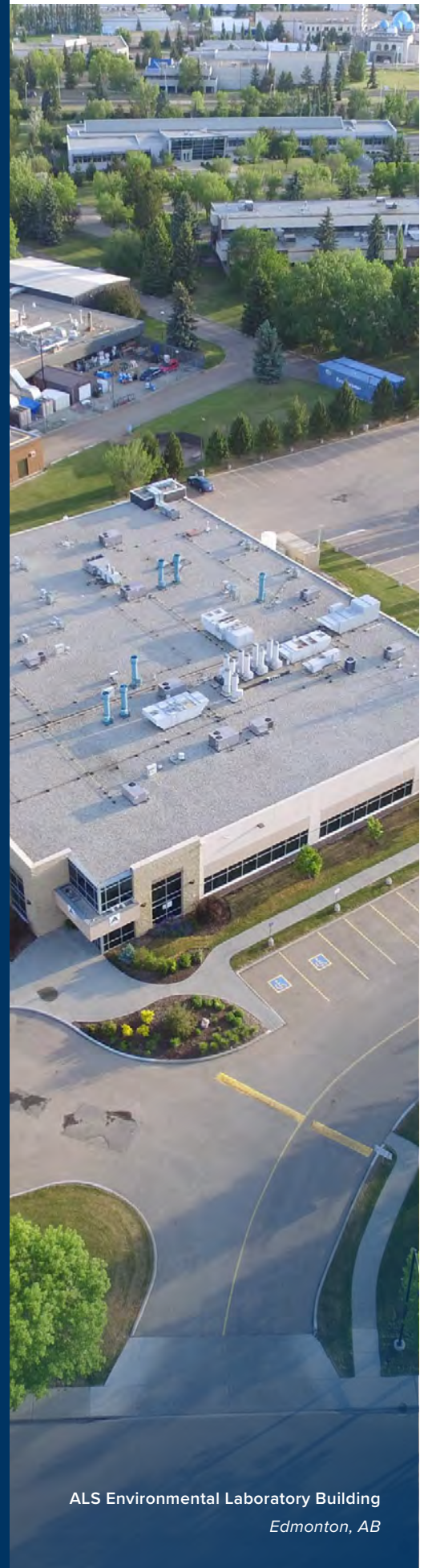




IMPERIAL
EQUITIES
INC.

1st Quarter Report

Three Months Ending
December 31, 2024

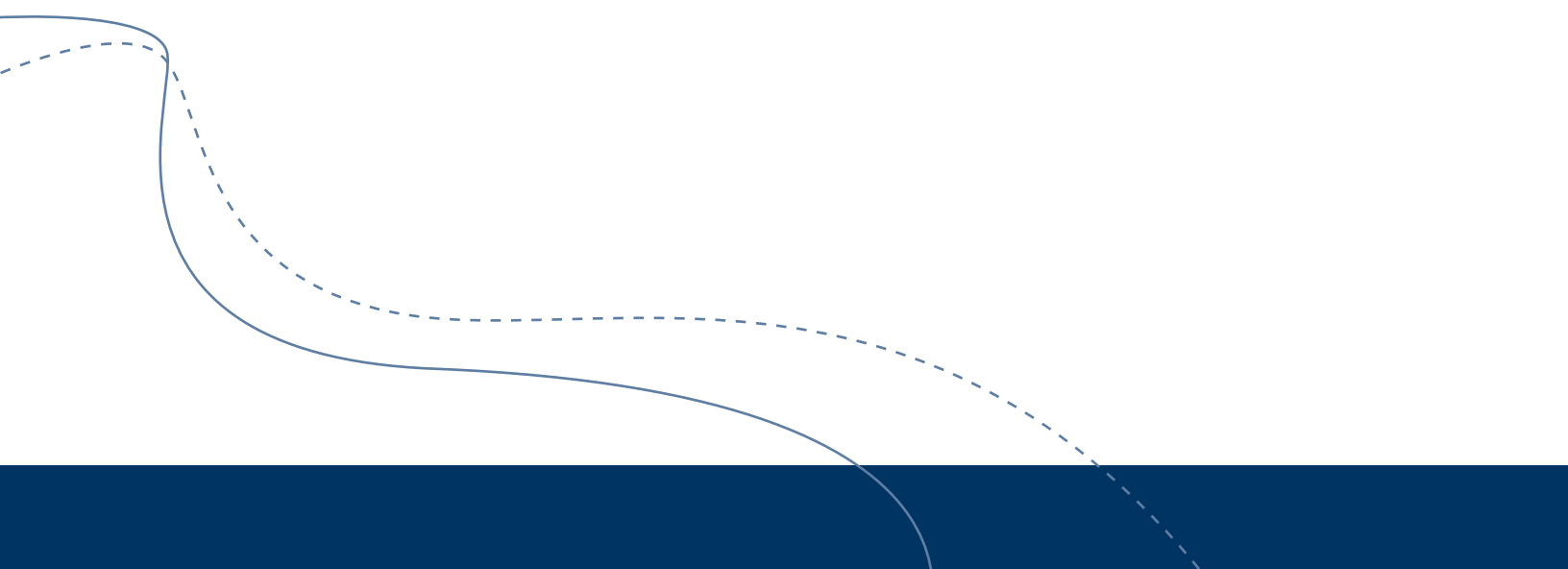


ALS Environmental Laboratory Building
Edmonton, AB

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President's Report

For the first quarter ending December 31, 2024

President's Report

For Q1 2025



For anyone who's been hiking, you know that the next hill usually comes into view just as you've climbed the one you are on. And so it goes in business.

We have no sooner begun to see the other side of inflation and high interest rates, that now we are bracing for a tariff war. And while I don't underestimate the challenge this may represent; I am slightly optimistic. First, I continue to value the extraordinary business relationships we have developed with several strong Canadian companies. Second, to the extent these struggles inspire us to finally prioritize lessening provincial trade barriers and our own productivity challenges, we will be stronger in the long term. Finally, I know that we, as well positioned as any Company to weather the uncertainties ahead.

The demand for industrial property across Canada remains strong, and the industrial market in the Greater Edmonton region continues to reflect this, with a 4.1% vacancy rate as at Q4, 2024. Our financial results for Q1 2025 reflect the improved interest rate environment and have been very positive with positive cash flow, and positive net income. In addition, we maintain full occupancy with 99.3% of our total leasable square footage occupied. We also continue to meet our commitments to our shareholders with our quarterly dividend payments.

We are turning significant attention towards acquisitions this year, with several potential investments now under consideration. One opportunity pursued this Quarter is a now pending acquisition of a property in Sparwood, B.C., tied to an existing national tenant. This deal will close in Q3 2025 and will be tied to a new 10 year lease. Upon acquisition, we will move immediately to renovate the property to suit their occupancy.

I am grateful for all the support and confidence of our team, our Board and our shareholders as we have navigated through several cost-intensive quarters. We remain optimistic for the future and are excited about what's ahead for our Company.

As always, we look forward to welcoming you to our Annual General Meeting to be held at 2:00PM on March 13, 2025 via Zoom. We encourage you to attend via this link <https://bit.ly/IEIAGM2025>, and we invite you to keep up to date with company matters through our revamped website at www.imperialequities.com.

Sincerely,

Sine Chadi
President & CEO

MD & A

Management's Discussion & Analysis

for the first quarter ending December 31, 2024



Universal Rail Building
Edmonton, AB

Management's Discussion and Analysis as at February 12, 2025



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"). This MD&A should be read in conjunction with the unaudited interim condensed financial statements for the three months ended December 31, 2024, and the related notes, as well as the audited consolidated financial statements and MD&A for the years ended September 30, 2024 and 2023.

Effective October 1, 2024 the Company amalgamated with its sole wholly owned subsidiary Imperial Equities Properties Ltd. The Company is a continuation of the previous consolidated reporting entity. As such the comparative figures presented in this MD&A are those of the previously consolidated entity.

Unless otherwise noted, all amounts in this MD&A are reported in Canadian dollars, which is the Company's presentation and functional currency. The information contained in this MD&A, including forward-looking statements, is based on information available to management as at February 12, 2025, except as otherwise noted.

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

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

Forward-Looking Information

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

Forward-looking statements may involve but are not limited to, comments with respect to our initiatives for 2025 and beyond, future leasing, acquisition and financing plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results or outlook for our operations. By their nature, forward looking statements are subject to numerous risks and uncertainties including

those discussed under Risks and Risk Management in this MD&A. Readers are cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be imprecise, and as such, undue reliance should not be placed on forward-looking statements.

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

Our Business

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

Since operations started in 1998, the Company has increased revenues, and the fair value of its portfolio of investment properties through growth via acquisitions, the construction of build-to-suit projects, proactive maintenance of its properties, and responsive property management to build strong relationships with long-term tenants.

There have been no significant changes to the Company's overall business or strategy during the three months ended December 31, 2024.

Management and the Board monitor specific key performance indicators in three critical areas of the business: property operations and financing, investment properties, and leasing activities. These key performance indicators remain consistent with those discussed in the MD&A for the year ended September 30, 2024.

Key Highlights

Management and the board monitor the performance of the Company using specific key performance indicators which are highlighted below. Certain of the performance indicators have not changed since September 30, 2024, and have therefore not been included in this MD&A.

Our Operations and Financing

Income from operations ('000s)		
Q1 2025		
		\$3,331
Q1 2024	\$3,341	-0.30%

Income from operations in the current period was consistent with the same period in the prior year. There was an overall decrease in minimum rental revenue, as a result of a property being leased to a new tenant at a lower rental rate in Q1 2025 compared to Q1 2024. This was offset by increases in operating cost recoveries, with lower non-recoverable operating costs incurred in Q1 2025 compared to Q1 2024.

Operating expense recovery percentage ¹		
Q1 2025		
		83%
Q1 2024	76%	+9.2%

Operating expense recovery percentage increased in Q1 2025 compared to Q1 2024 because of lower non-recoverable property operating expenses in Q1 2025. In Q1 2024, the Company incurred \$137,000 in non-recoverable operating expenses compared to \$12,000 in Q1 2025. If these non-recoverable expenses were excluded from the calculation in Q1 2024, the recovery percentage would be 83% and comparable to the current period.

¹ See "Non-IFRS Financial Measures" for further information about this measure.

Funds available for property operations ¹

Q1 2025		
\$ 138,242		
Q1 2024	\$ (27,875)	+595.9%

Funds available for property operations have increased due to decreased financing costs on bank operating facilities, and other financing in the current period compared to the same period in the prior year. This is due to the repayment of other financing during fiscal 2024, and the reduction in interest rates and reduction in the overall balance of the bank operating facilities in Q1 2025 compared to Q1 2024.

Debt to total assets ratio ¹

Q1 2025		
47%		
Q1 2024	50%	-6.38%

The ratio of debt to assets decreased in Q1 2025 due to the sale of an investment property in Q2 2024 which was more highly leveraged than the remaining investment properties. As a result, the ratio of total debt to total assets decreased with the disposal of the property. This ratio also continues to decrease because of principal payments on mortgages and the reductions in the Company's outstanding debt balances.

Weighted average interest rates on mortgages

Q1 2025		
4.31%		
Q1 2024	4.00%	+7.75%

The increase in weighted average interest rates is related to the renewal of mortgages at higher interest rates during fiscal 2023 and 2024, as a result of the higher interest rate environment in the market, which did not start declining until part way through fiscal 2024.

Our Investment Properties

Total number of investment properties (excluding property held for sale)

Q1 2025		
36		
Q1 2024*	40	-10.0%

The Company sold three investment properties during fiscal 2024, and one investment property in Q1 2025, which consisted of a piece of raw land held for development. The sale of the property in Q1 2025 generated \$2,200,000 of gross proceeds which was applied against outstanding bank operating facilities and will provide capital for future growth.

*The number of investment properties for Q1 2024 was adjusted in the current year to group certain investment properties together for consistency with the current period presentation.

¹ See "Non-IFRS Financial Measures" for further information about this measure.

Our Leasing Activities

Gross Leasable Area ("GLA") in square feet ²		
Q1 2025		
1,059,599		
Q1 2024	1,117,832	-5.21%

GLA decreased in the current period as a result of the sale of an income producing property in Q2 2024 with total GLA of 58,393 ft². In addition, the square footage of a building was reassessed during fiscal 2024, resulting in an increase of 160 ft².

Renewals (GLA)		
Q1 2025		
37,200		
Q1 2024	-	+100.00%

The Company entered a lease amending agreement with a tenant in advance of the lease maturity date during Q1 2025. The lease amending agreement extended the lease term by 5 years to a total of 10 years.

Leases expiring in the next twelve months (GLA)		
Q1 2025		
103,398		
Q1 2024	118,018	-12.4%

The Company has five leases that expire over the next 12-month period. During the quarter, Management entered into discussions for renewals on two of the leases with a total GLA of 76,850 ft². Management anticipates that renewal discussions will commence on the remaining three leases closer to their expiry dates. All the GLA for leases expiring in the twelve months after December 31, 2023 is leased as of December 31, 2024.

Building occupancy		
Q1 2025		
99.3%		
Q1 2024	94.10%	+5.56%

The increase in the building occupancy for the current period compared to same period in the prior year as the result of the sale of a building that was vacant at Q1 2024. The remaining space available for lease remains unchanged since September 30, 2024 and consists of 7,119 ft² of space within a building that is leased to a single tenant. 0

Average lease term to maturity (years)		
Q1 2025		
4.61		
Q1 2024	4.49	+2.74%

The Company's average lease term to maturity increased in the current period because of the renewals signed in fiscal 2024, which extended the lease terms an average of 5 years and the renewal during Q1 2025 that extended an existing lease for an additional 5 years after its original maturity to a total term of 10 years from the end of Q1 2025.

² GLA is the square footage of space in the Company's investment properties that is leased or available to be leased to tenants.

Financial Performance

(in thousands)	Three months ended December 31,		
	2024	2023	Variance
Rental revenue	\$ 4,908	\$ 4,950	\$ (42)
Property operating expenses	1,577	1,609	(32)
Income from operations	3,331	3,341	(10)
Finance costs	1,197	1,431	(234)
Administrative expenses	324	270	54
Amortization of deferred leasing	104	95	9
Amortization of right-of-use asset	45	38	7
Loss (gain) on sale of investment properties	141	-	141
Valuation net (gain) loss from investment properties	(134)	3,050	(3,184)
Income before income tax	1,654	(1,543)	3,197
Income tax expense	526	-	526
Net income and comprehensive income	\$ 1,128	\$ (1,543)	\$ 2,671
Earnings per share basic and diluted (in dollars)	\$ 0.12	\$ (0.16)	\$ 0.28
Dividends per share (in dollars)	\$ 0.02	\$ 0.02	\$ -

— **Rental revenue** includes minimum rent, which is recorded on a straight-line basis over the terms of the related leases, as well as property tax, insurance and occupancy cost recovery revenue. Rental revenue also includes adjustments for amortization of tenant inducements.

For the three months ended December 31, 2024 rental revenue decreased by \$41,989 compared to the same period in the prior year. The decrease is primarily due to a reduction in minimum rental revenue. A property that was leased for Q1 and part of Q2 2024 was subsequently vacated by the tenant. A new tenant commenced leasing the property in Q4 2024, but at a reduced rate. The decrease in minimum rent was offset by an increase in occupancy cost recovery revenue, which has increased over the prior year due to increased budgeted and actual occupancy costs, in particular for property taxes.

— **Income from operations** is \$3,330,795 for the three months ended December 31, 2024 compared to \$3,341,375 for the three months ended December 31, 2023. The decrease compared to the prior year is due to the decrease in minimum rental revenue noted above, offset by increased operating cost recoveries compared to the same period in the prior year.

— **Net income** increased by \$2,670,158 to \$1,127,412 for the three months ended December 31, 2024 compared to the same period in the prior year which had a net loss of \$1,542,746. The loss for the three months ended December 31, 2023 was related to the valuation loss on investment properties recorded in that period.

Property Operating Expenses

	Three months ended December 31, 2024	Three months ended December 31, 2023	Variance
Property taxes	\$ 841,067	\$ 798,071	\$ 42,996
Insurance	59,885	61,456	(1,571)
Repairs and maintenance	616,855	647,864	(31,009)
Utilities	59,562	101,387	(41,825)
	\$ 1,577,369	\$ 1,608,778	\$ (31,409)

Property operating expenses have remained consistent overall with the same period in the prior year. Property taxes increased due to increased property tax rates and assessments year over year. Utilities decreased in the three months ended December 31, 2024 compared to December 31, 2023 as utilities were being paid during Q1 2024 for a vacant building that was sold in Q3 2024.

Repairs and maintenance expenses were lower than the prior period because the Company incurred approximately \$137,000 in non-recoverable repairs and maintenance in Q1 2024 and there were no such large non-recoverable repairs and maintenance expenses in the current period.

Finance Costs

	Three months ended December 31, 2024	Three months ended December 31, 2023	Variance
Interest on mortgages	\$ 999,420	\$ 1,016,736	\$ (17,316)
Interest on bank operating facilities	285,537	356,699	(71,162)
Interest on other unsecured financing	-	50,500	(50,500)
Interest on lease obligations	3,013	4,145	(1,132)
Amortization of deferred financing fees	18,755	19,385	(630)
Financing fees	5,000	-	5,000
Interest income	(114,817)	(15,980)	(98,837)
	\$ 1,196,908	\$ 1,431,485	\$ (234,577)

Finance costs for Q1 2025 are lower than for Q1 2024 because of a reduction in the outstanding debt balance through repayments of other financing and bank operating facilities. Interest expense was also reduced due to the decrease in market interest rates over fiscal 2024 which reduced the interest costs on the Company's floating rate bank operating facilities, and on mortgages that

were renewed in the latter half of fiscal 2024. Additionally, the Company has increased interest income, as a result of entering into an additional vendor-take back mortgage receivable on the sale of an investment property in fiscal 2024 and renewing the previously existing vendor take back mortgage in Q4 2024 at a higher rate for an additional year.

Administrative Expenses

	Three months ended December 31, 2024	Three months ended December 31, 2023	Variance
Salaries and benefits	\$ 206,359	\$ 163,353	\$ 43,006
Public company costs	16,907	15,640	1,267
Professional fees	20,274	349	19,925
Office and other	80,592	90,344	(9,752)
Bad debts	100	-	100
	\$ 324,232	\$ 269,686	\$ 54,546

Administrative expenses increased in Q1 2025 compared to Q1 2024 primarily because of increased salaries and benefit expense, and professional fees. Salaries and benefits expense increased due to additional individuals who joined the Company during fiscal 2024, and wage increases. Professional fees increased in the current period due to additional legal and tax costs that the Company incurred for the completion of an amalgamation of the Company with its wholly owned subsidiary effective for the beginning of Q1 2025.

— **Amortization of deferred leasing and right-of-use asset** are related to the accounting for deferred leasing costs and right-of-use asset. These amounts increased over the prior year due to the addition of a new leased asset in fiscal 2024, and the commencement of amortization on deferred leasing costs that were incurred over fiscal 2024 that are now being amortized over the terms of the related leases.

— **Loss on sale of investment property** is the amounts recognized on the sale of one investment properties during the quarter, and consists of transaction costs, as the fair value of investment properties does not include any adjustment for transaction costs.

— **Valuation (gains) loss from investment properties, net** is the result of adjusting the investment properties to fair value at the end of each reporting period. For the three months ended December 31, 2024, the Company recorded a net gain compared to a net loss in the same period of the prior year. The change in investment property fair value is discussed below in “Investment properties”.

Selected Statement of Financial Position Information

As At	December 31, 2024	September 30, 2024	Variance
Investment properties	\$ 231,035	\$ 231,058	\$ (23)
Right-of use asset	219	264	(45)
Mortgages and loans receivable	5,885	5,587	298
Total non-current assets	237,139	236,909	230
Current portion of mortgage receivable	1,431	1,478	(47)
Current assets	632	1,839	(1,207)
Total current assets	2,063	3,317	(1,254)
Investment property held for sale	-	2,200	(2,200)
Total assets	\$ 239,202	\$ 242,426	\$ (3,224)
Mortgages	\$ 57,932	\$ 58,402	\$ (470)
Security deposits	795	795	-
Lease liability	46	98	(52)
Deferred taxes	17,037	16,665	372
Total non-current liabilities	75,810	75,960	(150)
Other financing	-	-	-
Current portion of mortgages	34,035	35,460	(1,425)
Bank operating facilities	19,920	21,294	(1,374)
Other current liabilities	1,336	2,550	(1,214)
Total current liabilities	55,291	59,304	(4,013)
Total liabilities	131,101	135,264	(4,163)
Equity	108,101	107,162	939
Total equity and liabilities	\$ 239,202	\$ 242,426	\$ (3,224)

Investment Properties

Investment properties are carried at fair value, which is determined by management using valuation methodologies at the end of each reporting period. There was no change in valuation methodologies applied at December 31, 2024 compared to those used at September 30, 2024.

Changes in investment properties since the fiscal year-end of September 30, 2024, are detailed below.

	Income producing properties	Held for development	Total investment properties
Balance, October 1, 2024	\$ 228,122,706	\$ 2,935,636	\$ 231,058,342
<i>Additions:</i>			
Capitalized property taxes (recoveries) and other	-	(8,975)	(8,975)
Leasing commissions	36,180	-	36,180
Amortization of tenant inducements	(31,714)	-	(31,714)
Amortization of deferred leasing commissions	(104,103)	-	(104,103)
Change in straight-line rental revenue	(48,036)	-	(48,036)
Fair value gains (losses), net	124,673	8,975	133,648
Balance, December 31, 2024	\$ 228,099,706	\$ 2,935,636	\$ 231,035,342

During the quarter ended December 31, 2024 the Company completed the sale of the investment property that was classified as “held for sale” at September 30, 2024. The property sold for gross proceeds of \$2,200,000 and incurred transaction costs of \$141,202.

The fair value of investment properties decreased slightly to \$231,035,342 at December 31, 2024 compared to the year ended September 30, 2024. The net decrease is a result of the following:

- The Company recorded a net decrease of \$217,000 related to two properties where changes in market expectations impacted the property values in the period.
 - Several properties had increased rental revenue because of lease steps ups and renewals with lease rates at higher rates. This was offset by increases in capitalization rates and decreases in normalized net operating income on some properties, to maintain a fair value that was consistent with overall market values. The net of these changes was an increase in fair value of \$194,000.
- **Mortgages and loans receivable** increased to a total balance of \$7,316,453 at December 31, 2024 compared to a total balance of \$7,064,268 at September 30, 2024. The increase relates to a new loan receivable from a tenant of \$272,757, bearing interest at 8.5% and repayable in monthly payments of \$3,358 starting January 1, 2025 for a 10-year period. This increase was offset by ongoing principal repayments on the mortgages and loans receivable during the period.

— **Right-of-use assets and lease liabilities** have been recorded in accordance with the requirements of IFRS 16 Leases. There have been no changes to the assets leased since September 30, 2024. Lease payments for the 3 months ended December 31, 2024 were \$52,612 (2023 - \$45,000).

— **Current assets** include receivables from tenants, prepaid expenses and deposits and cash balances with banks. The balance has decreased because of decreased prepaid expenses and receivables. Property taxes are charged on a calendar year-end basis, and paid in full in June, and so at December 31 there is no longer any prepaid balance as the property taxes have been fully expensed. Insurance is paid in quarter 3 each year for a 12-month period. As a result, there is a decrease in the outstanding prepaid insurance balance between September 30 and December 31 each year. Occupancy cost recoveries are reconciled at year-end, and therefore any amounts recoverable from tenants are accrued at September 30. At September 30, 2024, there were significant receivables accrued from tenants due to higher than budgeted property tax and repairs and maintenance expenses incurred in fiscal 2024. As of December 31, 2024, most of these amounts have been collected from tenants, and therefore the outstanding receivables balance has decreased from September 30, 2024.

— **Mortgages** including both current and long-term portions and unamortized finance fees have a balance of \$91,966,688 at December 31, 2024 (September 30, 2024 - \$93,861,523). The decrease in mortgages is as a result of paying down mortgages through monthly principal payments, and the payment of a lump sum amount on renewal of a mortgage during the quarter. There were no new mortgages advances in the quarter. Three mortgages were renewed during the quarter with a slight increase in the weighted average interest rates on the mortgages from 4.64% to 4.67%.

— **Security deposits** have not changed at December 31, 2024 compared to September 30, 2024. The current portion of security deposits for the three months ended December 31, 2024 was \$46,254 (September 30, 2024 - \$86,755). The current balance at September 30, 2024 included a \$40,000 deposit that was used to offset a month's rent for a tenant in accordance with the terms of the lease agreement.

— **Deferred taxes** are recorded on the difference between the accounting and tax bases of assets and liabilities. The difference between the fair value of investment properties recorded for accounting purposes, and the cost basis used for tax purposes generates the largest deferred tax liability at \$16,309,660 (September 30, 2024 – \$16,127,047). The increase in deferred

tax in the current year is due to the use of loss carry-forwards which were applied against previous taxable income when the fiscal 2024 tax returns were filed which reduced the outstanding deferred tax assets at December 31, 2024.

— **Bank operating facilities** at December 31, 2024 have a total balance of \$19,920,323 (September 30, 2024 - \$21,293,808) with two of the Company's major lenders. The decrease in the outstanding balance is primarily due to the sale of an investment property during the quarter, where the proceeds were applied against the outstanding lines of credit. Subsequent to the end of the quarter, the Fixed Rate Fixed Term ("FRFT") component of one of the lines of credit matured, and the outstanding balance was rolled into the revolving portion of the line of credit. The balance of the FRFT component was \$7,388,492 at December 31, 2024 (September 30, 2024 - \$7,444,453).

— **Other current liabilities** include payables and accruals, income taxes payable and the current portion of the lease liabilities. The decrease in other current liabilities at December 31, 2024 compared to September 30, 2024 is due to a decrease of \$1,046,761 in income taxes payable. During Q1 2025, the Company made payments towards its outstanding fiscal 2024 tax balances.

Selected Cash Flow Information

(in thousands)	Three months ended December 31, 2024	Three months ended December 31, 2023	Variance
Cash provided by operating activities	\$ 2,805	\$ 3,330	\$ (525)
Cash provided by (used in) investing activities	1,930	(903)	2,833
Cash used in financing activities	(4,736)	(2,513)	(2,223)
Decrease in cash and cash equivalents	(1)	(86)	85
Cash and cash equivalents, beginning of period	306	424	(118)
Cash and cash equivalents, end of period	\$ 305	\$ 338	\$ (33)

— **Cash provided by operating activities** for the three months ended December 31, 2024 decreased compared to the same period in the prior year due primarily to fluctuations in operating working capital, in particular a decrease in income taxes payable due to payments made during the quarter, which was offset by cash received from decreases in receivables and prepaid expenses. The Company continues to generate positive cash flows from operations which cover operating expenses, additions to investment properties, and payments on financing.

— **Cash provided by (used in) investing activities** for the three months ended December 31, 2024 increased over Q1 2024 due to net cash proceeds of \$2,058,798 received on the sale of investment property. Additionally, in Q1 2024 there was a reduction

in cash due to the payment of a large outstanding construction payable. No such payments were required in Q1 2025.

— **Cash used in financing activities** increased for the three months ended December 31, 2024 compared to the three months ended December 31, 2023. This is primarily due to repayments made by the company to reduce its outstanding balance on bank credit facilities. In Q1 2024, the Company used funds from the bank operating facilities, for operations and to repay outstanding balances on other financing.

At December 31, 2024, there was a **net decrease in cash** of \$145 (December 31, 2023 – decrease in cash of \$85,862).

Summary of Quarterly Results

(in thousands \$)	2025 Q1	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2
REVENUE	4,908	5,056	4,670	4,846	4,950	5,226	5,196	4,651
TOTAL COMPREHENSIVE (LOSS) INCOME	1,128	889	(1,446)	(2,162)	(1,543)	1,126	1,289	1,321
(in dollars)								
EPS-Basic	0.12	0.09	(0.15)	(0.23)	(0.16)	0.12	0.14	0.14
EPS-Diluted	0.12	0.09	(0.15)	(0.23)	(0.16)	0.12	0.14	0.14

The Company is not significantly impacted by seasonality in its operations. Minimum rental revenue is recorded on a straight-line basis over the term of the lease, and property operating recoveries are recorded at estimated amounts throughout the year, with a reconciliation to actual recoveries completed at Q4 each year. As a result, the revenue in Q4 2024 and Q4 2023 increased in comparison to prior quarters, as amounts receivable from tenants over the budgeted recoveries were accrued.

Changes in comprehensive income relate primarily to fluctuations in the net valuation gain (loss) from investment properties and

changes in finance costs. For Q1 to Q4 2024, the Company had higher finance costs due to higher market interest rates impacting its floating rate facilities, and mortgages that were renewed over the year. In Q1 2025, the Company had reduced finance costs, due to lower bank operating facilities balances, and lower interest rates on its bank operating facilities because of reductions in market rates.

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

(in thousands \$)	2025 Q1	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2
Valuation gains (losses) from investment properties, net	134	476	115	(3,651)	(3,050)	86	(357)	205

Fluctuations in the net valuation gains (losses) from investment properties quarter over quarter primarily reflect adjustments to the fair value of investment properties related to the completion of new or renewed leases, and completion or progress on redevelopment projects that improve the overall value of the buildings, and the impact of vacancies and market conditions on expected rent.

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

In Q1 and Q2 of 2024, losses were recorded on investment properties that were sold, once the sales prices for the properties

were established. In addition, further impairment was taken on a property that became vacant in Q2 of 2024, based on lower than expected lease rates in the market in which the property was located in. From Q3 2024 to Q1 2025, there have been minimal changes in investment properties, with any net gains from increases in rental rates being offset by losses to reflect market conditions in specific markets.

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

Liquidity and Capital Resources

There have been no significant changes in the Company's liquidity or capital resources available during the three months ended December 31, 2024.

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

	December 31, 2024	September 30, 2024
Available bank credit facilities	\$ 23,500,000	\$ 23,500,000
Bank facilities outstanding	19,920,323	21,293,808
Available credit facilities	\$ 3,579,677	\$ 2,206,192

During Q1 2025, the Company completed the sale of an investment property and received net proceeds of \$2,058,798. These proceeds were applied against the outstanding balance in the bank operating facilities and generated available credit facility room for future cash requirements.

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

At December 31, 2024, ten (September 30, 2024 – ten) mortgages are due in the next twelve months with combined principal balances of \$30,184,923 (September 30, 2024 - \$31,453,668) and are shown as current liabilities.

Investment properties unencumbered with debt are valued at \$12,870,000 at December 31, 2024 (September 30, 2024 excluding investment property held for sale - \$12,870,000). The debt to total assets ratio of the Company decreased to 47% at December 31, 2024 from 48% at September 30, 2024 and an historical average of 50%, providing possible leverage opportunities in the future.

During Q1 2025, the Company entered into a purchase and sales agreement for an investment property in British Columbia. After the end of the quarter, the Company paid an initial deposit of \$100,000, and the conditions on the sale were cleared. The sale is expected to close in Q3 2025, with the remaining purchase price of \$700,000 due at the date of close.

Related Party Transactions

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

— **Property management and maintenance fees** of \$481,692 (December 31, 2023 - \$339,433) were paid to Sable Realty & Management Ltd. ("Sable"), a company controlled by Sine Chadi, a director and officer of the Company for the three months ended December 31, 2024.

— **Acquisition, disposition and leasing fees** in the aggregate of \$102,180 (December 31, 2023 – \$53,387) were paid to North American Realty Corp. ("NARC"), a company controlled by Sine Chadi for the three months ended December 31, 2024.

— **Vehicle leasing fees** of \$2,250 for the three months ended December 31, 2024 (December 31, 2023 – \$4,800) were paid to North American Mortgage & Leasing Corp., a company controlled by Sine Chadi.

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

— **Rent collected** from Sable for commercial lease space for the three months ended December 31, 2024 was \$25,633 (2023 – \$23,731). 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 periodically by the Company's Board of Directors.

Paid to Directors

Directors' fees paid to independent directors for attending directors' meetings during the three months ended December 31, 2024 were \$10,000 (2023- \$10,000).

Compensation to Key Management Personnel

Compensation of key management personnel is as follows:

	Salaries and wages	Short-term benefits	Three months ended December 31,	
			2024	2023
Sine Chadi, President & CEO	\$ 75,000	\$ 2,048	\$ 77,048	\$ 76,958
Meghan DeRoo McConnan, CFO*	55,000	1,750	56,750	48,640
Total	\$ 130,000	\$ 3,798	\$ 133,798	\$ 125,598

* The CFO joined the Company May 23, 2023 as Interim CFO and became CFO effective January 1, 2024.

Planned Expenditures

The Company has entered into a purchase and sale agreement for the acquisition of an investment property in British Columbia. The purchase is expected to close in Q3 2025 for total gross proceeds of \$800,000. An initial deposit of \$100,000 was paid after quarter end.

Management is continuing to consider build-to-suit opportunities with tenants and potential tenants as they arise. There have been no commitments as of the date of this MD&A.

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

Changes in Accounting Policies and Critical Accounting Estimates

New and Amended Standards Adopted

Certain amendments disclosed in Note 2 of the unaudited interim condensed financial statements for the three months ended December 31, 2024 had an effective date of October 1, 2024 for the Company but did not have a material impact on the interim condensed financial statements or accounting policies for the three months ended December 31, 2024.

Future Accounting Standards

Standards, amendments, and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective are described in Note 2 of the unaudited interim condensed financial statements for the three months ended December 31, 2024.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, add new disclosures for certain instruments with contractual terms that can change cash flows, and make updates to the disclosure for equity instruments designated at fair value through other comprehensive income. The effective date for these amendments is for annual reporting periods beginning on or after January 1, 2025. The Company is currently assessing the impact of these amendments on its financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. New key concepts include the structure of the statement of profit or loss, required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. The effective date for this standard is for annual reporting periods beginning on or after January 1, 2027. The Company is currently assessing the impact of this standard on its financial statements.

Critical Judgments and Accounting Estimates

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

There has been no significant change in our critical judgements or accounting estimates in Q1 2025 from those described in the MD&A for the year ended September 30, 2024, in the Changes in Accounting Policies and Critical Accounting Estimates section and Note 3 of the September 30, 2024 audited consolidated financial statements.

Other

Risks and Risk Management

The nature and extent of the Company's significant risks has not changed materially from those described in the Risks and Risk Management section of the MD&A for the year ended September 30, 2024.

Financial Instruments and Market Risk

At December 31, 2024, the nature and extent of the Company's use of financial instruments did not change materially from those described in the Financial Instruments section of the MD&A for the year ended September 30, 2024.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Disclosure Controls and Procedures

There have been no material changes to the risks associated with disclosure controls and procedures and internal controls over financial reporting since those described in the Disclosure Controls and Procedures section of the MD&A for the year ended September 30, 2024.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. At February 12, 2025 total issued and outstanding shares are 9,451,242, and total outstanding and exercisable stock options are 200,000.

Dividends

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

On January 3, 2025 the Company issued a press release announcing the declaration of a quarterly dividend of \$0.02 per share payable on February 3, 2025 to shareholders of record effective January 17, 2025.

Non-IFRS Financial Measures

Operating expense recoveries, funds available for property improvements and growth, debt, debt to asset ratios and unencumbered properties are not measures recognized by IFRS, and do not have a standardized meaning prescribed by IFRS. Investors are cautioned that these measures should not replace net income or loss (as determined in accordance with IFRS) as an indicator of the Company's performance, of its cash flows from its

operating, investing and financing activities or as a measure of its liquidity and cash flows. Furthermore, the Company's method of calculating these measures may differ from the methods used by other issuers. Therefore, the Company's calculation of these measures may not be comparable to similar measure presented by other issuers.

Operating expense recoveries and percentage of property operating expense recoveries

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

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

The calculation is as follows:

	Three months ended December 31, 2024	Three months ended December 31, 2023
Property tax and insurance recoveries	\$ 889,298	\$ 798,727
Operating expense recoveries	412,776	428,294
Total recoveries	\$ 1,302,074	\$ 1,227,021
Total property operating expenses	\$ 1,577,369	\$ 1,608,778
% of property operating expense recoveries	83%	76%

Funds available for property improvements and growth

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

The calculation is as follows:

	Three months ended December 31, 2024	Three months ended December 31, 2023
Income from operations	\$ 3,330,795	\$ 3,341,375
Less: interest on financing*	1,289,957	1,423,935
Less: principal payments on mortgages	1,902,596	1,945,315
Funds available for property improvements and growth	\$ 138,242	\$ (27,875)

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

Debt

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

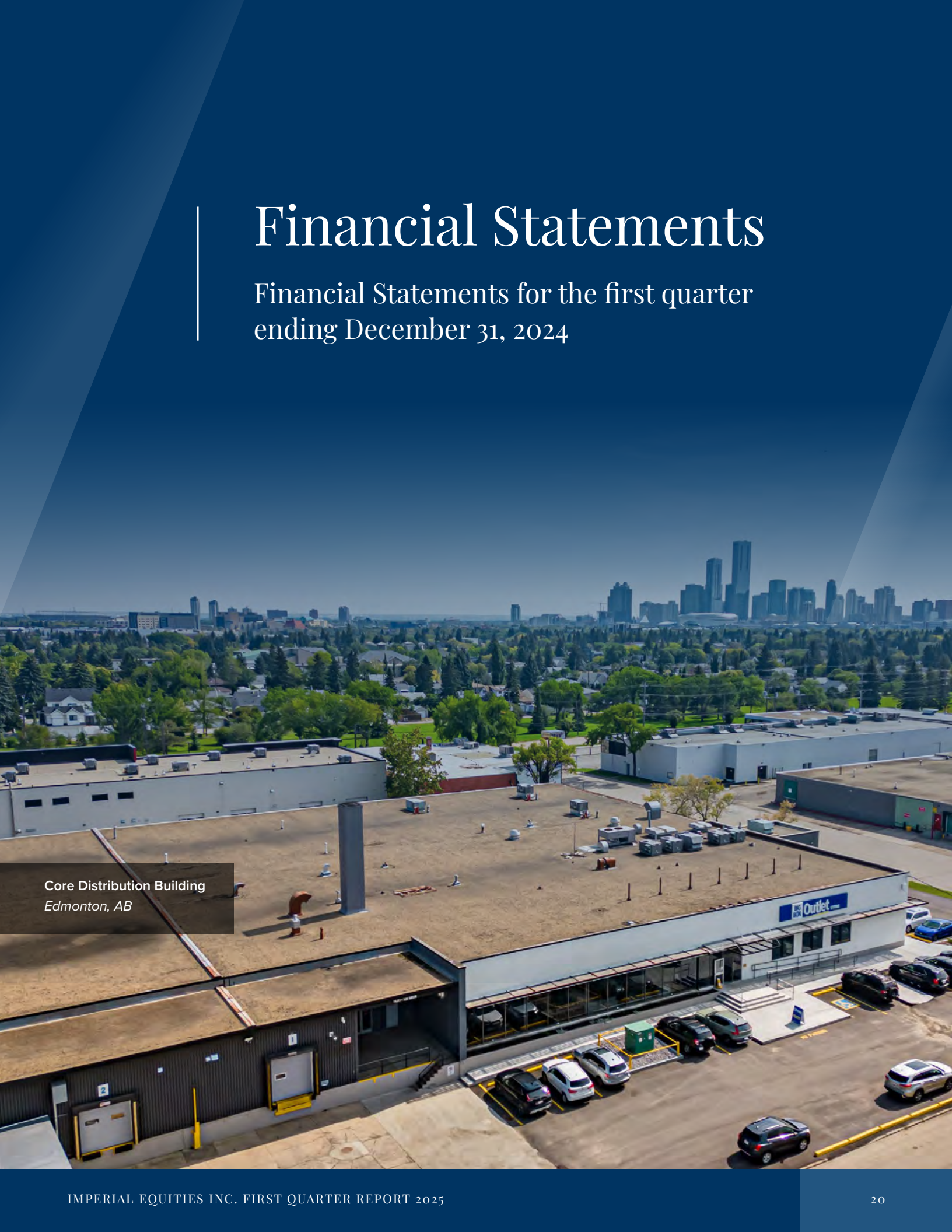
As at	December 31, 2024	September 30, 2024
Total Assets	\$ 239,202,522	\$ 242,425,659
Mortgages excluding transaction fees	92,052,949	93,955,546
Bank operating facilities	19,920,323	21,293,808
Debt	\$ 111,973,272	\$ 115,249,354
Ratio of debt to assets	47%	48%

Unencumbered properties

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

Financial Statements

Financial Statements for the first quarter
ending December 31, 2024



Core Distribution Building
Edmonton, AB

IMPERIAL EQUITIES INC.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2024 (Unaudited)	September 30, 2024 (Audited) (Consolidated – Note 2)
Assets			
Investment properties	3	\$ 231,035,342	\$ 231,058,342
Right-of-use assets		219,280	263,737
Mortgages and loans receivable	4	5,885,184	5,586,514
Total non-current assets		237,139,806	236,908,593
Current portion of mortgages and loans receivable	4	1,431,269	1,477,754
Receivables		186,593	406,496
Prepaid expenses and deposits		138,982	1,126,799
Cash		305,872	306,017
Total current assets		2,062,716	3,317,066
Investment property held for sale	3	-	2,200,000
Total Assets		\$ 239,202,522	\$ 242,425,659
Liabilities			
Mortgages	5	\$ 57,932,038	\$ 58,401,654
Security deposits		795,430	795,430
Lease liabilities	13	45,881	98,141
Deferred taxes	8	17,036,184	16,664,623
Total non-current liabilities		75,809,533	75,959,848
Income taxes payable		224,397	1,271,158
Current portion of lease liabilities		201,835	199,174
Current portion of mortgages	5	34,034,650	35,459,869
Bank operating facilities	6	19,920,323	21,293,808
Payables and accruals		911,254	1,079,659
Total current liabilities		55,292,459	59,303,668
Total Liabilities		131,101,992	135,263,516
Equity			
Issued share capital		5,947,346	5,947,346
Contributed surplus		251,600	251,600
Retained earnings		101,901,584	100,963,197
Total Equity		108,100,530	107,162,143
Total Equity and Liabilities		\$ 239,202,522	\$ 242,425,659

Post-reporting date events (Note 14)

Signed "Sine Chadi", Director

Signed "Kevin Lynch", Director

See accompanying notes to the financial statements.

IMPERIAL EQUITIES INC.**INTERIM CONDENSED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

(Unaudited)

		Three months ended	
	Notes	December 31, 2024	December 31, 2023
Rental revenue	10,13	\$ 4,908,164	\$ 4,950,153
Property operating expenses	13	1,577,369	1,608,778
Income from operations		3,330,795	3,341,375
Finance costs	11	1,196,908	1,431,485
Administration expenses		324,232	269,686
Amortization of deferred leasing		104,103	94,868
Amortization of right-of-use asset		44,457	37,510
Loss on the sale of investment properties	3	141,202	-
Valuation (gain) loss from investment properties, net	3	(133,648)	3,049,706
Income (loss) before income tax		1,653,541	(1,541,880)
Income tax expense	8	526,129	866
Net income (loss) and comprehensive income (loss)		\$ 1,127,412	\$ (1,542,746)
Weighted average number of shares outstanding			
– basic and diluted		9,451,242	9,451,242
Earnings (loss) per share basic and diluted		\$ 0.12	\$ (0.16)

See accompanying notes to the financial statements.

IMPERIAL EQUITIES INC.**INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY****(Unaudited)**

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
Balance, October 1, 2023	9,451,242	\$ 5,947,346	\$ -	\$ 105,980,319	\$ 111,927,665
Dividends paid	-	-	-	(756,099)	(756,099)
Share based compensation	-	-	251,600	-	251,600
Net loss and comprehensive loss	-	-	-	(4,261,023)	(4,261,023)
Balance, September 30, 2024	9,451,242	5,947,346	251,600	100,963,197	107,162,143
Dividends paid	-	-	-	(189,025)	(189,025)
Net income and comprehensive income	-	-	-	1,127,412	1,127,412
Balance, December 31, 2024	9,451,242	\$ 5,947,346	\$ 251,600	\$ 101,901,584	\$ 108,100,530

See accompanying notes to the financial statements.

IMPERIAL EQUITIES INC.**INTERIM CONDENSED STATEMENTS OF CASH FLOWS****(Unaudited)**

		Three months ended December 31,	
	Notes	2024	2023
Operating activities			
Net income (loss) from operations		\$ 1,127,412	\$ (1,542,746)
Finance costs	11	1,196,908	1,431,485
Leasing commissions		(36,180)	(86,648)
Items not affecting cash:			
Amortization of right-of-use asset		44,457	37,510
Amortization of tenant inducements		31,714	36,789
Amortization of deferred leasing commissions		104,103	94,868
Loss on sale of investment properties	3	141,202	-
Valuation (gain) loss on investment properties	3	(133,648)	3,049,706
Straight-line rental revenue		48,036	55,624
Deferred income taxes	8	371,561	(118,878)
Net change in operating working capital	9	(90,474)	372,360
Cash provided by operating activities		2,805,091	3,330,070
Investing activities			
Proceeds on sale of investment properties	3	2,058,798	-
Recoveries (additions) to investment properties		8,975	(5,826)
Advances on loans and mortgages receivable	4	(272,757)	-
Proceeds from mortgage receivable		135,344	8,480
Change in payables and accruals for investing		45	(905,836)
Cash provided by (used in) investing activities		1,930,405	(903,182)
Financing activities			
Repayment of mortgages		(1,902,596)	(1,945,315)
Fees associated with new or renewed mortgages		(10,993)	(7,230)
Advances from other financing		-	600,000
Repayment of other financing		-	(1,000,000)
Finance costs paid		(1,209,943)	(1,304,317)
Principal repayments on lease liability		(49,599)	(40,855)
Dividends paid		(189,025)	(189,025)
Net (repayments) advances from bank operating facilities		(1,373,485)	1,373,992
Cash used in financing activities		(4,735,641)	(2,512,750)
Decrease in cash and cash equivalents		(145)	(85,862)
Cash and cash equivalents, beginning of period		306,017	424,451
Cash and cash equivalents, end of period		\$ 305,872	\$ 338,589

Supplemental cash flow information (Note 9)

See accompanying notes to the financial statements.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2024

1. General information and nature of operations

Imperial Equities Inc. (“the Company”) was incorporated in Edmonton, Alberta, Canada. The registered and operating office of the Company is 2151, 10060 Jasper Avenue, Edmonton, Alberta T5J 3R8. The Company’s operations consist of the acquisition, development, and redevelopment of industrial, agricultural, and commercial properties primarily in Edmonton, throughout Alberta and in British Columbia. The Company’s common shares trade on the TSX Venture Exchange (TSXV) under the symbol “IEI”.

2. Statement of compliance and basis of preparation

Statement of compliance

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

The Board of Directors authorized these interim condensed financial statements for issue on February 12, 2025.

Basis of preparation

These interim condensed 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, 2024, except as explained below, and should be read in conjunction with the Company’s annual September 30, 2024 consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB.

The interim condensed statements are for the three months ended December 31, 2024, and are presented in Canadian dollars, which is the functional currency of the Company.

On October 1, 2024, the Company amalgamated with its sole wholly owned subsidiary, Imperial Equities Properties Ltd. (“IEPL”). The Company is a continuation of the previously consolidated reporting entity. As such the comparative figures presented in these interim condensed financial statements are those of the previously presented interim condensed consolidated financial statements and the annual consolidated financial statements of the Company.

Use of estimates judgments and assumptions

The preparation of these interim condensed financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. The significant judgments made by management when applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company’s annual September 30, 2024 audited consolidated financial statements.

New and amended standards adopted

IAS 1 *Presentation of Financial Statements* has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in January 2020. The amendments provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. The amendments specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months; provide that management’s expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and clarify when a liability is considered settled. These amendments are effective for financial reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The amendments did not have a material effect on the interim condensed financial statements.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2024

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

Amendments to IAS 1 *Presentation of Financial Statements – Non-current Liabilities with Covenants* were issued in October 2022 to clarify how conditions that an entity must comply within twelve months after the reporting period affect the classification of a liability. These amendments are effective for financial reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The amendments did not have a material effect on the interim condensed financial statements.

New and amended standards not yet adopted

The IASB has published several new, but not yet effective, standards, amendments to existing standards, and interpretations. None of these standards, amendments to existing standards, or interpretations have been early adopted by the Company, and management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosure* clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, add new disclosures for certain instruments with contractual terms that can change cash flows, and make updates to the disclosure for equity instruments designated at fair value through other comprehensive income. The effective date for these amendments is for annual reporting periods beginning on or after January 1, 2025. The Company is currently assessing the impact of these amendments on its financial statements.

IFRS 18 *Presentation and Disclosure in Financial Statements* is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. New key concepts include the structure of the statement of profit or loss, required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. The effective date for this standard is for annual reporting periods beginning on or after January 1, 2027. The Company is currently assessing the impact of this standard on its financial statements.

3. Investment properties

	Income producing properties	Held for development	Total investment properties
Balance, October 1, 2024	\$ 228,122,706	\$ 2,935,636	\$ 231,058,342
<i>Additions:</i>			
Capitalized property taxes (recoveries) and other	-	(8,975)	(8,975)
Leasing commissions	36,180	-	36,180
Amortization of tenant inducements	(31,714)	-	(31,714)
Amortization of deferred leasing commissions	(104,103)	-	(104,103)
Change in straight-line rental revenue	(48,036)	-	(48,036)
Fair value gains (losses), net	124,673	8,975	133,648
Balance, December 31, 2024	\$ 228,099,706	\$ 2,935,636	\$ 231,035,342

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2024

3. Investment properties (cont'd)

Property dispositions

On October 15, 2024 the Company sold 3 acres of land held for development that was classified as investment property held for sale at September 30, 2024, for gross sale proceeds of \$2,200,000. The Company incurred transaction costs of \$141,202 and recorded a loss on sale of \$141,202.

During the year ended September 30, 2024, the related property was adjusted to fair value based on the sale price, resulting a loss of \$50,000 being included in the valuation gain (loss) on investment properties, net. The operating results of disposed properties are included up to the date of disposition.

Valuation methodology and processes

The Company has made no changes to its valuation methodology and processes since the year-ended September 30, 2024.

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

At December 31, 2024

		Edmonton and area - Single tenant	Edmonton region - Multi tenant	Fort McMurray - Single Tenant	Red Deer - Single Tenant	Rural Alberta and B.C. - Single tenant
	Range	Weighted Average				
Vacancy loss percentage	1.00 - 2.00%	1.78%	1.47%	1.00%	1.47%	1.36%
Structural reserve percentage	0.50 - 2.00%	1.45%	1.85%	0.50%	0.77%	1.34%
Net operating income		\$ 494,464	\$ 546,548	\$ 1,584,006	\$ 592,801	\$ 393,065
Capitalization rate	4.50-8.00%	6.24%	6.08%	3.05%	6.29%	7.31%
Fair value		\$ 114,401,000	\$ 26,844,000	\$ 45,849,000	\$ 18,820,000	\$ 18,275,000

At September 30, 2024

		Edmonton and area - Single tenant	Edmonton region - Multi tenant	Fort McMurray - Single Tenant	Red Deer - Single Tenant	Rural Alberta and B.C. - Single tenant
	Range	Weighted Average				
Vacancy loss percentage	1.00 - 2.00%	1.66%	1.47%	1.00%	1.47%	1.36%
Structural reserve percentage	0.50 - 2.00%	1.45%	1.85%	0.50%	0.77%	1.34%
Net operating income		\$ 492,623	\$ 541,192	\$ 1,590,960	\$ 592,801	\$ 396,161
Capitalization rate	4.50 -8.00%	5.91%	6.07%	6.60%	6.29%	7.31%
Fair value		\$ 114,160,000	\$ 26,646,000	\$ 46,234,000	\$ 18,820,000	\$ 18,352,000

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2024

3. Investment properties (cont'd)

At September 30, 2024 and December 31, 2024

Land held for development - Weighted average price per acre		
Edmonton	Red Deer	Rural Alberta
\$ 797,000	\$ 400,000	\$ 6,428

Fair value sensitivity

The following table summarize the fair value sensitivity for the Company's income producing properties which are most sensitive to changes in capitalization rate, and normalized net operating income:

Rate sensitivity	Capitalization rate			Normalized net operating income			
	Weighted average cap rate	Fair value	Change in fair value	Sensitivity	Normalized NOI	Fair value	Change in fair value
(0.50)%	5.88%	\$ 243,239,764	\$ 19,050,764	\$(500,000)	\$ 13,812,203	\$216,356,907	\$(7,832,093)
(0.25)%	6.13%	\$ 233,326,161	\$ 9,137,161	\$(250,000)	\$ 14,062,203	\$220,272,954	\$(3,916,046)
0.00%	6.38%	\$ 224,189,000	\$ -	\$ -	\$ 14,312,203	\$224,189,000	\$ -
0.25%	6.63%	\$ 215,740,502	\$ (8,448,498)	\$ 250,000	\$ 14,562,203	\$228,105,046	\$ 3,916,046
0.50%	6.88%	\$ 207,905,638	\$(16,283,362)	\$ 500,000	\$ 14,812,203	\$232,021,093	\$ 7,832,093

4. Mortgages and loans receivable

	December 31, 2024	September 30, 2024
Loan receivable from a tenant, bearing interest at 5.5% per annum, repayable in equal monthly payments of principal and interest of \$496, with a maturity date of May 1, 2028, at which time any outstanding balance is repayable in full.	\$ 43,974	\$ 44,850
Loan receivable from a tenant, bearing interest at 8.5% per annum, repayable in equal monthly payments of principal and interest of \$3,358, with payments commencing January 1, 2025 and a maturity date of December 31, 2034.	272,757	-
Mortgage receivable, bearing interest at 8.00% per annum, repayable in monthly blended payments of principal and interest of \$10,303, with a maturity date of July 31, 2025. Secured by a first mortgage charge against land and building.	1,344,144	1,348,550
Mortgage receivable, bearing interest at 5.5% per annum, with monthly blended payments of principal and interest of \$34,315, and a maturity date of May 28, 2027. Secured by a first mortgage charge against land.	5,655,578	5,670,868
	7,316,453	7,064,268
Less current portion	(1,431,269)	(1,477,754)
Long-term portion	\$ 5,885,184	\$ 5,586,514

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2024

5. Mortgages

Maturity Date	Monthly blended principal and interest payments	Rate	December 31, 2024	September 30, 2024
	\$		\$	\$
February 1, 2025	35,507	3.420%	3,658,829	3,733,862
February 1, 2025	47,279	3.310%	3,618,133	3,729,623
February 1, 2025	17,662	5.720%	1,383,740	1,416,856
April 1, 2025	27,830	5.290%	2,850,549	2,896,350
April 1, 2025	34,847	2.310%	3,842,858	3,924,998
July 1, 2025	25,203	5.990%	1,192,267	1,249,673
August 1, 2025	27,279	2.837%	3,012,393	3,072,706
October 1, 2025	53,312	7.020%	4,219,304	4,305,259
November 1, 2025	35,967	6.640%	2,909,070	2,968,684
December 1, 2025	43,161	6.763%	3,497,780	3,568,158
January 1, 2026	23,512	5.930%	1,440,910	1,489,864
January 1, 2026	18,660	5.930%	1,143,579	1,182,432
April 1, 2026	33,136	6.010%	3,274,562	3,324,875
April 1, 2026	23,715	2.675%	1,894,039	1,952,328
July 1, 2026	76,219	2.710%	9,091,626	9,258,283
July 1, 2026	39,884	2.710%	4,757,480	4,844,689
September 1, 2026	100,705	4.950%	17,310,660	17,400,000
October 1, 2026	65,250	2.940%	7,825,323	7,963,235
November 1, 2026	39,621	4.663%		
* (September 30, 2024 - November 1, 2024)	(September 30, 2024 - 63,681)	(September 30, 2024 - 3.56%)	6,184,240	6,520,161
December 1, 2026	31,349	4.669%		
* (September 30, 2024 - December 1, 2024)	(September 30, 2024 - 33,003)	(September 30, 2024 - 6.073%)	2,511,591	2,572,333
December 1, 2026	28,482	4.669%		
* (September 30, 2024 - December 1, 2024)	(September 30, 2024 - 29,985)	(September 30, 2024 - 6.073%)	2,281,920	2,337,107
June 11, 2029	42,759	3.480%	4,152,096	4,244,073
<i>Total mortgages</i>			92,052,949	93,955,546
<i>Less: current portion of principal payments</i>			(34,034,650)	(35,459,869)
<i>Less: Balance of unamortized finance fees</i>			(86,261)	(94,023)
			57,932,038	58,401,654
Weighted average rate			4.31%	3.73%

* Mortgages renewed during the three months ended December 31, 2024.

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

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2024

6. Bank operating facilities

	December 31, 2024	September 30, 2024
LOC with a limit of \$15,500,000	\$ 14,401,283	\$ 13,799,145
LOC with a limit of \$8,000,000	5,519,040	7,494,663
Bank operating facilities	\$ 19,920,323	\$ 21,293,808

There have been no changes to the terms of the bank operating facilities which consist of lines of credit ("LOC") since the year ended September 30, 2024.

On February 1, 2025, the fixed rate fixed term ("FRFT") component of the LOC with a limit of \$15,500,000 matured, and the balance was rolled into the revolving credit facility bearing interest at prime plus 1% per annum. The balance of the FRFT component was \$7,388,492 at December 31, 2024 (September 30, 2024 - \$7,444,453).

7. Equity

Stock options

	Number	Weighted average exercise price
Outstanding at October 1, 2024	200,000	\$ 4.00
Granted during the period	-	-
Outstanding at December 31, 2024	200,000	\$ 4.00
Exerciseable at December 31, 2024	200,000	\$ 4.00

The weighted average contractual life for the stock options outstanding at December 31, 2024 is 4.65 years (September 30, 2024 – 4.91 years).

Earnings per share

The impact of the 200,000 stock options that are outstanding and exerciseable at December 31, 2024 and September 30, 2024 is anti-dilutive and therefore the stock options were excluded from the calculation of diluted earnings per share.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2024

8. Income taxes

a) Provision for income taxes

Components of income tax expense (recovery)

	Three months ended December 31,	
	2024	2023
Current tax expense	\$ 184,687	\$ 119,744
Prior period adjustments	(30,119)	-
Deferred tax expense	371,561	(118,878)
	<u>\$ 526,129</u>	<u>\$ 866</u>

b) Deferred taxes

	December 31, 2024	September 30, 2024
Deferred tax assets are attributable to the following:		
Lease liabilities	\$ 56,975	\$ 68,383
Mortgages receivable	35,196	38,769
Finance fees	5,865	4,571
Capital losses	24,158	109,849
Non-capital losses	-	126,465
Total deferred tax assets	122,194	348,037
Offset of deferred tax liabilities	(122,194)	(348,037)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

Deferred tax liabilities are attributable to the following:

Straight-line rent receivable	\$ 400,661	\$ 411,709
Investment properties	16,309,660	16,127,047
Deferred leasing	397,623	413,245
Right-of-use-asset	50,434	60,659
Total deferred tax liabilities	17,158,378	17,012,660
Offset of deferred tax assets	(122,194)	(348,037)
Net deferred tax liabilities	<u>\$ 17,036,184</u>	<u>\$ 16,664,623</u>

9. Supplemental cash flow information

	Three months ended December 31,	
	2024	2023
Change in operating working capital:		
Receivables	\$ 219,903	\$ 4,787
Prepaid expenses and deposits	987,817	801,457
Payables and accruals	(251,433)	(553,628)
Income taxes payable	(1,046,761)	119,744
Net change in operating working capital	<u>\$ (90,474)</u>	<u>\$ 372,360</u>
Interest paid	\$ 1,209,941	\$ 1,320,297
Income taxes paid	\$ 1,201,423	\$ -

IMPERIAL EQUITIES INC.

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Three months ended December 31, 2024

10. Rental revenue

The Company leases its commercial properties under operating leases with current terms ranging between 1 and 14 years. Some leases have options to extend for further five-year terms and several leases are month to month. Rental revenue includes the following:

	Three months ended December 31,	
	2024	2023
Rental revenue, contractual amount	\$ 3,685,840	\$ 3,815,545
Property tax and insurance recoveries	889,298	798,727
Amortization of tenant inducements	(31,714)	(36,789)
Straight-line rental revenue	(48,036)	(55,624)
Lease income	4,495,388	4,521,859
Operating expense recoveries	412,776	428,294
Total rental revenue	\$ 4,908,164	\$ 4,950,153

Future contracted minimum rent receivable from non-cancellable tenant operating leases at December 31 is as follows:

	2024	2023
One year	\$ 14,465,694	\$ 13,624,168
One to two years	12,711,460	12,994,685
Two to three years	11,290,047	11,266,587
Three to four years	9,004,400	10,183,498
Four to five years	6,769,843	8,300,365
Thereafter	29,392,461	33,082,725
	\$ 83,633,905	\$ 89,452,028

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.

11. Finance costs

The components of finance costs are as follows:

	Three months ended December 31,	
	2024	2023
Interest on mortgages	\$ 999,420	\$ 1,016,736
Interest on bank operating facilities	285,537	356,699
Interest on other unsecured financing	-	50,500
Interest on lease obligations	3,013	4,145
Amortization of deferred financing fees	18,755	19,385
Finance fees	5,000	-
Interest income	(114,817)	(15,980)
Total	\$ 1,196,908	\$ 1,431,485

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2024

12. Fair value of financial instruments

The carrying value of financial instruments is as follows:

	December 31, 2024	September 30, 2024
Financial assets		
Cash and cash equivalents	\$ 305,872	\$ 306,017
Receivables	186,593	406,496
Mortgages and loans receivable	7,316,453	7,064,268
	7,808,918	7,776,781
Financial liabilities		
Bank operating facilities	\$ 19,920,323	\$ 21,293,808
Payables and accruals	911,254	1,079,659
Lease liability	247,716	297,315
Security deposits	795,430	795,430
Mortgages	91,966,688	93,861,523
	\$ 113,841,411	\$ 117,327,735

Measurement of fair value

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

Mortgages and loans receivable include one mortgage that is measured at fair value as it is prepayable without penalty. The fair value of the mortgage at December 31, 2024 is – \$1,344,443 (September 30, 2024 - \$1,348,550). The remaining mortgages and loans receivable are recorded at amortized cost with a total carrying value of \$5,972,309 (September 30, 2024 - \$5,715,718). The estimated fair value of the mortgages and loans receivable carried at amortized cost at December 31, 2024 is \$6,165,000 (September 30, 2024- \$5,865,000).

The fair value of mortgages and loans receivable is a level 2 measurement and is based on discounted future cash flows using rates that reflect observable current market rates for similar debt with similar terms and conditions. The estimated fair value of the mortgages and loans receivable at December 31, 2024 is based on a weighted average discount rate of 4.76% (September 30, 2024 - 4.95%).

The fair value of mortgages payable is a level 2 measurement and is based on discounted future cash flows using rates that reflect observable current market rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable at December 31, 2024, is \$89,467,000 (September 30, 2024 - \$91,261,000). These estimates are subjective as current interest rates are selected from a range of potentially acceptable rates and accordingly, other fair value estimates are possible. The interest rate used for this calculation was 6.49% (September 30, 2024 – 6.49%).

13. Related party transactions

a) *Management agreements*

Sable Realty & Management Ltd. (“Sable”), a company controlled by the President and CEO of the Company, provides property management services to the Company. North American Realty Corp. (“NARC”), which is controlled by the President and CEO of the Company, provides asset management services to the Company. North American Mortgage and Leasing Corp. (“NAML”) provides vehicles under lease to the Company

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2024

13. Related party transactions (cont'd)

Transactions with related parties during the period are summarized below:

	Financial statement category	Three months ended December 31,	
		2024	2023
Property management and maintenance fees paid to Sable	Property operating expenses	\$ 481,692	\$ 339,433
Disposition fees paid to NARC	Loss on sale of investment properties	66,000	-
Leasing fees paid to NARC	Deferred leasing costs (investment properties)	36,180	53,387
Vehicle lease payments paid to NAML	Lease liabilities	2,250	4,800
Total payments		\$ 586,122	\$ 397,620

At December 31, 2024 the Company has \$nil (September 30, 2024 - \$31,424) in outstanding payables to Sable.

b) Other related party transactions

- i) Payments made to (received from) Sable Realty & Management Ltd. in the normal course of business are as follows:

	Financial statement category	Three months ended December 31,	
		2024	2023
Leased office space and parking	Lease liabilities	\$ 45,000	\$ 45,000
Rent at Sable Centre	Rental revenue	(25,633)	(23,731)
Net payments for the period		\$ 19,367	\$ 21,269

- ii) Directors are paid a fee for attending directors' meetings. The fees are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations. Total fees paid for the three months ended December 31, 2024 were \$10,000 (2023 - \$10,000).

- iii) Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The amount disclosed in the table are recognized as an expense during the year. There were no other transactions with key management personnel.

	Three months ended December 31,	
	2024	2023
Salaries and wages	\$ 130,000	\$ 121,250
Short-term employee benefits	3,798	4,348
Total	\$ 133,798	\$ 125,598

IMPERIAL EQUITIES INC.

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Three months ended December 31, 2024

14. Post-reporting date events

On January 3, 2025, the Company declared a quarterly dividend of \$0.02 per share totalling \$189,025 which was paid on February 3, 2025 to shareholders of record effective January 17, 2025.

During the quarter, the Company entered into a purchase and sale agreement to acquire an investment property consisting of land and building located in Sparwood, British Columbia for a total of \$825,000. The conditions on the purchase were lifted subsequent to the quarter, and the purchase will close on May 25, 2025. Concurrent with the purchase, the Company entered into a lease agreement with a tenant for the property commencing on June 1, 2025.



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