



IMPERIAL
EQUITIES
INC.

2nd

Quarter Report 2022

Ending March 31, 2022

TABLE OF CONTENTS

President's Report	01
Management's Discussion and Analysis	
Responsibility of management and the Board of Directors	04
Forward-looking information	04
Additional non-IFRS measures	04
Business overview	04
Strategic direction	05
Key performance drivers	05
Key performance indicators	06
Investment properties	07
Leasing activities	08
Financing	12
Mortgage maturities	13
Activity during the period	14
Performance results	14
Results of operations and cash flows	15
Changes in cash flows	17
Changes in financial position	17
Summary of consolidated quarterly results	19
Outstanding share data	20
Dividends	20
Related party transactions	20
Liquidity, capital resources, and solvency	21
Critical estimates of the current economic environment and outlook	22
Risks and risk management	22
Critical accounting estimates and changes in accounting policies	22
Measures not in accordance with international financial reporting standards	23
Disclosure controls and procedures	23
Off-balance sheet arrangements	23
Financial Statements	24

PRESIDENT'S REPORT

2nd Quarter

March 31, 2022



Report to Shareholders

I am pleased to present our Q2 2022 results and to report on the progress of our Company. There is no question this will be a busy year as we see strong economic growth poised to return. This will be potentially offset by some challenging external conditions, principally inflation and slow supply chains – and the impacts of war on both factors. For us, growth and stability continue to be our main goals, so we monitor our external market, and apply steady management across all activities. As of Q2 2022, we can report on another Quarter of success with our portfolio gaining value ahead of last year's pace and our bottom line remaining profitable.

Strong results never just happen; challenges always arise. For us, the primary challenge is keeping our buildings fully occupied, and therefore performing at their best possible rate of return. While we have close to 15% of our portfolio up for renewal this year, we are making strong progress in both securing renewals and marketing our properties where required.

Historically we've done extremely well here, averaging less than 5% vacancy. We do this first through tenant retention, but vacancies do occur, including one during this Quarter leaving a 34,404 square foot building and yard available for lease. We are moving quickly to both to prepare the property for a new tenant and to get the word out in the marketplace. We don't like vacancy, so we move quickly to solve it, and our success here, is probably the greatest part of our success over time.

The other key factor in confronting vacancy is economy. We've worked through several years of oil price crash followed by global pandemic causing some of the most challenging economic conditions we've ever seen. But for the first time since 2013, there is considerable optimism in the regional marketplace, driven largely by the first oil price increases since before 2014.

We are now in an ever more competitive and active marketplace. In our key territories, industrial property vacancy rates are among the lowest we've seen in almost ten years. As our regional markets become more active, we are seeing transactions close at cap rates below 5% reflecting strong valuations and shrinking industrial vacancy rates as quality space gets harder to find. These are all positive indicators for our Company as we seek to manage lease renewals and secure new investments and new leases as well.

We made one strategic acquisition this Quarter, adding to our Coppertone Industrial Commons development area with a single acquisition involving two contiguous properties purchased together for a bulk price of \$2.25 million. The purchase includes two separate parcels of land, which will be valued and marketed separately. One parcel is 0.72 acres with a 5,840 square foot building, which is currently vacant. The second parcel is a 0.91 acre lot with excellent development potential.

With this purchase we now hold nine properties and more than 130,000 square feet of industrial space in the Coppertone Industrial Common, a central industrial district with excellent exposure for our tenants.

We also continue to look for opportunities to expand in a market that is growing more competitive and seeing significant price escalation. We remain committed to making prudent investments that will build our portfolio by bringing in properties where we can realize strong consistent returns.

We are also now well underway with construction at one of our Fort McMurray, Alberta properties. The new construction will add approximately 33,000 additional square feet to the existing building and a new building, thereby more than doubling the leasable space at this site by early 2023.

With new construction underway, we are extremely mindful of the potential impacts of slow supply chains and increased costs. We've worked with our contractor in Fort McMurray to manage the challenges as effectively as possible, by pre-purchasing materials where we were able, and by managing the project timeline to ensure the expansion to the existing building is complete first so our tenant can begin to use this space, while the balance of construction is completed. At this point we are able to manage this expansion project with existing cash, but we are mindful that we will need to consider long-term financing as we near completion so as to free up cash for new investment. For this project and for all our investments, we will continue to monitor the interest rate environment to ensure our best position.

And while interest rates and managing supply chains are key issues for us, perhaps the biggest inflationary impact we are seeing is on the costs of utilities that have spiked across the board and are especially pronounced for our industrial tenant base who conduct energy intensive work. These costs are recoverable for us so they don't outright impact our bottom line, but as they impact our tenants' cash flows, they may impact the potential to achieve lease escalations, or tenant-funded property improvements. Most importantly these escalations provide a strong impetus to accelerate our energy efficiency projects to offset some of the direct costs to our tenants, as well as improve our emissions profile.

While we are managing these challenges, we remain confident in our overall position and strong balance sheet. As noted at the end of Q1 2022, our Board approved an increase in dividends payable to our shareholders, reflecting our strong long-term optimism about our company. For Q2, 2022, we declared a quarterly dividend of \$0.02 per share reflecting this increase. This dividend was paid on April 30, 2022.

Strong economic indicators and a low-vacancy industry market are positives for our Company as we seek to close off key lease transactions this year. We are optimistic that we will be successful in managing lease renewals, securing new leases, and making our next investments. A strong market requires careful assessment of opportunity – both in terms of additions and potential timely divestments – but we are excited as we look ahead.

Finally, I was pleased to have the chance to meet virtually with many of our shareholders at our AGM in March. If you were not able to participate, I do encourage you to get in touch anytime to talk about our Company.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Sine', with a stylized flourish at the end.

Sine Chadi
President & CEO

MD &A

MANAGEMENT'S DISCUSSION & ANALYSIS

for the second quarter ending March 31, 2022

IMPERIAL EQUITIES INC. MD&A AS AT MAY 17 2022

The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an explanation of the performance of Imperial Equities Inc. ("Imperial" or "Imperial Equities" or the "Company") and its subsidiaries. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended March 31, 2022, and the related notes. Imperial Equities Inc. trades on the TSX Venture Exchange under the symbol "IEI". Additional information on the Company may be obtained by visiting www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in the MD&A and is also responsible to ensure that appropriate procedures and controls exist internally that will provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with International Financial Reporting Standards ("IFRS"). In addition, the Company's Audit Committee and Board of Directors provide an oversight role for 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 market conditions. This forward-looking information is based on Management's current assessments made based on internal expertise as well as the opinions of other professionals in this industry. While Management may consider these statements to be reasonably optimistic and favourable, the opinions and estimates of future trends are subject to risk and uncertainties. Readers are encouraged to read the risk factors identified in Note 20 of the audited consolidated financial statements and Management's Discussion and Analysis for the fiscal year ending September 30, 2021. Any forward-looking statements in this report should not be relied upon as facts, as actual results may differ from estimates.

ADDITIONAL NON-IFRS MEASURES

Debt, unencumbered properties, operating expense recoveries, and debt to asset ratios are non-IFRS financial measures and do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar calculations reported by other Canadian issuers.

Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies.

BUSINESS OVERVIEW

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

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

STRATEGIC DIRECTION

Imperial's team of professionals is dedicated to continuing to grow its real estate portfolio and earn value for its shareholders. The Company is focused in the real estate market throughout western Canada and is committed to continue building a strong portfolio of investment properties, through careful, strategic movement. The Company is diligent in working to towards meeting its strategic goals and objectives. For details on the Company's strategic goals and objectives, refer to Management's Discussion & Analysis for the fiscal year ended September 30, 2021.

KEY PERFORMANCE DRIVERS

Imperial Equities continues to engage a dedicated team of professionals to manage and oversee business activities. There is a strong Board of Directors with significant real estate experience to guide and assess the Company's strategy and investment decisions. The dedication and professional experience of Imperial's Management team has helped the Company achieve positive earnings every year the Company has been in business.

Management continues to monitor the success of Imperial by measuring how well the Company delivers on its strategies and executes due diligence. This assessment includes the size of the tenant, the length of time they have been in business, their operations, and exposure to the industry in which they operate. All the performance drivers used by the Company are consistent with those outlined in Management's Discussion & Analysis for the year ended September 30, 2021.

KEY PERFORMANCE INDICATORS

	Period Ending March 31, 2022	Year Ending September 30, 2021
Investment Properties		
Total number of investment properties	42	40
Property acquisitions during the period	2	3
Property dispositions during the period	-	-
Raw land properties held for future development	10	9
Raw land properties under lease with tenants	3	5
Gross leasable area (GLA) in square feet	1,089,843	1,084,003
Leasing Activities by Gross Leasable Area (GLA)		
Lease retention	33,925	180,317
New tenant leases	5,093	151,110
GLA of leases expiring within twelve months	164,798	170,048
Space available for lease	44,404	9,264
Average lease term to maturity in years	4.87	4.73
Building occupancy	95.9%	99.1%
Property Operations		
% operating expense recoveries	74%	82%
Income from operations	\$ 6,707,141	\$ 13,138,345
Investment property improvements	\$ 523,530	\$ 1,973,550
Financing		
Debt to total assets ratio	52%	54%
Weighted average interest rates on mortgages	3.19%	3.15%

During the past twelve months, several properties held by the Company have been remeasured and certified to BOMA standards, hence updating the gross leasable area in the current & previous fiscal years.

INVESTMENT PROPERTIES

Raw land properties held for future development

- 12.9 acres in Strathcona County, AB
- 2.24 acres in NW Edmonton, AB
- 49.42 acres in Hanna, AB
- 3 acres in NW Edmonton, AB
- 1.7 acres in SE Edmonton, AB
- 1.71 Acres in SE Edmonton, AB
- 0.91 Acres in NW Edmonton, AB

Raw land properties held for future development and leased with tenants in place

- 1.49 acres in SE Edmonton, AB, under a lease with an existing tenant
- 2 acres in NW Edmonton, AB, under a lease with an existing tenant
- 3 acres in NW Edmonton, AB, under individual leases with five tenants

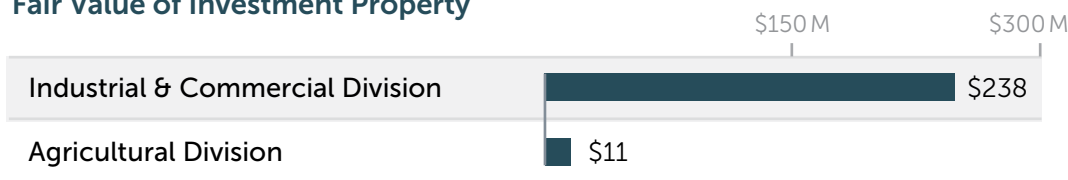
Gross leasable area (GLA) – unchanged from the prior period - totalling 1,089,843 ft² increased by net 5,840 ft² since September 30, 2021 as a result of two acquisitions during the period.

PROPERTY PORTFOLIO - GLA BY MUNICIPALITY

Edmonton	792,067
Fort McMurray	51,424
Red Deer	78,196
Leduc	41,630
Vegreville	33,295
Hanna	28,891
Fort Saskatchewan	6,000
Nisku	37,200
Fort St. John	21,140

INVESTMENT PROPERTY DIVERSIFICATION

Fair Value of Investment Property



Total Square Feet



The total combined rental revenue for the agricultural division for the six-month period ending March 31, 2022 is \$451,430 (March 31, 2021 - \$445,526).

LEASING ACTIVITIES

NEW TENANT LEASES

during the current period

Location	GLA	Rate/PSF*	Lease Term
Edmonton, Alberta*	1,996	\$ 12.00	60
Edmonton, Alberta**	3,097	\$ 11.60	Month to Month
	5,093		

* per square foot

** Gross lease

GLA of leases expiring in the next twelve months

As at March 31, 2022, there are eight leases that are expiring within the next 12 months with a combined total of 162,997 ft². There is a formal lease renewal process for each lease that will commence according to the provisions of the respective lease agreements.

Space available for lease

- 4,160 ft² in a multi-tenant mixed-use building
- 34,404 ft² in a single tenant industrial building
- 5,840 ft² in a single tenant industrial building

LEASE TERMS

at March 31, 2022

SINGLE-TENANT BUILDINGS	
Square Feet	Maturity Year
3,097	Month to Month
125,375	2022
75,151	2023
119,830	2024
33,295	2025
76,400	2026
68,904	2027
116,630	2028
62,224	2029
41,054	2030
118,305	2031
34,800	2034
28,891	2038
903,956	

Total GLA of in-place leases: 1,045,439

GLA available for lease: 44,404

Total GLA at March 31, 2022: 1,089,843

MULTI-TENANT BUILDINGS	
Square Feet	Maturity Year
3,000	2022
2,498	2023
21,127	2024
62,903	2025
1,996	2027
11,944	2030
38,015	2031
141,483	

Total average lease term to maturity

4.84 years

At March 31, 2022, the 12-month occupancy rate is 95.9% (September 30, 2021 – 99.1%). This is as a result of a single-tenant building becoming vacant during the period with a leasable area of 34,404 ft². The property had a lease with an expiry date of March 31, 2022. Additionally, the investment property purchased during the period with 5,840 sf² is currently vacant, which contributes to the decrease in occupancy rate from the year ended September 30, 2021. All vacant spaces continue to be actively marketed for lease.

The risk to the Company when a tenant does not renew a lease is that the Company has to absorb the ongoing operating costs of vacant space. These costs include property taxes, insurance, utilities, and any maintenance items. If a single-tenant building becomes vacant, additional vacancy costs could include mortgage payments, if applicable. Management works closely with tenants to maintain high retention rates, primarily through responsive and pro-active property management, which ensures their leased space in the building, and the exterior parking lot and landscaping, are all well maintained.

This work helps the Company meet its main goal: to maximize the revenue of each asset in its region.

AVERAGE ANNUAL LEASE RATES

per City, per square foot at March 31

	2022	2021
Edmonton, Alberta	\$ 10.40	\$ 10.39
Red Deer, Alberta*	\$ 22.75	\$ 22.75
Fort Saskatchewan, Alberta*	\$ 37.57	\$ 36.83
Fort McMurray, Alberta	\$ 46.98	\$ 43.60
Leduc, Alberta	\$ 17.66	\$ 15.70
Hanna, Alberta	\$ 19.55	\$ 19.36
Nisku, Alberta	\$ 13.26	\$ 13.00
Vegreville, Alberta	\$ 7.18	\$ 7.18
Fort St. John, British Columbia	\$ 14.75	\$ -

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

PROPERTY OPERATIONS

	Six months ending March 31, 2022	Year ending September 30, 2021
Property tax and insurance recoveries	\$ 1,432,007	\$ 2,728,491
Operating expense recoveries	668,452	1,346,245
	\$ 2,100,459	\$ 4,074,736
Total property operating expenses	\$ 2,829,394	\$ 4,971,156
% of property operating expense recoveries	74%	82%

During the current six-month period, the recovery percentage was reduced to 74%. Management expended approximately \$139,009 relating to deferred maintenance on a building which was acquired in the prior fiscal year, additionally, the Company expended a further \$109,381 on repairs to two of its existing properties. These expenditures were not recovered as part of the occupancy cost recoveries but will be recovered by the Company as additional rent over the term of their respected leases.

Recovery percentages may vary each quarter depending on property taxes, utilities, snow removal, lawn care, and other seasonal expenditures. Management ensures operating expense recoveries are accurately recorded, recovered, and budgeted for the subsequent year.

Income from operations is a measure of funds available to service the debt repayments on financing, provide cash for capital expenditures on the properties, and fund further growth.

	Six months ending March 31, 2022	Year ending September 30, 2021
Income from operations	\$ 6,707,141	\$ 13,138,345
Less: Interest on financing*	2,053,055	4,344,996
Less: Principal instalments on mortgages	3,553,275	6,976,104
Funds available for property improvements & growth	\$ 1,100,811	\$ 1,817,245

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

INVESTMENT ON PROPERTY IMPROVEMENTS

	Six months ending March 31, 2022	Year ending September 30, 2021
Total property improvements	\$ 523,530	\$ 1,973,550

As at March 31, 2022, the Company entered into a construction contract to build an additional 33,200 ft² of industrial space on one of its investment properties in Fort McMurray, Alberta. The total contract price is \$8,600,000. As of this Q2, the Company has paid approximately 6% of the contract price.

During the prior year, the Company made improvements to two large yards by installing geotechnical fabric and resurfacing with recycled crushed concrete. Work also commenced and was completed on another building that had extensive renovations to its exterior as well as a new showroom and service center. Property improvements additionally included design fees for new projects and continued interior and exterior maintenance on the buildings.

FINANCING

Debt, and unencumbered properties, are non-IFRS financial measures and do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar calculations reported by other Canadian issuers.

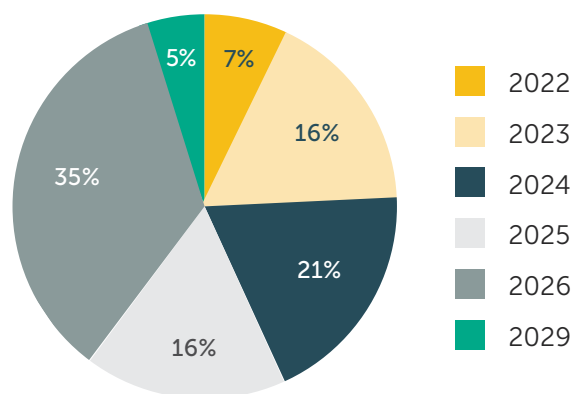
Management considers the ratio of debt to assets to be useful for evaluating the leverage the Company may have on its investment properties to assess its debt position and to consider additional financing opportunities if any.

	Six months ending March 31, 2022	Year ending September 30, 2021
Investment properties	\$ 248,440,055	\$ 244,943,895
Mortgages excluding transaction fees	111,987,981	108,736,618
Other financing	-	3,800,000
Bank operating facilities	16,826,865	20,360,492
Debt	\$ 128,814,846	\$ 132,897,110
Ratio of debt to assets	52%	54%

The Company continues to enjoy a good relationship with its lenders and has been able to renew mortgages as they come due and place new conventional financing on acquisitions. Unencumbered properties at March 31, 2022, have fair values of \$24,788,517 (September 30, 2021 - \$21,816,843).

Weighted average interest rates on the mortgages have increased to 3.19% at March 31, 2022 from 3.15% at September 30, 2021, as three mortgages totalling \$16,196,345 were renewed during the period at interest rates ranging between 2.930-3.310%, higher than the average interest rates for mortgages renewed during fiscal 2021.

MORTGAGE MATURITIES (Calendar Years)



The following table details the mortgage activities during the current year.

Maturity Date	Rate	Principal Balance Sep. 30'21	Mortgages Advanced/ Assumed	Y-T-D Principal Payments	Principal Paid on Maturity	Principal Balance Mar 31'22
01-Sep-21	3.000%	\$ 2,500,000	-	\$ -	\$ 2,500,000	\$ -
01-Jun-22	2.730%	1,802,612	-	105,217	-	1,697,395
01-Dec-22	3.670%	3,274,254	-	118,855	-	3,155,398
01-Dec-22	3.671%	2,974,825	-	107,980	-	2,866,846
01-Feb-23	3.750%	1,800,247	-	63,892	-	1,736,355
01-Apr-23	1.860%	3,478,861	-	104,252	-	3,374,609
01-Oct-23	3.950%	270,036	-	62,816	-	207,219
01-Oct-23	4.090%	5,354,849	-	173,531	-	5,181,317
01-Nov-23	4.330%	3,684,371	-	116,611	-	3,567,759
01-Dec-23	4.648%	4,407,669	-	135,550	-	4,272,119
01-Jan-24	4.300%	2,057,447	-	90,743	-	1,966,704
01-Jan-24	4.300%	1,632,895	-	72,019	-	1,560,876
01-Apr-24	2.110%	4,035,050	-	118,682	-	3,916,368
01-Aug-24	3.300%	9,064,479	-	284,242	-	8,780,237
01-Nov-24	3.555%	8,038,382	-	242,024	-	7,796,358
01-Feb-25	3.310%	5,000,983	-	205,280	-	4,795,702
01-Feb-25	3.420%	4,586,347	-	136,127	-	4,450,220
01-Apr-25	2.310%	4,874,751	-	153,783	-	4,720,969
01-Aug-25	2.837%	3,764,283	-	111,243	-	3,653,041
01-Apr-26	2.675%	2,622,407	-	108,004	-	2,514,404
01-Jul-26	2.710%	11,173,373	-	307,647	-	10,865,726
01-Jul-26	2.710%	5,846,820	-	160,986	-	5,685,835
01-Oct-26	2.940%	6,335,332	9,500,000	211,610	6,335,332	9,288,390
01-Nov-26	2.930%	4,860,030	11,000,000	195,931	4,860,030	10,804,069
11-Jun-29	3.480%	5,296,315	-	166,251	-	5,130,064
		\$ 108,736,617	\$ 20,500,000	\$ 3,553,274	\$ 13,695,362	\$ 111,987,981

All mortgages are secured by a first charge over the related investment property and a general assignment of rents, insurance, and site-specific goods and chattel paper.

The Company's two bank operating facilities are secured with specific revenue-producing properties.

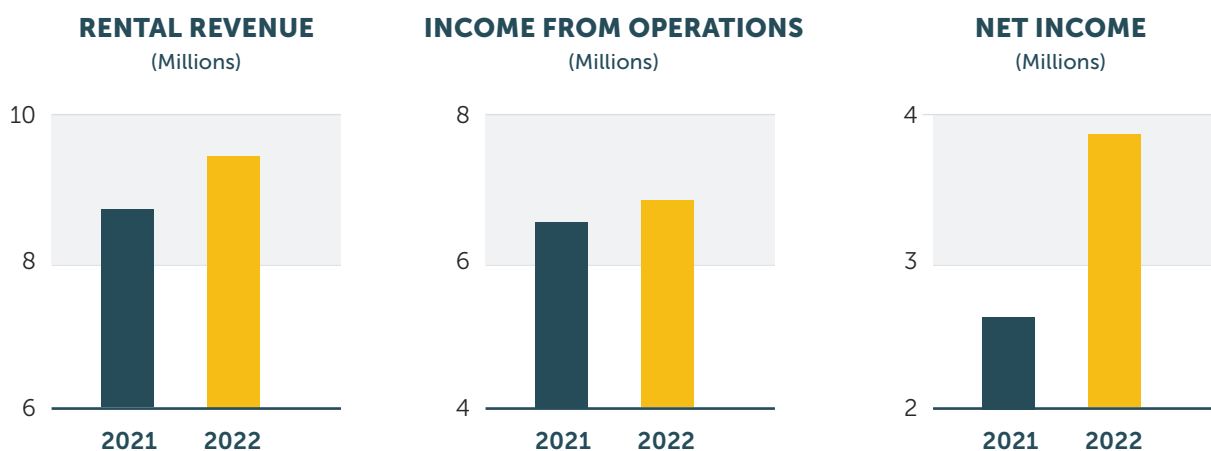
ACTIVITY DURING THE PERIOD

During the six-month period ended March 31, 2022, the Company **acquired** two investment properties in Edmonton, Alberta for a purchase price of \$2,250,000 comprising of two contiguous parcels of land. One parcel is 0.72 acres with a 5,840 sf2 industrial building, and the second parcel is a vacant 0.91 acre lot.

The Company's **leasing activities** resulted in new leases for 5,093 f² of previously vacant space noted in the prior fiscal year.

Due to the low interest rate environment in late 2021, the Company focused on using proceeds generated from mortgage refinancing at lower interest rates to **repay higher interest debt** (such as its operating facilities and other financing). The balances outstanding on operating facilities and other financing have decreased in the current period by \$7,333,627 – representing 5% of total outstanding debt. As at March 31, 2022, all Other Financing debt along with any accrued interest have been fully repaid.

PERFORMANCE RESULTS



Rental revenue is higher during the current six-month period in comparison with the comparative period of Q2 2021 a result of revenue from new leases on three additional properties purchased since Q2 2021.

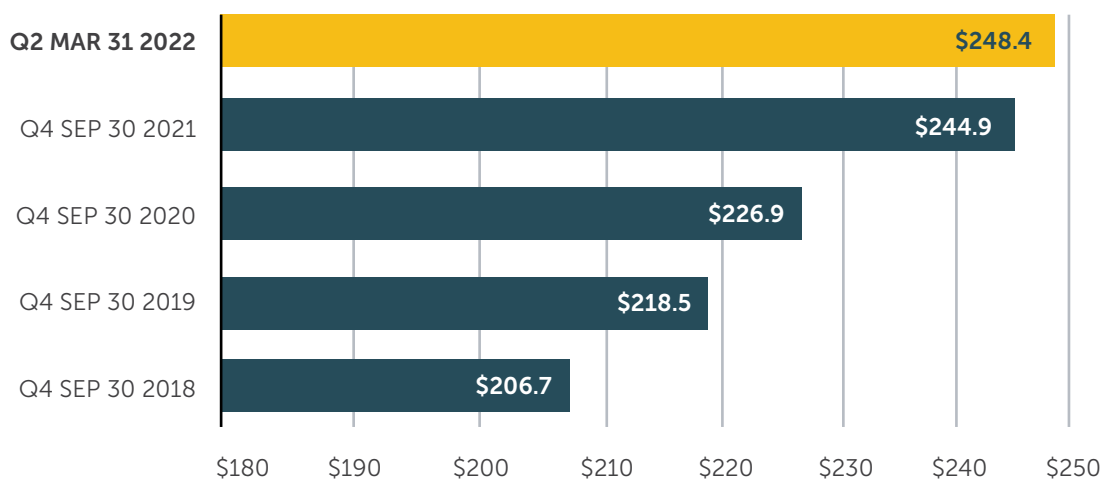
The increase in income from operations is correlated to the increase in rental revenue during the current period.

Net income is higher during this six-month period in comparison to the six months ended March 31, 2022. This is as a result of net fair value gains of \$974,094 on investment properties in comparison to net fair value gains of \$512 in the comparative period.

RESULTS OF OPERATIONS AND CASH FLOWS

FAIR MARKET VALUE OF INVESTMENT PROPERTIES

(Millions)



Increase in fair value of investment properties from Q4 2021, is as a result of property acquisitions during the period amounting to \$2,250,000 in addition to valuation gains of \$974,094.

Valuation net gains from investment property are the result of valuing the properties at current fair market values at each reporting date. Values are determined by Management using the actual annual contracted subsequent year's revenue stream, less a vacancy, and structural reserve allowance, applying a capitalization rate to this normalized income, and deriving a fair value. Capitalization rates are used to estimate fair market value and consider many factors, including but not limited to: location, size of land, site coverage, strength of the tenant, term of the lease, lease rate, age of the building, size of the building, construction of the building and any unique features of the building. Given that not all industrial properties are the same, Management will apply these factors to each property in determining a capitalization rate. If a property has all favorable factors, the valuation will likely be calculated using the low end of the capitalization rate range.

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

At each reporting date, this calculation method is performed on all the investment properties except for vacant land, and land under lease. Vacant land held for development is valued using Management's research of similar vacant lands that have been sold recently or are available for sale. Land under lease with tenants is valued at the fair value of similar vacant land in the area.

The Company continues to increase its investment property portfolio each year by acquiring properties with a view towards capital appreciation. Affecting operations for each quarter are the fair valuations of investment properties.

Net valuation gains (losses) per quarter:

2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3
\$ 379,994	\$ 594,100	\$ (714,103)	\$ 2,399,494	\$ 152,745	\$ (152,233)	\$ (74,228)	\$ (992,868)

When valuing the investment properties at fair value, all other inputs being equal, an increase in property revenue for the ensuing twelve months will have a positive impact on the fair values and a decrease in revenue will have a negative impact. When interest rates are low, investors are more likely to expand their portfolios, creating a healthy, competitive environment in which to acquire property, which will keep the cap rates very competitive. Management marginally increases the cap rates on some of the properties where the Company believes property values and lease rates have decreased as a result of a lower demand and owners eager to lease up vacant buildings. Some properties' cap rates were increased to maintain existing values, despite increased contracted revenue streams which would otherwise drive the value upwards.

INVESTMENT PROPERTY CAP RATES

Location	March 31, 2022		Rate Change	September 30, 2021	
	Total GLA sf	Range Cap Rates		Total GLA sf	Range Cap Rates
Edmonton, Alberta	747,663	4.27 - 7.00%	↔	776,963	4.27 - 7.00%
Red Deer, Alberta	78,196	6.10 - 6.55%	↑	78,196	6.10% - 6.52%
Fort Saskatchewan, Alberta	6,000	6.47%	↑	6,000	6.44%
Fort McMurray, Alberta	51,424	6.14 - 6.65%	↑	51,424	6.14 - 6.60%
Leduc, Alberta	41,630	6.50%	↔	41,630	6.50%
Vegreville, Alberta	33,295	8.00%	↔	33,295	8.00%
Nisku, Alberta	37,200	6.50%	↔	37,200	6.50%
Hanna, Alberta	28,891	7.00%	↔	28,891	7.00%
Fort St. John, British Columbia	21,140	8.50%	↓	21,140	9.34%
	1,045,439			1,074,739	
Available for lease, Edmonton, AB	44,404			9,264	
Total GLA square feet	1,089,843			1,084,003	

Some of the leases have rental rate escalations throughout their terms and the Company has increased the cap rates on those properties to keep the value of the properties at current market rates, despite the increase in rent. Cap rates in Fort St. John have decreased as a result of repairs and improvements the Company has made to its property since it was acquired. Cap rates continue to be evaluated on a property-by-property basis to ensure values reflect current market conditions.

During the current period, increases in the fair value of properties reflect increases in income generated by the properties that were previously vacant and leased as of September 30, 2021. The Company acquired a bulk purchase of 2 separate contiguous parcels of land. The Company valued each parcel separately resulting in valuation gains of \$374,153.

Income from operations is higher in the six months ended March 31, 2022 than March 31, 2021 as a result of increased revenues directly stemming from the increased number of investment properties that the Company owns.

Property operating expenses have increased in this six-month period in correlation with the increase in investment properties.

Finance costs include interest on financing and amortization of deferred finance fees and are net of interest income.

CHANGES IN CASH FLOWS

Cash provided by operating activities was \$7,819,123 at Q2 2022 (Q2 2021 – \$6,582,919). The Company continues to generate positive cash from operations each quarter to cover day-to-day expenditures and provide reserves for future opportunities. The increase in the current period can be attributed to increased rental revenue and operating income.

Cash used in investing activities was \$507,980 at Q2 2022 (Q2 2021 – cash used of \$7,410,503) as the Company acquired investment properties in both periods. During the current period, cash used in purchase of investment properties was offset by proceeds received of \$2,500,000 relating to a mortgage receivable.

Net cash used in financing activities was \$6,821,270 at Q2 2022 (Q2 2021 – cash provided of \$1,029,189). During the current six-month period, the Company used proceeds to from renewed mortgages as well as cash provided by investing activities to reduce high interest debt. The Company repaid debt from Other Financing, which amounted to \$3,800,000 and bank operating facilities have been reduced by \$3,533,627. In the comparative period, cash was provided by financing activities to finance property acquisitions and no repayments were made on other financing.

At March 31, 2022, there was a **net increase in cash** of \$489,873.

CHANGES IN FINANCIAL POSITION

Investment properties include the fair value of the properties at the reporting date as valued by Management, including the unamortized balance of straight-line rent receivables, the unamortized balance of deferred leasing costs and the unamortized balance of tenant inducements if any. Changes since the fiscal year-end of September 30, 2021, are detailed below.

	Income Producing Properties	Held for Development	Total Investment Properties
Opening Balance at September 30, 2021	\$ 232,541,903	\$ 12,401,992	\$ 244,943,895
<i>Additions:</i>			
Property improvements and additions	1,933,709	865,668	2,799,377
Leasing commissions	68,627	-	68,627
Amortization of tenant inducements	(33,101)	-	(33,101)
Change in straight-line rental revenue	(141,239)	-	(141,239)
Revaluation gains (losses), net	839,762	134,332	974,094
Amortization of deferred leasing commissions	(171,598)	-	(171,598)
Ending balance at March 31, 2022	\$ 235,038,063	\$ 13,401,992	\$ 248,440,055

Property improvements and additions include the acquisition of two investment properties, structural improvements, project design fees, permitting, and large-scale renovations. Leasing commissions were paid for lease renewals during the period.

Prepaid expenses and deposits have a balance at Q2 2022 of \$65,076 (September 30, 2021 - \$905,449) relating mainly to insurance, deposits on offers to purchase investment property, and security deposits with municipalities. Prepaid taxes were fully amortized as of December 31, 2021, resulting in the decrease in the balance from September 30, 2021.

Mortgages at Q2 2022 have a balance of \$111,987,981 (September 30, 2021 - \$ 108,736,618). The increase in mortgages is as a result of additional mortgage proceeds received on maturity of two existing mortgages.

Other financing at Q2 2022 is \$Nil (September 30, 2021 - \$ 3,800,000). The Company has fully repaid all debt & accrued interest owing to related parties as of the period end.

Bank operating facilities at March 31, 2022 have a balance of \$16,826,865 with two of the Company's major lenders (September 30, 2021 - \$20,360,492). The limit on one of the facilities was reduced as proceeds received on mortgage renewals were used to reduce existing facility balances.

BANK OPERATING FACILITIES

	March 31, 2022	September 30, 2021
Bank credit facilities	\$ 19,500,000	\$ 20,500,000
Amounts drawn on facilities	(16,826,865)	(20,360,492)
Available credit facilities	\$ 2,673,135	\$ 139,508

The Company has two credit facilities with two of its lenders with credit limits of \$13,500,000 and \$6,000,000 respectively. As of March 31, 2022, the Company was in compliance with all loan covenants and requirements. Further details on the terms of the facilities are disclosed in Note 6 of the condensed consolidated interim financial statements.

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

Payables and accruals are \$1,881,343 at March 31, 2022 (September 30, 2021 - \$1,701,278). The balance includes accrued interest on financing, prepaid rents from tenants, and trade payables. Additionally, there is a tenant inducement payable to one of the tenants amounting to \$200,000 (2021- \$200,000).

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3
Revenue	4,653,262	4,883,273	4,860,652	4,540,224	4,430,598	4,278,027	3,754,671	4,285,825
Total Comprehensive Income	1,910,113	1,996,828	870,558	3,359,351	1,230,561	1,381,850	870,508	647,839
EPS-Basic	0.20	0.15	0.09	0.35	0.13	0.15	0.09	0.07
EPS-Diluted	0.20	0.15	0.09	0.35	0.13	0.15	0.09	0.07

QUARTERLY CHANGES IN REVENUE

The increase in revenue in Q2 2022 reflects additional revenue from new tenant leases in the new properties acquired during the prior fiscal year. Revenue is recorded on a straight-line basis over the terms of the leases so there are not typically large swings quarter to quarter.

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

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

Net valuation gains (losses) per quarter:

2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3
\$ 379,994	\$ 594,100	\$ (714,103)	\$ 2,399,494	\$ 152,745	\$ (152,233)	\$ (74,228)	\$ (992,868)

During the current period ending March 31, 2022, there was a gain on valuation of investment properties amounting to \$974,094. This was mainly attributed to increased income from existing leases as well as a decrease in cap rate on the property located in Fort. St John, British Columbia as the Company expended approximately \$139,909 on the property. Additionally, the Company separately valued two contiguous parcels of land, that were purchased in bulk, resulting in a valuation gain of \$374,153 during the six-month period.

The overall decrease in valuations in Q4 of 2021 resulted from write downs of two properties where existing tenants renewed their leases at lower lease rates. The write-downs amounted to an aggregate of \$1.1M.

During Q3 2021, increases in the fair value of properties amounting to \$2.4M reflected increases in income generated by the properties that had previously been vacant and leased as of June 30, 2021. Additionally, the Company invested a significant amount of funds in one of its properties to improve its exterior as well as interior design and added a new showroom to the property. The investment in the improvements have increased the value of the building by \$1.3M in the quarter.

The fair value net losses in Q1 2021 reflect reduced income from leases that were renewed in Q1 for lower lease rates, thus reducing the fair value of the properties.

While a considerable number of properties had increases in the contracted revenue stream, which increases the value when applying a capitalization ("cap") rate, the Company has chosen to keep the values the same on some of the properties by adjusting the cap rates upward. Most of the values are adjusted slightly upward to offset the amortization of deferred charges, which includes straight-line rent, leasing fees, and tenant inducements if any.

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, 2022 is 9,451,242 (September 30, 2021 was 9,451,242).

There are currently no options outstanding.

DIVIDENDS

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.

The Company paid \$283,537 in dividends to its shareholders during the current period. Subsequent to the six months ending March 31, 2022, the Company issued a press release on April 12, 2022 announcing the declaration of a quarterly dividend of \$.02 per share payable on April 30, 2022 (Q2 2022) to shareholders of record effective April 20, 2022.

RELATED PARTY TRANSACTIONS

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

Property management and maintenance fees for the three months ended March 31, 2022 were of \$739,967 (March 31, 2021 - \$406,291) were paid to Sable Realty & Management Ltd. ("Sable"), a company controlled by Sine Chadi, a director and officer of the Company.

Leasing fees in Q2 2022 were \$22,500 (Q2 2021 – \$93,000) were paid to North American Realty Corp. ("NARC"), a company controlled by Sine Chadi.

Leased office space and parking were paid to Sable during the six-month period amounting to \$90,000 (Q2 2021 - \$90,000). Imperial Equities shares its head office space with the Sable head office.

Consulting fees during Q2 2022 were \$1,800 (Q2 2021 – \$37,451) were paid to Sable for the services provided by the Company's Financial Advisor (formerly the CFO) who is not paid directly by the Company.

Rent collected from Sable for commercial lease space was \$47,461 (Q2 2021 – \$44,264). Sable leases a 7,871 ft² building in Edmonton, Alberta from the Company.

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 are reviewed quarterly by the Company's Board of Directors.

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.

Paid to directors

Directors' fees paid for attending directors' meetings during the six-month period were \$17,500 (Q2 2021- \$22,500). Fees per director per meeting are \$2,500, unchanged from the prior year. The fees paid are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations.

Compensation to key Management personnel

The Company's key Management personnel include President Sine Chadi, who is also a director and significant shareholder of the Company. The total compensation paid to Mr. Chadi during the period was \$150,000 (Q2 2021 - \$150,000). The Company's COO, Patricia Misutka was paid \$90,000 in the current period (Q2 2021 – \$90,000). The Company's CFO, Azza Osman was paid \$87,500 during the current period (Q2 2021 - \$72,500).

Unsecured financing from directors and shareholders

As of the period ending March 31, 2022, all unsecured financing from directors and shareholders has been fully repaid with all accrued interest. As of September 30, 2021, \$3,800,000 remained outstanding bearing interest at an annual rate of 6% with accrued interest amounting to \$251,838.

LIQUIDITY, CAPITAL RESOURCES, AND SOLVENCY

Income from operations or cash flows from operating activities is the primary source of liquidity measures to service debt and fund planned expenditures for maintenance and capital improvements on the investment properties. Net income is not used as a liquidity measure, as it includes non-cash fair value changes on investment properties and fluctuations on mark-to-market short-term investments.

	March 31, 2022	March 31, 2021
Income from operations	\$ 6,707,141	\$ 6,430,239
Cash provided by operating activities	\$ 7,819,123	\$ 6,582,919

The Company continues to generate cash from operating activities to meet the requirements of ongoing property maintenance including capital improvements and to meet its debt financing requirements. The Company relies on the existing credit facilities to assist with short-term borrowing needs including funding a portion of property acquisitions. The Company has not breached any debt covenants and maintains a healthy relationship with its current lenders.

The Company primarily relies on its lenders to finance the majority cost of property acquisitions through conventional mortgage financing. Any further cash shortfalls are covered through related-party financing, or current cashflows. The Company has been very successful to date with financing its acquisitions and does not foresee any long-term impediments to obtaining the required financing to continue growth and to satisfy short-term borrowing needs and obligations.

Investment properties unencumbered with debt are valued at \$24,788,517 (September 30, 2021 - \$21,816,843). Overall, the ratio of debt to assets is 52% (September 30, 2021- 54%), providing possible leverage opportunities in the future.

At March 31, 2022, four mortgages are due in the next twelve months with combined principal balances of \$9,437,994 and are shown as current liabilities. When mortgages are renewed, the Company may have the option of increasing the debt on a particular property, subject to the lender's approval, to provide increased capital. There is a risk to the Company that mortgages that are up for renewal may not be renewed or may not be renewed at the same rates and therefore the monthly principal and interest may change.

The Company has no other contractual commitments to purchase or sell assets, other than as disclosed above, and as disclosed in Note 14 of the condensed consolidated interim financial statements.

CRITICAL ESTIMATES OF THE CURRENT ECONOMIC ENVIRONMENT AND OUTLOOK

The economic environment in which Imperial operates could be adversely affected market risks such as product and service supply shortages, utility price increases, and property tax increases. These risk factors have a direct impact on the Company's costs, however they are mitigated through the Company's lease term structures which recover the majority of these costs from the respective tenants. An additional risk is the tenants' exposure to these risks and their impact on their economic performance; however, the Company's strong tenant portfolio and continuous communication with its tenants helps the Company in managing and mitigating these risks.

Vacancies as at Q2 2022 are 44,404 ft², up from the previous fiscal year ending September 30, 2021 (9,264 ft²). The Company continues to actively market current vacancies and is optimistic in leasing prospects.

The Company has been successful in obtaining financing and renewing its mortgages. To date, the Company has been very successful with its financing requirements and diligently monitors risk factors when considering strategic plans.

RISKS AND RISK MANAGEMENT

Imperial Equities Inc., like most other entities in the real estate industry, is exposed to a variety of risk areas which are summarized in its Management Discussion and Analysis for the year ended September 30, 2021.

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

A complete listing of critical accounting policies, estimates, judgments and measurement uncertainty can be found in Note 2 of the Consolidated Financial Statements for the year ended September 30, 2021. Updates related to the Condensed Consolidated Interim Financial Statements are disclosed in Note 2.

MEASURES NOT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Throughout the MD&A, Management will use measures that will include debt and unencumbered investment properties. These measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar calculations presented by other issuers. Different issuers may use the same term(s) to refer to different calculations or may vary the definitions of a particular term from one year to another. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies.

DISCLOSURE CONTROLS AND PROCEDURES

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

During the quarter ended March 31, 2022, there were no changes in the Company's disclosure controls or internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

OFF-BALANCE SHEET ARRANGEMENTS

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



FINANCIAL STATEMENTS

for the second quarter ending March 31, 2022

IMPERIAL EQUITIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	Notes	(Unaudited) March 31, 2022	(Audited) September 30, 2021
Assets			
Investment properties	3	248,440,055	244,943,895
Right-of-use asset		587,659	662,679
Total non-current assets		249,027,714	245,606,574
Current portion of mortgage receivable	3	-	2,500,000
Receivables		19,996	279,750
Prepaid expenses and deposits	4	65,076	905,499
Cash and cash equivalents		685,987	196,114
Total current assets		771,059	3,881,363
Total Assets		249,798,773	249,487,937
Liabilities			
Mortgages	5	95,529,099	82,293,558
Lease liability	7	488,677	564,738
Security deposits		750,576	748,608
Deferred taxes	9	14,455,496	14,272,154
Total non-current liabilities		111,223,848	97,879,058
Current portion of mortgages	5	16,203,179	26,216,379
Current portion of lease liability	7	151,748	148,046
Other financing	17	-	3,800,000
Bank operating facilities	6	16,826,865	20,360,492
Payables and accruals		1,881,343	1,701,278
Income taxes payable		1,209,636	703,934
Total current liabilities		36,272,771	52,930,129
Total Liabilities		147,496,619	150,809,187
Equity			
Issued share capital		5,947,346	5,947,346
Retained earnings		96,354,808	92,731,404
Total Equity		102,302,154	98,678,750
Total Equity and Liabilities		249,798,773	249,487,937

Guarantees, contingencies, and commitments (Note 14)

Post-reporting date events (Note 18)

See accompanying notes to the condensed consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
Six months ending March 31,

	Notes	Current Quarter 2022	Prior Year Quarter 2021	6 Months March 2022	6 Months March 2021
Rental revenue	11,13	4,653,262	4,430,598	9,536,535	8,708,625
Property operating expenses	11	(1,344,572)	(1,187,479)	(2,829,394)	(2,278,386)
Income from operations		3,308,690	3,243,119	6,707,141	6,430,239
Finance costs	8	(1,037,330)	(1,019,884)	(2,097,513)	(2,087,913)
Administration expenses		(375,043)	(363,382)	(752,703)	(650,341)
Amortization of deferred leasing		(85,799)	(77,490)	(171,598)	(144,328)
Amortization of right-of-use asset		(37,510)	(37,510)	(75,020)	(75,020)
Valuation net gains from investment property	3	379,994	152,745	974,094	512
Income before income tax		2,153,002	1,897,598	4,584,401	3,473,149
Income tax expense	9	(242,889)	(667,038)	(677,460)	(860,738)
Net income and total comprehensive income for the period		1,910,113	1,230,560	3,906,941	2,612,411
Earnings per share, basic and diluted	12	0.20	0.13	0.41	0.28

See accompanying notes to the condensed consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Capital stock	Retained earnings	Total
October 1, 2021	9,451,242	\$ 5,947,346	\$ 92,731,404	\$ 98,678,750
Dividends paid	-	-	(283,537)	(283,537)
Net earnings	-	-	3,906,941	3,906,941
Balance March 31, 2022	9,451,242	\$ 5,947,346	\$96,354,808	\$102,302,154

	Number of shares	Capital stock	Retained earnings	Total
October 1, 2020	9,460,442	\$ 5,925,098	\$ 86,336,638	\$ 92,261,736
Shares held in treasury	-	28,044	-	28,044
Shares cancelled during the year	(9,200)	(5,796)	(22,248)	(28,044)
Dividends paid	-	-	(425,306)	(425,306)
Net earnings	-	-	6,842,320	6,842,320
Balance September 30, 2021	9,451,242	\$ 5,947,346	\$ 92,731,404	\$ 98,678,750

See accompanying notes to the condensed consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
Six months ending March 31,

	Notes	Current Quarter 2022	Prior Year Quarter 2021	6 Months March 31 2022	6 Months March 31 2021
Operating activities					
Net income and total comprehensive income		1,910,112	1,230,560	3,906,940	2,612,411
Finance costs		1,037,331	1,019,884	2,097,514	2,087,913
Items not affecting cash:					
Amortization of right-of-use asset		37,510	37,510	75,020	75,020
Amortization of tenant inducements		16,551	8,401	33,101	15,279
Amortization of deferred leasing commissions		85,799	77,490	171,598	144,328
Fair value changes on investment properties		(379,994)	(152,745)	(974,094)	(512)
Straight-line rental revenue		54,856	53,182	141,239	(52,534)
Deferred income taxes		142,046	(39,770)	183,343	5,067
Leasing commissions		(62,639)	(217,855)	(68,627)	(394,780)
Net change in operating working capital	10	804,181	1,327,875	2,253,089	2,090,727
Cash provided by operating activities		3,645,753	3,344,531	7,819,123	6,582,919
Investing activities					
Purchase of investment properties		(2,275,847)	(6,905,000)	(2,275,847)	(6,905,000)
Improvements and additions to investment properties		(405,712)	(269,892)	(523,530)	(564,094)
Proceeds from loan receivable		-	-	2,500,000	-
Net change in investing working capital	10	150,000	116,241	(208,603)	58,591
Cash received (used) in investing activities		(2,531,559)	(7,058,651)	(507,980)	(7,410,503)
Financing activities					
Proceeds from new mortgages		-	13,157,722	20,500,000	13,157,722
Repayment of mortgages on maturity		-	(4,411,965)	(13,695,362)	(4,411,965)
Repayment of mortgages through principal instalments		(1,853,370)	(1,720,641)	(3,553,275)	(3,427,928)
Amortization of deferred finance fees		28,794	23,955	51,322	45,080
Fees associated with new or renewed mortgages		(62,103)	(27,582)	(80,343)	(31,433)
Repayment of other financing		-	-	(3,800,000)	-
Principal repayments on lease liability		(38,018)	(35,011)	(72,359)	(70,356)
Finance costs		(1,037,331)	(1,019,884)	(2,097,514)	(2,087,913)
Dividends paid		(141,768)	(141,769)	(283,537)	(141,769)
Net advances on bank operating facilities		2,314,147	(2,146,794)	(3,533,627)	(2,120,204)
Net change in financing working capital	10	(3,790)	44,714	(256,575)	117,955
Cash (used) provided by financing activities		(793,439)	3,722,745	(6,821,270)	1,029,189
Increase in cash and cash equivalents		320,755	8,625	489,873	201,605
Cash and cash equivalents, beginning of period		365,232	316,599	196,114	123,619
Cash and cash equivalents, end of period		685,987	325,224	685,987	325,224

See accompanying notes to the condensed consolidated interim financial statements

1. Description of the Company

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

2. Significant accounting policies

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

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Standards (“IAS”) 34 – Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual September 30, 2021 consolidated financial statements.

b) Basis of presentation

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended September 30, 2021. The Company’s condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair value, as explained in the accounting policies of the Company’s annual September 30, 2021, consolidated financial statements. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These condensed consolidated interim financial statements were prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects.

c) Significant accounting judgements, estimates, and assumptions

The preparation of the Company’s March 31, 2022 condensed consolidated interim financial statements in accordance with IFRS requires management to make judgements, estimates, and assumptions that affect the reported amounts of assets, liabilities, profit (loss), and related disclosures. The estimates and associated assumptions are based on historical experience and various other factors that are deemed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are consistent with those disclosed in the Company’s September 30, 2021 annual consolidated financial statements.

3. Investment properties

	Income Producing Properties	Held For Development	Total Investment Properties
Opening balance at September 30, 2021	\$ 232,541,903	\$ 12,401,992	\$ 244,943,895
<i>Additions:</i>			
Property improvements and additions	1,933,709	865,668	2,799,377
Leasing commissions	68,627	-	68,627
Amortization of tenant inducements	(33,101)	-	(33,101)
Change in straight-line rental revenue	(141,239)	-	(141,239)
Revaluation gains (losses), net	839,762	134,332	974,094
Amortization of deferred leasing commissions	(171,598)	-	(171,598)
Ending balance at March 31, 2022	\$ 235,038,063	\$ 13,401,992	\$ 248,440,055

	Income Producing Properties	Held For Development	Total Investment Properties
Opening balance at September 30, 2020	\$ 214,542,476	\$ 12,401,992	\$ 226,944,468
<i>Additions:</i>			
Property improvements and additions	1,973,550	-	1,973,550
Capitalized property taxes and other	-	144,605	144,605
Tenant inducements	386,881	-	386,881
Leasing commissions	764,652	-	764,652
Property acquisitions	13,643,005	-	13,643,005
Amortization of tenant inducements	(43,414)	-	(43,414)
Change in straight-line rental revenue	(248,646)	-	(248,646)
Revaluation gains (losses), net	1,830,508	(144,605)	1,685,903
Amortization of deferred leasing commissions	(307,109)	-	(307,109)
Ending balance at September 30, 2021	\$ 232,541,903	\$ 12,401,992	\$ 244,943,895

On March 1, 2022, the Company acquired two investment properties in Edmonton, Alberta for a purchase price of \$2,250,000 comprising of two contiguous parcels of land. One parcel is 0.72 acres with a 5,840 sf² industrial building, and the second parcel is a vacant 0.91 acre lot.

Valuation methodology and processes

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

Management's primary internal valuation model is based on a capitalization of the forecasted normalized net operating income approach. The Company determines the forecasted normalized net operating income using a one-year income forecast for each property based on current in-place rents and assumptions about occupancy, structural and vacancy reserves, less cash outflows expected to operate and manage each property within the portfolio. Capitalization rates used to estimate fair market value consider many factors including but not limited to; the location of the property, the size of

the land parcel, site coverage, the quality and strength of tenants, whether lease rates are over or under current market rates, demand for the type and use of the property, the age of the building, any special use characteristics of the building or area, whether it is single-tenant or multi-tenanted and vacancy rates in the area. Market information related to the external sale of similar buildings within a similar geographic location is also taken into consideration.

Land held for development with holding income is valued based on sale data within the market area.

The Company's executive management team is responsible for determining fair value measurements including verifying all major inputs included in the valuation. Management, along with the Audit Committee, discusses the valuation process and key inputs every quarter.

The key level 3 valuation metrics for the investment properties are set out below.

	March 31, 2022	September 30, 2021
Range of capitalization rates applied to investment properties	4.27-8.50%	4.27% - 9.35%
Fair values of properties where cap rates were applied	\$ 231,127,310	\$ 228,631,148
Weighted average cap rates	6.34%	6.35%
Fair value impact of increasing average cap rate by 0.25%	\$ (9,898,594)	\$ (8,664,623)
Fair value impact of a 1% decrease in net operating income	\$ (2,314,079)	\$ (2,289,113)
Land held for development		
Average price per acre of land	\$ 170,130	\$ 157,274
Number of acres	65.55	64.55
Total fair values	\$ 11,152,036	\$ 10,152,036
Impact of a 10% change in average price per acre	\$ (1,115,204)	\$ (1,015,204)
Land under lease agreements with tenants		
Number of acres leased	7.90	7.90
Average price per acre	\$ 779,837	\$ 779,837
Total fair values of leased land	\$ 6,160,710	\$ 6,160,710
Impact of a 10% change in average price per acre	\$ 616,071	\$ 616,071

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

	March 31, 2022	September 30, 2021
Straight line rent receivable	\$ 1,995,999	\$ 2,137,238
Tenant inducements	415,833	448,934
<u>Leasing commissions</u>	<u>1,802,528</u>	<u>1,905,499</u>
	<u>\$ 4,214,360</u>	<u>\$ 4,491,671</u>

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

Mortgage receivable

During Q4 2020, the Company completed the sale of an investment property for total sale proceeds of \$9,350,000 and agreed to a vendor take back ("VTB") mortgage in the amount of \$8,000,000. The VTB bore interest at an annual rate of 2.5% with monthly interest payments, and a maturity date of July 21, 2021. The VTB could be prepaid in whole or in part without penalty. The purchaser had an option to extend the mortgage for a further year.

On May 7, 2021, the Company agreed to amend the terms of the VTB and received \$5,500,000 with the balance of \$2,500,000 to be received on or before August 15, 2021 (the "Maturity Date"). The balance of the VTB bore interest at an annual rate of 6%. If payment of the principal amount and accrued interest did not occur by the maturity date, then the whole of the principal amount plus accrued interest shall become immediately due and payable upon demand. The VTB was carried at amortized cost.

The principal amount and accrued interest were received after the maturity date but prior to demand being made. The full balance was received on October 29, 2021.

4. Prepaid expenses and deposits

	March 31, 2022	September 30, 2021
Prepaid operating expenses	\$ 38,099	\$ 878,480
Security deposits with municipalities	27,019	27,019
Total prepaid expenses and deposits	\$ 92,207	\$ 905,499

Prepaid operating expenses are insurance and property taxes. As of March 31, 2022, prepaid property taxes for the calendar year 2021 are fully amortized.

5. Mortgages

Maturity	Rate	March 31, 2022	September 30, 2021
* On Demand	3.000%	\$ -	\$ 2,500,000
* June 1, 2022	2.730%	1,697,395	1,802,612
* December 1, 2022	3.670%	3,155,398	3,274,254
* December 1, 2022	3.671%	2,866,846	2,974,825
* February 1, 2023	3.750%	1,736,355	1,800,247
April 1, 2023	1.860%	3,374,609	3,478,861
October 1, 2023	3.950%	207,219	270,036
October 1, 2023	4.090%	5,181,317	5,354,849
November 1, 2023	4.330%	3,567,759	3,684,371
December 1, 2023	4.648%	4,272,119	4,407,669
January 1, 2024	4.300%	1,966,704	2,057,447
January 1, 2024	4.300%	1,560,876	1,632,895
April 1, 2024	2.110%	3,916,368	4,035,050
August 1, 2024	3.300%	8,780,237	9,064,479
November 1, 2024	3.555%	7,796,358	8,038,382
February 1, 2025	3.420%	4,450,220	4,586,347
February 1, 2025	3.310%	4,795,702	5,000,983
April 1, 2025	2.310%	4,720,969	4,874,751
August 1, 2025	2.837%	3,653,041	3,764,283
July 1, 2026	2.710%	5,685,835	5,846,820
July 1, 2026	2.710%	10,865,726	11,173,373
April 1, 2026	2.675%	2,514,404	2,622,407
November 1, 2026	2.930%	10,804,069	4,860,030
October 1, 2026	2.940%	9,288,390	6,335,332
June 11, 2029	3.480%	5,130,063	5,296,315
<i>Total mortgages</i>		\$ 111,987,981	\$ 108,736,618
<i>Less: current portion of principal payments</i>		(16,203,179)	(26,216,379)
<i>Less: balance of unamortized finance fees</i>		(255,703)	(226,681)
		\$ 95,529,099	\$ 82,293,558
Weighted average rate		3.19%	3.15%

*Mortgages due in the next twelve months

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

6. Bank operating facilities

	March 31, 2022	September 30, 2021
Bank operating facilities	\$ 16,826,865	\$ 20,360,492

The Company has two credit facilities set out as follows:

- 1) One operating Line of Credit (LOC) with a limit of \$13,500,000 (September 30, 2021 - a limit of \$13,500,000).

This LOC is used to assist with property acquisitions and general operations and has a balance at March 31, 2022, of \$13,431,141 (September 30, 2021 - \$13,476,456). The credit facility bears interest at prime plus 1% per annum (September 30, 2021 – prime plus 1% per annum) and is secured by specific revenue-producing properties with combined fair values of \$36,338,761 (September 30, 2021- \$ 36,338,761). In Q4 2021, the standby fee provisions were deleted and no longer in effect (September 30, 2021 - .25% per annum).

On February 2, 2022, the Company has entered into an amending agreement with the lender to designate \$8,000,000 from the operating line as a fixed rate fixed term component with blended principal and interest monthly payments. The rate fix term is 3 years with a 25-year amortization. The interest rate on the component is the lender's cost of funds plus 1.10% per annum. The lender may, on demand, require immediate payment of all amounts outstanding or accrued in connection with this component and the facility as a whole. The remaining \$5,500,000 of the operating line will remain as revolver, with interest only payments. The limit of the operating line in aggregate will remain at \$13,500,000.

Specific covenants of this credit facility are that there be a minimum of 90% occupancy of the secured buildings. As at March 31, 2022, the Company was in compliance with all covenants.

- 2) A second operating LOC with a limit of \$6,000,000 (September 30, 2021 – a limit of \$7,000,000).

The decrease in the limit from the prior year is a result of increased mortgage amounts upon maturity of existing mortgages. During the current six-month period, proceeds from the increases in mortgage amounts were used to reduce the limit on the facility by \$1,000,000.

This credit facility bears interest at prime plus .95% per annum (unchanged from September 30, 2021) and is secured by specific revenue-producing properties with combined fair values at March 31, 2022, of \$72,236,857 (September 30, 2021 - \$72,210,516).

There are no specific covenants or margin formulas for this line of credit. The balance on the credit facility at March 31, 2022 is \$3,395,724 (September 30, 2021 - \$6,884,036).

7. Lease liability

The adoption of IFRS 16- Leases on October 1, 2019, resulted in the initial recognition of a right-of-use asset amounting to \$812,719 and a corresponding lease liability of \$861,322 having a weighted average borrowing rate of 4.95%.

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

	March 31, 2022	September 30, 2021
Opening balance	\$ 712,784	\$ 861,322
Lease payments	(90,000)	(181,675)
Interest	17,641	33,137
Balance, end of period	\$ 640,425	\$ 712,784
Current portion	\$ 151,748	\$ 148,046
Non-current portion	488,677	564,738
	\$ 640,425	\$ 712,784
Incremental borrowing rate	4.95%	

Estimated future principal payments required to meet the lease liability as at March 31, 2022, are as follows:

12 months ending March 31, 2023	\$ 151,748
12 months ending March 31, 2024	159,433
12 months ending March 31, 2025	167,506
12 months ending March 31, 2026	161,738
Total	\$ 640,425

8. Finance costs

The components of finance costs are as follows:

	March 31, 2022	March 31, 2021
Interest on mortgages	\$ 1,792,177	\$ 1,552,677
Interest on bank operating facilities	238,994	440,272
Interest on other unsecured financing	4,243	128,572
Interest on lease obligations	17,641	21,318
Amortization of deferred finance fees	51,322	45,080
Interest income	(6,864)	(100,006)
	\$ 2,097,513	\$ 2,087,913

9. Income taxes

Components of income tax expense

	March 31, 2022	March 31, 2021
Current tax expense	\$ 494,118	\$ 855,641
Deferred tax expense	183,342	5,067
	\$ 677,460	\$ 860,738

Current tax expense in the comparative period included tax on a capital gain in 2021 relating to disposition of an investment property which took place during the fiscal year ending September 30, 2020.

10. Supplemental consolidated cash flow information

	March 31, 2022	March 31, 2021
<u>Net change in operating working capital</u>		
Net change in receivables	\$ 259,867	\$ 248,206
Net change in prepaid expenses and deposits	840,423	721,715
Net change in payables and accruals	645,242	110,785
Net change in income taxes payable	505,588	864,491
Net change in security deposits	1,969	145,530
	\$ 2,253,089	\$ 762,853
<u>Net change in investing working capital</u>		
Net change in deposits in trust for property acquisitions	\$ -	\$ 9,360
Net change in payables and accruals	(208,603)	49,231
	\$ (208,603)	\$ 58,591
<u>Net change in financing working capital</u>		
Net change in accrued interest payable	\$ (256,575)	\$ 117,955
Interest paid	\$ 1,956,679	\$ 1,612,267
Income taxes paid (received)	\$ 104,546	\$ (8,824)

11 Segmented Information

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

March 31, 2022 and 2021	Agricultural Division				Industrial & Retail Division				Corporate				CONSOLIDATED			
	Current 3 Months	Current 6 Months	Prior Yr. 3 Months	Prior Yr. 6 Months	Current 3 Months	Current 6 Months	Prior Yr. 3 Months	Prior Yr. 6 Months	Current 3 Months	Current 6 Months	Prior Yr. 3 Months	Prior Yr. 6 Months	Current 3 Months	Current 6 Months	Prior Yr. 3 Months	Prior Yr. 6 Months
Rental revenue, contractual amount	201,027	401,123	\$ 199,633	\$ 398,339	3,512,823	7,209,294	\$ 3,324,902	\$ 6,398,240	\$ -	\$ -	\$ -	\$ -	\$ 3,713,850	\$ 7,610,417	\$ 3,524,535	\$ 6,796,579
Property tax and insurance recoveries	22,334	44,667	20,225	40,449	681,246	1,387,340	640,795	1,259,609	-	-	-	-	703,580	1,432,007	\$ 661,020	\$ 1,300,058
Operating expense recoveries	2,820	5,640	2,671	6,738	304,420	662,812	303,954	567,599	-	-	-	-	307,240	668,452	\$ 306,625	\$ 574,338
Government Subsidy	-	-	-	-	-	-	-	-	-	-	-	396	-	-	\$ -	\$ 396
Accelerated rent adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ -	\$ -
Amortization of tenant inducements	-	-	-	-	(16,551)	(33,101)	(8,401)	(15,279)	-	-	-	-	(16,551)	(33,101)	\$ (8,401)	\$ (15,279)
Straight-line rental revenue	-	-	(11,739)	-	(54,857)	(141,240)	(41,442)	52,534	-	-	-	-	(54,857)	(141,240)	\$ (53,181)	\$ 52,534
Rental revenue	226,181	451,430	210,790	445,526	4,427,081	9,085,105	4,219,808	8,262,703	-	-	-	396	4,653,262	9,536,535	4,430,598	8,708,625
Property operating expenses																
Property taxes and insurance	(22,628)	(45,236)	(20,338)	(42,070)	(759,165)	(1,521,327)	(698,922)	(1,379,800)	-	-	-	-	(781,793)	(1,566,563)	(719,260)	(1,421,871)
Operating expenses:																
Repairs and maintenance	-	-	-	-	(235,140)	(679,000)	(205,238)	(366,860)	-	-	-	-	(235,140)	(679,000)	(205,238)	(366,860)
Management fees	(8,984)	(17,922)	(8,901)	(17,747)	(184,491)	(369,906)	(167,744)	(326,520)	-	-	-	-	(193,475)	(387,828)	(176,645)	(344,267)
Utilities	(478)	(478)	-	-	(133,685)	(195,526)	(86,336)	(145,389)	-	-	-	-	(134,163)	(196,003)	(86,336)	(145,389)
<i>subtotals</i>	(32,090)	(63,636)	(29,239)	(59,817)	(1,312,482)	(2,765,758)	(1,158,240)	(2,218,569)	-	-	-	-	(1,344,572)	(2,829,394)	(1,187,479)	(2,278,386)
Income from operations	194,091	387,794	181,551	385,709	3,114,599	6,319,346	3,061,568	6,044,134	-	-	-	396	3,308,690	6,707,141	3,243,119	6,430,239
Finance costs:																
Interest on mortgages	(49,692)	(100,162)	(52,753)	(106,249)	(798,343)	(1,647,014)	(717,728)	(1,446,428)	-	-	-	-	(848,035)	(1,747,176)	(770,481)	(1,552,677)
Interest on bank operating facilities	-	-	-	-	-	-	-	-	(149,275)	(283,994)	(136,218)	(440,272)	(149,275)	(283,994)	(136,218)	(440,272)
Interest on other unsecured financing	-	-	-	-	-	-	-	-	(4,244)	(4,244)	(128,572)	(128,572)	(4,244)	(4,244)	(128,572)	(128,572)
Interest on lease obligations	-	-	-	-	-	-	-	-	(6,982)	(17,641)	(10,659)	(21,318)	(6,982)	(17,641)	(10,659)	(21,318)
Amortization of deferred finance fees	(1,809)	(3,618)	(1,808)	(3,618)	(26,985)	(47,704)	(22,147)	(41,462)	-	-	-	-	(28,794)	(51,322)	(23,955)	(45,080)
Interest income	-	-	-	-	-	-	-	-	-	6,864	50,001	100,006	-	6,864	50,001	100,006
<i>subtotals</i>	(51,501)	(103,780)	(54,562)	(109,868)	(825,328)	(1,694,718)	(739,875)	(1,487,890)	(160,501)	(299,015)	(225,448)	(490,156)	(1,037,330)	(2,097,513)	(1,019,884)	(2,087,913)
Administration expenses	-	-	-	-	-	-	-	-	(375,043)	(752,703)	(363,382)	(650,341)	(375,043)	(752,703)	(363,382)	(650,341)
Amortization of deferred leasing	(5,003)	(10,007)	(4,556)	(9,110)	(80,796)	(161,591)	(72,934)	(135,217)	-	-	-	-	(85,799)	(171,598)	(77,490)	(144,328)
Amortization of right-of-use asset	-	-	-	-	-	-	-	-	(37,510)	(75,020)	(37,510)	(75,020)	(37,510)	(75,020)	(37,510)	(75,020)
Unrealized gains (losses) on short-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation net gains (losses) from investment properties	22,083	29,853	13,414	(10,107)	357,911	944,241	139,331	10,619	-	-	-	-	379,994	974,094	152,745	512
Income (loss) before income tax	159,670	303,860	135,848	256,624	2,566,387	5,407,279	2,388,090	4,431,646	(573,054)	(1,126,738)	(626,340)	(1,215,121)	2,153,002	4,584,401	1,897,598	3,473,149
Income tax (expense) recovery	(36,724)	(69,888)	(31,245)	(59,023)	(590,269)	(1,243,674)	(549,261)	(1,019,279)	384,104	636,102	304,096	217,564	(242,889)	(677,460)	(276,410)	(860,738)
Net income (loss) and total comprehensive income (loss) for the period	\$ 122,946	\$ 233,972	\$ 104,603	\$ 197,601	\$ 1,976,117	\$ 4,163,605	\$ 1,838,829	\$ 3,412,367	\$ (188,950)	\$ (490,636)	\$ (322,244)	\$ (997,557)	\$ 1,910,113	\$ 3,906,941	\$ 1,621,187	\$ 2,612,411
Investment properties		\$ 10,845,989		\$ 10,598,174		\$ 237,594,066		\$ 226,603,610						\$ 248,440,055		\$ 237,201,784
Mortgages		\$ 4,272,119		\$ 4,540,140		\$ 107,715,862		\$ 100,097,868						\$ 111,987,981		\$ 104,638,008
Additions to investment properties		\$ -		\$ -		\$ 2,799,377		\$ 9,786,372						\$ 2,799,377		\$ 9,786,372

12. Earnings per share

The following are the weighted average number of shares outstanding:

	March 31, 2022	March 31, 2021
Net income and comprehensive income	\$ 3,906,941	\$ 2,612,411
Weighted average shares outstanding – basic and diluted	9,451,242	9,451,242
Earnings per share – basic and diluted	\$.41	\$.28

13. Rental revenue

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

a) Rental revenue

	March 31, 2022	March 31, 2021
Rental revenue, contractual amount	\$ 7,610,417	\$ 6,796,579
Property tax and insurance recoveries	1,432,007	1,300,057
Government Subsidy	-	396
Operating expense recoveries	668,452	574,338
Amortization of tenant inducements	(33,101)	(15,279)
<u>Straight-line rental revenue</u>	<u>(141,240)</u>	<u>52,534</u>
Rental revenue on statements of comprehensive income	\$ 9,536,535	\$ 8,708,625

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

	March 31, 2022	March 31, 2021
No later than one year	\$ 14,287,952	\$ 14,864,767
2 – 5 years	43,131,410	41,585,478
Over 5 years	27,010,892	30,161,517
	\$ 84,430,255	\$ 86,611,762

The month-to-month tenant revenue is not included in the above figures. The future contracted minimum rent receivable could be negatively impacted by a tenant having financial difficulties and being unable to meet their rent obligations. The future rent receivable assumes all tenants will honor the financial obligations of their leases, to the terms of their leases, with no defaults or variations in the contracted amounts.

14. Guarantees, contingencies, and commitments

a) In the normal course of operations, the Company and its subsidiaries may 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 may 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 17.

d) As at March 31, 2022, the Company entered into a construction contract to build an additional 33,200 ft² of industrial space on one of its investment properties in Fort McMurray, Alberta. The total contract price is \$8,600,000.

15. Capital risk management

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

	March 31, 2022	September 30, 2021
Mortgages	\$ 111,732,278	\$ 108,509,937
Lease liability	640,425	712,784
Bank operating facilities	16,826,865	20,360,492
Other financing	-	3,800,000
Total debt financing	129,199,568	133,383,213
Equity	102,302,154	98,678,750
Total capital	\$ 231,501,722	\$ 232,061,963

16. Financial instruments

	March 31, 2022	September 30, 2021
Financial assets		
Cash and cash equivalents	\$ 685,987	\$ 196,114
Receivables, net of provisions	19,884	279,750
Mortgage receivable	-	2,500,000
	\$ 705,871	\$ 2,975,864
Financial liabilities		
Bank operating facilities	\$ 16,826,865	\$ 20,360,492
Payables and accruals	1,881,343	1,701,278
Other financing	-	3,800,000
Lease liability	640,425	712,784
Security deposits	804,085	896,654
Mortgages	111,732,278	108,509,937
	\$ 131,884,996	\$ 135,981,145

The carrying value of cash and cash equivalents, receivables, mortgage receivable, bank operating facilities, other financing, payables and accruals, and security deposits approximate their fair value because of the near-term maturity of those instruments. The fair value of mortgages payable is a level 2 measurement and is based on discounted future cash flows using rates that reflect observable current market rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable as at March 31, 2022 is \$111,411,783 (September 30, 2021 - \$109,317,430). These estimates are subjective as current interest rates are selected from a range of potentially acceptable rates and accordingly, other fair value estimates are possible. The interest rate used for this calculation is 3.31% (September 30, 2021 - 2.94%).

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

Credit risk

The Company is exposed to credit risk equivalent to the balance of its tenant receivables of \$19,884 at March 31, 2022 (September 30, 2021 - \$279,750), and cash and cash equivalents of \$685,987 (September 30, 2021 - \$196,114). Credit risk

on tenant receivables arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss with a policy of credit assessment for all new lessees and by limiting its exposure to any one tenant. For tenant accounts receivable, the Company applies the general approach to recognize expected credit losses (“ECL”) in the next twelve months. Management uses historical credit losses adjusted for current and forward-looking information which may affect the ability of the customers to settle receivables. Historically the Company has very little credit losses as most tenants have been able to meet their financial obligations. At March 31, 2022 there is no loss provision for tenant receivables (September 30, 2021 - \$nil).

Credit risk associated with cash and cash equivalents is mitigated through the Company holding cash and cash equivalents with reputable financial institutions.

Interest rate risk

The Company’s exposure to interest rate risk relates to its short-term floating interest rates on bank operating facilities. The required cash flow to service the debt will fluctuate because of the changing prime interest rate. The balance on the bank operating facilities at March 31, 2022 is \$16,826,865 (September 30, 2021 - \$20,360,492). Under the assumption any balance of the 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 \$168,287 (September 30, 2021 - \$203,605). The Company minimizes its exposure to interest rate risk to the extent that all mortgages have fixed rates with terms of 2-5 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 its financing obligations and cash and cash equivalents to ensure that it has enough available funds to meet current and foreseeable future financial requirements at a reasonable cost. Management manages its liquidity risk with the use of the lines of credit available to the Company as well as short term financing from related parties and private parties. Management estimates that cash flows from operating activities will provide enough cash requirements to cover normal operating and budgeted expenditures.

During the current period, the Company renewed three mortgages. The mortgages were renewed for a further 3-5 years at fixed rates. Upon renewal, the Company received \$11,144,252 in cash proceeds and assumed additional debt.

Contractual obligations at March 31, 2022

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	\$ 19,560,814	\$ 57,359,002	\$ 41,119,322	\$ 6,051,157	\$ 124,090,295
Payables and accruals	1,881,343	-	-	-	1,881,343
Lease liability	151,748	326,939	161,738	-	640,425
Security deposits	53,510	55,894	28,950	665,731	804,085
	21,647,415	57,741,835	41,310,010	6,716,888	\$ 127,416,148
Operating facilities	16,826,865	-	-	-	16,826,865
	\$ 38,467,280	\$ 57,741,835	\$ 41,310,010	\$ 6,716,888	\$ 144,243,013

Contractual obligations at September 30, 2021

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	\$ 29,147,767	\$ 48,884,829	\$ 35,291,074	\$ 4,587,053	\$ 117,910,723
Payables and accruals	1,701,278	-	-	-	1,701,278
Lease liability	148,046	318,961	245,777	-	712,784
Security deposits	151,973	38,410	107,583	602,614	900,580
	31,149,064	49,242,200	35,644,434	5,189,667	\$ 121,225,365
Other financing	3,800,000	-	-	-	3,800,000
Operating facilities	20,360,492	-	-	-	20,360,492
	\$ 55,309,556	\$ 49,242,200	\$ 35,644,434	\$ 5,189,667	\$ 145,385,857

Market risk

Market risk is the risk that the Company could be adversely affected due to product and service supply shortages, utility price increases, and property tax increases. These risk factors have a direct impact on the Company's costs, however they are mitigated through the Company's lease term structures which recover the majority of these costs from the respective tenants.

17. Related party transactions

The following are the related party transactions of the Company.

a) *Management agreements*

Sable Realty & Management Ltd. provides property management services to Imperial Equities Inc. The company is controlled by the President and CEO of the Company, Sine Chadi. North American Realty Corp. is also controlled by Mr. Chadi and provides asset management services to the Company.

Refer to the September 30, 2021 audited consolidated financial statements for the property management, maintenance, and project fee structures.

<u>Payments for the period ending March 31,</u>	<u>2022</u>	<u>2021</u>
Property management and maintenance fees	\$ 739,967	\$ 406,291
Acquisition fees	22,500	93,000
Leasing fees	62,639	394,782
Total payments	\$ 825,106	\$ 894,073

b) *Other related party transactions*

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

<u>Period ending March 31,</u>	<u>2022</u>	<u>2021</u>
Leased office space and parking	\$ 90,000	\$ 90,000
Fees for Accounting/Consulting Services	1,800	37,451
Rent at Sable Centre	(47,461)	(44,264)
Net payments for the period	\$ 44,339	\$ 83,187

ii) Directors are paid a fee for attending directors' meetings. The fees are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations. Total fees paid for the period were \$17,500 (2021 – \$22,500).

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 President Sine Chadi, who is also a director of the Company, the Chief Operating Officer, Patricia Misutka, and the Chief Financial Officer, Azza Osman.

<u>Period ending March 31,</u>	<u>2022</u>	<u>2021</u>
Sine Chadi	\$ 150,000	\$ 150,000
Patricia Misutka	90,000	90,000
Azza Osman	87,500	72,500
	\$ 327,500	\$ 312,500

vi) Other financing, unsecured

Related Parties	Balance 1-Oct-21	Advances	Repayments	Balance 31-Mar-22
Jamel Chadi, Shareholder ¹	\$ 2,100,000	\$ -	\$ (2,100,000)	\$ -
Sine Chadi, Shareholder ¹	\$ 700,000	-	(700,000)	-
Diane Buchanan, Shareholder ¹	\$ 1,000,000	-	(1,000,000)	-
Total	\$ 3,800,000	\$ -	\$ (3,800,000)	\$ -

Related Parties	Balance 1-Oct-20	Advances	Repayments	Balance 30-Sep-21
Jamel Chadi, Shareholder ¹	2,000,000	1,200,000	(1,100,000)	2,100,000
Sine Chadi, Shareholder ¹	1,550,000	750,000	(1,600,000)	700,000
NAMC ²	-	225,000	(225,000)	-
Diane Buchanan, Shareholder ¹	1,500,000	-	(500,000)	1,000,000
Total	\$ 5,050,000	\$ 2,175,000	\$ (3,425,000)	\$ 3,800,000

- Loans received from shareholders bear interest at an annual rate of 6%. Total interest expense during the period was \$4,243 (March 31, 2021 -\$77,801).
- North American Mortgage Corp. ("NAMC") is controlled by Mr. Sine Chadi, President of the Company. No interest was paid in the current period or the comparative period for the six months ended March 31, 2022.

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

18. Post-reporting date events

Subsequent to the period ending, the Company has declared a quarterly dividend of \$0.02 per share totalling \$189,025 paid on April 30, 2022, to shareholders of record effective April 20, 2022.

19. Authorization of the consolidated financial statements

The condensed consolidated interim financial statements for the six-month period ending March 31, 2022 (including comparatives) were authorized for issue by the Board of Directors on May 17, 2022.

Signed "Sine Chadi", Director

Signed "Kevin Lynch", Director



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