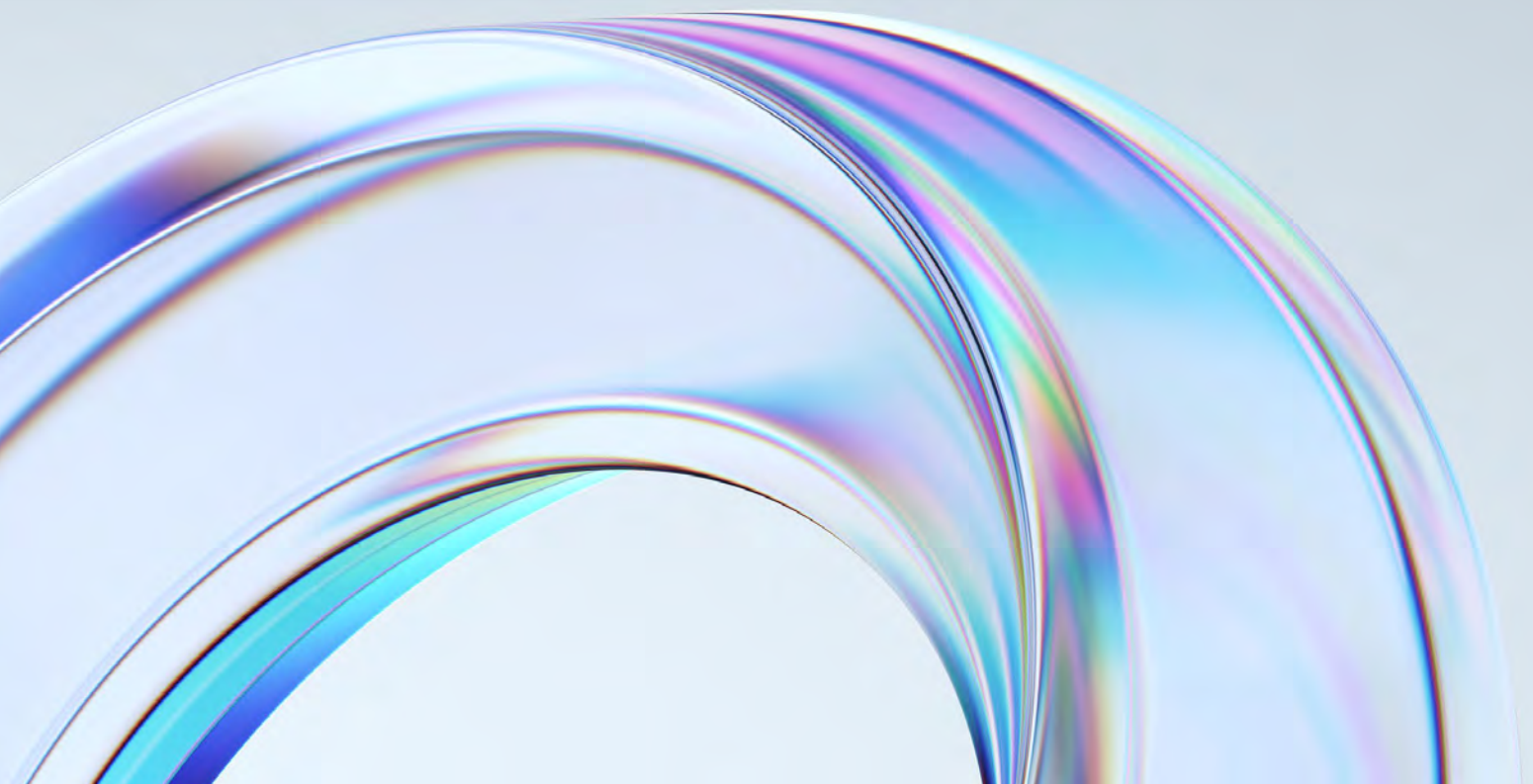




1st Quarter Report 2026

FOR THE THREE MONTHS ENDED DECEMBER 31, 2025





Statement of Financial Results

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President's Report

 Q1 2026



2026 Q1 Message

From CEO, Sine Chadi



Uncertainty is a constant in business, and navigating unpredictable periods requires discipline, focus, and resilience.

Our team of professionals has successfully weathered turbulent cycles marked by high inflation, elevated interest rates, tariff disputes, and geopolitical instability. While I do not underestimate the challenges these forces continue to present, I remain cautiously optimistic.

Part of that optimism comes from the opportunity these pressures create. If they motivate us Canadians to finally address long-standing structural issues—such as reducing interprovincial trade barriers, improving productivity, and developing tidewater facilities capable of moving our products to global markets—we will emerge stronger over the long term. I also continue to value the exceptional business relationships we have built with strong national and international partners. These relationships remain a steady source of stability and opportunity. Finally, I am confident that our Company is as well positioned as any to navigate whatever challenges may lie ahead.

Demand for industrial property across Canada remains robust, particularly in several high-growth markets in Western Canada where our portfolio is concentrated. This strength is reflected in our current occupancy rate of 98.1%. With contract negotiations now underway, we expect occupancy to rise to 99.8% by the end of Q2 2026.

We are also placing a significant focus on acquisitions this year, with several promising opportunities under review. These include fully leased industrial assets with long-term tenants, as well as raw land with strong industrial development potential. I look forward to sharing further updates on these prospective investments in our next reporting cycle.

I am deeply grateful for the continued support and confidence of our Team, our Board, and our Shareholders as we have navigated several cost-intensive quarters. We remain optimistic about the future and energized by the opportunities ahead for our Company.

As always, we look forward to welcoming you to our Annual General Meeting at 2:00 PM on March 12, 2026, via Zoom. You may join the meeting through the following link: <https://bit.ly/IEIAGM2026>.

We also encourage you to stay connected with Company developments through our newly updated website at imperialequities.com.

Sincerely,

Sine Chadi, President

A handwritten signature in blue ink, reading "Sine", with a stylized flourish at the end.

MD & A



Management's Discussion & Analysis

For the three months ended December 31, 2025

Imperial Equities Inc.

MD&A as at February 12, 2026

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, 2025 and the related notes, as well as the audited financial statements and MD&A for the years ended September 30, 2025 and 2024.

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, 2026 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 2026 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, 2025. During Q1 2026 Management focused on leasing the Company's vacant spaces and adjusting the

Company's outstanding debt structure to provide room for future growth. This included committing to refinancing two renewing mortgages and completing one new mortgage. The quarter also included completing the Company's year-end audit and continued the onboarding of the new COO who started with the Company in September 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, 2025.

Key Highlights

Management and the board monitor the performance of the Company using specific key performance indicators which are highlighted below. There were no changes to the number or nature of investment properties held since the year ended September 30, 2025.

Our Operations and Financing

Income from operations ('000s)

Q1 2026		
\$ 3,209		
Q1 2025	\$3,331	-3.66%

The decrease in rental revenue is due to changes to buildings within the investment property portfolio, and vacancies. The increased rental revenue generated from the new property acquired in fiscal 2025 only partially offset the reductions in rental revenue resulting from the sale of an investment property in the prior year that was occupied for part of the year. Additionally, there was reduced revenue resulting from the vacancy of a building that was occupied in Q1 and Q2 2025. This building was leased after quarter end.

Operating expense recovery percentage ⁽¹⁾

Q1 2026		
82%		
Q1 2025	83%	-1.00%

Operating expense recovery percentage was consistent compared to the same quarter of the prior year. As recoverable expenses can be incurred at varying times over the year, but recoverable revenues are only adjusted in Q4 of each year, some fluctuations in this percentage are expected during the quarters. The Company targets a recovery percentage of between 80 - 85% on an annual basis.

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

Funds available for property operations (1)

Q1 2026		
\$ 565,374		
Q1 2025	\$ 138,242	308.97%

Funds available for property operations increased over Q1 of the prior year due to lower interest costs on mortgages, and lower principal repayments on mortgages. Interest costs on mortgages in the current period are lower due to decreased interest rates on mortgages, and lower mortgage balances as the result of the sale of a building in Q4 2025 and repayment of the respective mortgage. The repayment of the mortgage also resulted in lower principal payments during Q1 2026 compared to Q1 2025.

Debt to total assets ratio (1)

Q1 2026		
45%		
Q1 2025	47%	-2.00%

Debt to total assets ratio decreased because of lower mortgage balances at December 31, 2025 compared to December 31, 2024. Regular principal repayments, as well as the settlement of a mortgage on the sale of a property in Q4 2025 contributed to this decrease. Overall, the fair value of the investment properties remained consistent. Additionally, the sale of the investment property completed in Q4 2025 was completed with a vendor-take-back mortgage of \$4,000,000 which is included in the total assets at the end of the current quarter and therefore the balance of total assets did not significantly change as a result of the property sale.

Weighted average interest rates on mortgages

Q1 2026		
4.34%		
Q1 2025	4.31%	0.03%

The weighted average interest rate on mortgages increased slightly at December 31, 2025 compared to December 31, 2024. During fiscal 2025, several mortgages that had been locked in at very low rates in prior years were renewed, increasing the overall rate. This was offset by the decrease in rates on mortgages that had been previously renewed at higher rates in fiscal 2023 and 2024.

Our Leasing Activities

Gross Leasable Area ("GLA") in square feet

Q1 2026		
1,017,545		
Q1 2025	1,059,599	-3.97%

The GLA changed compared to the same quarter in the prior year due to the sale of a 50,000 ft² building, the addition of a 5,000 ft² building, and adjustments to the square footage used in lease agreements for three leases in the period, which resulted in a net increase of 2,946 ft². The total net decrease in GLA was 42,056 ft².

Changes in leases

	Q1 2026	Q1 2025	% Change
Renewals (GLA)	33,395	37,200	-10.23%
New leases (GLA)	12,600	-	100.00%
Leases expiring in twelve months	14,427	103,398	-86.05%

The Company completed the renewal of an existing lease at the property in Vegreville, Alberta. New leases were entered into for spaces that were vacant or which had tenants that vacated during the quarter. Included in the 14,427 ft² of leases expiring in the next twelve months are two leases in a multi-tenant building. One of these leases was entered into in Q1 2026 and is a short term lease (less than six months).

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

Building occupancy

Q1 2026

98.1%

Q1 2025

99.3%

-1.20%

At December 31, 2025 the Company had one 12,124 ft² building that was vacant. This building was leased subsequent to quarter-end. The Company also continued to have 7,119 ft² of vacant space in a single tenant building.

Average lease term to maturity (years)

Q1 2026

4.63

Q1 2025

4.61

0.44%

The average lease term to maturity increased due to the renewal and new leases signed during the quarter. This was offset by decreases in the overall remaining term of existing leases.

Financial Performance

(in thousands)	Three months ended December 31,		
	2025	2024	Variance
Rental revenue	\$ 4,788	\$ 4,908	\$ (120)
Property operating expenses	1,579	1,577	2
Income from operations	3,209	3,331	(122)
Finance costs	1,282	1,312	(30)
Administrative expenses	402	324	78
Finance income	(172)	(115)	(57)
Amortization of deferred leasing	99	104	(5)
Amortization of right-of-use asset	44	45	(1)
Loss on sale of investment properties	-	141	(141)
Valuation net loss (gain) from investment properties	641	(134)	775
Income before income tax	913	1,654	(741)
Income tax expense	184	526	(342)
Net income and comprehensive income	\$ 729	\$ 1,128	\$ (399)
Earnings per share basic and diluted (in dollars)	\$ 0.08	\$ 0.12	\$ (0.04)
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, 2025 rental revenue decreased by \$119,736 compared to the same period in the prior year. This decrease was primarily due to changes in minimum rent due to changes in the lease portfolio compared to the prior year, primarily from vacancies in the current period, and the sale of a building in Q4 2025 that had rental revenue recorded for the first portion of the prior year. Recovery revenue was consistent between the two periods.

Income from operations was \$3,209,895 for the three months ended December 31, 2025 compared to \$3,330,795 for the same period in the prior year. The decrease compared to the prior year is due to decreased rental revenue as noted above.

Net income decreased to \$729,240 for Q1 2026 compared to \$1,127,412 for Q1 2025. The decrease is due to a valuation loss on investment properties recorded in the current period, compared to a valuation gain in the same period of the prior year.

Property Operating Expenses

	Three months ended December 31,		
	2025	2024	Variance
Property taxes	\$ 853,806	\$ 841,067	\$ 12,739
Insurance	50,949	59,885	(8,936)
Repairs and maintenance	600,362	616,855	(16,493)
Utilities	73,416	59,562	13,854
	\$ 1,578,533	\$ 1,577,369	\$ 1,164

Property operating expenses in Q1 2026 were consistent with Q1 2025. Increases in property taxes and utilities were offset by decreased insurance costs and repairs and maintenance. The increased utilities expenses were due primarily to a colder Q1 2026 compared to the prior year, resulting in higher utilities usage. Property taxes were higher in calendar 2025 compared to calendar 2024 as a result of increases in rates and assessments in particular in the Edmonton region where the Company has a

large number of properties located. Repairs and maintenance expenses for the three months ended December 31, 2025 were lower than the same period in the prior year because of fewer large repair projects being undertaken. During Q1 2026 a significant roof replacement on a building was in progress, however this was considered to be capital in nature and was not expensed in repairs and maintenance.

Finance Costs

	Three months ended December 31,		
	2025	2024	Variance
Interest on mortgages	\$ 938,755	\$ 999,420	\$ (60,665)
Interest on bank operating facilities	325,657	285,537	40,120
Interest on lease obligations	1,195	3,013	(1,818)
Amortization of deferred financing fees	-	18,755	(18,755)
Financing fees	16,415	5,000	11,415
	\$ 1,282,022	\$ 1,311,725	\$ (29,703)

Finance costs for the three months ending December 31, 2025 are lower than for Q1 2025 primarily to an overall reduction in outstanding mortgage balances, as well as decreases in interest rates for mortgages that were renewed throughout the previous fiscal year. The increase in interest on bank operating facilities in the current period compared to the same period in the prior year is due to a higher average balance outstanding for the period, which offset the lower interest rate.

Administrative Expenses

	Three months ended December 31,		
	2025	2024	Variance
Salaries and benefits	\$ 290,824	\$ 206,359	\$ 84,465
Public company costs	16,729	16,907	(178)
Professional fees	13,728	20,274	(6,546)
Office and other	81,593	80,592	1,001
Bad debts	-	100	(100)
	\$ 402,874	\$ 324,232	\$ 78,642

Administrative expenses increased in Q1 2026 compared to Q1 2025 as a result of increased salaries and benefits expense. Salaries and benefits expense increased due to additional individuals who joined the Company subsequent to Q1 2025, including a new finance administrator and the Chief Operating Officer.

Amortization of deferred leasing and right-of-use assets are related to the accounting for deferred leasing costs and right-of-use asset. These amounts decreased as certain deferred leasing costs were fully amortized prior to the current quarter.

Loss on sale of investment property is the amounts recognized on the sale of one investment property during Q1 2025, and consists of transaction costs, as the fair value of investment properties does not include any adjustment for transaction costs. There were no property sales during Q1 2026.

Valuation loss (gains) from investment properties, net is the result of adjusting the investment properties to fair value at the end of each reporting period. For the three months ended December 31, 2025, the Company recorded a loss on valuation of investment properties compared to a gain for the same period in the prior year. The change in investment property fair value is discussed below in "Investment properties".

Our purpose continues to guide us. Our resilience continues to define us. And our commitment to long-term, sustainable value remains unchanged.



Selected Statement of Financial Position Information

As At (in thousands)	December 31 2025	September 30, 2025	Variance
Investment properties	\$ 227,147	\$ 227,029	\$ 118
Right-of use asset	55	86	(31)
Mortgages and loans receivable	5,837	5,850	(13)
Total non-current assets	233,039	232,965	74
Current portion of mortgage receivable	5,443	5,485	(42)
Current assets	903	2,105	(1,202)
Total current assets	6,346	7,590	(1,244)
Total assets	\$ 239,385	\$ 240,555	\$ (1,170)
Mortgages	\$ 8,102	\$ 19,985	\$ (11,883)
Security deposits	830	821	9
Term loan	199	214	(15)
Lease liability	8	-	8
Deferred taxes	16,096	15,862	234
Total non-current liabilities	25,235	36,882	(11,647)
Current portion of mortgages	77,885	66,332	11,553
Bank operating facilities	22,756	23,265	(509)
Other current liabilities	1,447	2,554	(1,107)
Total current liabilities	102,088	92,151	9,937
Total liabilities	127,323	129,033	(1,710)
Equity	112,062	111,522	540
Total equity and liabilities	\$ 239,385	\$ 240,555	\$ (1,170)

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

Prior to Q2 2025, the Company's methodology for land held for development that was leased to existing tenants was the direct comparison approach. In Q2 2025, the Company changed the

methodology for the valuation of three parcels of land held for development that are leased by existing tenants to include the parcels of land with the related investment properties, which are valued together using the income approach. The total value of the land that was valued using the direct comparison approach during Q1 2025 was \$3,910,710.

Changes in investment properties since the fiscal year-end of September 30, 2025, are detailed below.

	Income producing properties	Held for development	Total investment properties
Balance, October 1, 2025	\$ 224,093,750	\$ 2,935,636	\$ 227,029,386
<i>Additions:</i>			
Property improvements and additions	449,673	-	449,673
Leasing commissions	516,279	-	516,279
Amortization of tenant inducements	(31,714)	-	(31,714)
Amortization of deferred leasing commissions	(98,737)	-	(98,737)
Change in straight-line rental revenue	(77,110)	-	(77,110)
Fair value losses, net	(640,700)	-	(640,700)
Balance, December 31, 2025	\$ 224,211,441	\$ 2,935,636	\$ 227,147,077

The fair value of investment properties increased to \$227,147,077 at December 31, 2025 compared to \$227,029,386 at September 30, 2025. The net increase is a result of the following:

- The Company recorded an increase of \$158,000 on a property located in Edmonton as a result of adjusting net operating income for a reduction in structural allowance taken due to significant roof replacement undertaken in Q4 2025 and Q1 2026 that are expected to reduce future structural expenses.
- Several properties had increased rental revenue because of lease steps ups and renewals with lease rates at higher rates. Where applicable, management reviewed capitalization rates and normalized net operating income if the increases in property value were not supportable. Total net increases for the three months ended December 31, 2025 were \$174,000.
- Increases were offset by a net decrease of \$214,000 related to a property where lease negotiations indicated that the market expectations for net operating income were lower than previously anticipated.

Mortgages and loans receivable decreased by \$55,388 between September 30, 2025 and December 31, 2025 for principal payments received. Subsequent to quarter-end, management became aware that the borrower on the Vendor-take-back ("VTB") mortgage with a balance of \$5,636,055 (September 30, 2025 - \$5,658,179) was in default of its requirements under the terms of the mortgage. Management has been in discussions with the borrower to remedy the defaults and is monitoring the

situation closely. Management believes that the security on this mortgage continues to have a value in excess of the outstanding debt, and as such no impairment has been recognized on the balance at quarter-end.

Right-of-use assets and lease liabilities have been recorded in accordance with the requirements of IFRS 16 *Leases*. During Q1 2026, the Company terminated an existing vehicle lease and entered into a new vehicle lease. The net change was an increase of \$14,000 in the ROU asset and lease liability. Principal payments on the leases for the 3 months ended December 31, 2025 were \$51,416 (three months ending December 31, 2024 - \$49,599).

Current assets include receivables, prepaid expenses and deposits and cash balances with banks. The balance has decreased primarily due to lower prepaid expenses and deposits and lower receivables.

Prepaid expenses decreased due to the timing of property taxes. Property taxes are charged on a calendar year-end basis, and for most of the Company's properties are paid in full in June, and so at December 31 there is no remaining prepaid balance.

Receivables decreased due to the timing of the reconciliation of occupancy costs. Occupancy cost recoveries are reconciled and accrued at September 30. As of December 31, 2025, the majority of these receivables have been collected from tenants decreasing the receivables balance since September 30, 2025.

Mortgages including both current and long-term portions and unamortized finance fees have a balance of \$85,986,800 at December 31, 2025 (September 30, 2025 - \$86,316,497). The decrease in mortgages is as a result of paying down mortgages through monthly principal payments. There was one new mortgage advanced in the quarter with a total value of \$1,050,000. One mortgage was renewed during the quarter with a decrease in interest rate from 6.763% to 4.037%. Two mortgages came due during the quarter, and management entered into commitment letters to refinance the mortgages. The additional equity, totalling \$4,260,000 was applied against the outstanding lines of credit when the refinancings were completed subsequent to quarter end.

Security deposits increased at December 31, 2025 compared to September 30, 2025 as the result of a new tenant who commenced leasing a property that was vacant at year-end.

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 of \$15,124,507 (September 30, 2025 - \$14,966,816). The increase in deferred tax is due the change in fair value of the investment properties.

Bank operating facilities at December 31, 2025 have a total balance of \$22,755,861 (September 30, 2025 - \$23,265,456) with two of the Company's major lenders. The decrease in the outstanding balance is due to the proceeds on the new mortgage being applied against the outstanding bank balance during the quarter.

The total **term loan** balance of \$257,746 decreased from the balance of \$271,795 at September 30, 2025 due to monthly repayments.

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 December 31, 2025 compared to September 30, 2025 is due primarily to a decrease of \$842,290 in income taxes payable. During Q1 2026 the Company fully paid its outstanding taxes payable from the fiscal year-ended September 30, 2025. Accounts payable also decreased at December 31, 2025 compared to September 30, 2025 as the balance at September 30, 2025 included approximately \$400,000 in amounts invoiced for a roof replacement project. This increase was offset by an increase in prepaid rent at December 31, 2025 based on the timing of tenant payments of the subsequent month's rent.

Selected Cash Flow Information

(in thousands)	Three months ended December 31,		
	2025	2024	Variance
Cash provided by operating activities	\$ 3,009	\$ 2,805	\$ 204
Cash used in investing activities	(222)	1,930	(2,152)
Cash used in financing activities	(2,355)	(4,736)	2,381
Increase in cash and cash equivalents	432	(1)	433
Cash and cash equivalents, beginning of period	270	306	(36)
Cash and cash equivalents, end of period	\$ 702	\$ 305	\$ 397

Cash provided by operating activities for the three months ended December 31, 2025 increased compared to the same period in the prior year due primarily to increases in working capital due to timing differences for income taxes payable and receivables. This was offset by increased payments for leasing commissions. 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, 2025 decreased over the same period in the prior year primarily because Q1 2025 included proceeds from the sale of an investment property.

Cash provided by (used in) financing activities increased for the three months ended December 31, 2025 compared to the same period in the prior year due to proceeds from a new mortgage, lower financing costs, and lower mortgage repayments as a result of the lower overall mortgages balance.

At December 31, 2025, there was a **net increase in cash** of \$432,635 for the three month period.

Summary of Quarterly Results

(in thousands)	2026 Q1	2025 Q4	2025 Q3	2025 Q2	2025 Q1	2024 Q4	2024 Q3	2024 Q2
Revenue	4,788	5,165	4,940	4,906	4,908	5,056	4,670	4,846
Total Comprehensive Income (Loss)	729	(39)	1,831	1,946	1,128	889	(1,446)	(2,162)
EPS-Basic (in dollars)	0.08	0.00	0.19	0.21	0.12	0.09	(0.15)	(0.23)
EPS-Diluted (in dollars)	0.08	0.00	0.19	0.21	0.12	0.09	(0.15)	(0.23)

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 2025 and Q4 2024 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.

In Q1 through Q3 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, as well as reduced rates on mortgages as they renewed.

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

(in thousands)	2026 Q1	2025 Q4	2025 Q3	2025 Q2	2025 Q1	2024 Q4	2024 Q3	2024 Q2
Valuation gains (losses) from investment properties, net	(641)	(873)	706	(741)	134	476	115	(3,651)

Fluctuations in the net valuation (losses) gains 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 Q2 of 2024, losses were recorded on investment properties that were being sold once the sales prices for the properties were established. In addition, further impairment was taken on a property that became vacant during the quarter based on lower than expected lease rates in the market the property was located in.

In Q2 2025, a loss was recorded on the investment property that was subsequently sold in Q4 2025 to bring the fair value to the sales price. In Q3 2025, the Company completed the acquisition of a new property and recognized a fair value increase over property costs as a result of the expected value from the lease and upgrades to the property. In Q4 2025 the Company recorded additional fair value loss on a property where a lease renewal indicated that the market rate was lower than the current minimum rent. Additionally, in Q4 2025 and Q1 2026 capital projects including building and parking additions were undertaken on various buildings, however the fair value of the related buildings was maintained, which resulted in additional valuation losses recorded in the quarters.

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, 2025.

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

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

	December 31, 2025	September 30, 2025
Available bank credit facilities	\$ 23,500,000	\$ 23,500,000
Bank facilities outstanding	22,755,861	23,265,456
Available credit facilities	\$ 744,139	\$ 234,544

During Q1 2026, the Company entered into a mortgage on a previously unencumbered property for total gross proceeds of \$1,050,000. The net proceeds were applied against the outstanding balance in the bank operating facilities.

Subsequent to quarter end, the Company completed the refinancing of two mortgages and used the additional proceeds of \$4,260,000 to reduce the outstanding bank credit facility balances. The Company expects to utilize funds from operations and from property sales to continue to reduce the outstanding credit facilities balance.

At December 31, 2025, eighteen (September 30, 2025 – sixteen) mortgages are due in the next twelve months with combined principal balances of \$74,618,411 (September 30, 2025 – \$64,646,509) and are shown as current liabilities. Management decided during fiscal 2024 and 2025 to renew mortgages that came due for one year periods in the expectation that interest rates would continue to decline over fiscal 2025. As a result, a significant number of mortgages are renewing over the next twelve months. Management does not anticipate any issues with renewing these mortgages with its lenders and will be assessing the potential refinancing of some of the mortgages to generate additional funds for growth.

Investment properties unencumbered with debt are valued at \$9,062,636 at December 31, 2025 (September 30, 2025 – \$10,711,636). This balance decreased compared to year end as the result of a mortgage being placed on a previously unencumbered property. This mortgage generated \$1,050,000 in proceeds that were applied against the Company's outstanding bank credit facilities.

The debt to total assets ratio of the Company was 45% at December 31, 2025 which is lower than the ratio at September 30, 2025 and lower than the historical average of 50%, providing possible leverage opportunities in the future.

The Company has a contract to complete a roof replacement on one of its buildings, with a total remaining commitment outstanding of approximately \$200,000 at December 31, 2025. The Company anticipates the completion of this project, and payment of the outstanding balance out of cash flows during Q2 or Q3 2026. The Company has no other commitments or project plans which would require significant cash outlays as of the date of the MD&A.



United Rentals Building,
Fort McMurray AB



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 months ended December 31, 2025 of \$352,402 (2024 - \$453,692) 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 amount of \$169,345 for the three months ended December 31, 2025 (2024 – \$102,180) were paid to North American Realty Corp. (“NARC”), a company controlled by Sine Chadi.

Vehicle leasing fees of \$2,250 for the three months ended December 31, 2025 (2024- \$2,250) 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 for the three months ended December 31, 2025 (2024 - \$45,000).

Rent collected from Sable for commercial lease space for the three months ended December 31, 2025 was \$25,633 (2024 – \$25,633). 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, 2025 were \$10,000 (2024- \$10,000).

Compensation to Key Management Personnel

Compensation of key management personnel is as follows:

	Salaries and wage	Short-term benefits	Three months ended December 31,	
			2025	2024
Sine Chadi, President & CEO	\$ 75,000	\$ 2,355	\$ 77,355	\$ 77,048
Meghan DeRoo McConnan, CFO	55,000	1,750	56,750	56,750
Total	\$ 130,000	\$ 4,105	\$ 134,105	\$ 133,798

Planned Expenditures

The Company has no planned expenditures at the date of the MD&A. There are opportunities to purchase properties currently on the market, which the Company is exploring, however no commitments have been made. 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.



Master Group Building
Edmonton AB

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, 2025 had an effective date of October 1, 2025 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, 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 months ended December 31, 2025.

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 Policies

The preparation of the interim condensed financial statements in accordance with IAS 34 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 2026 from those described in the MD&A for the year ended September 30, 2025, in the Changes in Accounting Policies and Critical Accounting Estimates section and Note 3 of the September 30, 2025 audited 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, 2025.

Financial Instruments and Market Risk

At December 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, 2025.

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, 2025.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. At February 12, 2026 total issued and outstanding shares are 9,451,242, and total outstanding and exercisable stock options are 400,000.

Dividends

During the three months ended December 31, 2025, the Company declared and paid dividends of \$0.02 per share, totaling \$189,025.

On January 5, 2026, the Company declared a quarterly dividend of \$0.02 per share totalling \$189,025 which was paid on February 6, 2026 to shareholders of record effective January 23, 2026.

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 recoveries divided by total property operating expenses.

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,	
	2025	2024
Property tax and insurance recoveries	\$ 873,029	\$ 889,298
Operating expense recoveries	419,669	412,776
Total recoveries	\$ 1,292,698	\$ 1,302,074
Total property operating expenses	\$ 1,578,533	\$ 1,577,369
% of property operating expense recoveries	82%	83%

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,	
	2025	2024
Income from operations	\$ 3,209,895	\$ 3,330,795
Less: interest on financing*	1,264,412	1,289,957
Less: principal payments on mortgages	1,380,109	1,902,596
Funds available for property improvements and growth	\$ 565,374	\$ 138,242

*interest on financing excludes amortization of deferred finance fees and interest on lease obligations.

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.

	December 31, 2025	September 30, 2025	December 31, 2024
Total Assets	\$ 239,384,931	\$ 240,554,628	\$ 239,202,522
Mortgages excluding transaction fees	86,048,764	86,378,868	92,052,949
Bank operating facilities	22,755,861	23,265,456	19,920,323
Debt	\$ 108,804,625	\$ 109,644,324	\$ 111,973,272
Ratio of debt to assets	45%	46%	47%

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.

2026 Q1 Financial Statements

For the three months ended December 31, 2025

Universal Rail Building,
Edmonton AB





IMPERIAL EQUITIES INC. Q1 2026 Interim Condensed Financial Statements

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed financial statements of Imperial Equities Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

IMPERIAL EQUITIES INC.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2025 (Unaudited)	September 30, 2025 (Audited)
Assets			
Investment properties	3,13	\$ 227,147,077	\$ 227,029,386
Right-of-use assets		54,851	85,912
Mortgages and loans receivable	4	5,837,131	5,850,315
Total non-current assets		233,039,059	232,965,613
Current portion of mortgages and loans receivable	4	5,442,617	5,484,821
Receivables		70,229	764,839
Prepaid expenses and deposits		130,271	1,069,235
Cash		702,755	270,120
Total current assets		6,345,872	7,589,015
Total Assets		\$ 239,384,931	\$ 240,554,628
Liabilities			
Mortgages	5	\$ 8,101,871	\$ 19,984,779
Security deposits		830,040	820,876
Term loan		199,479	214,086
Lease liabilities	13	8,031	-
Deferred taxes	8	16,096,337	15,861,581
Total non-current liabilities		25,235,758	36,881,322
Income taxes payable		123,474	965,764
Current portion of lease liabilities	13	52,045	98,141
Current portion of mortgages	5	77,884,929	66,331,718
Current portion of term loan		58,267	57,709
Bank operating facilities	6	22,755,861	23,265,456
Payables and accruals		1,212,574	1,432,710
Total current liabilities		102,087,150	92,151,498
Total Liabilities		127,322,908	129,032,820
Equity			
Issued share capital		5,947,346	5,947,346
Contributed surplus		501,200	501,200
Retained earnings		105,613,477	105,073,262
Total Equity		112,062,023	111,521,808
Total Equity and Liabilities		\$ 239,384,931	\$ 240,554,628

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 AND COMPREHENSIVE INCOME (Unaudited)

		Three months ended December 31,	
	Notes	2025	2024
Rental revenue	9,13	\$ 4,788,428	\$ 4,908,164
Property operating expenses	13	1,578,533	1,577,369
Income from operations		3,209,895	3,330,795
Finance costs	10	1,282,022	1,311,725
Administration expenses		402,874	324,232
Finance income		(172,313)	(114,817)
Amortization of deferred leasing		98,737	104,103
Amortization of right-of-use asset		44,177	44,457
Loss on the sale of investment property	13	-	141,202
Valuation loss (gain) on investment properties, net		640,700	(133,648)
Income before income tax		913,698	1,653,541
Income tax expense	8	184,458	526,129
Net income and comprehensive income		\$ 729,240	\$ 1,127,412
Weighted average number of shares outstanding - basic & diluted		9,451,242	9,451,242
Earnings (loss) per share basic and diluted		\$ 0.08	\$ 0.12

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, 2024	9,451,242	\$ 5,947,346	\$ 251,600	\$ 100,963,197	\$ 107,162,143
Dividends paid	-	-	-	(756,099)	(756,099)
Share based compensation	-	-	249,600	-	249,600
Net income and comprehensive income	-	-	-	4,866,164	4,866,164
Balance, September 30, 2025	9,451,242	5,947,346	501,200	105,073,262	111,521,808
Dividends paid	-	-	-	(189,025)	(189,025)
Net income and comprehensive income	-	-	-	729,240	729,240
Balance, December 31, 2025	9,451,242	\$ 5,947,346	\$ 501,200	\$ 105,613,477	\$ 112,062,023

See accompanying notes to the financial statements.

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

		Three months ended December 31,	
	Notes	2025	2024
Operating activities			
Net income from operations		\$ 729,240	\$ 1,127,412
Finance costs		1,282,022	1,311,725
Finance income		(172,313)	(114,817)
Leasing commissions		(516,279)	(36,180)
Items not affecting cash:			
Amortization of right-of-use asset		44,177	44,457
Amortization of tenant inducements		31,714	31,714
Amortization of deferred leasing commissions		98,737	104,103
Loss on sale of investment properties		-	141,202
Valuation loss (gain) on investment properties		640,700	(133,648)
Straight-line rental revenue		77,110	48,036
Deferred income taxes	8	234,756	371,561
Net change in operating working capital	11	559,489	(90,474)
Cash provided by operating activities		3,009,353	2,805,091
Investing activities			
Proceeds on sale of investment properties		-	2,058,798
(Additions) recoveries to investment properties		(449,673)	8,975
Advances on loans and mortgages receivable		-	(272,757)
Principal received on mortgages and loans receivable		77,930	20,527
Interest received on mortgages and loans receivable		149,771	114,862
Cash provided by (used in) investing activities		(221,972)	1,930,405
Financing activities			
Proceeds from new mortgages		1,050,000	-
Repayment of mortgages		(1,380,109)	(1,902,596)
Fees associated with new or renewed mortgages		(16,003)	(10,993)
Repayment of term loan		(14,049)	-
Finance costs paid		(1,244,549)	(1,209,943)
Principal repayments on lease liability		(51,416)	(49,599)
Dividends paid		(189,025)	(189,025)
Net advances from bank operating facilities		(509,595)	(1,373,485)
Cash used in financing activities		(2,354,746)	(4,735,641)
Decrease in cash and cash equivalents		432,635	(145)
Cash and cash equivalents, beginning of period		270,120	306,017
Cash and cash equivalents, end of period		\$ 702,755	\$ 305,872

Supplemental cash flow information (Note 11)

See accompanying notes to the financial statements.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

1. Nature of operations

Imperial Equities Inc. (“the Company”) was incorporated in Edmonton, Alberta, Canada. The registered and operating office of the Company is 2151, 10060 Jasper Avenue, Edmonton, Alberta T5J 3R8. The Company is an industrial landlord, and its 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 presentation

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, 2026.

Basis of presentation

These interim condensed financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended September 30, 2025, except as explained below, and should be read in conjunction with the Company’s annual September 30, 2025 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, 2025, and are presented in Canadian dollars, which is the functional currency 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, 2025 audited financial statements.

New and amended standards adopted

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. These 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, 2025

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

New and amended standards not yet adopted

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, September 30, 2025	\$ 224,093,750	\$ 2,935,636	\$ 227,029,386
<i>Additions:</i>			
Property improvements and additions	449,673	-	449,673
Leasing commissions	516,279	-	516,279
Amortization of tenant inducements	(31,714)	-	(31,714)
Amortization of deferred leasing commissions	(98,737)	-	(98,737)
Change in straight-line rental revenue	(77,110)	-	(77,110)
Fair value losses, net	(640,700)	-	(640,700)
Balance, December 31, 2025	\$ 224,211,441	\$ 2,935,636	\$ 227,147,077

Valuation methodology and processes

There have been no changes to the valuation methodology and processes used by the Company since in the year ended September 30, 2025.

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

Valuation technique – Direct Comparison

At December 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, 2025

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

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

3. Investment properties (cont'd)

Valuation technique – Income capitalization

At December 31, 2025

		Single tenant - Edmonton region	Single tenant - Alberta urban, outside Edmonton	Single tenant - Rural Alberta and B.C.	Multi tenant - Edmonton
	Range	Weighted Average			
Vacancy loss percentage	1.00%-2.00%	1.78%	1.14%	1.43%	1.46%
Structural reserve percentage	0.50%-2.00%	1.31%	0.58%	1.41%	1.86%
Net operating income		\$ 513,426	\$ 1,268,554	\$ 372,469	\$ 562,572
Capitalization rate	4.50%-8.00%	6.19%	6.50%	7.30%	6.08%
Fair value (total)		\$ 113,410,442	\$ 62,936,000	\$ 20,450,000	\$ 27,415,000

At September 30, 2025

		Single tenant - Edmonton region	Single tenant - Alberta urban, outside Edmonton	Single tenant - Rural Alberta and B.C.	Multi tenant - Edmonton
	Range	Weighted Average			
Vacancy loss percentage	1.00%-2.00%	1.78%	1.14%	1.42%	1.46%
Structural reserve percentage	0.50%-2.00%	1.45%	0.58%	1.41%	1.86%
Net operating income		\$ 511,426	\$ 1,268,554	\$ 370,772	\$ 562,781
Capitalization rate	4.50%-8.00%	6.19%	6.50%	7.29%	6.08%
Fair value (total)		\$ 113,470,750	\$ 62,936,000	\$ 20,264,000	\$ 27,423,000

A balance of \$254,558 (September 30, 2025 - \$259,250) is included with the carrying value of a specific property for the purposes of the valuation calculation, however is classified separately as a mortgage receivable for financial statement presentation.

Fair value sensitivity

The following table summarize the fair value sensitivity at December 31, 2025 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)%	5.87%	\$ 243,322,656	\$ 19,111,215	\$(500,000)	\$ 13,733,190	\$216,357,165	\$(7,854,276)
(0.25)%	6.12%	\$ 233,376,447	\$ 9,165,006	\$(250,000)	\$ 14,023,190	\$220,284,303	\$(3,927,138)
0.00%	6.37%	\$ 224,211,441	\$ -	\$ -	\$ 14,273,190	\$224,211,441	\$ -
0.25%	6.62%	\$ 215,739,080	\$ (8,472,361)	\$ 250,000	\$ 14,523,190	\$228,138,580	\$3,927,139
0.50%	6.87%	\$ 207,883,701	\$(16,327,740)	\$ 500,000	\$ 14,773,190	\$232,065,719	\$7,854,278

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

4. Mortgages and loans receivable	December 31, 2025	September 30, 2025
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.	\$ 40,344	\$ 41,272
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.	254,558	259,250
Mortgage receivable, bearing interest at 8.00% per annum, repayable in monthly blended payments of principal and interest of \$10,303, due on demand (2025 – maturity date of October 31, 2025). Secured by a first mortgage charge against land and building (Note 4 (i)).	1,325,626	1,330,392
Mortgage receivable, bearing interest at 5.0% 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 (Note 4(ii)).	5,636,055	5,658,179
Mortgage receivable, bearing interest at 5.00% per annum, with monthly blended payments of principal and interest of \$23,519, and a maturity date of Sep 1, 2026, at which time any outstanding balance is repayable in full. Secured by a first mortgage charge against land and building.	4,023,165	4,046,043
	11,279,748	11,335,136
Less current portion	(5,442,617)	(5,484,821)
Long-term portion	\$ 5,837,131	\$ 5,850,315

- i) During the quarter ended December 31, 2025, the maturity date was extended to December 31, 2025. Subsequent to December 31, 2025, the mortgage receivable became due on demand. The mortgage receivable can be prepaid in whole or in part without penalty and is carried at fair value.
- ii) Subsequent to December 31, 2025, the Company became aware that the mortgagor had defaulted on certain terms of the mortgage. The Company has entered into discussions with the mortgagor regarding remedying the defaults and is monitoring the situation. The security on the mortgage was assessed to have a value in excess of the outstanding debt, and as such no impairment has been recognized on this balance at December 31, 2025.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

5. Mortgages

Maturity Date	Monthly blended principal and interest payments		December 31, 2025	September 30, 2025
		Rate	\$	\$
** October 1, 2025	53,312	7.020%	3,921,839	3,952,361
** November 1, 2025	35,967	6.640%	2,681,962	2,724,272
January 1, 2026	23,512	5.930%	1,237,783	1,289,683
January 1, 2026	18,660	5.930%	982,368	1,023,558
February 1, 2026	27,167	4.300%	3,462,622	3,506,915
February 1, 2026	26,677	4.300%	3,400,099	3,443,592
February 1, 2026	16,761	4.300%	1,240,220	1,277,026
April 1, 2026	26,460	4.270%	2,653,896	2,704,835
April 1, 2026	28,047	4.270%	3,612,072	3,657,669
April 1, 2026	33,136	6.010%	3,065,695	3,119,077
April 1, 2026	23,715	2.675%	1,656,973	1,716,831
July 1, 2026	76,219	2.710%	8,413,669	8,584,873
July 1, 2026	39,884	2.710%	4,402,718	4,492,306
August 1, 2026	21,295	4.188%	2,803,485	2,838,030
September 1, 2026	100,705	4.950%	16,942,175	17,035,993
October 1, 2026	65,250	2.940%	7,263,505	7,405,500
November 1, 2026	39,621	4.663%	5,990,322	6,039,642
December 1, 2026	31,349	4.669%	2,245,960	2,313,521
December 1, 2026	28,482	4.669%	2,040,579	2,101,962
December 1, 2026	39,063	4.037%		
* (2025 - December 1, 2025)	(2025 - 43,161)	(2025 - 6.763%)	3,204,270	3,279,488
January 1, 2028	6,466	4.222%	1,050,000	-
June 11, 2029	42,759	3.480%	3,776,552	3,871,737
<i>Total mortgages</i>			86,048,764	86,378,871
<i>Less: current portion of principal payments</i>			(77,884,929)	(66,331,718)
<i>Less: Balance of unamortized finance fees</i>			(61,964)	(62,374)
			8,101,871	19,984,779
Weighted average rate			4.34%	4.44%

* Mortgages renewed during the three months ended December 31, 2025. References to the comparative period of 2025 are the balances and terms at September 30, 2025.

** During the quarter, the Company entered into commitment letters to refinance these mortgages. Both refinancings were completed subsequent to quarter end. The net additional funds from refinancing totalling \$4,260,000 were applied against the outstanding lines of credit.

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, 2025

6. Bank operating facilities

	December 31, 2025	September 30, 2025
LOC with a limit of \$15,500,000	\$ 14,887,266	\$ 15,376,917
LOC with a limit of \$8,000,000	7,868,595	7,888,539
Bank operating facilities	\$ 22,755,861	\$ 23,265,456

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, 2025.

Starting May 1, 2025, the Company was in violation of the covenant requiring a minimum of 90% occupancy of the secured buildings as the result of the vacancy of one of the buildings securing the LOC. Under the terms of the LOC, a 6 month grace period commenced, wherein the property was subject to a reduced LTV of 50%, and the DCSR requirements remain unchanged. The grace period expired October 31, 2025 resulting in the LTV on the specific property being reduced to 0%, with the DSCR requirements remaining unchanged. At December 31, 2025 the Company remained in compliance with the LTV and DSCR requirements, and the availability of the facility remained unchanged. Subsequent to quarter end, the property was leased and the Company returned to compliance with the minimum 90% occupancy requirement.

7. Equity

Dividends

Holders of common shares are entitled to receive dividends when declared by the Company's Board of Directors. During the quarter ended December 31, 2025, the Company paid dividends of \$0.02 per share for a total of \$189,025 (Quarter ended December 31, 2024 - \$0.02 per share for a total of \$189,025).

Stock options

	Number	Weighted average exercise price
Outstanding at September 30, 2025 and December 31, 2025	400,000	\$ 3.93
Exercisable at September 30, 2025 and December 31, 2025	400,000	\$ 3.93

The weighted average contractual life for the share options outstanding at December 31, 2025 is 4.15 years (September 30, 2025 - 4.41 years).

Earnings per share

The impact of the 400,000 stock options that are exercisable at December 31, 2025 and 200,000 stock options exercisable at December 31, 2024 was anti-dilutive and therefore the stock options were excluded in the calculation of diluted earnings per share in both periods.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

8. Income taxes

a) Provision for income taxes

Components of income tax expense (recovery)

	Three months ended December 31,	
	2025	2024
Current tax expense	\$ 123,474	\$ 184,687
Prior period adjustments	(173,772)	(30,119)
Deferred tax expense	234,756	371,561
	\$ 184,458	\$ 526,129

b) Deferred taxes

	December 31, 2025	September 30, 2025
Deferred tax assets are attributable to the following:		
Lease liabilities	\$ 73,099	\$ 85,085
Finance fees	8,475	7,244
Capital losses	-	51,628
Total deferred tax assets	81,574	143,957
Offset of deferred tax liabilities	(81,574)	(143,957)
Net deferred tax assets	\$ -	\$ -

Deferred tax liabilities are attributable to the following:

Straight-line rent receivable	\$ 338,455	\$ 356,191
Investment properties	15,124,507	14,966,816
Mortgages receivable	33,874	30,324
Deferred leasing	488,388	392,353
Right-of-use-assets	12,616	19,760
Capital gain reserve	180,071	240,094
Total deferred tax liabilities	16,177,911	16,005,538
Offset of deferred tax assets	(81,574)	(143,957)
Net deferred tax liabilities	\$ 16,096,337	\$ 15,861,581

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

9. Rental revenue

The Company leases its commercial properties under operating leases with current terms ranging between 1 and 13 years. Some leases have options to extend for further five-year terms. Two leases have early termination clauses under specific circumstances. Rental revenue includes the following:

	Three months ended December 31,	
	2025	2024
Rental revenue, contractual amount	\$ 3,604,554	\$ 3,685,840
Property tax and insurance recoveries	873,029	889,298
Amortization of tenant inducements	(31,714)	(31,714)
Straight-line rental revenue	(77,110)	(48,036)
Total lease income	4,368,759	4,495,388
Operating expense recoveries	419,669	412,776
Total rental revenue	\$ 4,788,428	\$ 4,908,164

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

	2025	2024
One year	\$ 14,080,019	\$ 14,465,694
One to two years	13,098,104	12,711,460
Two to three years	10,989,247	11,290,047
Three to four years	8,771,391	9,004,400
Four to five years	7,553,051	6,769,843
Thereafter	26,862,551	29,392,461
	\$ 81,354,363	\$ 83,633,905

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.

10. Finance costs

The components of finance costs are as follows:

	Three months ended December 31,	
	2025	2024
Interest on mortgages	\$ 938,755	\$ 999,420
Interest on bank operating facilities	325,657	285,537
Interest on lease obligations	1,195	3,013
Amortization of deferred financing fees	16,415	18,755
Finance fees	-	5,000
Total	\$ 1,282,022	\$ 1,311,725

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

11. Supplemental cash flow information

	Three months ended December 31,	
	2025	2024
Change in operating working capital:		
Receivables	\$ 694,610	\$ 219,903
Prepaid expenses and deposits	938,964	987,817
Security deposits	9,164	-
Payables and accruals	(240,959)	(251,433)
Income taxes payable	(842,290)	(1,046,761)
Net change in operating working capital	\$ 559,489	\$ (90,474)
Interest paid	\$ 1,244,784	\$ 1,209,941
Income taxes paid	\$ 791,992	\$ 1,201,423

Non-cash transactions:

	Three months ended December 31,	
	2025	2024
Acquisition of lease asset	\$ 17,025	\$ -
Disposition of a lease asset	\$ (3,909)	\$ -

12. Fair value of financial instruments

	December 31, 2025	September 30, 2025
Financial assets		
Cash and cash equivalents	\$ 702,755	\$ 270,120
Receivables	70,229	764,839
Mortgages and loans receivable	11,279,748	11,335,136
	12,052,732	12,370,095
Financial liabilities		
Bank operating facilities	\$ 22,755,861	\$ 23,265,456
Payables and accruals	1,212,574	1,432,710
Lease liability	60,076	98,141
Security deposits	830,040	820,876
Term loan	257,746	271,795
Mortgages	85,986,800	86,316,497
	\$ 111,103,097	\$ 112,205,475

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 short term and demand nature of those instruments.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

12. Financial instruments (cont'd)

Mortgages and loans receivable include two mortgages that are measured at fair value as they are prepayable without penalty. The fair value of the mortgages at December 31, 2025 totals \$5,375,945 (September 30, 2025 - \$5,376,435). The remaining mortgage and loan receivables are recorded at amortized cost with a total carrying value of \$5,932,915 (September 30, 2025 - \$5,885,152). The estimated fair value of the mortgage and loan receivables carried at amortized cost at December 31, 2025 is \$6,134,000 (September 30, 2025 - \$6,184,000).

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, 2025 is based on a discount rate of 3.98% (September 30, 2025 – 4.26%).

The fair value of mortgages payable and term loan is a level 2 measurement and is based on discounted future cash flows using rates that reflect observable current market rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable as at December 31, 2025 is \$83,865,000 (September 30, 2025 - \$86,391,000). The estimated fair value of the term loan at December 31, 2025 is \$253,000 (September 30, 2025 - \$266,000). 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 these calculations was 6.09% (September 30, 2025 – 6.09%).

13. Related party transactions

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.

There have been no changes to the nature of related party transactions since the year ended September 30, 2025. Transactions with related parties during the period are summarized below:

a) Management agreements

		Three months ending December 31,	
	Financial statement category	2025	2024
Property management and maintenance fees paid to Sable	Property operating expenses (Statement of income)	\$ 352,402	\$ 453,692
Disposition fees paid to NARC	Loss on sale of investment properties (Statement of income)	-	66,000
Leasing fees paid to NARC	Investment properties (Statement of financial position)	169,345	36,180
Vehicle lease payments paid to NAML	Lease liabilities (Statement of financial position)	2,250	2,250
		\$ 523,997	\$ 558,122

At December 31, 2025 the Company has \$18,427 in outstanding payables to Sable (September 30, 2025 – \$31,198) to Sable.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

13. Related party transactions (cont'd)

b) Other related party transactions

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

	Three months ending December 31,	
	2025	2024
Leased office space and parking	\$ 45,000	\$ 45,000
Rent at Sable Centre	(25,633)	(25,633)
Net payments for the period	\$ 19,367	\$ 19,367

- 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, 2025 were \$10,000 (December 31, 2024 – \$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 ending December 31,	
	2025	2024
Salaries and wages	\$ 130,000	\$ 130,000
Short-term employee benefits	4,105	3,798
Total	\$ 134,105	\$ 133,798

14. Post-reporting date events

On January 5, 2026, the Company declared a quarterly dividend of \$0.02 per share totalling \$189,025 which was paid on February 6, 2026 to shareholders of record effective January 23, 2026.



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