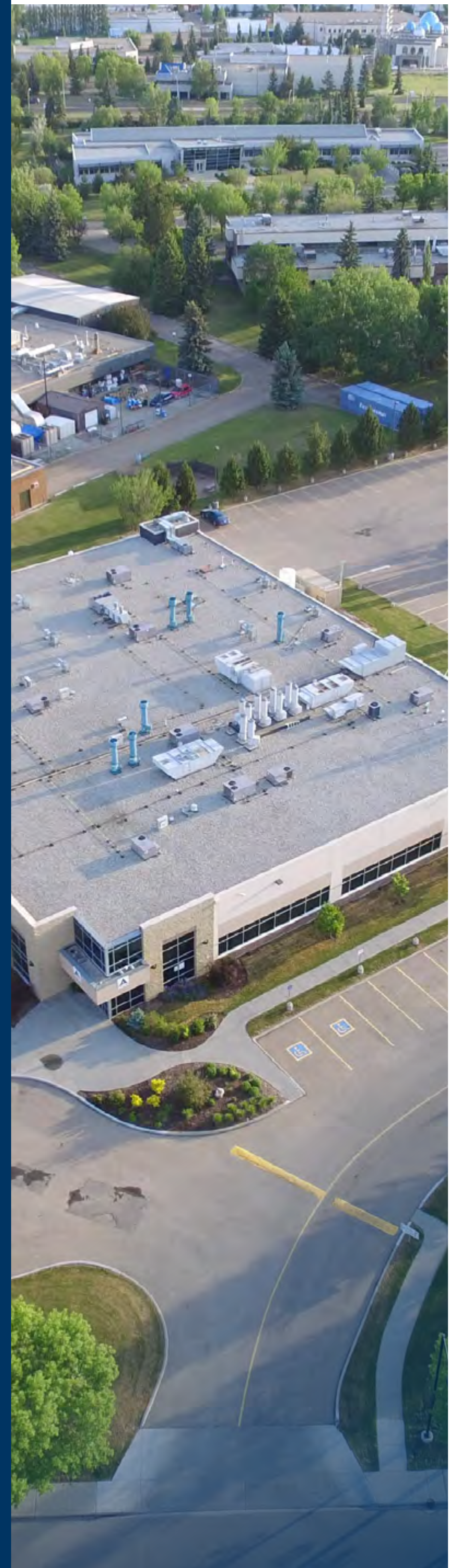
IMPERIAL EQUITIES INC.

2nd Quarter Report

For the three and six months ended March 31, 2025



ALS Environmental Laboratory Building

Edmonton, AB

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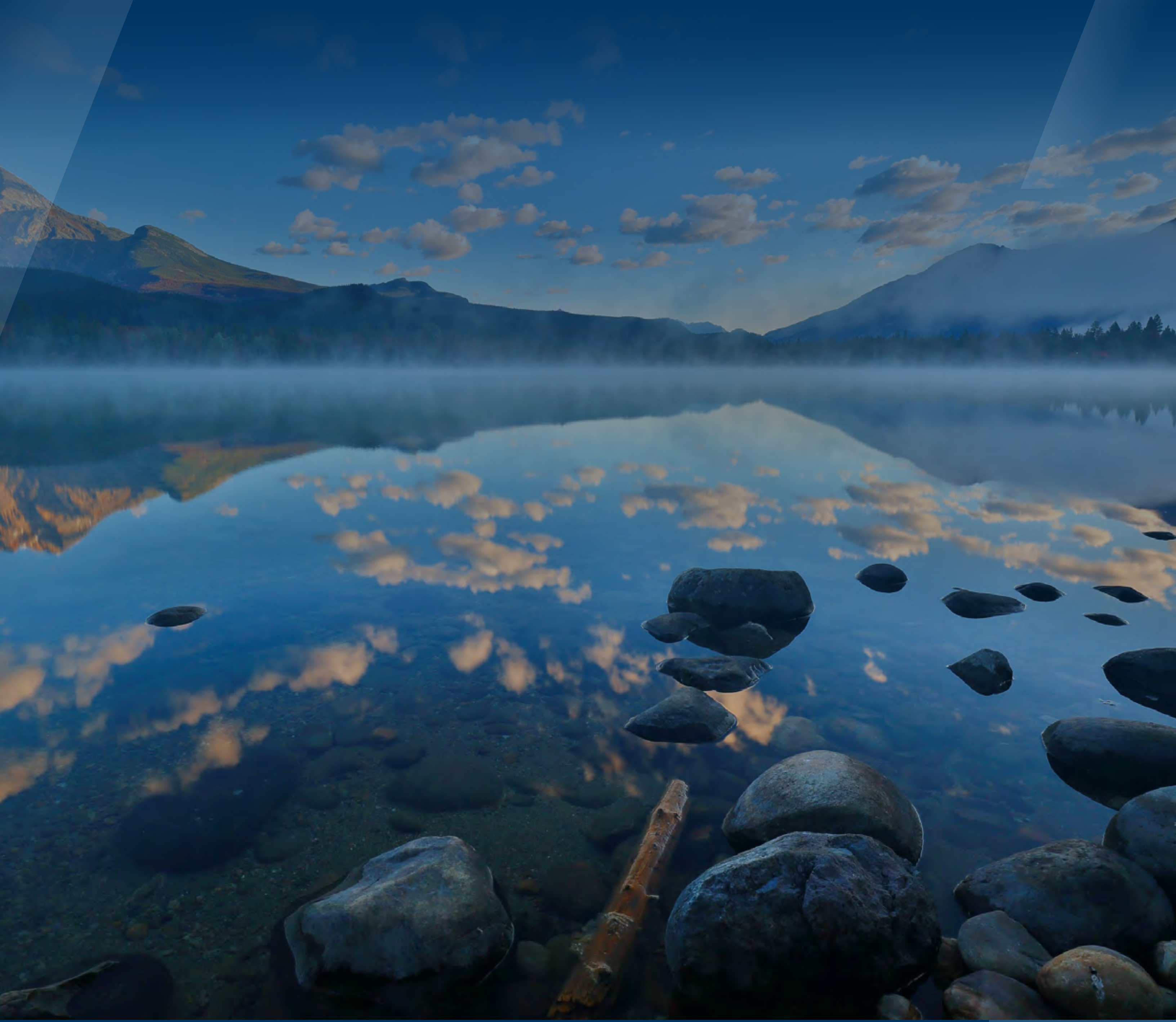
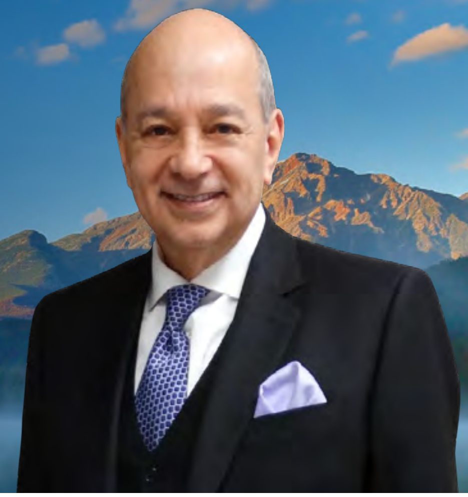
For the three and six months ended March 31, 2025



President's Report

For Q2 2025



I wanted to begin this letter on a lighter note by sharing a joke: "Why did God create the weatherman? To make economists look good."

As I assess the impact that tariffs will have on our economic environment, I can't help but reflect on the whirlwind of the past few years. We have come to accept that uncertainty is the only true certainty in business. Yet, the scale and frequency of these disruptions continue to challenge even the most skilled forecasters. Our response, as always, is to focus on the fundamentals. We remain committed to maintaining an efficient operational structure, delivering stable returns to our shareholders, and managing a portfolio with a well-earned reputation for value and effective leadership. At the end of the day, these principles have guided us through years of stable performance and long-term sustainability.

There is no denying that we are beginning to see economic effects in our environment, with a 10-basis-point (bps) increase in vacancy rates across our region in the first quarter of this year. However, the market vacancy remains within the range of 10-year lows (CBRE, 2025), demonstrating its capacity to absorb the coming shocks.

We are also encouraged by the Bank of Canada's continued responsiveness, indicating that further rate cuts are expected. While these adjustments won't entirely offset the effects of renewed economic uncertainty, they will influence our financing environment and are expected to lower costs as mortgage renewals begin to lock in at rates below those that were available in 2024.

As we position ourselves for the future, we continue to benefit from a lean cost structure and positive net income exceeding our 2024 position and reflecting positive earnings per share of $0.21. This progress is driven by increased rental revenue and lower non-recoverable operating costs. Our debt-to-assets ratio of 46%, along with our overall occupancy of 99.3%, truly demonstrates the solid fiscal foundation of the Company.

We are making steady progress on lease renewals and extensions coming up this year, with only one significant disruption in 2025 occurring after the quarter ended. In this instance, we terminated a lease with a tenant who was no longer able to meet the requirements under their lease agreement and subsequently entered into an agreement to sell the property to an unrelated third party. The unexpected timing of this potential sale has worked in the Company's favor, eliminating the need to find a new tenant to lease the property, and will provide cash flows that we can redeploy to new opportunities. Further details will be disclosed in Q3 2025.

Additionally, we continue to pursue new acquisitions and potential developments in British Columbia, Saskatchewan, and the Edmonton region. As we explore these opportunities, we remain focused on monitoring market conditions and tenant commitments.

Finally, I want to extend my gratitude to all who attended our 27th Annual General Meeting on March 13, 2025. As always, I enjoyed the opportunity to connect with you and continue to welcome your outreach throughout the year.

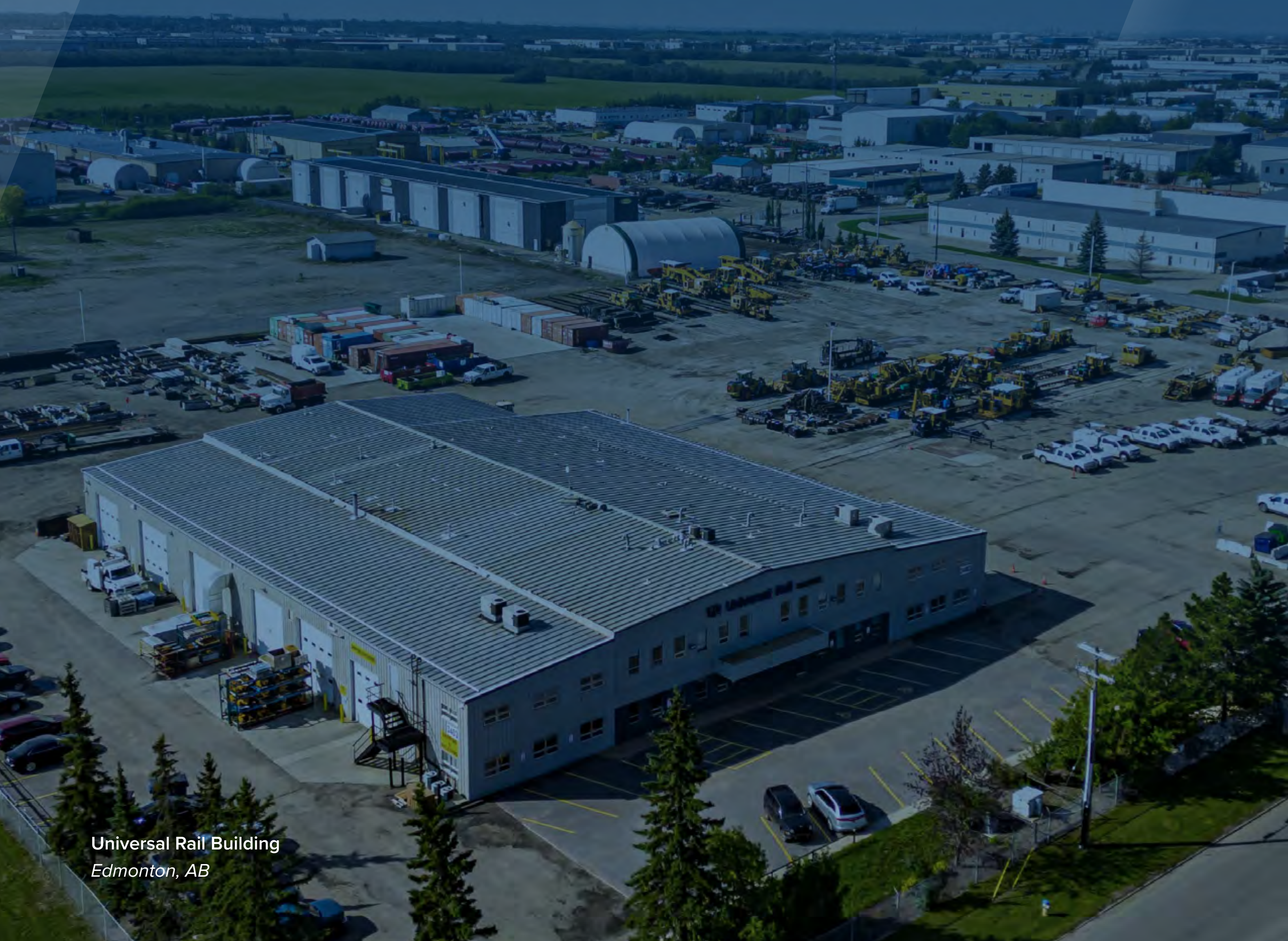
Sincerely,

Sine Chadi
President & CEO

MD & A

Management's Discussion & Analysis

For the three and six months ended March 31, 2025



Universal Rail Building
Edmonton, AB

Management's Discussion and Analysis as at May 14, 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 and six months ended March 31, 2025, 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 May 14, 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 place 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 and six months ended March 31, 2025.

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)

Q2 2025			YTD 2025		
$3,367			$6,698		
Q2 2024	$3,333	+1.02%	YTD 2024	$6,675	+0.00%

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 the current period compared to the same period in the prior year, which was offset by increases in operating cost recovery revenue due to higher budgeted operating costs in the current year.

Operating expense recovery percentage [1]

Q2 2025			YTD 2025		
85%			84%		
Q2 2024	81%	+4.30%	YTD 2024	79%	+6.29%

The operating expense recovery percentage increased in the current periods compared to the same periods in the prior year due to lower non-recoverable repairs and maintenance expenses. For the six months ending March 31, 2024, the Company incurred $184,000 in non-recoverable operating expenses compared to $32,000 for the six months ended March 31, 2025. If these non-recoverable expenses were excluded from the calculation for the three- and six-month periods in fiscal 2024, the recovery percentages would be 83% and 84% and comparable to the current periods.

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

Funds available for property operations [1]

Q2 2025			YTD 2025		
$ 503,876			$ 642,118		
Q2 2024	$(47,729)	1,155.70%	YTD 2024	$(75,604)	949.32%

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

Debt to total assets ratio [1]

Q2 2025		
46%		
Q2 2024	50%	-7.91%

The ratio of debt to assets decreased in the current year 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

Q2 2025		
4.36%		
Q2 2024	4.04%	+7.92%

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)

Q2 2025		
37		
Q2 2024	37	0.00%

The Company sold 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 decrease in the total number of properties for the sale is offset by the increase by one property for a piece of land held for development, that had previously been grouped with a larger investment property as it was leased to a single tenant. As the land is no longer being leased starting in Q2 2024, this property was recognized as a separate investment property available for development.

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

Our Leasing Activities

Gross Leasable Area ("GLA") in square feet [2]

Q2 2025		
1,059,599		
Q2 2024	1,117,832	-5.21%

GLA decreased in the current period as a result of the sale of an income producing property in Q3 2024 with total GLA of 58,393 ft^2. In addition, the square footage of a building was reassessed during fiscal 2024, resulting in an increase of 160 ft^2.

Renewals (GLA) [2]

Q2 2025			YTD 2025		
43,555			80,755		
Q2 2024	21,127	+106.16%	YTD 2024	21,127	+282.24%

In the six-months ending March 31, 2025, the Company entered into one lease amending agreement with a tenant, that extended the existing lease for an additional five-year term, and also completed a lease renewal agreement with a tenant on a lease that expires at the beginning of fiscal 2026, renewing the lease for an additional five-year term.

Leases expiring in the next twelve months (GLA) [2]

Q2 2025		
136,243		
Q2 2024	53,495	+154.68%

The GLA of leases expiring over the next twelve months consists of five leases. Included in these expiries is a lease where the tenant was in default at quarter end, and subsequent to quarter end, the Company terminated the lease with the tenant. The Company has started discussions with two tenants for renewal of their leases which have a total GLA of 59,695 ft^2. All the GLA for leases expiring in the twelve months after March 31, 2024 is fully leased at March 31, 2025.

Building occupancy

Q2 2025		
99.3%		
Q2 2024	90.30%	+10.00%

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 Q2 2024. The remaining space available for lease remains unchanged since September 30, 2024 and consists of 7,119 ft^2 of space within a building that is leased to a single tenant.

Average lease term to maturity (years)

Q2 2025		
4.51		
Q2 2024	4.68	-3.71%

The Company's average lease term decreased due in part to the reduction of overall lease terms by an additional one year period on the Company's long term leases. Increases from new leases signed over the prior twelve months were offset by a lease where the term expired just after quarter end, and the tenant did not renew, and the reduction in a lease term for a tenant that was in default at quarter end, and where the lease was terminated subsequent to quarter end.

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 March 31, 2025	2024	Variance	Six months ended March 31, 2025	2024	Variance
Rental revenue	**$ 4,906**	$ 4,846	$ 60	**$ 9,814**	$ 9,796	$ 18
Property operating expenses	**1,539**	1,513	26	**3,116**	3,121	(5)
Income from operations	**3,367**	3,333	34	**6,698**	6,675	23
Finance costs	**1,191**	1,444	(253)	**2,388**	2,875	(487)
Administrative expenses	**598**	361	237	**923**	631	292
Amortization of deferred leasing	**117**	95	22	**221**	190	31
Amortization of right-of-use asset	**45**	38	7	**89**	76	13
Loss (gain) on sale of investment properties	**-**	-	-	**141**	-	141
Valuation net (gain) loss from investment properties	**741**	3,651	(2,910)	**607**	6,701	(6,094)
Income before income tax	**675**	(2,256)	2,931	**2,329**	(3,798)	6,127
Income tax expense	**(1,271)**	(94)	(1,177)	**(745)**	(93)	(652)
Net income and comprehensive income	**$ 1,946**	$(2,162)	$ 4,108	**$ 3,074**	$ (3,705)	$ 6,779
Earnings per share basic and diluted (in dollars)	**$ 0.21**	$ (0.23)	$ 0.44	**$ 0.33**	$ (0.39)	$ 0.72
Dividends per share (in dollars)	**$ 0.02**	$ 0.02	$ -	**$ 0.04**	$ 0.04	$ -

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

For the three- and six- months ended March 31, 2025 rental revenue increased by $59,748 and $17,759 respectively compared to the same periods in the prior year. The increase is primarily due to increased occupancy cost recovery revenue, which has increased due to increased budgeted and actual occupancy costs, in particular for property taxes. This was offset by a decrease in minimum rental revenues due to the vacancy of a property in February 2024 which was leased to a new tenant in Q4 2024 at a reduced rate.

— **Income from operations** is $3,367,325 and $6,698,120 for the three- and six- months ended March 31, 2025 compared to $3,333,507 and $6,674,882 for the same periods in the prior year. The increase compared to the prior year is due to the increased rental revenue as noted above.

— **Net income** increased to $1,946,187 and $3,073,598 for the three- and six- months ended March 31, 2025 compared to the same periods in the prior year which had net losses of $(2,161,614) and ($3,704,360) respectively. The losses for the three- and six- months ending March 31, 2024 were due to primarily to higher valuation losses on investment properties. For Q2 2024, the Company also recorded higher income tax recoverable amounts due to adjustments to the deferred tax provision for changes to the expected capital gains rates that were previously used, resulting in recoveries for the current period.

Property Operating Expenses

	Three months ended March 31,			Six months ended March 31,		
	2025	**2024**	**Variance**	**2025**	**2024**	**Variance**
Property taxes	**$ 841,067**	$ 836,612	$ 4,455	**$ 1,682,135**	$1,634,683	$ 47,452
Insurance	**59,885**	61,455	(1,570)	**119,771**	122,911	(3,140)
Repairs and maintenance	**452,951**	444,286	8,665	**1,069,806**	1,092,150	(22,344)
Utilities	**184,836**	170,456	14,380	**244,396**	271,843	(27,447)
	$1,538,739	$1,512,809	$ 25,930	**$ 3,116,108**	$ 3,121,587	$ (5,479)

Property operating expenses have remained consistent in total for the three- and six-months ending March 31, 2025 compared to the same periods in the prior year. For the six months ended March 31, 2025, increases in property taxes due to increased property tax rates and assessments were offset by decreased repairs & maintenance and utilities expenses compared to the same periods in the prior year. Utilities decreased for the six months ending March 31, 2025 compared to the same period in the prior year due to the Company incurring the utilities costs on a vacant building in 2024 that was sold in Q3 2024. Repairs and maintenance expenses for the six months ended March 31, 2024 were higher than those in the current year due to increased non-recoverable repairs and maintenance projects undertaken last year. Non-recoverable costs for the six months ended March 31, 2024 were $184,000 and were only $32,000 in the same period in the current year. For the three months ended March 31, 2025, the increase in repairs & maintenance and utilities is due primarily to fluctuations in the timing of expenses, and increased utility rates compared to the prior year, offset by the decrease for the sale of the vacant building for which the Company was paying utilities in fiscal 2024.

Finance Costs

	Three months ended March 31,			Six months ended March 31,		
	2025	**2024**	**Variance**	**2025**	**2024**	**Variance**
Interest on mortgages	**$ 976,967**	$ 1,025,442	$ (48,475)	**$ 1,976,387**	$ 2,042,179	$ (65,792)
Interest on bank operating facilities	**281,813**	361,651	(79,838)	**567,350**	718,349	(150,999)
Interest on other unsecured financing	**-**	48,962	(48,962)	**-**	99,462	(99,462)
Interest on lease obligations	**2,885**	4,145	(1,260)	**5,897**	8,290	(2,393)
Amortization of deferred financing fees	**17,689**	19,759	(2,070)	**36,444**	39,144	(2,700)
Financing fees	**-**	-	-	**5,000**	-	5,000
Interest income	**(88,165)**	(15,883)	(72,282)	**(202,981)**	(31,863)	(171,118)
	$ 1,191,189	$ 1,444,076	$ (252,887)	**$ 2,388,097**	$ 2,875,561	$ (487,464)

Finance costs for the three- and six-months ending March 31, 2025 are lower than for the same periods in 2024 due to an overall reduction in outstanding debt balances, in particular for high rate bank operating facilities, as well as decreases in market interest rates, which reduced interest on bank operating facilities and on mortgages that were renewed throughout 2023 and 2024. Additionally, the Company has increased interest income from an additional vendor-take back mortgage receivable from a property sale in 2024, and from renewing the previously existing vendor take back mortgage at a higher rate for an additional year.

Administrative Expenses

	Three months ended March 31,			Six months ended March 31,		
	2025	**2024**	**Variance**	**2025**	**2024**	**Variance**
Salaries and benefits	**$ 216,773**	$ 182,708	$ 34,065	**$ 423,132**	$ 346,061	$ 77,071
Public company costs	**47,659**	52,774	(5,115)	**64,566**	68,414	(3,848)
Professional fees	**15,590**	20,700	(5,110)	**35,864**	21,049	14,815
Office and other	**118,603**	105,279	13,324	**199,197**	195,623	3,574
Bad debts	**200,030**	-	200,030	**200,130**	-	200,130
	$ 598,655	$ 361,461	$ 237,194	**$ 922,889**	$ 631,147	$ 291,742

Administrative expenses increased for the three- and six-months ending March 31, 2025 compared to the same periods in the prior year primarily due to increases in bad debts expense and salaries and benefits. At March 31, 2025, the Company allowed for receivables related to a tenant that was in default of their lease. Subsequent to quarter end, the Company terminated the lease agreement with the tenant. Salaries and benefits expense increased due to additional individuals who joined the Company during fiscal 2024, and wage increases as the CFO moved from interim to permanent during fiscal 2024. Professional fees increased in the six months ending March 31, 2025 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 tthe amounts recognized on the sale of one investment properties during Q1, 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 and six months ended March 31, 2025, the Company recorded a smaller net loss compared to 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 (in thousands)	March 31, 2025	September 30, 2024	Variance
Investment properties	**$ 230,316**	$ 231,058	$ (742)
Right-of use asset	**175**	264	(89)
Mortgages and loans receivable	**5,885**	5,587	298
Total non-current assets	**236,376**	236,909	(533)
Current portion of mortgage receivable	**1,413**	1,478	(65)
Current assets	**689**	1,839	(1,150)
Total current assets	**2,102**	3,317	(1,215)
Investment property held for sale	**-**	2,200	(2,200)
Total assets	**$ 238,478**	$ 242,426	$ (3,948)
Mortgages	**$ 54,829**	$ 58,402	$ (3,573)
Security deposits	**795**	795	-
Term loan	**243**	-	243
Lease liability	**10**	99	(88)
Deferred taxes	**15,414**	16,665	(1,251)
Total non-current liabilities	**71,291**	75,960	(4,669)
Current portion of mortgages	**35,542**	35,460	82
Bank operating facilities	**19,356**	21,294	(1,938)
Other current liabilities	**2,431**	2,550	(119)
Total current liabilities	**57,329**	59,304	(1,975)
Total liabilities	**128,620**	135,264	(6,644)
Equity	**109,858**	107,162	2,696
Total equity and liabilities	**$ 238,478**	$ 242,426	$ (3,948)

Investment Properties

Investment properties are carried at fair value, which is determined by management using valuation methodologies at the end of each reporting period.

At March 31, 2025, the Company reviewed the methodology used to value three parcels of land held for development that are currently leased by two tenants. Management determined that it would be more appropriate to value these parcels of land in combination with the related investment properties that are leased by the same tenant. This adjustment to the unit of account for the purposes of the fair value calculation resulted in the vacant land being valued with the related investment property using the income capitalization approach. The land held for development was previously valued using the direct comparison approach. The total value of the land that was valued using the direct comparison approach at September 30, 2024 was $3,910,710. For the three months ended March 31, 2025 a fair value loss of $15,637 was recorded on the two investment properties to which the land held for development were allocated.

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, September 30, 2024	**$ 228,122,706**	**$ 2,935,636**	**$ 231,058,342**
Additions:			
Capitalized property taxes and other (recoveries)	**99,997**	**(8,975)**	**91,022**
Leasing commissions	**165,524**	**-**	**165,524**
Amortization of tenant inducements	**(63,427)**	**-**	**(63,427)**
Amortization of deferred leasing commissions	**(221,195)**	**-**	**(221,195)**
Change in straight-line rental revenue	**(106,938)**	**-**	**(106,938)**
Fair value gains (losses), net	**(616,018)**	**8,975**	**(607,043)**
Balance, March 31, 2025	**$ 227,380,649**	**$ 2,935,636**	**$ 230,316,285**

During the Q1 2025 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 to $230,316,285 at March 31, 2025 compared to $231,058,342 at September 30, 2024. The net decrease is a result of the following:

- The Company recorded a net decrease of $1,256,000 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 approximately $487,000.

Subsequent to March 31, 2025, the Company entered into an agreement to sell an investment property for gross proceeds of $5,000,000. The sale remains conditional at the date of the MD&A, and is expected to close in Q3 2025. A fair value loss of $486,000 was recorded on the property and is included in the fair value losses, net for the three months ended March 31, 2025.

— **Mortgages and loans receivable** increased to a total balance of $7,298,096 at March 31, 2025 compared to a total balance of $7,064,268 at September 30, 2024. The increase relates to a new loan receivable from a tenant with a balance of $268,348 at March 31, 2025, 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. Principal payments on the leases for the 3 months ended March 31, 2025 were $49,727 (2024 - $40,854).

— **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 March 31 the balance on property taxes is payable and not prepaid.

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 March 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 March 31, 2025, these amounts have been collected from tenants or allowed for, and therefore the outstanding receivables balance has decreased from September 30, 2024.

Accounts receivable is net of an allowance for doubtful accounts of $525,807 at March 31, 2025 (September 30, 2024 - $325,777). Included in this balance is $469,680 related to a tenant who was in default at March 31, 2025. Subsequent to quarter end, the Company terminated the lease with this tenant.

— **Mortgages** including both current and long-term portions and unamortized finance fees have a balance of $90,371,279 at March 31, 2025 (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 Q1. There were no new mortgages advanced in the quarter. Three mortgages were renewed during the quarter with the weighted average interest rate on the renewed mortgages increasing to 4.30% from 3.74%.

— **Security deposits** have not changed at March 31, 2025 compared to September 30, 2024. The current portion of security deposits at March 31, 2025 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 $14,694,023 (September 30, 2024 – $16,127,047). The decrease in deferred tax in the current period is due primarily to a change in the rates used for capital gains. During fiscal 2024, the Canadian government announced an increase in the capital gains inclusion rate to ⅔ from ½ effective June 25, 2024. On March 21, 2025, the Canadian Government announced the cancellation of this increase, resulting in capital gains inclusion rates remaining at ½. The Q4 2024 and Q1 2025 deferred tax calculations incorporated the announced ⅔ inclusion rate. In Q2 2025, the Company reflected the reversion back to a ½ inclusion rate. The rate change resulted in a decrease in deferred tax liabilities on investment properties of approximately $1,515,000. The decrease was partially offset by adjustments to bring the deferred tax provision into alignment with final balances when tax returns were filed, specifically for the use of capital and non-capital loss carry forwards.

— **Bank operating facilities** at March 31, 2025 have a total balance of $19,355,662 (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 Q1 2025, where the proceeds were applied against the outstanding lines of credit. During Q2, 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 $7,350,934 at maturity (September 30, 2024 - $7,444,453).

The total **term loan** of $299,607 was incurred under an available revolving lease line of credit. This lease line of credit has a maximum value of $1,000,000. The facility is accessed by way of lease agreement and is available to finance specific types of building improvements and equipment. During Q2 the Company entered into a sale-leaseback agreement for $310,013 for certain leasehold improvements included in one of its buildings.

The lease has a five-year term commencing February 6, 2025, with monthly payments of $5,837 and an option to purchase the leaseholds for $1 at the end of the lease. Management determined that the transfer of the asset did not meet the criteria to be considered a sale under IFRS 15 Revenue, and as such the lease is treated as a financial liability, with an effective interest rate of 4.956%.

— **Other current liabilities** include payables and accruals, income taxes payable and the current portion of the lease liabilities and term loan. The decrease in other current liabilities at March 31, 2025 compared to September 30, 2024 is due to a decrease of $1,046,761 in income taxes payable offset by an increase in accounts payable. Income taxes payable related to the fiscal 2024 year, during Q1 and Q2 2025. Accounts payable increased due to the $841,066 in property taxes. Property taxes are based on a calendar year-end and payable at the end of June each year, which results in the Company having a payable balance at Q2, and prepaid balances for Q3 and Q4.

Selected Cash Flow Information

	Three months ended March 31,			Six months ended March 31,		
(in thousands)	**2025**	**2024**	**Variance**	**2025**	**2024**	**Variance**
Cash provided by operating activities	**$ 3,478**	$ 4,030	$ (552)	**$ 6,283**	$ 7,360	$ (1,077)
Cash provided by investing activities	**7**	9	(2)	**1,937**	(894)	2,831
Cash used in financing activities	**(3,379)**	(3,904)	525	**(8,114)**	(6,417)	(1,697)
Increase in cash and cash equivalents	**106**	135	(29)	**106**	49	57
Cash and cash equivalents, beginning of period	**306**	338	(32)	**306**	424	(118)
Cash and cash equivalents, end of period	**$ 412**	$ 473	$ (61)	**$ 412**	$ 473	$ (61)

— **Cash provided by operating activities** for the three months and six months ended March 31, 2025 decreased compared to the same period in the prior year due primarily to fluctuations in operating working capital. In particular for the six-month period there was a decrease in income taxes payable due to payments made during Q1, which was offset by cash received from decreases in receivables and prepaid expenses. The Company also had positive cash flow of $300,000 in Q2 2024 that was related to deposits received for property sales and has no such inflows in the current period. 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 six months ended March 31, 2025 increased over the same period in the prior year due to net cash proceeds of $2,058,798 received on the sale of an investment property. Additionally, in Q2 2024 there was a reduction in cash due to the payment of a large outstanding construction payable, which there was no such payments required in the current period. The cash flows provided by investing activities were consistent for the three months ended March 31, 2025 and 2024.

— **Cash used in financing activities** decreased for the three months ending March 31, 2025 and increased for the six months ended March 31, 2025 compared to the same periods in the prior year. The decrease for the three-month period primarily related to decreases in required repayments on mortgages, and on other financing compared to the prior year. The increase for the six months ending March 31, 2025 is related to a larger cash outflow for repayments on bank operating facilities for the current period compared to a net cash inflow on other financing and bank operating facilities in the same period in the prior year.

At March 31, 2025, there was a **net increase in cash** of $106,257 and $106,112 for the three- and six-month periods (March 31, 2024 – increase in cash of $134,874 and $49,012 for the three- and six-month periods).

Summary of Quarterly Results

(in thousands $)	2025 Q2	2025 Q1	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3
Revenue	**4,906**	4,908	5,056	4,670	**4,846**	4,950	5,226	5,196
Total comprehensive Income (loss)	**1,946**	1,128	889	(1,446)	**(2,162)**	(1,543)	1,126	1,289
(in dollars)								
EPS-Basic	**0.21**	0.12	0.09	(0.15)	**(0.23)**	(0.16)	0.12	0.14
EPS-Diluted	**0.21**	0.12	0.09	(0.15)	**(0.23)**	(0.16)	0.12	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 and Q2 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 Q2	2025 Q1	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3
Valuation gains (losses) from investment properties, net	**(741)**	134	476	115	**(3,651)**	(3,050)	86	(357)

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. 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. In Q2 2025, the Company recognized additional losses related to two properties where changes in market conditions indicated a reduction in the fair value.

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

Liquidity and Capital Resources

There have been no significant changes in the Company's liquidity or capital resources available during the three- and six- months ended March 31, 2025.

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

	March 31, 2025	September 30, 2024
Available bank credit facilities	**$ 23,500,000**	$ 23,500,000
Less: Bank facilities outstanding	**(19,355,662)**	(21,293,808)
Available credit facilities	**$ 4,144,338**	$ 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. During Q2 2025, the Company continued to use operating and investing cash flows to reduce the outstanding credit facility balance.

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

At March 31, 2025, twelve (September 30, 2024 – ten) mortgages are due in the next twelve months with combined principal balances of $32,024,776 (September 30, 2024 - $31,453,668) and are shown as current liabilities.

Investment properties unencumbered with debt are valued at $8,967,636 at March 31, 2025 (September 30, 2024 excluding investment property held for sale and land under lease - $8,959,536). At March 31, 2025, the Company adjusted its unencumbered properties value to exclude land that is leased by existing tenants and no longer valued separately. The comparative figures at September 30, 2024 were adjusted to be consistent with the current presentation.

The debt to total assets ratio of the Company was 46% at March 31, 2025 which is lower than the ratio at September 30, 2024 and lower than the historical average of 50%, providing possible leverage opportunities in the future.

During Q2 2025, the Company entered into a purchase 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 closed in Q3 2025, with the remaining purchase price of $700,000 paid at closing. A lease with a tenant for the property was signed in Q3 2025.

Subsequent to Q2 2025, the Company entered into a sales agreement on an investment property. The gross sale proceeds would be $5,000,000 and the sale is conditional at the date of this MD&A. The sale is expected to close in Q3, 2025 and the cash flows generated by the sale will be used to reduce outstanding debt balances and for operating cash flows.

Related Party Transactions

The below 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** for the three and six months ended March 31, 2025 of $374,959 and $856,650 (2024 - $356,415 and 740,848) respectively were paid to Sable Realty & Management Ltd. ("Sable"), a company controlled by Sine Chadi, a director and officer of the Company.

— **Acquisition, disposition and leasing fees** in the aggregate of $187,636 and $289,816 for the three and six months ended March 31, 2025 (2024 – $55,629 and $109,016) were paid to North American Realty Corp. ("NARC"), a company controlled by Sine Chadi.

— **Vehicle leasing fees** of $2,250 and $4,500 for the three and six months ended March 31, 2025 (March 31, 2024 – $4,800 and $9,600) 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 and $90,000 for the three and six months ended March 31, 2025 (2024 - $45,000 and $90,000).

— **Rent collected** from Sable for commercial lease space for the three and six months ended March 31, 2025 was $25,633 and $51,266 respectively (2024 – $23,730 and $47,461). Sable leases a 7,871 ft^2 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 and six months ended March 31, 2025 were $17,500 and $27,500 (2024- $17,500 and $27,500).

Compensation to Key Management Personnel

Compensation of key management personnel is as follows:

	Salaries and wages	Short-term benefits	Three months ended March 31,		Six months ended March 31,	
			2025	2024	2025	2024
Sine Chadi, President & CEO	$ 75,000	$ 2,048	**$ 77,048**	$ 76,958	**$ 154,096**	$ 153,916
Meghan DeRoo McConnan, CFO*	55,000	1,750	**56,750**	57,474	**113,499**	106,114
Total	$ 130,000	$ 3,798	**$ 133,798**	$ 134,432	**$ 267,595**	$ 260,030

* 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 closed in Q3 2025 for total gross proceeds of $800,000.

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 and six months ended March 31, 2025 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 and six months ended March 31, 2025.

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 and six months ended March 31, 2025.

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 Q2 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 March 31, 2025, 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 and six months ended March 31, 2025, the Company declared and paid dividends of $0.02 per share, totaling $189,025 and $378,050 respectively.

On April 2, 2025, the Company declared a quarterly dividend of $0.02 per share totalling $189,025 which was paid on May 2, 2025 to shareholders of record effective April 18, 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 March 31,		Six months ended March 31,	
	2025	2024	**2025**	2024
Property tax and insurance recoveries	**$ 889,298**	$ 804,162	**$ 1,778,596**	$ 1,602,889
Operating expense recoveries	**413,076**	423,516	**825,852**	851,810
Total recoveries	**$ 1,302,374**	$ 1,227,678	**$ 2,604,448**	$ 2,454,699
Total property operating expenses	**$ 1,538,738**	$ 1,512,809	**$ 3,116,108**	$ 3,121,587
% of property operating expense recoveries	**85%**	81%	**84%**	79%

Funds available for property improvements and growth

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

The calculation is as follows:

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
Income from operations	**$ 3,367,325**	$ 3,333,507	**$ 6,698,120**	$ 6,674,882
Less: interest on financing*	**(1,258,780)**	(1,436,056)	**(2,548,737)**	(2,859,991)
Less: principal payments on mortgages	**(1,604,669)**	(1,945,180)	**(3,507,265)**	(3,890,495)
Funds available for property improvements and growth	**$ 503,876**	$ (47,729)	**$ 642,118**	$ (75,604)

*Interest on financing includes capitalized interest and excludes interest income 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	March 31, 2025	September 30, 2024	March 31, 2024
Total Assets	**$ 238,478,175**	**$ 242,425,659**	**$ 256,313,671**
Mortgages excluding transaction fees	90,448,281	93,955,546	103,980,347
Other financing	-	-	2,915,000
Bank operating facilities	19,355,662	21,293,808	21,149,058
Debt	**$ 109,803,943**	**$ 115,249,354**	**$ 128,044,405**
Ratio of debt to assets	**46%**	**48%**	**50%**

Unencumbered properties

Unencumbered properties is a non-IFRS measure and is calculated as the fair value of properties which are not security for mortgages or bank operating facilities. Management uses this measure to evaluate the ability of the Company to obtain additional leverage through the ability to mortgage properties that currently are not security for debt. For Q2 2025, the Company adjusted this measure to exclude land held for development that is under lease to tenants, as the land is no longer being valued separately. Prior period figures have been adjusted to be comparable.

Financial Statements

For the three and six months
ended March 31, 2025

Core Distribution Building
Edmonton, AB

IMPERIAL EQUITIES INC.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Notes	March 31, 2025 (Unaudited)	September 30, 2024 (Audited Consolidated - Note 2)
Assets			
Investment properties	3	**$ 230,316,285**	$ 231,058,342
Right-of-use assets		**174,824**	263,737
Mortgages and loans receivable	4	**5,885,162**	5,586,514
Total non-current assets		**236,376,271**	236,908,593
Current portion of mortgages and loans receivable	4	**1,412,934**	1,477,754
Receivables		**53,009**	406,496
Prepaid expenses and deposits		**223,832**	1,126,799
Cash		**412,129**	306,017
Total current assets		**2,101,904**	3,317,066
Investment property held for sale	3	**-**	2,200,000
Total Assets		**$ 238,478,175**	$ 242,425,659
Liabilities			
Mortgages	5	**$ 54,829,387**	$ 58,401,654
Security deposits		**795,430**	795,430
Term loan	6	**243,294**	-
Lease liabilities		**9,518**	98,141
Deferred taxes	8	**15,414,133**	16,664,623
Total non-current liabilities		**71,291,762**	75,959,848
Income taxes payable		**462,691**	1,271,158
Current portion of lease liabilities		**188,471**	199,174
Current portion of mortgages	5	**35,541,822**	35,459,869
Current portion of term loan	6	**56,313**	-
Bank operating facilities	6	**19,355,662**	21,293,808
Payables and accruals		**1,723,763**	1,079,659
Total current liabilities		**57,328,722**	59,303,668
Total Liabilities		**128,620,484**	135,263,516
Equity			
Issued share capital		**5,947,346**	5,947,346
Contributed surplus		**251,600**	251,600
Retained earnings		**103,658,745**	100,963,197
Total Equity		**109,857,691**	107,162,143
Total Equity and Liabilities		**$ 238,478,175**	$ 242,425,659

Post-reporting date events (Note 14)

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

See accompanying notes to the interim condensed financial statements.

IMPERIAL EQUITIES INC.

INTERIM CONDENSED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

		Three months ended March 31,		Six months ended March 31,	
	Notes	**2025**	**2024**	**2025**	**2024**
Rental revenue	10, 13	**$ 4,906,064**	$ 4,846,316	**$ 9,814,228**	$ 9,796,469
Property operating expenses	13	**1,538,739**	1,512,809	**3,116,108**	3,121,587
Income from operations		**3,367,325**	3,333,507	**6,698,120**	6,674,882
Finance costs	11	**1,191,189**	1,444,076	**2,388,097**	2,875,561
Administration expenses		**598,655**	361,461	**922,888**	631,147
Amortization of deferred leasing		**117,092**	94,867	**221,195**	189,735
Amortization of right-of-use assets		**44,456**	37,510	**88,913**	75,020
Loss on the sale of investment properties	3	**-**	-	**141,202**	-
Valuation loss from investment properties, net	3	**740,691**	3,651,350	**607,043**	6,701,056
Income (loss) before income tax		**675,242**	(2,255,757)	**2,328,782**	(3,797,637)
Income tax (recovery) expense	8	**(1,270,945)**	(94,143)	**(744,816)**	(93,277)
Net income (loss)and comprehensive income (loss)		**$ 1,946,187**	$ (2,161,614)	**$ 3,073,598**	$ (3,704,360)
Weighted average number of shares outstanding - basic & diluted		**9,451,242**	9,451,242	**9,451,242**	9,451,242
Earnings (loss) per share basic and diluted		**$ 0.21**	$ (0.23)	**$ 0.33**	$ (0.39)

See accompanying notes to the interim condensed 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	-	-	-	(378,050)	**(378,050)**
Net income and comprehensive income	-	-	-	3,073,598	**3,073,598**
Balance, March 31, 2025	9,451,242	$ 5,947,346	$ 251,600	$ 103,658,745	**$ 109,857,691**

See accompanying notes to the interim condensed financial statements.

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

	Notes	Three months ended March 31, 2025	Three months ended March 31, 2024	Six months ended March 31, 2025	Six months ended March 31, 2024
Operating activities					
Net income (loss) from operations		**$ 1,946,187**	$ (2,161,614)	**$ 3,073,598**	$ (3,704,360)
Finance costs		**1,191,189**	1,444,076	**2,388,097**	2,875,561
Leasing commissions		**(129,344)**	(55,629)	**(165,524)**	(142,277)
Items not affecting cash:					
Amortization of right-of-use asset		**44,456**	37,510	**88,913**	75,020
Amortization of tenant inducements		**31,713**	40,395	**63,427**	77,184
Amortization of deferred leasing commissions		**117,092**	94,867	**221,195**	189,735
Loss on sale of investment properties		**-**	-	**141,202**	-
Valuation loss on investment properties		**740,691**	3,651,350	**607,043**	6,701,056
Straight-line rental revenue		**58,902**	59,180	**106,938**	114,804
Deferred income taxes	8	**(1,622,051)**	(196,060)	**(1,250,490)**	(314,938)
Net change in operating working capital	9	**1,099,536**	1,116,123	**1,009,063**	1,488,483
Cash provided by operating activities		**3,478,371**	4,030,198	**6,283,462**	7,360,268
Investing activities					
Proceeds on sale of investment properties		**-**	-	**2,058,798**	-
Additions to investment properties		**(99,997)**	-	**(91,022)**	(5,826)
Advances on loans and mortgages receivable		**-**	-	**(272,757)**	-
Proceeds from mortgage receivable		**111,099**	8,574	**246,443**	17,054
Change in payables and accruals for investing		**(4,582)**	-	**(4,537)**	(905,836)
Cash provided by (used in) investing activities		**6,520**	8,574	**1,936,925**	(894,608)
Financing activities					
Repayment of mortgages		**(1,604,669)**	(1,945,180)	**(3,507,265)**	(3,890,495)
Fees associated with new or renewed mortgages		**(8,499)**	(2,000)	**(19,493)**	(9,230)
Advances from other financing		**-**	50,000	**-**	650,000
Repayment of other financing		**-**	(300,000)	**-**	(1,300,000)
Advances from term loan		**310,013**	-	**310,013**	-
Repayment of term loan		**(10,406)**	-	**(10,406)**	-
Finance costs paid		**(1,261,660)**	(1,378,139)	**(2,471,602)**	(2,682,456)
Principal repayments on lease liability		**(49,727)**	(40,854)	**(99,326)**	(81,709)
Dividends paid		**(189,025)**	(189,025)	**(378,050)**	(378,050)
Net advances from bank operating facilities		**(564,661)**	(98,700)	**(1,938,146)**	1,275,292
Cash used in financing activities		**(3,378,634)**	(3,903,898)	**(8,114,275)**	(6,416,648)
Increase in cash and cash equivalents		**106,257**	134,874	**106,112**	49,012
Cash and cash equivalents, beginning of period		**305,872**	338,589	**306,017**	424,451
Cash and cash equivalents, end of period		**$ 412,129**	$ 473,463	**$ 412,129**	$ 473,463

Supplemental cash flow information (Note 9)

See accompanying notes to the interim condensed financial statements.

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 May 14, 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 and six months ended March 31, 2025, 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.

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
Additions:			
Property improvements and additions (recoveries)	99,997	(8,975)	91,022
Leasing commissions	165,524	-	165,524
Amortization of tenant inducements	(63,427)	-	(63,427)
Amortization of deferred leasing commissions	(221,195)	-	(221,195)
Change in straight-line rental revenue	(106,938)	-	(106,938)
Fair value gains (losses), net	(616,018)	8,975	(607,043)
Balance, March 31, 2025	**$ 227,380,649**	**$ 2,935,636**	**$ 230,316,285**

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 property was adjusted to fair value based on the sale price, resulting in 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

During the quarter ending March 31, 2025 the Company reviewed its valuation methodology for three parcels of land held for development that were leased to two existing tenants. At September 30, 2024 and December 31, 2024, these parcels of land were valued using the direct comparison approach. During the quarter ended March 31, 2025, management determined that it would be more appropriate to reclassify the parcels of land to be valued with the related investment property that is leased by the same tenant instead of valuing the vacant land separately. This adjustment to the unit of account for the purposes of the fair value calculation resulted in the vacant land being valued with the related investment property using the income capitalization approach. The total value of the leased land included in the direct comparison approach at September 30, 2024 and December 31, 2024 was $3,910,710. For the three months ended March 31, 2025 a fair value loss of $15,637 was recorded on the two investment properties which were impacted by the reclassification of the vacant land.

The Company has made no other changes to its valuation methodology and processes since the year-ended September 30, 2024 and quarter ended December 31, 2024.

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

At March 31, 2025

		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%	1.79%	1.47%	1.00%	1.47%	1.36%
Structural reserve percentage	0.50%-2.00%	1.47%	1.85%	0.50%	0.77%	1.34%
Net operating income		$ 500,905	$ 552,006	$ 1,577,374	$ 592,801	$ 393,383
Capitalization rate	4.50%-8.00%	6.17%	6.08%	6.60%	6.29%	7.32%
Fair value		$ 117,697,649	$ 27,042,000	$ 45,464,000	$ 18,820,000	$ 18,357,000

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

3. Investment properties (cont'd)

At March 31, 2025

Land held for development - Weighted average price per acre		
Edmonton	**Red Deer**	**Rural Alberta**
$ 790,000	$ 400,000	$ 6,428

At September 30, 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:

Capitalization rate				Normalized net operating income			
Rate sensitivity	Weighted average cap rate	Fair value	Change in fair value	Sensitivity	Normalized NOI	Fair value	Change in fair value
(0.50)%	5.84%	$ 246,870,504	$ 19,489,853	$(500,000)	$ 13,933,386	$219,494,456	$(7,886,195)
(0.25)%	6.09%	$ 236,725,552	$ 9,344,901	$(250,000)	$ 14,183,386	$223,437,553	$(3,943,098)
0.00%	6.34%	$ 227,380,649	$ -	$ -	$ 14,433,386	$227,380,649	$ -
0.25%	6.59%	$ 218,744,751	$ (8,635,900)	$ 250,000	$ 14,683,386	$231,323,749	$ 3,943,098
0.50%	6.84%	$ 210,740,112	$(16,640,539)	$ 500,000	$ 14,933,386	$235,266,846	$ 7,886,195

4. Mortgages and loans receivable

	March 31, 2025	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 $496, with a maturity date of May 1, 2028, at which time any outstanding balance is repayable in full.	**$ 43,084**	$ 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.	**268,348**	-
Mortgage receivable, bearing interest at 8.0% 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.	**1,339,649**	1,348,550
Mortgage receivable, bearing interest at 5.0% per annum with an effective interest rate of 6.01% per annum, with monthly blended payments of principal and interest of $34,315, and a maturity date of May 28, 2027. Secured by a first mortgage charge against land.	**5,647,015**	5,670,868
	7,298,096	7,064,268
Less current portion	**(1,412,934)**	(1,477,754)
Long-term portion	**$ 5,885,162**	$ 5,586,514

5. Mortgages

	Maturity Date	Monthly blended principal and interest payments	Rate	March 31, 2025	September 30, 2024
		$		**$**	$
	April 1, 2025	27,830	5.290%	**2,804,148**	2,896,350
	April 1, 2025	34,847	2.310%	**3,760,246**	3,924,998
	July 1, 2025	25,203	5.990%	**1,134,008**	1,249,673
	August 1, 2025	27,279	2.837%	**2,951,654**	3,072,706
	October 1, 2025	53,312	7.020%	**4,131,854**	4,305,259
	November 1, 2025	35,967	6.640%	**2,848,474**	2,968,684
	December 1, 2025	43,161	6.763%	**3,426,222**	3,568,158
	January 1, 2026	23,512	5.930%	**1,391,235**	1,489,864
	January 1, 2026	18,660	5.930%	**1,104,155**	1,182,432
*	February 1, 2026 (September 30, 2024 - February 1, 2025)	27,167 (September 30, 2024 - 35,507)	4.300% (September 30, 2024- 3.42%)	**3,594,101**	3,733,862
*	February 1, 2026 (September 30, 2024 - February 1, 2025)	26,677 (September 30, 2024 - 47,279)	4.300% (September 30, 2024- 3.31%)	**3,529,204**	3,729,623
*	February 1, 2026 (September 30, 2024 - February 1, 2025)	16,761 (September 30, 2024 - 17,662)	4.300% (September 30, 2024- 5.72%)	**1,349,475**	1,416,856
	April 1, 2026	33,136	6.010%	**3,223,499**	3,324,875
	April 1, 2026	23,715	2.675%	**1,835,362**	1,952,328
	July 1, 2026	76,219	2.710%	**8,923,844**	9,258,283
	July 1, 2026	39,884	2.710%	**4,669,683**	4,844,689
	September 1, 2026	100,705	4.950%	**17,220,221**	17,400,000
	October 1, 2026	65,250	2.940%	**7,686,402**	7,963,235
*	November 1, 2026 (September 30, 2024 - November 1, 2024)	39,621 (September 30, 2024 - 63,681)	4.663% (September 30, 2024 - 3.56%)	**6,136,595**	6,520,161
*	December 1, 2026 (September 30, 2024 - December 1, 2024)	31,349 (September 30, 2024 - 33,003)	4.669% (September 30, 2024 - 6.073%)	**2,446,328**	2,572,333
*	December 1, 2026 (September 30, 2024 - December 1, 2024)	28,482 (September 30, 2024 - 29,985)	4.669% (September 30, 2024 - 6.073%)	**2,222,625**	2,337,107
	June 11, 2029	42,759	3.480%	**4,058,946**	4,244,070
	Total mortgages			**90,448,281**	93,955,546
	Less: current portion of principal payments			**(35,541,822)**	(35,459,869)
	Less: Balance of unamortized finance fees			**(77,072)**	(94,023)
				54,829,387	58,401,654
	Weighted average rate			4.36%	3.73%

** Mortgages renewed during the six months ended March 31, 2025.*

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.

6. Bank operating facilities

	March 31, 2025	September 30, 2024
LOC with a limit of $15,500,000	**$ 14,057,965**	$ 13,799,145
LOC with a limit of $8,000,000	**5,297,697**	7,494,663
Bank operating facilities	**$ 19,355,662**	$ 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 $7,444,453 at September 30, 2024 and $7,350,934 at maturity.

Term loan

Included in the Company's available credit facilities is a $1,000,000 revolving lease line of credit by way of lease agreements. During the quarter ended March 31, 2025, the Company entered into a sale-leaseback agreement for $310,013 for certain leasehold improvements included in one of its buildings. The lease has a five-year term commencing February 6, 2025, with monthly payments of $5,837, and an option to purchase the leaseholds for $1 at the conclusion of the lease. Management determined that the transfer of the asset did not meet the criteria to be considered a sale under IFRS 15 *Revenue* and as such the lease will be treated as a financial liability under IFRS 9 *Financial Instruments.* The financial liability has an effective interest rate of 4.956%. The balance of the term loan at March 31, 2025 was $299,607.

7. Equity

Stock options

	Number	Weighted average exercise price
Outstanding at October 1, 2024	**200,000**	**$ 4.00**
Granted during the period	**-**	**-**
Outstanding at March 31, 2025	**200,000**	**$ 4.00**
Exercisable at March 31, 2025	**200,000**	**$ 4.00**

The weighted average contractual life for the stock options outstanding at March 31, 2025 is 4.41 years (September 30, 2024 – 4.91 years).

Earnings per share

The impact of the 200,000 stock options that are outstanding and exercisable at March 31, 2025 and September 30, 2024 is anti-dilutive and therefore the stock options were excluded from the calculation of diluted earnings per share.

8. Income taxes

a) Provision for income taxes

Components of income tax expense (recovery)

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	**2025**	2024
Current tax expense	**$ 351,106**	$ 101,917	**$ 535,793**	$ 221,661
Prior period adjustments	**-**	-	**(30,119)**	-
Deferred tax expense	**(1,622,051)**	(196,060)	**(1,250,490)**	(314,938)
	$ (1,270,945)	$ (94,143)	**$ (744,816)**	$ (93,277)

b) Deferred taxes

	March 31, 2025	September 30, 2024
Deferred tax assets are attributable to the following:		
Lease liabilities	**$ 43,144**	$ 68,383
Mortgages receivable	**39,570**	38,769
Finance fees	**6,783**	4,571
Capital losses	**18,157**	109,849
Non-capital losses	**-**	126,465
Total deferred tax assets	**107,654**	348,037
Offset of deferred tax liabilities	**(107,654)**	(348,037)
Net deferred tax assets	**$ -**	$ -
Deferred tax liabilities are attributable to the following:		
Straight-line rent receivable	**$ 387,113**	$ 411,709
Investment properties	**14,694,023**	16,127,047
Deferred leasing	**400,441**	413,245
Right-of-use-asset	**40,210**	60,659
Total deferred tax liabilities	**15,521,787**	17,012,660
Offset of deferred tax assets	**(107,654)**	(348,037)
Net deferred tax liabilities	**$ 15,414,133**	$ 16,664,623

During fiscal 2024, the Government of Canada announced an increased in the capital gains inclusion rate from ½ to $^{2}/_{3}$ starting on June 25, 2024. On March 21, 2025 the Government of Canada announced the cancellation of the previously announced increase, and that the capital gains inclusion rate would remain at ½, with no increase effective for gains after June 25, 2024. As a result, the Company's calculation of deferred taxes was adjusted to decrease the expected deferred tax on investment properties, and capital losses. The impact of this adjustment was a recovery of approximately $1,515,000 included in deferred tax expense for the three and six months ended March 31, 2025.

9. Supplemental cash flow information

	Three months ended March 31, 2025	2024	Six months ended March 31, 2025	2024
Change in operating working capital:				
Receivables	**$ 133,584**	$ (241,615)	**$ 353,487**	$ (236,828)
Prepaid expenses and deposits	**(84,850)**	178,649	**902,967**	980,106
Payables and accruals	**812,508**	771,968	**561,076**	218,340
Contract liabilities	**-**	300,000	**-**	300,000
Income taxes payable	**238,294**	107,121	**(808,467)**	226,865
Net change in operating working capital	**$ 1,099,536**	$ 1,116,123	**$ 1,009,063**	$ 1,488,483
Interest paid	**$ 1,261,660**	$ 1,394,022	**$ 2,471,602**	$ 2,714,319
Income taxes paid (recovered)	**$ (41,756)**	$ 37,150	**$ 1,159,667**	$ 37,150

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 March 31, 2025	2024	Six months ended March 31, 2025	2024
Rental revenue, contractual amount	**$ 3,694,306**	$ 3,718,213	**$ 7,380,145**	$ 7,533,758
Property tax and insurance recoveries	**889,298**	804,162	**1,778,596**	1,602,889
Amortization of tenant inducements	**(31,714)**	(40,395)	**(63,427)**	(77,184)
Straight-line rental revenue	**(58,902)**	(59,180)	**(106,938)**	(114,804)
Lease income	**4,492,988**	4,422,800	**8,988,376**	8,944,659
Operating expense recoveries	**413,076**	423,516	**825,852**	851,810
Total rental revenue	**$ 4,906,064**	$ 4,846,316	**$ 9,814,228**	$ 9,796,469

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

	2025	2024
One year	**$ 14,144,974**	$ 13,624,168
One to two years	**12,696,841**	12,994,685
Two to three years	**10,991,367**	11,266,587
Three to four years	**8,663,523**	10,183,498
Four to five years	**6,792,291**	8,300,365
Thereafter	**28,046,209**	33,082,725
	$ 81,335,205	$ 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 March 31,		Six months ended March 31,	
	2025	2024	**2025**	2024
Interest on mortgages	**$ 976,967**	$ 1,025,444	**$ 1,976,387**	$ 2,042,180
Interest on bank operating facilities	**281,813**	361,650	**567,350**	718,349
Interest on other unsecured financing	**-**	48,962	**-**	99,462
Interest on lease obligations	**2,885**	4,145	**5,897**	8,290
Amortization of deferred financing fees	**17,689**	19,759	**36,444**	39,144
Finance fees	**-**	-	**5,000**	-
Interest income	**(88,165)**	(15,884)	**(202,981)**	(31,864)
Total	**$ 1,191,189**	$ 1,444,076	**$ 2,388,097**	$ 2,875,561

12. Fair value of financial instruments

The carrying value of financial instruments is as follows:

	March 31, 2025	September 30, 2024
Financial assets		
Cash and cash equivalents	**$ 412,129**	$ 306,017
Receivables	**53,009**	406,496
Mortgages and loans receivable	**7,298,096**	7,064,268
	$ 7,763,234	$ 7,776,781
Financial liabilities		
Bank operating facilities	**$ 19,355,662**	$ 21,293,808
Payables and accruals	**1,723,763**	1,079,659
Lease liability	**197,989**	297,315
Security deposits	**795,430**	795,430
Term loan	**299,607**	-
Mortgages	**90,371,209**	93,861,523
	$ 112,743,660	$ 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. The carrying value of the term loan approximates its fair value as the effective interest rate approximates market rates at March 31, 2025.

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 March 31, 2025 is – $1,339,649 (September 30, 2024 - $1,348,550). The remaining mortgages and loans receivable are recorded at amortized cost with a total carrying value of $5,958,448 (September 30, 2024 - $5,715,718). The estimated fair value of the mortgages and loans receivable carried at amortized cost at March 31, 2025, is $6,214,000 (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 March 31, 2025 is based on a weighted average discount rate of 4.38% (September 30, 2024 - 4.95%).

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

The fair value of mortgages payable is a level 2 measurement and is based on discounted future cash flows using rates that reflect observable current market rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable at March 31, 2025, is $88,136,000 (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%).

At March 31, 2025, the Company recorded an additional $200,030 in doubtful accounts for a total allowance for doubtful account of $525,806. Included in this amount is $469,680 from a single tenant. Subsequent to the end of the quarter, the Company terminated the lease with this tenant.

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

Transactions with related parties during the period are summarized below:

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	**2025**	2024
Property management and maintenance fees paid to Sable	**$ 374,959**	$ 356,415	**$ 856,650**	$ 740,848
Acquisition fees paid to NARC	**58,290**	-	**58,290**	-
Disposition fees paid to NARC	**-**	-	**66,000**	-
Leasing fees paid to NARC	**129,346**	55,629	**165,526**	109,016
Vehicle lease payments paid to NAML	**2,250**	4,800	**4,500**	9,600
Total payments	**$ 564,845**	$ 416,844	**$ 1,150,966**	$ 859,464

At March 31, 2025 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:

	Three months ended March 31,		Six months ended March 31,	
	2025	**2024**	**2025**	**2024**
Leased office space and parking	**$ 45,000**	$ 45,000	**$ 90,000**	$ 90,000
Rent at Sable Centre	**(25,633)**	(23,731)	**(51,266)**	(47,461)
Net payments for the period	**$ 19,367**	$ 21,269	**$ 38,734**	$ 42,539

13. Related party transactions (cont'd)

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 and six months ended March 31, 2025 were $17,500 and $27,500 (2024 – $17,500 and $27,500).

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 March 31,		Six months ended March 31,	
	2025	2024	**2025**	2024
Salaries and wages	**$ 130,000**	$ 130,000	**$ 260,000**	$ 251,250
Short-term employee benefits	**3,798**	4,432	**7,596**	8,780
Total	**$ 133,798**	$ 134,432	**$ 267,596**	$ 260,030

14. Post-reporting date events

On April 2, 2025, the Company declared a quarterly dividend of $0.02 per share totalling $189,025 which was paid on May 2, 2025 to shareholders of record effective April 18, 2025.

On May 1, 2025, the Company closed the purchase of an investment property consisting of land and building located in Sparwood, British Columbia for a total purchase price of $800,000. During the quarter and concurrent with the purchase, the Company entered into a lease agreement with a tenant for the property commencing on June 1, 2025.

Subsequent to period end, the Company entered into a sale agreement for an investment property consisting of land and building. The sale price is $5,000,000 and the conditions on the sale are expected to be lifted prior to May 31, 2025.

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