed as a decimal or percentage. Essentially, it is the proportion of a company's assets that are financed by debt. Imperial's assets are predominantly real estate properties and its debt is mainly conventional mortgages. In our experience, most commercial lenders will finance properties to a maximum of 75% and most borrowers try to maximize their loan amounts. Although Imperial does in some instances maximize its loan values on specific properties, overall, we currently hold an impressive debt ratio of 48%.

On March 3, 2017 Imperial Equities held the 19th Annual General Meeting of the Shareholders. Once again, the shareholder attendance and participation was exceptional. This year we reduced the number of our Board of Directors from six to four. After 10 years of exceptional service on the Board of our Company, Dr. Dennis Modry and Mr. Bill Smith both retired. Shareholders elected Sine Chadi, Diane Buchanan, Kevin Lynch & David Majeski to the Board to transact on their behalf until the next annual meeting of the shareholders. The Company is expected to announce two new directors by the end of this fiscal year. Shareholders also approved Management's recommendation that Grant Thornton, Chartered Accountants, be appointed auditors of the Corporation to hold office until the next annual meeting.

From its inception, Imperial Equities has been a caring corporate citizen. Backed by a strong belief in supporting the community through health care initiatives, sports and the arts, Imperial has become a leader in charitable giving. Throughout the year, Imperial Equities has donated thousands of dollars to many different charities operating in Alberta and Canada. At this year's annual meeting we provided a major cash gift to the Gordon & Diane Buchanan Family Foundation for their support of heath care initiatives for both human as well as animal care.

It is our belief that charities are a vital component of our society and essential in bettering the lives of all Canadians. Imperial Equities is proud to be a caring and compassionate corporate citizen and is especially proud to be a leader in charitable giving.

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

Sine Chadi
Chief Executive Officer and Chairman of the Board

IMPERIAL EQUITIES INC. MD&A AS AT MAY 15, 2017

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

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

FORWARD-LOOKING INFORMATION

► **In our report to shareholders, management may talk about the current economy and express opinions on future interest** rates and capitalization rates that we might experience or speculate on future market conditions. This forward-looking information is based on management's current assessment of market conditions based on their expertise as well as the opinions of other professionals in this industry. While management may consider these statements to be reasonably optimistic and favorable, the opinions and estimates of future trends are subject to risk and uncertainties. Readers are encouraged to read the risk factors identified in Note 21 of our 2016 consolidated financial statements and this MD&A. Any forward-looking statements in our report should not be relied upon as facts, as actual results may differ from estimates.

ADDITIONAL NON-IFRS MEASURES

► **Throughout the MD&A, management will use measures that may include Adjusted EBITDA, (income from operations** before interest, taxes, depreciation and amortization, valuation gains and straight-line rental revenue) and NOI (net operating income from properties which includes property revenue less direct property operating expenses and excludes non-cash and extraordinary items, administrative expenses, amortization, valuation gains or losses, gains or losses on sales of investment property, stock based compensation, interest and income taxes). Different issuers may use the same term(s) to refer to different calculations or may vary the definitions of a particular term from one period to another period. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Management believes its use of Adjusted EBITDA and NOI provides the shareholders and prospective investors with an additional performance measure to show the cash flow from operations that is available to finance debt and further growth of the Company. A detail of the calculation and a further description can be found in this MD&A.

Pharmaceuticals

Imperial Distributors Canada Inc. ("IDCI")

► **At December 31, 2015, Imperial Equities Inc. sold its interest in Imperial Distributors Canada Inc. The discontinued** operations at December 31, 2015 consist of the operations of IDCI which was previously considered an identifiable operating segment of the Company. IDCI was a wholly owned subsidiary that allowed the Company to diversify its core business to include the sale and distribution of pharmaceuticals to institutional and retail customers throughout Canada. The Company acquired IDCI in 2006 which at the time had total annual sales of $1.1 million. With a trained and cohesive team of management and operations personnel, IDCI positioned itself as a valued member of the pharmaceutical supply chain, building its customer base throughout Canada. Management grew the business year over year and by September 30, 2015 had achieved annual sales of $74 million.

Over the past several years, competition for market share within the pharmaceutical distribution industry has been fierce which has created a downward effect on profit margins. There has been a considerable amount of consolidation within the industry to counter the effects of lower margins and to remain competitive. The purchaser is affiliated with a Vancouver based pharmaceutical distribution company servicing the British Columbia market and the acquisition of IDCI will greatly enhance their ability to service an expanded customer base throughout western Canada.

At December 31, 2015, the Company closed the sale agreement for a transaction value of approximately $10,000,000 which included $1,500,000 for all the issued and outstanding shares of IDCI and the assumption of all IDCI's liabilities which were paid out within 90 days of the closing date. The IDCI liabilities include all trade payables, bank lines of credit and the Company shareholder loan in the amount of $2,761,212. The shareholder loan amount was received in Q2 2016 and the line of credit was paid out in Q3 2016. At December 31, 2016 the Company received the first of two $500,000 instalment payments due from the purchaser. The Company is carrying the final instalment; a non-interesting bearing loan receivable of $500,000 less the unamortized discount of $10,762 at March 31, 2017. Final payment of the loan receivable is due on or before December 31, 2017. The sale is subject to certain escrow conditions and contemplates all aspects of the operations of IDCI to remain as a going concern.

BUSINESS OVERVIEW

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

Since operations began in 1998, Imperial Equities has achieved solid growth quarter after quarter for the past 19 years. In 2006 Imperial acquired a pharmaceutical distribution business which it renamed Imperial Distributors Canada Inc. This business acquisition diversified Imperial's operating activities and split the focus of the Company into two very different business environments. After nine years of building this division and achieving record sales each quarter, the Board of Imperial accepted an offer to sell the pharmaceutical company to a British Columbia pharmaceutical distributor looking to expand. The sale was completed in Q1, 2016 and the results of operations to the date of disposal of December 31, 2015, are shown in these consolidated interim financial statements.

STRATEGIC DIRECTION

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

The fundamental strategic goals that drive our company are:

- Acquire industrial properties in the most sought after areas for capital appreciation
- Acquire fully occupied, single tenanted industrial properties with long term lease agreements and rental rates commensurate with the location
- Proper due diligence on all acquisitions and evaluating the strength of the tenant(s) before entering into contracts with international, national or large regional tenants.
- Finance acquisitions with the lowest cost of capital available
- Achieve a defined rate of return on each asset
- Maximize the revenue potential of each asset in its region
- Maintain our assets to high standards including structural, mechanical and cosmetic to showcase our existing properties to prospective new tenants or purchasers
- Preventative maintenance on the properties to reduce operating costs and to maximize longevity of the buildings
- Dispose of older assets that may have reached their maximum earning potential to reduce the overall age of the properties in the portfolio
- Charitable giving in the communities where the Company does business

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

KEY PERFORMANCE DRIVERS

► **Imperial Equities continues to engage a dedicated team of professionals to manage and oversee the business activities.** The CEO and CFO have been with the Company since becoming publicly traded 19 years ago. There is a strong Board of Directors with significant real estate experience to guide decisions surrounding strategic direction and achieving the goals and objectives of the Company. This dedication and professional experience of Imperial's management team has helped the Company achieve positive earnings every quarter the Company has been in business.

Management monitors the success of Imperial by measuring how well we are meeting our strategic directives. External performance drivers that affect our business include the overall economic health of industries operating in the province of Alberta. Alberta is reliant on the oil industry to a large degree and we are careful to select tenants that we feel are best able to weather an economic downturn. This assessment will include the size of the tenant, the length of time they have been in business, their operations and exposure to the oil and gas industry; all of these factors will be a part in our evaluation of the strength of their lease covenant. Another external driver to our success is interest rates related to financing of our properties. The investment properties are financed with conventional mortgages that leave the Company with an exposure to possible increases in interest rates, affecting our operating income and cash flow. We have been fortunate to consistently have lower weighted average interest rates each quarter since the inception of the Company. For the foreseeable future, the Company does not consider rising interest rates to have a significant impact on the operating cash flows.

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

- Maximizing the cash flow from operations to ensure funding for growth opportunities
- Selecting mortgage terms that provide a low cost of capital and utilizing debt leverage opportunities
- Monitoring the quality of tenants in the portfolio to reduce the risk of defaults on leases
- Maintain high occupancy rates to recover carrying costs of the properties
- Ensure that maintenance on the properties is done to high standards involving monitoring the quality of work provided by our business partners while ensuring the costs are competitive
- Maximize the revenue per property and secure long lease terms to reduce the turnover of tenants
- Minimize higher rate short term borrowings to reduce the cost of capital

SUMMARY OF PERFORMANCE INDICATORS

FOR THE SIX MONTHS ENDING MARCH 31,

	2017	2016
Number of revenue producing properties	**19**	17
Total leasable square feet	**684,675**	568,677
Occupancy, year to date	**99.9%**	100.0%
Average lease term to maturity in years	**3.86**	4.19
Total square footage of leases up for renewal In next twelve months	**36,531**	29,043
% operating cost recoveries to operating costs	**86%**	78%
Weighted average interest rates on mortgages	**3.03%**	3.19%
Other financing	**$575,000**	NIL
Number of properties held for future development	**3**	3

CHANGES IN TOTAL LEASABLE SQUARE FEET

YEAR OVER YEAR = NET INCREASE OF 115,648

- Sale of M&D Drafting building 14,270 sf September 2016
- Acquisition of Seaboard building 75,000 sf September 2016
- Acquisition of Coppertone VIII 7,266 sf November 2016
- Acquisition of Coppertone VII 47,652 sf February 2017

There are five leases up for renewal in the next twelve months totalling 36,531 square feet. The Company is currently in negotiations to renew the leases. During the current period the Company renewed a lease with 70,660 square feet for a further five year term.

AVERAGE ANNUAL LEASE RATES

PER SQUARE FOOT

	2017	2016
Edmonton and surrounding area, Alberta	**$ 10.95**	$ 10.52
Red Deer, Alberta*	**$ 24.52**	$ 21.92
Fort Saskatchewan, Alberta*	**$ 44.40**	$ 37.45
Fort McMurray, Alberta	**$ 46.89**	$ 46.17

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

Increases in the average lease rates for 2017 compared to 2016 are due to rental increases in the contracted revenue stream..

LEASE PROFILES

TOTAL SQUARE FEET OF LEASED SPACE

SINGLE TENANT BUILDINGS	EXPIRY YEAR
22,594	2017
16,758	2018
30,939	2019
25,580	2020
40,766	2021
158,354	2022
58,393	2023
43,396	2024
26,400	2026
75,000	2028
25,024	2029
523,204	**Weighted Average Remaining Terms 6.98 years**

MULTI-TENANT BUILDINGS	EXPIRY YEAR
2,396	MtoM
11,439	2017
9,836	2018
55,858	2019
80,970	2020
972	2021
161,471	**Weighted Average Remaining Terms 3.27 years**

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

Operating cost recoveries are budgeted annually and reconciled every 12 months on a tenant by tenant basis. All the Company's leases are triple net leases which allow the Landlord to recover operating costs. Management will decide on large maintenance items as to how it will treat the recovery of those costs from the tenant, so as not to incur hardship on their operations. Sometimes this means allowing the tenant to pay over time. Some leases have lower management fees than other leases dependent upon the responsibility of performing maintenance remaining with the tenant or the landlord. Because of these variations, there will always be a percentage of operating costs not recovered by the Landlord. Historical optimal recovery percentages will be in the range of 80%-86%. At March 31, 2017 recoveries of 86% compared to 78% in the prior year may not be reflective of recoveries that will be achieved at the fiscal year end of September 30. Winter months will typically incur extra snow removal and utility costs that tend to show up in the second quarter results and reduce the recovery percentages.

Weighted average rates on the mortgages have decreased in 2017 compared to 2016 with continued lower interest rates on new, and renewed financing from the Company's lenders. The Company renewed a mortgage on October 1, 2016 that had a previous interest rate of 3.13%. The new rate of 2.47% lowered the weighted average rate for all the mortgages to 3.03%. The most recent mortgage placed in Q2 2017 carries an interest rate of 3.04%.

The Company is moving forward with the construction of Coppertone III, a 10,000 sf building on 1.25 acres in the Coppertone Industrial Common in NW Edmonton. Management is confident this building will lease quickly as there is demand for this type of building in the immediate area.

Currently the Company owns 12.89 acres of vacant land classified as investment properties held for sale. Management is committed to the disposition of this property and has it actively marketed for sale.

PERFORMANCE HIGHLIGHTS FOR THE SIX MONTHS ending March 31, 2017

The Company **completed a purchase agreement** in Q1 2017 to acquire a 7,266 square foot building in NW Edmonton for a total purchase price of $2,070,500. The new property called Coppertone VIII is part of the Company's Coppertone Industrial Common.

Imperial completed a new lease agreement for Coppertone VIII with a commencement date of February 1, 2017. All buildings in **Imperial's portfolio are now 100% occupied.**

Imperial **completed an acquisition** in NW Edmonton in Q2 2017 and renamed it Coppertone VII. The multi tenant building of 47,652 square feet on 2.82 acres is fully occupied with long term tenants. The total acquisition cost was $9,915,252.

The Company completed its financial obligations to acquire the Derrick Building, a **34,404 sf single tenant building** situated on 3.76 acres in SE Edmonton. The acquisition was completed subsequent to Q2 2017 for a total cost of $5,050,000.

Imperial has entered into an unconditional **agreement to purchase 1.7 acres of vacant land** adjacent to the Derrick Building. The total purchase price is $1,435,600 and will close in Q1 2018.

The Company has received a building permit and plans are underway to **construct a 10,000 sf building on 1.25 acres** in the Coppertone Industrial Common. Construction is expected to be completed in Q2 2018.

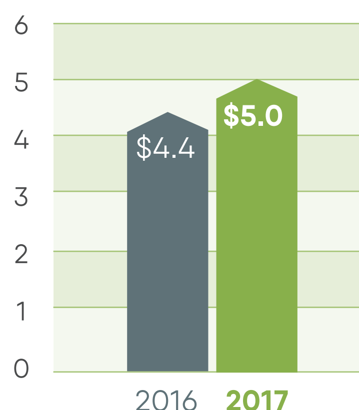
At Q2 2017, **net valuation gains** on investment property were $529,269 (March 31, 2016 - $858,865). Cap rates on some of the properties were adjusted upward to maintain current values, despite increases in the contracted revenue streams.

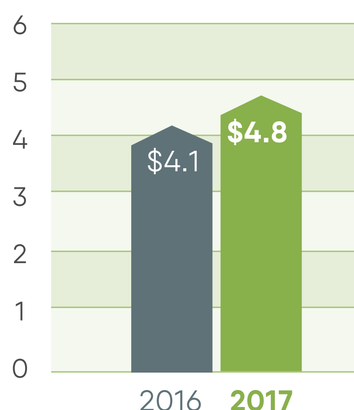
One mortgage was renewed and a new mortgage received lowering the **weighted average rate of interest on all mortgages to 3.03%** at March 31, 2017 (September 30, 2016 – 3.10%)

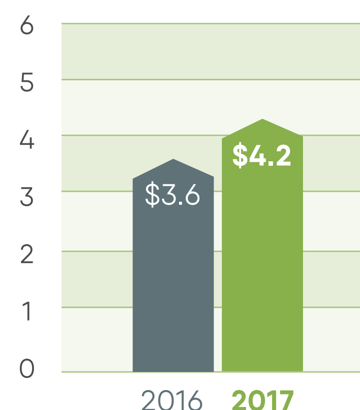
The Company's total **equity** is $8.42 per share at March 31, 2017 (September 30, 2016 - $8.15).

Earnings per share, generated $.16 per share in Q2 2017 and $.24 per share year to date from continuing operations (March 31, 2016 - $.15 per share for the quarter and $.21 year to date) on total comprehensive income of $2,312,863 (March 31, 2016 - $3,184,125).

PERFORMANCE RESULTS FOR THE SIX MONTHS ENDING MARCH 31, 2017







► **Property net operating income ("NOI") for the real estate** segment is defined as net rental income from properties which includes property revenue (excluding amortization of tenant inducements) less direct property operating expenses including property taxes, insurance, management fees and maintenance. Management believes that this is a useful measure of cash available from operations to assess performance of the real estate portfolio and measure the income generated by properties to support finance repayments. Commercial property net operating income, together with capitalization rates applied on a property by property basis, is widely used to value investment property in the real estate industry.

► **Management is of the opinion that ADJUSTED EBITDA as** calculated below is another useful measure for investors to use when evaluating the ability of the Company to generate cash to service interest on debt, and facilitate growth in the Company.

Income taxes are removed from the earnings because they often include deferred taxes which are non-cash. Removing the interest expense also allows an investor to see the operating cash flows from properties without the influence of how the Company has financed its properties. When comparing other real estate companies, the differences in how Companies finance their assets, together with their individual tax situations are taken out of the equation.

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

ADJUSTED EBITDA AT MARCH 31	**2016**	**2017**
Net income from continuing operations	**$ 2,050,213**	$ 2,312,863
Add (subtract):		
Valuation gains on investment property	**(858,865)**	(529,269)
Straight-line rental revenue	**(84,116)**	(130,350)
Interest	**1,243,164**	1,174,388
Amortization	**156,939**	163,259
Income taxes	**1,062,772**	1,232,899
ADJUSTED EBITDA from continuing operations	**$ 3,570,107**	$ 4,223,790

RESULTS of CONTINUING OPERATIONS and CASH FLOWS

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

Net valuation gains (losses) per quarter:

Q3 2016	Q4 2016	Q1 2017	Q2 2017
($463,113)	$739,947	$165,644	$ 363,625

Q3 2015	Q4 2015	Q1 2016	Q2 2016
($168,615)	$1,209,433	$367,076	$491,789

All other inputs being equal, an increase in property revenue for the ensuing twelve months will have a positive impact on the fair values. With continued low interest rates, investors are eager to expand their portfolios creating a healthy, competitive environment in which to acquire property which should keep the cap rates very competitive. During 2016 and 2017 Management decided to marginally increase the cap rates on some of the properties where the Company believes property values and lease rates may decrease slightly; the result of more product coming on stream from developers eager to lease up vacant buildings. Some properties cap rates increased to maintain existing values despite increasing contracted revenue streams which typically drives up the value. The net losses at Q3 each year are the result of small increases in the revenue stream which typically cause fair value increases, netted against items capitalized. Building improvements are typically performed in the warmer summer months of Q3. The capitalized building improvements generally exceed any incremental fair value increase as a result of the improvements, and will therefore have the effect of a negative adjustment to the properties' value, to bring it to fair value at the reporting date.

At December 31, 2016 and March 31, 2017 the Company adjusted the cap rates on several properties. Left unadjusted, the increase in contracted revenue for the next twelve months would cause fair value increases. Lease rates for industrial properties have remained stagnant. Notwithstanding there are increases in contracted rents, the cap rates were adjusted upward to keep values of the properties at the same level as the previous reporting period, despite having a higher income stream.

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

In the prior year, some of the properties had a large increase in value due to the renewal of leases at higher market rates than the previous leases generated.

Income from operations at March 31, 2017 is up $666,662 over March 31, 2016 due to the acquisition of the Seaboard building at September 30, 2016 which is generating net annual revenue of $836,250, plus the acquisition of Coppertone VII & Coppertone VIII, during the current period.

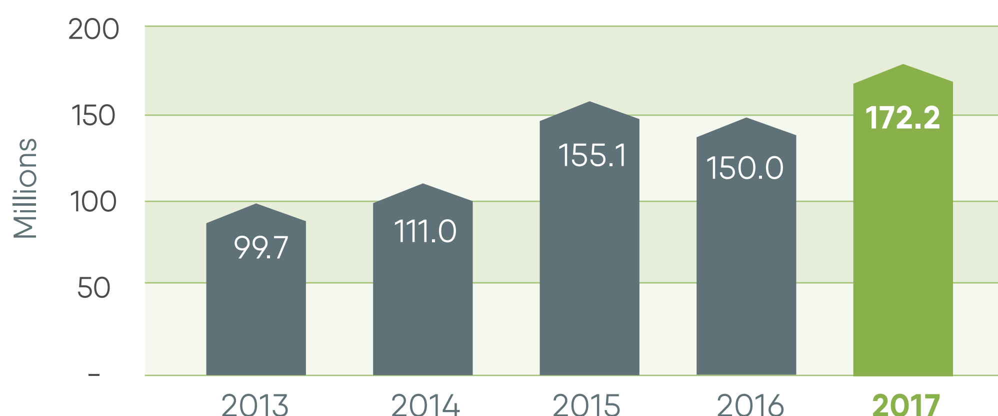
Administrative expenses were up $145,581 this current quarter due to an increase in entertainment of $78,500, finance fees of $21,767 relating to the line of credit, and $23,000 for AGM and annual report costs.

Amortization includes amortization of deferred leasing costs, intangible assets and transaction costs associated with new mortgages. Amortization has increased this quarter over last, a result of increases in leasing fees, but is down this year over last year as intangible assets were fully amortized in the prior year. Leasing fees charged with the signing of new tenants or upon lease renewals are amortized over the life of the respective leases varying from one to fifteen years.

Loss on the sale of equipment relates to the sale of a 10 ton crane that was not in use by the tenant. The Company accepted an offer to sell the crane for $23,000 which resulted in a loss for accounting purposes of $51,034.

FAIR MARKET VALUE of INVESTMENT PROPERTY

(excluding property held for sale) - at March 31



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

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

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

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

The Company continues to increase the investment property portfolio each year by acquiring properties with a view towards capital appreciation. The drop in value at March 31, 2016 is the result of transferring vacant land valued at $8,104,500 from investment properties to investment properties held for sale where it currently remains.

Income earned from deposit relates to the investment property held for sale in the amount of $8,104,500. At September 30, 2015 the Company had entered into an unconditional purchase and sale agreement with an arm's length purchaser to sell 12.89 acres of vacant land in Edmonton. The closing of the sale was expected to take place in Q3 2016 but was extended to allow the purchaser to obtain financing. A deposit on the sale agreement of $250,000 was received by the Company at September 30, 2015 and held until Q2 2017 when the purchaser could not complete the agreement. The deposit was forfeited by the purchaser and the Company recorded it as other income in these consolidated interim financial statements.

Interest income is mostly made up of the amortization of the discount on the note receivable from the sale of IDCI. The discount will be fully amortized by December 31, 2017 at which date the loan is due in full.

Interest expense on mortgages and other financing was $620,390 this quarter March 31, 2017 compared to the prior year quarter of $621,362 at March 31, 2016. Year to date interest expense is lower than last year because in the prior year there was other financing that had an 8% annual rate of interest.

DECEMBER 31,	2017	2016
ADJUSTED EBITDA	**$ 4,223,790**	$ 3,570,107
Interest expense	**$ 1,204,643**	$ 1,243,164
Interest coverage ratio	**3.51**	2.87
Minimum threshold	**1.50**	1.50

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

CASH FLOWS FROM CONTINUING OPERATIONS:

Cash inflows from operating activities were $2,130,278 at March 31, 2017 (March 31, 2016 – $3,466,263). The Company continues to generate positive cash from operations to cover day to day expenditures and bank cash for future opportunities. Affecting the cash flows at Q2 2017 were non-cash working capital figures including changes in receivables and payables. At Q2 2017 the Company has deposits in trust of $1,665,000 pursuant to an acquisition of investment property that closed subsequent to the quarter ending.

Cash outflows from real estate investing were $11,554,449 at March 31, 2017 (March 31, 2016 – $539,086). At Q2 2017, two new properties were acquired during the period for a total cost of $11,988,774. The Company received the first of two instalments of $500,000 which are due on the first and second anniversary of the sale of the subsidiary, IDCI. At Q2 2017 there were two new leases signed, one lease renewal, and the second of two instalment lease fees due to a third party, all of which totalled $76,834 in leasing fees.

Net cash outflows from financing were positive $7,382,190 at March 31, 2017 compared to cash outflows of $5,822,839 at March 31, 2016. During Q1 2017 the Company took advantage of funds available on the credit facilities and withdrew $491,854 to close the acquisition of the Coppertone VIII land and building in NW Edmonton. During Q2 2017 the Company received a new mortgage of $6,750,000 and related party financing of $575,000 to complete the second acquisition renamed Coppertone VII. Additional funds needed to complete the purchase came from the line of credit. During the prior year the Company increased equity on four properties by obtaining four new mortgages and repaying the principal balances of three of the mortgages at their term dates. The net proceeds of the new mortgages were used to repay other financing that had a balance at September 30, 2015 of $2,925,000. Additionally, two lines of credit with combined balances of $9,756,847 were paid in full in the first quarter of the prior year.

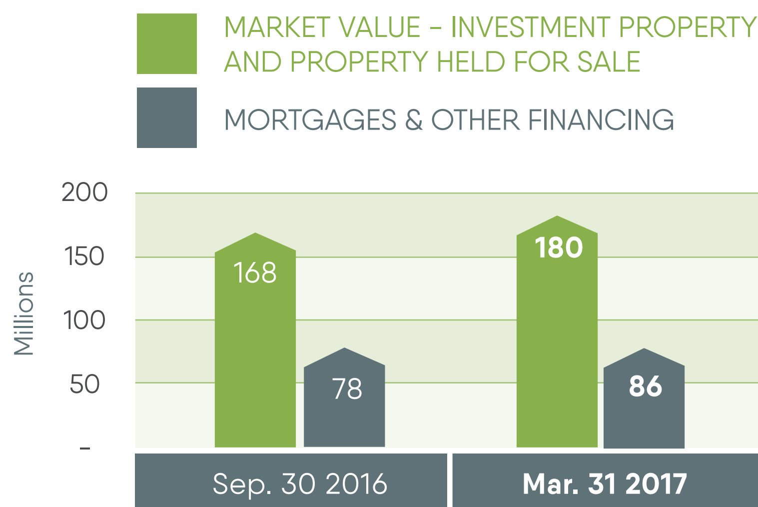
Transactions costs associated with new and renewed mortgages totalled $66,415 at March 31, 2017 compared to $125,434 at March 31, 2016. These costs are amortized over the terms of the respective mortgages and are shown net of the mortgages on the consolidated interim statements of financial position.

At March 31, 2017 the Company has purchased 3,500 common shares under the normal course issuer bid for a total cost of $15,635. At March 31, 2016, 75,600 shares were purchased for a total cost of $337,137.

Net cash inflows from discontinued operations (the sale of IDCI) were $3,535,463 in the prior year. This figure represents the sale proceeds received to date, less disposition costs, income taxes, return of the shareholder loan and operating activities to the date of sale.

At Q2 2017 there was a **net decrease in cash** of $2,041,982 due to the investment property acquisitions during the period compared to positive cash flow in the prior year where no acquisitions were completed.

SIGNIFICANT BALANCE SHEET CHANGES



Equity in investment properties has ***increased $3,916,748*** since September 30, 2016 – is the result of new acquisitions and monthly principal payments on the mortgages

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

The increase in the investment properties since September 30, 2016 is attributed to the following:	
► a decrease in the balance of deferred leasing after amortization	$ (39,780)
► an increase in the straight-line rent receivables	130,350
► capital expenditures on properties	11,841
► amortization of tenant inducements	(18,182)
► fair value net increases	529,269
► sale of equipment	(74,034)
► property acquisitions	11,988,774
Total increase September 30, 2016 to March 31, 2017	**$ 12,528,238**

Loan receivable at September 30, 2016 of $482,060 relates to the sale of IDCI and was transferred to current assets in the current period, as the loan net of a discount, is due December 31, 2017. The current portion of the loan receivable of $496,362 at September 30, 2016 was received by the Company on the due date of December 31, 2016. The loan is non-interest bearing and therefore discounted and amortized over the two-year term. Cash received at December 31, 2016 was $500,000. The amortized discount is shown as interest income in the consolidated interim statements of comprehensive income.

Investment properties held for sale consists of 12.89 acres of vacant land in Edmonton that is actively marketed for sale.

Trade receivables at March 31, 2017 in the amount of $211,726 include rental arrears from two tenants (September 30, 2016 – one tenant). The Company continues to work with one tenant experiencing cash shortages, and during Q2 2017, a large national tenant that has a location in Fort McMurray will defer a portion of their rent for several months with the intention to bring their account current, prior to the fiscal yearend.

Income taxes recoverable relate to the Company's 2016 tax filing year and are expected to be recovered.

Prepaid expenses and deposits have a balance at March 31, 2017 of $1,688,754. This amount includes deposits of $1,665,000 placed pursuant to an offer to purchase a commercial building that was acquired subsequent to this Q2 2017. The balance of prepaid expenses is for property insurance and a deposit with a municipality. At September 30, 2016 prepaid expenses included property insurance, property taxes, and a deposit with a municipality. Also at September 30, 2016 a deposit in the amount of $150,000 was held pursuant to the offer to purchase Coppertone VIII which closed in Q1 2017.

Mortgages at March 31, 2017 have a balance of $80,161,270 (September 30, 2016 - $75,593,117). During the current period, the principal balances of mortgages were reduced by $2,181,846 through regular monthly payments. One mortgage with a maturity date of October 1, 2016 was renewed for a further five year term at a lower rate of interest than the previous term, and a new mortgage in the amount of $6,750,000 was received for the acquisition of Coppertone VII in Q2 2017.

At March 31, 2017, there are five mortgages up for renewal in the next twelve months with combined principal balances of $9,404,470 which are shown as current liabilities. Subsequent to the quarter ending, one mortgage with a principal balance at March 31, 2017 of $783,969 was paid out, and the Company expects to renew the other mortgages when they come due.

Netted against mortgages on the statement of financial position is the balance of unamortized transaction costs of $242,462 at March 31, 2017 (September 30, 2016 – $215,323).

Bank operating facilities at March 31, 2017 have a balance of $5,997,862 (September 30, 2016 - $2,502,387) with one of the Company's major lenders. This credit facility assisted with the acquisitions of investment property.

The Company had two credit facilities at December 31, 2016; one had a limit of $1,800,000 (September 30, 2016 - $1,800,000) and bears interest at a rate of prime plus 1%. This line of credit was secured by a specific revenue producing property with a fair value of $8,400,000 at December 31, 2016 (September 30, 2016 - $8,400,000). During Q2 2017 the Company closed this line of credit and transferred the secured property to another line of credit below.

A second credit facility received an increase in the limit during Q2 2017 from $3,000,000 to $6,000,000 (September 30, 2016 - $3,000,000). This line of credit incurs standby fees on any unused portion of the facility. The revolving demand facility is available to assist with property acquisitions, payment of development costs, and general corporate purposes. The balance on this line of credit at March 31,2017 is $5,997,862 (September 30, 2016 - $2,502,387).

Specific details of the credit facilities and associated loan covenants can be found in note 8 of the consolidated interim financial statements. The Company was not in breach of any loan covenants throughout both reporting periods.

CREDIT FACILITIES	March 31, 2017	September 30, 2016
Bank credit facilities	**$ 6,000,000**	$ 4,800,000
Amounts drawn on facilities	**(5,997,862)**	(2,502,387)
Available credit facilities	**$ 2,138**	$ 2,297,613

Subsequent to Q2 2017 the Company received a further limit increase of $2,000,000 to the existing credit facility bringing the total limit to $8,000.000. The increase will be used to assist with property acquisitions and general operations.

Payables and accruals at March 31, 2017 have a balance of $837,600 (September 30, 2016 -$818,739). Trade payables decreased by $275,758 since the year end and accrued payables decreased by $48,157 during the same period. The biggest change since September 30, 2016 is the accrual for 2017 property taxes in the amount of $352,032. Taxes are payable in Q3 2017. Other accruals include interest on loans, prepaid rents from tenants, and the current portion of security deposits.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

FROM CONTINUING OPERATIONS

	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
REVENUE	**3,211,027**	2,951,195	2,648,633	2,684,838	**2,712,959**	2,703,143	2,733,741	2,822,211
TOTAL COMPREHENSIVE INCOME *(continuing operations)*	**1,587,629**	725,234	1,646,469	717,301	**1,424,335**	625,878	845,077	788,511
EPS - BASIC *continued op.*	**0.16**	0.08	0.17	0.08	**0.15**	0.06	0.09	0.08
EPS - DILUTED *continued op.*	**0.16**	0.07	0.17	0.08	**0.15**	0.06	0.08	0.07

QUARTERLY CHANGES IN THE REVENUE

Revenue increased in Q2 2017 by $259,832 over Q1 2017 with revenue generated from two new acquisitions, Coppertone VII and Coppertone VIII during the current period.

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

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

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

In the prior year at Q3 2015 operating expense recoveries were recorded for an annual liability due from a tenant for property taxes. At Q4 2015 the Company reversed that estimate from one tenant. This tenant opted to pay the taxes directly to the municipality and therefore the Company did not have to record the revenue recovery and associated expense. The majority of tenants pay their property taxes monthly to the Company, and the Company pays the municipalities annually in June when the taxes are due.

QUARTERLY CHANGES IN TOTAL COMPREHENSIVE INCOME

AND EARNINGS PER SHARE (BASIC AND DILUTED) FROM CONTINUING OPERATIONS

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

Q2 2017 had net revaluation gains of $363,625. While a significant number of properties had increases in the contracted revenue stream which would drive up the value, the Company chose to keep the values the same by adjusting the cap rates upward. There is no evidence in the market to suggest property values are increasing or decreasing at the present, therefore most of the values are adjusted slightly upward in the quarter to offset the amortization of deferred charges.

Q1 2017 had net revaluation gains of $165,644 and Q4 2016 had revaluation gains of $739,947 compared to negative valuations in the prior quarter. At Q4 budgeted common area costs are reconciled with actual costs and where possible those additional costs are charged back to the tenants. This will typically have a positive affect on earnings for the fourth quarter. Q3 2016 had a net decrease of $463,113 in the fair values as a property that was under contract to sell had to be reduced in value to reflect the disposition costs. The sale was completed in Q4 2016.

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

Q2 2015 investment property revaluations were $1,404,526.

Subsequent to Q2 2015, the Company has lower total comprehensive earnings than the previous quarters as there were not large increases in the fair value of the investment properties which existed at Q2 2015 and prior. Cap rates remained steady during 2015 with increases in the fair values being the result of higher contracted revenue streams in the following twelve months.

During 2016 the Company decided to increase the cap rates on some of the properties where there was a possible risk of the tenant having some exposure to the oil industry. There was only one lease renewal and one new lease that positively affected the fair value of the associated property during 2016. Affecting fair values are changes in the contracted revenue to be received in the next twelve months as well as changes in the balances of straight line rent, deferred leasing, tenant inducements, capitalized expenditures and changes to cap rates. These factors are inputs that contribute to the fair value increases or decreases of the investment properties.

The Company is required to capitalize property taxes on vacant land which will increase the value of the land beyond the fair value per acre. To bring the value back in line with the estimated market price per acre, the Company must show a fair value decrease. Capital expenditures made to the investment properties do not necessarily increase the immediate value of the property and sometimes the fair value must show a negative adjustment to bring the asset to the proper market value. These decreases are netted against increases. Overall, there continues to be net valuation gains on a year to date basis.

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Total issued and outstanding shares at March 31, 2017 are 9,606,342 (September 30, 2016 – 9,640,642). During 2016, the Company renewed its normal course issuer bid to have an expiry date of August 30, 2017. In the current period the Company purchased 3,500 shares for $15,635.

1,700 shares, plus 30,800 shares that were held in treasury at September 30, 2016 were cancelled in Q1 2017. The excess purchase price paid over the cost of the issued shares, was $127,037. This amount was charged to retained earnings.

At March 31, 2017 and September 30, 2016, there are 475,000 share options issued and outstanding under the Company's stock option plan. The options entitle the holder to one common share in exchange for each option held at an option price of $4.25. The options expire August 26, 2019.

DIVIDENDS

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

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

RELATED PARTY TRANSACTIONS

Paid to companies controlled by Sine Chadi

Property management and maintenance fees in the amount of $330,205 (2016 - $283,880) were paid to Sable Realty & Management Ltd., ("Sable") a company controlled by Sine Chadi, a director and officer of the Company. Fees paid to Sable are pursuant to a contract with Imperial Equities Inc. to bill for the management and maintenance of its properties for a fee of 4% of rents collected. Maintenance performed by Sable's property management team is charged at a competitive rate of $65 per hour (March 31, 2016 - $50 per hour) for labour, plus equipment and parts charges. Sable provides its own trucks, tools and equipment to perform property maintenance. Imperial Equities recovers 100% of the maintenance fees from the tenants under their occupancy costs. Four leases have no management fee recoverable and the remaining leases have a provision for the recovery of 2%-5% of minimum rent, or rent, which would include minimum rent and operating expense revenue. The percentage of management fees negotiated and collectible under the leases varies based on the amount of work involved in maintaining the property.

Leasing, acquisition and disposition fees in the aggregate of $142,700 (2016 – $159,792) were paid to North American Realty Corp. ("NARC") a Company controlled by Sine Chadi. At March 31, 2017, a total of $118,500 was paid for the acquisitions of Coppertone VII and Coppertone VIII. The remaining balance of $24,200 was for three lease commissions. In the prior year, a disposition fee of $159,792 was paid upon the sale of IDCI at December 31, 2015. Fees and commissions are in line with current industry standards and are comparable to similar transactions undertaken by the Company with unrelated parties.

Vehicle leases were paid to North American Mortgage & Leasing Corp. ("NAML") a company controlled by Sine Chadi. The vehicle leases were contracted with IDCI and the vehicles were used for delivery of pharmaceuticals. Total lease costs paid at December 31, 2015 were $5,226. All vehicles leased to IDCI were returned to NAML at December 31, 2015.

Office rent, parking and warehouse lease space were paid to Sable in the aggregate amount of $65,697 (2016 – $61,843). Imperial Equities shares office space with Sable and pays $8,000 per month. Warehouse lease space to store materials owned by Imperial, is paid monthly to Sable for market rate leased space in an industrial warehouse bay owned by Sable.

Fees paid in the amount of $110,000 (2016 - $103,000) were paid to Sable for the services provided by the Company's Chief Financial Officer who is not paid directly by Imperial Equities.

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

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

Paid to Directors

Directors' fees paid for attending directors' meetings were $32,500 for the six months ending March 31, 2017 (March 31, 2016 - $26,500). Fees per meeting are currently $2,500. At the annual general meeting on March 3, 2017, the shareholders approved the election of four board members to serve for the following year. (March 31, 2016 there were six board members). The fees paid are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations.

Compensation to key management personnel

The Company's key management personnel include the President Sine Chadi who is also a director and significant shareholder of the Company. Total salary paid to Mr. Chadi at March 31, 2017 was $150,000 (March 31, 2016 - $150,000).

Interim financing from a company controlled by Sine Chadi

Related party financing of $575,000 was received in Q2 2017 to assist with the property acquisitions. Interest on the financing accrues at a rate of 8% per annum. Interim financing in the amount of $100,000 was received during the prior year Q1 2016 from North American Mortgage Corp. The balance outstanding to this company on October 1, 2015 was $1,325,000. The total amount owing of $1,425,000 was repaid in full during Q1 2016 with interest at a rate of 8% per annum. Total interest paid during the period was $5,415.

Interim financing from three directors and shareholders

In the prior year, interim financing in the amount of $400,000 was received from a director and shareholder of the Company. A total of $1,000,000 was outstanding at September 30, 2015 to two directors. All outstanding balances owing were repaid in full during Q1 2016 with interest at a rate of 8% per annum. Total interest paid during the period was $16,763.

Interim financing from a company under common control

In the prior year, interim financing in the amount of $250,000 that was outstanding at September 30, 2015 was received from Imperial Land Corp., a company that is under common control by Sine Chadi. During Q1 2016, the balance was repaid with interest at a rate of 8% per annum. Total interest paid was $4,093.

LIQUIDITY, CAPITAL RESOURCES AND SOLVENCY

THE COMPANY'S LIQUIDITY POSITION	March 31, 2017	September 30, 2016
Cash and cash equivalents	**$ 73,052**	$ 2,115,033
Receivables	**211,726**	110,585
Current loan receivable	**489,238**	482,063
	$ 774,016	**$ 2,707,681**
Payables and accruals	**$ 837,600**	$ 818,739
Bank operating facilities	**5,997,862**	2,502,387
Other financing	**575,000**	–
Income taxes, net	**453,987**	656,343
	$ 7,864,449	$ 3,977,469
LIQUIDITY RATIO	**.10**	**.68**

The liquidity ratio decreased significantly from September 30, 2016 as the Company used available cash, credit facilities, and other financing to fund the acquisitions of Coppertone VII, Coppertone VIII, and the cash to close the acquisition in Q3 2017.

CASH FLOWS - CONTINUING OPERATIONS

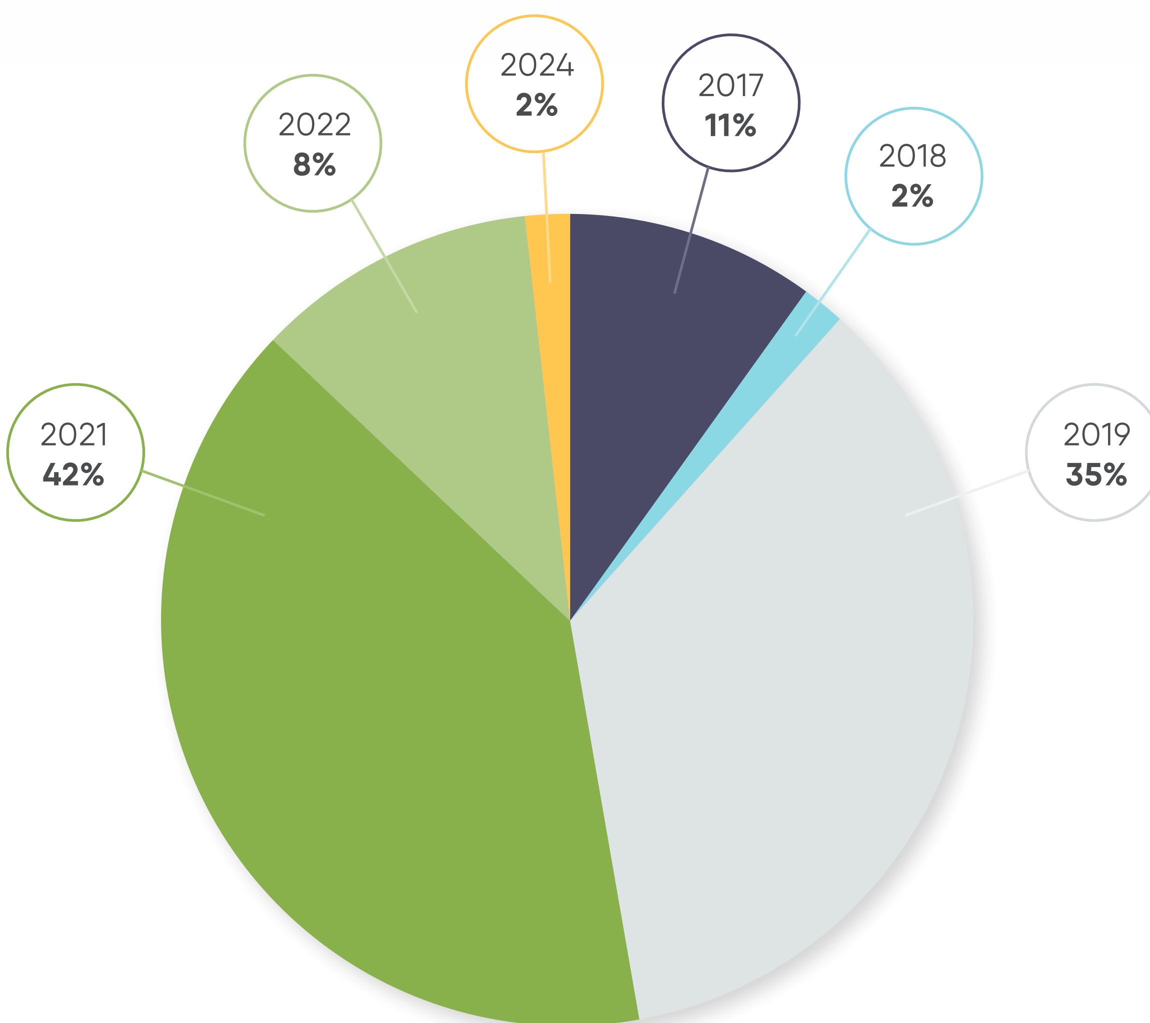
YEAR ENDING	March 31, 2017	March 31, 2016
Cash inflow from operations	**$ 2,130,278**	$ 3,466,263
Cash outflow from investing	**(11,554,449)**	(539,086)
Cash inflow (outflow) from financing	**7,382,190**	(5,822,839)
Net cash outflows for the period	**$ (2,041,982)**	**$ (2,895,662)**

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

Cash outflows from investing at March 31, 2017 include the acquisitions and were offset by receiving $500,000 from the receivable on the sale of IDCI.

At March 31, 2017 **financing activities** include the repayment of principal and interest on mortgages through regular monthly payments, and a draw on the credit facility of $3,495,474 to assist with closing the property acquisitions. One mortgage was renewed for a further five year term at a lower rate of interest than the previous term. In the prior year quarter there was considerable financing activities with new and renewed mortgages paying out other financing existing at September 30, 2015.

MORTGAGES AT MARCH 31, 2017



Mortgages on the investment properties have term dates varying to 2024. The weighted average interest rate on the mortgages continues to decline each year as mortgages have been renewed at lower rates of interest. At March 31, 2017, the weighted average rate is 3.03% (September 30, 2016 - 3.10%). There are five mortgages up for renewal in the next twelve months with combined principal balances of $9,404,471 at March 31, 2017. One of the mortgages with a maturity date of April 1, 2017 and a principal balance of $783,969 was paid in full subsequent to Q2 2017. The remaining four mortgages will be renewed as they mature.

Total monthly principal and interest payments are $604,660 or $1,813,980 quarterly. Cash flow from continuing operations at March 31, 2017 before changes in non-cash working capital is $3,552,412. This amount will increase next quarter with the added revenue from tenants in the new buildings acquired. The Company has excess funds to cover the debt repayments.

Based on the fair values of the investment properties at March 31, 2017 and the related debt including mortgages, other financing and the bank operating facilities, there is equity of $93,775,554 in the properties. Upon renewal of mortgages, the Company may have the option of increasing the leverage on a property, subject to the lender's approval, to provide increased capital. Other capital resources include related party interim financing.

LEVERAGE RATIOS

	March 31, 2017	September 30, 2016
Investment properties	$ 172,162,725	$ 159,634,487
Investment properties held for sale	8,104,500	8,104,500
Total investment properties	**$ 180,267,225**	**$ 167,738,987**
Mortgages	(79,918,809)	(75,377,794)
Other financing	(575,000)	–
Bank operating facilities	(5,997,862)	(2,502,387)
Total debt	**$ (86,491,671)**	**$ (77,880,181)**
Total equity in the properties	**$ 93,775,554**	**$ 89,858,806**
Debt to asset ratio	**.48**	**.46**
Interest coverage ratio	**3.51**	**3.09**

The Company was able to take advantage of continued low interest rates when refinancing a mortgage on October 1, 2016 that had a principal balance at September 30th, 2016 of $7,814,010. Should interest rates continue at the current level, mortgages up for renewal in the next twelve months will likely be renewed at lower rates than are currently in place. Provided our investment portfolio continues to remain strong and interest rates remain favourable, the Company will continue to evaluate its practise of increasing leverage on some of the properties where available.

The sale of IDCI at December 31, 2015 generated a $1,000,000 receivable which was repayable in two installments of $500,000 on the first and second anniversary of the sale. The first instalment was received at December 31, 2016.

During Q2 2017, the Company placed deposits of $1,565,000 pursuant to a purchase and sale agreement to acquire land and a building in southeast Edmonton. The acquisition for a total purchase price of $5,050,000 closed in Q2 2017, using conventional mortgage financing, available credit facilities, and related party interim financing.

During Q2 2017 the Company placed a deposit of $100,000 on an unconditional purchase and sale agreement to acquire 1.7 acres of vacant land adjacent to the property acquired for $5,050,000. The acquisition will close in Q3 2017.

Management continues to look at several build to suit opportunities on vacant land held by the Company, and subsequent to Q2 2017, plans for development on one lot have begun with a 10, 000 sf building. Construction is expected to be completed in 2018.

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

CRITICAL ESTIMATES OF THE CURRENT ECONOMIC ENVIRONMENT AND OUTLOOK

The economic environment the Company operates in could be adversely affected by tenants and their exposure to the price of oil. One small tenant with no exposure to the oil industry has indicated they are experiencing some financial difficulty and Management continues to work with this tenant while they resolve their cash flow issues. The rent from this tenant is one half of one percent of monthly rents and not considered a financial threat if the tenant, in a worst-case scenario, had to vacate. Two tenants with exposure to the oil industry have contacted Management to advise they are also experiencing some tightening measures in their operations and have asked for some rent concessions. One tenant's lease was restructured and the other large multi national tenant will defer part of their rent for a couple of months and then bring their account current by the end of the fiscal year. Management will work with these tenants to ensure they can continue to operate their businesses and continue their lease obligations.

At today's date, Imperial continues to have a strong tenant base and remains 100% occupied. As with all the Company's past transactions, future opportunities will be looked at through proper due diligence, and limited risk measures.

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

RISKS

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

Current tenants and their exposure to market risks may impact IEI if the tenant fails to make contracted rental payments. Companies with exposure to the production and drilling of oil and their ability to weather tighter financial restrictions could have a negative effect on operations.

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

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

The risk of vacancy of any leased space is the ability to continue to meet the mortgage obligations on the property as well as carrying costs including property taxes, utilities and insurance. If in an extreme case a property sat vacant, the carrying costs and mortgage payments could be paid for with existing cash flows from operations. Investment properties are 100% occupied.

Market values of the investment properties can decrease if the demand for industrial properties lease space decreases and rental rates are reduced, or capitalization rates increase. Imperial's exposure to the market value of its real estate assets affects mortgages up for renewal. Properties with mortgages that are maturing in the next 12 months are externally appraised for their current market value. Factors that influence market value are the income generated from the property, demand, vacancy rates, term of the current lease, strength of the current tenant, age of the building and location. Imperial is not aware of any obstacles at this date that would negatively affect its ability to refinance its buildings as the mortgages come due. The Company has determined that capitalization rates used to evaluate a property have recently moved slightly upwards however the demand for industrial space is still favorable. The total fair value of the investment properties not held for sale at March 31, 2017 is $172,162,725. The mortgages and bank operating facilities encumbered on the properties leave equity in the properties of $93,775,554 at March 31, 2017 which Management believes will be sufficient to absorb any decline in values and support our ability to refinance.

Lease rates may adjust downward if demand for industrial lease space decreases. As demand for this type of lease space goes up so does the lease rate. In any economic downturn, we could expect that the demand for space decreases and therefore the lease rate would decrease accordingly. Imperial is mindful of these risks. The large single tenanted buildings have strong tenants in place and so far, have not indicated to management that there are any potential threats to continued tenancy. Management believes that leases that are up for renewal in 2017 will be renewed at the same or higher rates than the Company is currently achieving.

Interest rates on mortgages that are up for renewal may become higher as financial institutions widen the gap on spreads or the underlying bank rates increase; however, competition within the lending industry has kept the borrowing rates low. The mortgages that were up for renewal in 2016 were successfully renewed at lower rates than the prior terms. The Company tries to mitigate the risk of rising interest rates by fixing rates for longer terms and by minimizing its exposure to floating rate financing. All mortgages have fixed rates.

Environmental risk

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

Cybersecurity risk

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

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

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

PLANNED EXPENDITURES

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

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

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES

Future accounting pronouncements

A FUTURE ACCOUNTING POLICIES

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

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

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

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

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

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

entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

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

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

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

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

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

B CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

(i) Leases

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts with tenants as operating leases.

In applying this policy, the Company makes judgments with respect to the point in time at which revenue recognition under the lease commences.

(ii) Investment property

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

Judgment is also applied in determining the extent and frequency of independent appraisals.

(iii) Income tax

The Company follows the asset/liability method for calculating deferred income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are

subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction.

C CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Investment properties

The choice of the valuation method for fair valuing and the critical estimates and assumptions underlying the valuation of investment properties and investment properties under construction are set out in Note 2 in the consolidated interim financial statements.

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

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

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

Income taxes

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

MEASURES NOT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Throughout the MD&A, management will use measures that may include Adjusted EBITDA, (income from operations before interest, taxes, depreciation, amortization, valuation gains and straight-line rental revenue) and NOI (net operating income from properties which includes property revenue less direct property operating expenses and excludes non-cash and extraordinary items, administrative expenses, amortization, valuation gains or losses, gains or losses on sales of investment property, stock based compensation, interest and income taxes). Different issuers may use the same term(s) to refer to different calculations or may vary the definitions of a particular term from one period to another period. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar

measures used by other companies. Management believes its use of Adjusted EBITDA and NOI provides the shareholders and prospective investors with additional performance measures to show the cash flow from operations that will be used to finance debt and further growth of the Company. A detail of the calculation can be found on page 14 in this MD&A.

DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL STATEMENTS

FOR THE SECOND QUARTER

ENDING MARCH 31, 2017

IMPERIAL EQUITIES INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	Notes	March 31, 2017	September 30, 2016
Assets			
Investment properties	3	172,162,725	159,634,487
Loan receivable		-	482,060
Total non-current assets		**172,162,725**	**160,116,550**
Investment properties held for sale	3	8,104,500	8,104,500
Current portion of loan receivable	4	489,238	496,362
Receivables	5	211,726	110,585
Income taxes recoverable		18,425	27,586
Prepaid expenses and deposits	6	1,688,754	494,762
Cash and cash equivalents		73,052	2,115,033
Total current assets		**10,585,695**	**11,348,828**
Total Assets		**182,748,420**	**171,465,378**
Liabilities			
Mortgages	7	66,408,320	55,563,817
Security deposits		312,838	256,314
Deferred taxes	11	13,751,806	12,991,319
Total non-current liabilities		**80,472,964**	**68,811,450**
Current portion of mortgages	7	13,510,489	19,813,977
Other financing	9	575,000	-
Bank operating facilities	8	5,997,862	2,502,387
Deposit on investment property for sale	3	-	250,000
Payables and accruals	10	837,600	818,739
Income taxes payable		472,412	683,929
Total current liabilities		**21,393,363**	**24,069,032**
Total Liabilities		**101,866,327**	**92,880,482**
Equity			
Issued share capital	13	6,058,113	5,946,742
Contributed surplus	13	593,750	593,750
Retained earnings		74,230,230	72,044,404
Total Equity		**80,882,093**	**78,584,896**
Total Equity and Liabilities		**182,748,420**	**171,465,378**

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

See accompanying notes to the consolidated interim financial statements.

IMPERIAL EQUITIES INC.
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For the period ending March 31,
(unaudited)

	Notes	3 Months 2017	3 Months 2016	6 Months 2017	6 Months 2016
Rental revenue	16(a)	**2,587,524**	2,205,116	**4,973,576**	4,401,616
Property operating expense recoveries		**623,503**	507,843	**1,188,646**	1,014,486
Property operating expenses	16(b)	**(750,154)**	(650,262)	**(1,384,178)**	(1,304,720)
Income from operations		**2,460,873**	2,062,697	**4,778,044**	4,111,382
Administration expenses		**(378,946)**	(250,860)	**(612,311)**	(465,831)
Amortization		**(80,709)**	(76,964)	**(155,890)**	(164,164)
Loss on the sale of equipment	3	**(51,034)**	-	**(51,034)**	-
Valuation gains from investment property	3	**363,625**	491,789	**529,269**	858,865
Income from operations before interest and other		**2,313,809**	2,226,662	**4,488,078**	4,340,252
Income earned from deposit	3	**250,000**	-	**250,000**	-
Interest income		**4,616**	15,897	**12,327**	15,897
Interest expense		**(620,390)**	(621,362)	**(1,204,643)**	(1,243,164)
Net income before tax		**1,948,035**	1,621,197	**3,545,762**	3,112,985
Income tax expense	11	**(360,406)**	(196,862)	**(1,232,899)**	(1,062,772)
Net income from continuing operations		**1,587,629**	1,424,335	**2,312,863**	2,050,213
Discontinued operations	4				
(Loss) income from discontinued operations		**-**	(9,134)	**-**	1,303,002
Income tax recovery (expense)		**-**	1,232	**-**	(169,090)
Net (loss) income from discontinued operations		**-**	(7,902)	**-**	1,133,912
Net income and total comprehensive income for the period		**1,587,629**	1,416,433	**2,312,863**	3,184,125
Earnings per share, basic and diluted	16				
From continuing operations		**0.16**	0.15	**0.24**	0.21
From discontinued operations		**-**	-	**-**	0.12
		0.16	0.15	**0.24**	0.33

See accompanying notes to the consolidated interim financial statements.

IMPERIAL EQUITIES INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
Six months ended March 31,

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
October 1, 2016	9,640,642	$ 5,946,742	$ 593,750	$ 72,044,404	$ 78,584,896
Shares held in treasury at beginning of year	-	139,322	-	-	139,322
Shares cancelled during the period	(32,600)	(20,540)	-	(127,037)	(147,577)
Shares repurchased during the period	(1,700)	(7,411)	-	-	(7,411)
Net income	-	-	-	2,312,863	2,312,863
Balance March 31, 2017	9,606,342	$ 6,058,113	$593,750	$ 74,230,230	$ 80,882,093

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
October 1, 2015	9,747,042	$ 6,133,681	$ 593,750	$ 66,790,046	$ 73,517,477
Shares repurchased during the period		(6,932)	-	-	(6,932)
Shares cancelled during the period	(75,600)	(47,617)	-	(282,587)	(330,204)
Net income	-	-	-	3,184,125	3,184,125
Balance March 31, 2016	9,671,442	$ 6,079,132	$593,750	$ 69,691,584	$ 76,364,466

See accompanying notes to the consolidated interim financial statements.

IMPERIAL EQUITIES INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the six months ended March 31,

	Notes	2017	2016
Operating activities			
Net income from continuing operations		2,312,863	2,050,213
Interest on financing		1,174,388	1,243,164
Items not affecting cash:			
Income from deposit on property		(250,000)	-
Amortization of discount on loan receivable		(10,813)	(7,225)
Amortization of tenant inducements		18,182	-
Loss on the sale of equipment		51,034	-
Fair value changes on investment properties		(529,269)	(858,865)
Amortization		155,890	164,164
Straight-line rental revenue		(130,350)	(84,116)
Deferred income taxes		760,487	911,796
Change in non-cash working capital	12	(1,422,134)	(121,100)
Cash inflow from operating activities of continuing operations		**2,130,278**	**3,466,263**
Cash outflow from discontinued operations		**-**	**(1,791,665)**
Investing activities			
Purchase of investment properties		(11,988,774)	-
Improvements to investment properties		(11,841)	(511,336)
Proceeds on sale of equipment		23,000	-
Proceeds from loan receivable		500,000	-
Direct leasing costs		(76,834)	(27,750)
Cash outflow used for investing activities of continuing operations		**(11,554,449)**	**(539,086)**
Cash inflow from disposition of discontinued operations net of disposal costs of $207,872	4	**-**	**3,048,133**
Financing activities			
Proceeds from mortgages		6,750,000	16,594,000
Repayment of mortgages		(2,181,846)	(8,029,257)
Transaction costs paid		(66,415)	(125,434)
Advances from other financing		575,000	500,000
Repayment of other financing		-	(3,425,000)
Interest on financing		(1,174,388)	(1,243,164)
Purchase of common shares for cancellation		(15,635)	(337,137)
Net advances (repayment) on bank operating facilities		3,495,474	(9,756,847)
Cash inflow (outflow) from financing activities of continuing operations		**7,382,190**	**(5,822,839)**
Cash inflow from financing of discontinued operations		**-**	**2,278,995**
(Decrease) increase, in cash and cash equivalents		(2,041,982)	639,801
Cash and cash equivalents, beginning of year		2,115,033	1,009,718
Cash and cash equivalents, end of period		**73,052**	**1,649,519**

Supplemental consolidated cash flow information (Note 12)

See accompanying notes to the consolidated interim financial statements.

1. Nature of operations

Imperial Equities Inc. ("the Company") was incorporated in Edmonton, Alberta, Canada. The registered and operating office of the Company is 2151, 10060 Jasper Avenue, Edmonton, Alberta T5J 3R8. The Company's operations consist of the acquisition, development and redevelopment of commercial and industrial properties primarily in Edmonton and throughout Alberta. The Company's operations also included the sale and distribution of pharmaceuticals to the date of disposal of Imperial Distributors Canada Inc. ("IDCI"). At December 31, 2015, subject to certain escrow conditions, the Company sold its wholly owned subsidiary IDCI. The results of this former subsidiary in the prior year are presented as discontinued operations in these consolidated interim financial statements (Note 4). All of the operations of Imperial Equities Inc. are conducted in Canadian funds. The Company's common shares trade on the TSX Venture Exchange (TSXV) under the symbol "IEI". These consolidated interim financial statements include the Company and its wholly owned subsidiaries, Imperial Equities Properties Ltd. ("IEPL"), Imperial Distributors Canada Inc. ("IDCI") to the date of disposition, Imperial One Limited, Imperial Two Limited, Imperial Three Limited, Imperial Four Limited, Imperial Five Limited, Imperial Six Limited, Imperial Seven Limited and Imperial Eight Limited.

2. Significant accounting policies

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

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

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

These consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the most recent annual financial statements. These statements have not been reviewed by the Company's auditors and should be read in conjunction with the Company's 2016 annual consolidated financial statements. The preparation of interim financial statements in conformity with IAS34 requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

These consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, which are the entities over which the Company has control. The Company controls the entity when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns. The results of operations of the former subsidiary IDCI are reported in the prior year to the date of disposal. All significant intercompany balances and transactions have been eliminated.

(b) Investment properties

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

Investment properties

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

of impairment. Should an indication of impairment exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the consolidated statement of comprehensive income. After the recognition of an impairment loss, the depreciation charge related to that asset is also revised for the adjusted carrying amount on a systematic basis over the remaining useful life of the asset. Should this impairment loss be determined to have reversed in a future period, a reversal of the impairment loss is recorded in the consolidated statements of comprehensive income. However, the reversal of an impairment loss will not increase the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized.

(e) Assets held for sale and discontinued operations

(i) Assets (or disposal groups) held for sale

Non-current assets and groups of assets and liabilities, which comprise disposal groups, are categorized as assets (or disposal groups) held for sale where the asset (or disposal group) is available for sale in its present condition and the sale is highly probable. For this purpose, a sale is highly probable: (a) if management is committed to a plan to achieve the sale, (b) there is an active program to find a buyer, (c) the non-current asset (or disposal group) is being actively marketed at a reasonable price, (d) the sale is anticipated to be completed within one year from the date of classification, and (e) it is unlikely there will be changes to the plan. Where an asset (or disposal group) is acquired with a view to resale, it is classified as held for sale if the disposal is expected to take place within one year of the acquisition and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition. Retrospective application is not required; therefore, comparative figures will not be adjusted to reflect non-current assets held for sale. The gains or losses arising on a sale of assets (or disposal groups) that does not meet the definition of discontinued operations will be recognized as part of continuing operations, while the gains or losses arising on a sale of assets (or disposal groups) that meets the definition of discontinued operations will be reported as part of discontinued operations in the consolidated statement of comprehensive income.

(ii) Discontinued operations

An asset or group of assets will be classified as a discontinued operation when it is a component of an entity that has either been disposed of or is classified as held for sale and represents a separate major line of business, it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or it is a subsidiary acquired exclusively with a view to resell. Profits and gains or losses related to the disposal of discontinued operations are measured based on fair value less cost to sell or on the disposal of the assets (or disposal groups) and are presented in the consolidated financial statements on an after tax basis in accordance with IFRS 5. In addition, retrospective application is required; therefore, comparative figures will be changed to reflect discontinued operations. As an individual building or a group of buildings in a non-core municipal region does not constitute a major line of business, these sales are not treated as discontinued operations.

(f) Investment properties held for sale

Investment property is transferred to current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable. For the sale to be highly probably the Board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated. The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. On re-classification, investment property that is measured at fair value continues to be so measured.

(g) Leases – Company as lessor

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

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

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

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

(h) Segment reporting

Operating segments are defined as components of the Company for which separate financial information is available and is evaluated by the chief decision makers in allocating resources and assessing performance. Up to the date of disposal of IDCI at December 31, 2015, the Company operated in two business segments, real estate and pharmaceutical sales, based on the different types of business activities and the different economic environments they operated in. All of the Company's operations are solely in Canada and are now under one business, real estate.

(i) Income tax

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

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

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

(j) Provisions

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

(k) Revenue recognition

(i) Real estate operations

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

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

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

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

(ii) Pharmaceutical operations – prior year

Revenue from the sale of pharmaceuticals up to the date of disposal in the prior year, is recognized when the Company has transferred to the customers the significant risks and rewards of ownership of the products. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the products sold. Revenues are recorded as gross revenue being the amount charged to customers net of rebates and any discounts or sales returns by customers. In management's opinion, the sales returns are insignificant and the Company provides a sales return allowance for each reporting period based on past experience.

There are instances when customers will request that the Company bill and hold their shipments until such time as the customers are prepared to receive the goods. Revenue on bill and hold arrangements is recognized when the customer is invoiced for the goods that have been purchased and made ready for shipment as the risk of ownership of the goods has been assumed by the customer. The terms and collections experienced on the related billings are consistent with all other sales.

(l) Fair value measurements

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

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

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

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

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

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

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

(m) Financial instruments

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

All financial instruments and certain non-financial derivatives are initially measured at fair value. Financial liabilities are initially recognized net of transaction costs. The Company does not have any derivatives embedded in financial or non-financial contracts.
The following summarizes the Company's classification and subsequent measurement of financial instruments:

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

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

(n) Cash and cash equivalents

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

(o) Stock based compensation

The Company has established a stock option plan for its directors, management and key employees as described in Note 14. The Company uses the fair value method of accounting for stock options. The fair value of the option grants is calculated on the grant date for employees using the Black-Scholes Option Pricing Model and recognized as compensation expense over the vesting period of those granted options, adjusted for estimated forfeitures. The corresponding adjustment is recorded to contributed surplus. The fair value of the option grants to non-employees is calculated based on the value of the services provided in exchange for the option issue. When the options are exercised the proceeds received by the Company, together with the related amount in contributed surplus, are added to share capital. Forfeited or expired options are put back into the pool of available stock options for future grants. No adjustment is recorded for stock options that expire unexercised. For stock options which expire unexercised, the corresponding amount in contributed surplus is transferred to retained earnings. There is no adjustment to past compensation expense. Compensation expense related to forfeited options is reversed on the forfeiture date provided the options have not vested.

(p) Normal course issuers bid

Common shares purchased under the normal course issuers bid ("NCIB") are acquired at market value. The transaction reduces the number of common shares outstanding and the transaction value, including costs, reduces capital stock at the adjusted cost base of the shares repurchased with the remaining transaction value charged to retained earnings.

(q) Critical judgments in applying accounting policies

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

(i) Leases

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

(ii) Investment properties

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

In the normal course of operations, the Company acquires investment properties. At the time of acquisition, the Company considers whether or not the acquisition represents the acquisition of a business or a group of assets and liabilities. All acquisitions of investment properties acquired to date by the Company have been determined to be asset acquisitions.

(iii) Income tax

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

(r) Critical accounting estimates and assumptions

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

Investment properties

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

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

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

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

Income taxes

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

Stock-based compensation

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

Sales returns provision

The Company had an informal policy whereby it accepted product returns from customers in its pharmaceutical segment, in the prior year. The provision recorded for estimated product returns was based on historical experience, market conditions, and knowledge of business. Actual sales returns experienced may differ from this estimate. The provision was presented as net against the pharmaceutical sales.

(s) Future accounting pronouncements

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

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

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

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

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

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

IFRS 16, "Leases" was issued in January 2016. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. Lessor accounting, however, remains largely unchanged, and

the distinction between operating and finance leases is retained. This standard will be effective for annual periods beginning after January 1, 2019, with early adoption permitted so long as IFRS 15 has been adopted. The Company has not yet begun the process of evaluating the impact this new standard will have on its consolidated financial statements.

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

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

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

3. Investment properties

Level 3	Six months ended March 31, 2017	Year ended September 30, 2016
Balance beginning of year	$ 159,634,487	$ 148,563,735
Additions:		
Capital expenditures	11,841	364,194
Tenant inducements net of amortization	(18,182)	372,727
Leasing commissions net of amortization	(39,780)	(199,170)
Property acquisitions	11,988,774	12,436,069
Revaluation gains, net	529,269	1,135,699
Sale of equipment	(74,034)	-
Investment property sold	-	(3,151,308)
Change in straight-line revenues	130,350	112,541
Balance end of period	**$ 172,162,725**	**$ 159,634,487**

Valuation methodology and processes

The fair value of investment properties as of March 31, 2017 and September 30, 2016 is determined internally by management using the assumptions and market information obtained from industry professionals and qualified external appraisers. Management uses inputs from external appraisers as additional sources of information when recording property specific attributes. Investment properties carried at fair value are categorized by level according to the significance of the inputs used in making the measurements. As the fair value of investment properties is determined with significant unobservable inputs, all of the investment properties are classified as Level 3 assets, with the exception of investment property held for sale. The Company’s policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer

There were no transfers in or out of Level 3 fair value measurements for investment properties during the periods above.

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

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

These factors were used to determine the fair value of investment properties at each reporting date. Investment properties are valued on a highest and best use basis. For all of the Company's investment properties, with the exception of the Oliver Crossing property and vacant land, the current use is considered to be the highest and best use. The Company's executive management team is responsible for determining fair value measurements including verifying all major inputs included in the valuation. Management, along with the Audit Committee, discuss the valuation process and key inputs on a quarterly basis.
The key level 3 valuation metrics for the investment properties with the exception of those described below are set out in the following tables:

	March 31, 2017	**September 30, 2016**
Range of capitalization rates applied to investment properties	5.00%-7.0%	5.75%-6.5%
Fair values of properties where cap rates were applied	$ 160,418,306	$ 147,890,087
Weighted average cap rates	6.20%	6.07%
Fair value impact of increasing average cap rate by 0.25%	$ (9,469,225)	$ (5,862,213)
Fair value impact of a 1% decrease in net operating income	$ (4,955,799)	$ (1,488,191)

This calculation was used on all of the investment properties with the exception of the Oliver Crossing, vacant land, and properties held for sale.

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

	March 31, 2017	**September 30, 2016**
Oliver Crossing		
Fair value	$ 8,400,000	$ 8,400,000
Impact of a $10 change in price per square foot	$ 525,000	$ 525,000
Vacant land		
Average price per acre of land held	$ 958,281	$ 958,281
Number of acres held	3.49	3.49
Total fair values of land held	$ 3,344,400	$ 3,344,400
Impact of a 10% change in average price per acre	$ 334,400	$ 334,400

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

	March 31, 2017	**September 30, 2016**
Straight line rent receivable	$ 1,345,450	$ 1,215,098
Leasing costs	771,249	811,031
Tenant inducements receivable	354,545	372,727
	$ 2,471,244	$ 2,398,856

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

Investment properties held for sale – Level 2
At September 30, 2015 the Company entered into an unconditional purchase and sale agreement with an arm's length purchaser to sell 12.89 acres of vacant land in Edmonton. The closing of the sale was expected to take place in Q3 2016 but was extended to allow the purchaser to obtain financing. A deposit on the sale agreement of $250,000 was received by the Company at September 30, 2015 and held until this second quarter when the purchaser could not complete the agreement. The deposit was forfeited by the purchaser and the Company recorded it as other income in these consolidated interim financial statements.

The 12.89 acres continues to be actively marketed for sale.

Loss on sale of equipment
During the current period the Company accepted an arms length offer to sell a 10 ton crane that was surplus to the Company's needs. The total sale price of $23,000 resulted in a loss for accounting purposes of $51,034.

4. Income or loss from discontinued operations
The discontinued operations consist of the operations of IDCI in which the Company sold its 100% equity interest on December 31, 2015. IDCI's operations have previously been recorded as an identifiable operating segment.

Income or loss from discontinued operations are presented as a single amount in the consolidated interim statements of comprehensive income and cash flows. This amount comprises the post-tax loss of the discontinued operations and the post-tax gain resulting from the measurement and disposal of their assets and liabilities.

The consideration paid by the purchaser for the purchased shares of IDCI was $1,500,000 with the Company carrying a loan receivable in the amount of $1,000,000 net of a discount of $43,250, to net cash on closing of $500,000. The loan receivable is repayable in two instalments of $500,000 each on the first and second anniversary of the sale date. At December 31, 2016 the Company received the first instalment of $500,000. The shares of IDCI are held in escrow until this loan receivable has been repaid. During the prior year, the Company received payment of $2,761,212 from the purchaser on the inter-company loan with IDCI.

Note receivable net of discount at September 30, 2016	$ 978,425
Payment received during the period	(500,000)
Amortization of the discount at March 31, 2017	10,813
Balance owing at March 31, 2017	**$ 489,238**

The operating loss of IDCI to the date of disposal, and the gain from the disposal of the assets and liabilities are summarised as follows:

	Three months ended December 31, 2015
Sales of pharmaceuticals	$ 10,070,816
Cost of sales of pharmaceuticals	(9,766,926)
Pharmaceuticals income	303,890
Administrative expenses	(346,496)
Amortization	(3,913)
	(350,409)
Loss from discontinued operations before interest and income taxes	(46,519)
Interest expense	(35,203)
Loss from discontinued operations before income taxes	(81,722)
Income tax recovery	3,947
Loss for the period	**$ (77,775)**

Net proceeds from the sale of IDCI	$ 1,456,750
Net liabilities disposed	131,899
Disposition costs	(207,872)
Accounting gain on the sale before income tax	1,380,777
Income tax expense	(169,090)
Accounting gain on the sale of IDCI	**$ 1,211,687**
Net income from discontinued operations	**$ 1,133,912**

5. Receivables

	March 31, 2017	September 30, 2016
Tenant receivables	$ 211,726	$ 110,585

The Company has a large number of tenants that are multinational companies with solid credit ratings. The receivables at September 30, 2016 include invoices for occupancy costs that were reconciled at September 30, 2016 and subsequently collected. At March 31, 2017 and September 30, 2016 one tenant with rental arrears continues to work with the Company to bring their account current. In Q2 2017 a large tenant with exposure to the oil industry had part of their contracted monthly lease payments deferred to the end of this fiscal year. There was no provision for impaired receivables at March 31, 2017 and September 30, 2016 as management has assessed the receivables to be collectible.

6. Prepaid expenses and deposits

	March 31, 2017	September 30, 2016
Prepaid operating expenses	$ 14,754	$ 335,762
Deposits on offers to purchase investment property	1,665,000	150,000
Security deposits with municipalities	9,000	9,000
Total	**$ 1,688,754**	**$ 494,762**

Prepaid operating expenses at March 31, 2017 are for property insurance. At September 30, 2016 prepaid expenses included property taxes and insurance.

The Company entered into an agreement to purchase land and a building in southeast Edmonton for a total purchase price of $5,050,000. Pursuant to the offer, deposits and cash to close of $1,565,000 were placed at March 31, 2017 and the acquisition closed April 1, 2017. A further deposit of $100,000 was placed at March 31, 2017 on an offer to purchase 1.7 acres of vacant land adjacent to the site acquired April 1, 2017. The total purchase price of the land is $1,435,600 and is expected to close in Q1 2018.

At September 30, 2016 a deposit of $150,000 was placed pursuant to an agreement to purchase the Coppertone VIII property. The acquisition was completed on November 30, 2016.

7. Mortgages

Maturity	Rate	March 31, 2017	September 30, 2016	Lender
October 1, 2021	2.470%	8,694,459	8,900,000	RBC
January 1, 2019	2.630%	2,828,930	2,913,260	RBC
January 1, 2021	2.980%	4,109,301	4,228,624	RBC
January 1, 2021	2.980%	6,358,405	6,543,036	RBC
January 1, 2019	2.630%	2,245,576	2,312,338	RBC
January 1, 2019	2.620%	1,984,216	2,062,814	RBC
April 1, 2021	2.880%	6,562,431	6,750,298	RBC
October 1, 2021	2.470%	7,536,365	7,814,010	RBC
April 1, 2017	3.525%	783,969	853,823	CIBC
June 1, 2017	2.810%	2,687,809	2,779,193	RBC
September 1, 2017	3.486%	2,670,699	2,775,287	CIBC
October 1, 2017	3.357%	2,341,868	2,433,395	CIBC
January 1, 2018	3.100%	920,125	955,634	RBC
October 1, 2018	3.610%	785,291	837,714	RBC
July 1, 2019	3.450%	11,284,328	11,520,792	RBC
November 1, 2019	3.334%	10,058,727	10,266,587	CIBC
February 1, 2022	3.040%	6,720,310	-	RBC
July 1, 2024	5.000%	1,588,462	1,646,312	Private
Total mortgages		80,161,271	75,593,117	
Less current portion:		(13,510,489)	(19,813,977)	
Less transactions costs:		(242,462)	(215,323)	
		66,408,320	**55,563,817**	
Weighted average rates		**3.03%**	**3.10%**	

All of the above mortgages are repayable in blended monthly payments of interest and principal. The security pledged for each mortgage is limited to the related investment property.

8. Bank operating facilities

	March 31, 2017	September 30, 2016
	$ 5,997,862	$ 2,502,387

The Company has credit facilities set out as follows:

At September 30, 2016 Imperial Equities had an operating line of credit for general business purposes with a limit of $1,800,000 and a Nil balance at that date. During the current period, the Company closed this line of credit.

At March 31, 2017 and September 30, 2016 Imperial Equities Inc. has an additional operating line of credit to assist with property acquisitions and general operations of the real estate segment with a limit of $3,000,000 at September 30, 2016 and a balance of $2,502,387 at that date. During the current period, the Company received an increase in the limit to this line of credit from $3,000,000 to $6,000,000. At March 31, 2017 the balance is $5,997,862. This facility bears interest at prime plus 1% per annum (September 30, 2016 – prime plus 1%) and is secured by two specific revenue producing properties with a fair value of $15,172,780 at March 31, 2017 (September 30, 2016 – secured by one property with a fair value of $6,772,780). The Company pays a standby fee of .25% per annum, payable monthly on the un-drawn portion of the facility. Specific covenants of this credit facility remain unchanged during the period and include; a minimum of 90% occupancy of the secured buildings and adherence to a margin formula as outlined below.

Availability under the facility will be restricted to the lending value assigned to the properties which will be the lesser of: a) the level at which a Debt Service Coverage Ratio of 1.30 can be maintained, less the Prior Debt on the property,

or b) the level at which a Loan to Value Ratio of 65% can be maintained with respect to the secured property, over which the Lender has a 1st mortgage and 60% with respect to the secured property over which the Lender holds a 2nd mortgage, less the prior debt on the property. For these secured properties, the loan to value is set at 65%.

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

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

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

At March 31, 2017 the debt service coverage ratio is 1.5 and the loan to value ratio is 57%. (September 30, 2016 the debt service coverage ratio was 5.93 and the loan to value ratio was 13%)

9. Other financing

	March 31, 2017	September 30, 2016
Other financing, beginning of year	$ -	$ -
Advances from related parties during the period	575,000	-
Total other financing, end of the period	**$ 575,000**	**$ -**

Advances from related parties are unsecured with no specified date of repayment. The loans bear interest at an annual rate of 8%. The fair value of related party loans at March 31, 2017 approximates the carrying value as the amounts are due on demand.

10. Payables and accruals

	March 31, 2017	September 30, 2016
Trade payables	$ -	$ 275,758
Accrued loan interest	206,397	176,141
Current portion of tenant security deposits	50,550	79,619
Accrued payables	62,087	110,244
Accrued property taxes payable	352,032	-
Prepaid rents	166,534	176,977
Total	**$ 837,600**	**$ 818,739**

Prepaid rents from tenants largely relates to rent due on the first of the following month. The balance of rents paid in advance are amortized over the applicable months. The carrying value of payables and accruals approximates fair value due to their short term maturity.

11. Income taxes

a) Provision for income taxes

Components of income tax expense	March 31, 2017	March 31, 2016
Current tax expense	$ 472,412	$ 150,975
Deferred tax expense	760,487	911,797
	$ 1,232,899	**$ 1,062,772**

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

	March 31, 2017	March 31, 2016
Expected income tax expense at 27% (2016-27.00%)	$ 957,356	$ 840,506
Increase (decrease) resulting from:		
Non-deductible items	5,126	-
Rate differences	-	222,266
Other	270,417	-
	$ 1,232,899	**$ 1,062,772**

b) Deferred taxes

Current year deferred tax assets are attributable to the following:

	March 31, 2017	September 30, 2016
Financing fees	$ 14,131	$ 12,883
Loan receivable	2,906	5,825
Non-capital losses	-	12,253
Cumulative eligible capital	573	616
Deferred tax assets	17,610	31,577
Offset of tax	(17,610)	(31,577)
Net deferred tax assets	**$ -**	**$ -**

Current year deferred tax liabilities are attributable to the following:

	March 31, 2017	September 30, 2016
Straight-line rent receivable	$ 363,271	$ 328,076
Investment properties	13,063,326	12,258,648
Tenant inducements	95,727	100,636
Capital gain reserve	38,855	116,557
Deferred leasing	208,237	218,979
Tax liabilities	13,769,416	13,022,896
Offset of tax	(17,610)	(31,577)
Net tax liabilities	**$ 13,751,806**	**$ 12,991,319**

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

c) Non-capital losses

At March 31, 2017 the Company has zero non-capital losses carried forward (September 30, 2016 - $45,381).

12. Supplemental consolidated cash flow information from continuing operations

	2017	2016
Change in non-cash working capital		
(Increase) decrease in receivables	$ (101,142)	$ 163,650
(Increase) decrease in prepaid expenses and deposits	(1,193,993)	417,422
Increase (decrease) in payables and accruals	18,860	(448,241)
Decrease in income taxes payable	(202,383)	(253,931)
Increase in security deposits	56,524	-
Total	**$ (1,422,134)**	**$ (121,100)**
Interest paid from continuing operations	$ 1,174,388	$ 1,317,115
Income taxes paid	$ 683,929	$ 465,458

13. Share capital

a) The Company has unlimited authorized common share capital.

	March 31, 2017	September 30, 2016
Number of shares issued		
Balance beginning of year	9,640,642	9,747,042
Shares repurchased during the period	(1,700)	(30,800)
Shares cancelled during the period	(32,600)	(75,600)
Ending number of shares	**9,606,342**	**9,640,642**

	March 31, 2017	September 30, 2016
Capital stock		
Balance beginning of year	$ 5,946,742	$ 6,133,681
Shares held in treasury beginning of year	139,322	-
Shares repurchased during the period	(7,411)	(139,322)
Shares cancelled during the period	(20,540)	(47,617)
Ending capital stock	**$ 6,058,113**	**$ 5,946,742**

The Company received approval from the TSX Venture Exchange to purchase up to 487,577 common shares representing 5% of the outstanding shares under a normal course issuer bid ("NCIB") that expires August 30, 2017.

During the prior year 30,800 shares were repurchased for a total purchase price of $139,322. All the repurchased shares were held in treasury at September 30, 2016.

During the current period, an additional 3,500 shares were repurchased for a total purchase price of $15,635. Of the total shares repurchased and held in treasury, 32,600 were cancelled and the excess purchase price over the cost of the shares issued in the amount of $127,037 was charged to retained earnings. The remaining 1,700 shares are held in treasury until they are cancelled.

b) **Contributed surplus**

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

	March 31, 2017	September 30, 2016
Contributed surplus, beginning of year	$ 593,750	$ 593,750
Ending contributed surplus, end of period	**$ 593,750**	**$ 593,750**

14. Earnings per share

The following are the weighted average number of shares outstanding for the six months ended,

	March 31, 2017	March 31, 2016
Net income and total comprehensive income for the period	$ 2,312,863	$ 3,184,125
Weighted average shares outstanding – basic	9,608,672	9,717,674
Unexercised dilutive options	37,319	17,502
Weighted average shares outstanding – diluted	9,645,991	9,735,177

Earnings per share – basic		
From continuing operations	$ .24	$ .21
From discontinued operations	$ -	$ .12
Total earnings per share, basic	**$ .24**	**$ .33**

Earnings per share – diluted		
From continuing operations	$ .24	$ .21
From discontinued operations	$ -	$ .12
Total earnings per share, diluted	**$ .24**	**$ .33**

15. Stock-based compensation plan

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

	Options Outstanding	**Weighted Average Exercise Price**	**Weighted Average Remaining Life (Yrs)**
Opening balance at October 1, 2016	475,000	$ 4.25	2.92
Ending balance at March 31, 2017	**475,000**	**$ 4.25**	**2.42**

	Options Outstanding	**Weighted Average Exercise Price**	**Weighted Average Remaining Life (Yrs)**
Opening balance at October 1, 2015	475,000	$ 4.25	3.92
Ending balance at September 31, 2016	**475,000**	**$ 4.25**	**2.92**

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

The contractual term of each option granted is five years. There are no cash settlement alternatives. The Company does not have a past practice of cash settlement for these share options. All of the options outstanding as of March 31, 2017 and September 30, 2016 are exercisable.

16. Rental revenue

The Company leases commercial properties under operating leases with lease terms generally between 3 and 15 years. Some leases have options to extend for further five year terms and one lease is currently month to month.

a) Rental revenue

For the six months ending March 31 is as follows:

	2017	**2016**
Rental revenue, contractual amount	$ 4,861,408	$ 4,317,500
Amortization of tenant inducements	(18,182)	-
Straight line of rental revenue from leases	130,350	84,116
Rental revenue on statement of comprehensive income	**$ 4,973,576**	**$ 4,401,616**

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

	2017	2016
No later than one year	$ 10,214,959	$ 8,545,525
2 – 5 years	34,978,852	28,540,298
Over 5 years	27,177,955	26,699,461
Total	**$ 72,371,766**	**$ 63,785,283**

b) Property operating expenses

	2017	2016
Property taxes	$ 790,033	$ 683,522
Insurance	60,835	47,493
Repairs and maintenance	223,688	292,745
Management fees	263,267	245,244
Utilities	46,355	35,716
Total	**$ 1,384,178**	**$ 1,304,720**

17. Guarantees and contingencies

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

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

c) The Company has contracts in place with related parties to provide property management and asset management. Both contracts have been in place since 1999 and have been renewed on an annual basis with no changes to the terms. Further information can be found in the Related Party Transactions in Note 20.

18. Capital risk management

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

	Six months ended March 31, 2017	Year ended September 30 2016
Mortgages	$ 80,161,270	$ 75,593,117
Bank operating facilities	5,997,862	2,502,387
Other financing	575,000	-
Total debt financing	$ 86,734,132	78,095,504
Equity	80,882,093	78,584,896
	$ 167,616,225	**$ 156,680,400**

19. Financial instruments

	Six months ended March 31, 2017	Year ended September 30, 2016
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 73,052	$ 2,115,033
Receivables	211,726	110,585
Loan receivable (net of amortized discount)	489,238	978,425
	$ 774,016	**$ 3,204,043**
Financial liabilities		
Other financial liabilities		
Bank operating facilities	$ 5,997,862	$ 2,502,387
Other financing	575,000	-
Payables and accruals	837,600	818,739
Security deposits	312,838	256,314
Mortgages	80,161,270	75,593,117
	$ 87,884,570	**$ 79,170,557**

The carrying value of cash and cash equivalents, receivables, loan receivable, bank operating facilities, other financing, payables and security deposits approximate their fair value because of the near term maturity of those instruments. The fair value of mortgages payable are a level 2 measurement and are based on discounted future cash flows using rates that reflect observable current market rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable as at March 31, 2017 is $81,752,753 (September 30, 2016 - $78,528,168). These estimates are subjective in nature as current interest rates are selected from a range of potentially acceptable rates and accordingly, other fair value estimates are possible. The interest rate used for this calculation is 3.04% (September 30, 2016 – 2.470%).

The Company's activities expose it to risks arising from financial instruments including credit risk, interest rate risk and liquidity risk. Management reviews these risks on an ongoing basis to ensure that the risks are appropriately managed.

Credit risk

The Company's maximum exposure to credit risk is the balance of its trade receivables of $211,726 (September 30, 2016 - $110,585) and cash and cash equivalents of $73,052 (September 30, 2016 - $2,115,033). Credit risk for Imperial Equities Inc. arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss with a policy of credit assessment for all new lessees and by limiting its exposure to any one tenant. Credit risk associated with cash and cash equivalents is mitigated through the Company holding cash and cash equivalents with reputable financial institutions. The Company's receivables at September 30, 2016 are mostly related to year end adjustments billed to the tenants for occupancy costs which are recovered in the subsequent quarter. At March 31, 2017 trade receivables of $211,726 relate to two tenants; a small tenant with whom the Company is working with to bring their balance current, and a large tenant situated in Fort McMurray. This tenant is deferring a portion of their monthly rent for a few months with the intent to bring their account current by the end of the fiscal year.

Trade accounts receivable from real estate activities in the Company that have been deemed uncollectible are expensed as bad debts and charged to net income in the period when the account is determined to be doubtful. Estimates for the allowance for doubtful accounts are determined on a tenant-by-tenant evaluation of collectability at each reporting date. As at March 31, 2017 and September 30, 2016 the Company has not recorded any provision for bad debts as it deems all accounts as collectible.

Interest rate risk

The Company's exposure to interest rate risk relates to its short term floating interest rates on bank operating facilities. The required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. The balance on the bank operating facilities at March 31, 2017 is $5,997,862 (September 30, 2016 - $2,502,387). Under the assumption any balance of debt is outstanding for a further one year; a 1% increase in the prime rate would have a negative impact on the future annual earnings of the Company of $59,979. The Company minimizes its exposure to interest rate risk to the extent that all mortgages have fixed rates with terms expiring from one to seven years.

Liquidity risk

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

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

Contractual obligations at March 31, 2017

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	$ 15,691,466	$ 36,368,999	$ 33,988,812	$ -	$ 86,049,277
Payables and accruals	837,600	-	-	-	837,600
Security deposits	50,550	22,493	178,674	111,671	363,388
	$ 16,579,616	$ 36,391,492	$ 34,167,486	$ 111,671	$ 87,250,265
Operating facilities	5,997,862	-	-	-	5,997,862
	$ 22,577,478	**$ 36,391,492**	**$ 34,167,486**	**$ 111,671**	**$ 93,248,127**

Contractual obligations at September 30, 2016

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	$ 19,565,613	$ 29,084,039	$ 32,982,457	$ -	$ 81,632,109
Payables and accruals	818,739	-	-	-	818,739
Security deposits	79,619	23,904	74,833	157,451	335,807
	$ 20,463,971	$ 29,107,943	$ 33,057,290	$ 157,451	$ 82,786,655
Operating facilities	2,502,387	-	-	-	2,502,387
	$ 22,966,358	**$ 29,107,943**	**$ 33,057,290**	**$ 157,451**	**$ 85,289,042**

20. Related party transactions

The following are the related party transactions of the Company.

a) *Management Agreements*

Sable Realty & Management Ltd. provides property management services to Imperial Equities Inc. North American Realty Corp. provides asset management services to the Company. North American Mortgage & Leasing Corp. provided leased vehicles to IDCI. All three of these companies are controlled by Sine Chadi.

Fee structure

Payments to Sable Realty & Management Ltd.:

Property management	4% of gross rents paid plus a flat fee for ground maintenance on certain properties
Property maintenance	$65/hr for labour plus charges for truck, equipment and parts (2016 - $50./hr)
Project management	contracted directly with the tenant and charged back under the terms of their lease
Office rent and parking	flat rate of $8,000 monthly
Warehouse lease space	market rate for comparable leased space
Leasehold improvements	contracted directly with the tenant and charged back under the terms of their lease
Fees for CFO	$210,000 annually 2017 (2016 - $183,000 annually)

Payments to North American Realty Corp.:

Leasing	3% of the value of lease renewals to a maximum of five years 6% of the value of new leases for the first five years plus 3% of the value of the leases that extend from six years to a maximum of ten years
Acquisitions	1% of the purchase price of the property
Dispositions	3% of the sale price of investment property IDCI disposition fee was 1.5% of the total assets held in IDCI at the sale date excluding deferred taxes and 1.5% of the proceeds of the sale of the shares

Payments to North American Mortgage & Leasing Corp.:

Vehicle leases	All leases were terminated at December 31, 2015.

Payments for the six months ending March 31,	**2017**	**2016**
Property management and maintenance fees	$ 330,205	$ 283,880
Acquisition fees	118,500	-
Leasing fees	24,200	-
Disposition fees	-	159,792
Vehicle leases	-	5,226
Office rent and parking	48,000	48,000
Warehouse lease space	17,697	13,843
Fees for CFO	110,000	103,000
Total	**$ 648,602**	**$ 613,741**
Amounts payable at March 31	**$ -**	**$ -**

b) *Other related party transactions*

i) Directors are paid a fee for attending directors' meetings. The fees are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations. Total fees paid for the six months ending March 31, 2017 were $32,500 (March 31, 2016 – $26,500).

ii) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Company's key management personnel

include the President Sine Chadi who is also a director of the Company. Total compensation paid to Mr. Chadi for the six months ending March 31, 2017 is $150,000 (March 31, 2016 - $150,000).

iii) Other financing

Related Party	Opening Balance Oct 1'16	Advances	Repayments	Ending Balance 31-Mar-17
NAMC[1]	$ -	$ 575,000	$ -	$ 575,000

1. NAMC is owned 100% by a director and major shareholder of the Company. Total interest accrued during the period is $5,354.

Interest on other financing is calculated at an annual rate of 8%. The loan is unsecured with no specific terms of repayment.

21. Post-reporting date events

Subsequent to the quarter ending, the Company completed the purchase of a 34,404 square foot building situated on 3.76 acres in southeast Edmonton . The total purchase price of $5,050,000 was completed in Q3 2017 with funds from operations, available credit facilities, conventional mortgage financing, and related party financing.

22. Authorization of consolidated interim financial statements

The consolidated interim financial statements for the six months ending March 31, 2017 (including comparatives) were authorized for issue by the Board of Directors on May 15, 2017.

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