

Imperial Equities Inc.

Year ending September 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

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2017 PRESIDENT'S REPORT

It's been nineteen years since Imperial Equities Inc. (Imperial) began in its pursuit to create a successful publicly traded Canadian based corporation. Our objective was to assemble an industrial real estate portfolio starting in Alberta and spread throughout the country. During these nineteen years of operations, Imperial has grown into a very well recognized corporate entity throughout Alberta and western Canada. Imperial has been resolute in ensuring the quality of its assets are superior and the scale of its tenant base being primarily multinational, national or large regional. Our steadfast resolution to stay committed to these principles has certainly allowed us to forge forward on a solid foundation. Year after year we have continually increased our assets to a respectable \$190 million and with the current contractual transactions in place, we will surpass the \$200 million mark by Q2 2018. Imperial's path to achieving its goals can best be described as **Building in Motion**.

Imperial now has a dynamic portfolio of industrial properties and our quest in expanding the portfolio has us exploring throughout Canada. Management has been very active in searching for revenue producing properties that fit our criteria. Properties in markets throughout Alberta as well as cities in other parts of Canada are constantly being vetted and when an opportunity presents itself, Management will be swift to act upon it.

At present, our real estate assets are all situated in Alberta and primarily in the Edmonton market area where the economy remains comparatively strong and vibrant. The degree of occupancy within our portfolio continues to be 100%. The Imperial philosophy of building and maintaining relationships with its tenants has been fundamental to our growth. By continuously developing new relationships and strengthening existing ones with a business ethic that has come to be known and trusted is largely why our industrial real estate portfolio is 100% occupied, an impressive record by all accounts.

It is also interesting to note that throughout the past several years while Alberta's oil and gas sector was in a state of flux, there was no evidence of a buyer's market as one might expect should be the case. In Edmonton, asking prices and sales statistics relating to industrial properties would indicate that prices continue to hold firm. The same holds true for industrial lease rates in Edmonton where they have traditionally been high compared to most markets across Canada and they continue, for the most part, to hold firm.

Imperial has long concentrated on the Edmonton marketplace and its industrial real estate in particular. Remarkably, industrial lease rates in Imperial's portfolio of Class A industrial properties in Edmonton have not waned and in fact have remained constant. Lease renewals over the past 24 months have yielded rates and terms that are equal or higher than the previous leases.

Current lease values as well as the supply and demand for Edmonton's industrial properties can best be demonstrated by the lease renewals within our own portfolio. In Edmonton Imperial had two large leases that were due at the end of Q3, 2017. Proposals to renew or extend each of the leases for a further 5 year term were offered

to the tenants at the same rate as the final year of the previous lease period. Negotiations to renew the leases began in early 2017 and were prolonged for several months while the tenants had undergone exhaustive searches to validate the landlord's proposed lease rates. In one instance where the tenant, an eastern Canadian based multinational, had their search extended to within several weeks of the lease expiry before agreeing to the landlord's proposal. This clearly demonstrates that industrial lease rates in Edmonton have held firm.

The majority of Imperial's properties fall into a category considered Class "A" industrial. Demand for this type of product is very high, resulting in a very competitive process to acquire such property. It is now rare to see a fixed asking price for a property but rather a process whereby potential buyers are asked to place a bid prior to a fixed date and time. Due to the competitive nature of the process, prices tend to weigh in on the high side yielding the appearance of a seller's market. Despite the highly competitive nature of these innovative sales techniques, Imperial can confess to several successes. From its inception, Imperial has experienced uninterrupted organic growth and our latest acquisitions can clearly demonstrate our claim as well as our ability to make strategic purchases and or develop our raw lands. In the past fiscal year alone, we've grown our asset base with \$18 million in new acquisitions and currently have over \$13 million under contract.

The Coppertone Industrial Common (Coppertone) is an industrial section within the Mitchell Industrial district, a most desirable industrial area within Edmonton. Imperial created Coppertone which has long been a source of pride and expanding its footprint is a priority. The common theme among the recently constructed buildings is the copper cladding and curtain wall finishes that make these industrial buildings superior to anything else in the area. The development of Coppertone I and Coppertone II have been completed and are fully occupied with international tenants. The planning stages of Coppertone III have been completed and a development permit has been obtained. Construction of a new copper clad structure has begun and expected to be completed in Q3, 2018. This 12,000 ft² structure will be built on a 1.25 acre site adjacent to our Coppertone II property. Although we have seldom constructed buildings without a prearranged tenant, this one will likely be spoken for prior to its completion. Its size, appearance, layout & location is still the most desirable type of property in Edmonton!

Management is always vigilant in identifying potential acquisitions of properties within the Coppertone expanse. In this fiscal year, we finalized the purchase of two properties in close proximity to Coppertone and have now incorporated them into the fold.

The first such property is a large multi-tenant building adjacent to Coppertone's eastern boundary. The building is situated on 2.82 acres of prime commercial/industrial real estate with considerable frontage along the highly utilized 149 Street in northwest Edmonton. Built in 1999, the 47,652 ft² building is an aesthetically pleasing multi-tenant building which is fully occupied with long term tenants including the Government of Canada. It has excellent curb appeal and superb exposure to one of Edmonton's most travelled thoroughfares. After completing a rigorous due diligence process, Management finalized an agreement and completed the purchase. The property is a very appealing

addition to Coppertone and to Imperial's growing real estate portfolio. The property has been renamed to Coppertone VII.

The second property consists of a smaller building which is not necessarily a typical acquisition for Imperial but because of its location and land size, incorporating this property into Coppertone was essential. The building is a relatively new 7,266 ft² metal structure on 1.84 acres of fully serviced land. The building has a generous amount of energized parking stalls as well as a completely paved and fenced yard. Imperial deviated from its usual mandate and completed the purchase of this property with the building being vacant. Upon closing, Management began the process of seeking out a suitable tenant that would lease the property and in relative short order completed a long term lease agreement with a large national distributor of plumbing and heating components. This acquisition is a good addition to the collection of land, buildings and property we already own in the area and has now been named Coppertone VIII.

Southeast Edmonton has long been another desired location for industrial development that has gained the attention of industrial consumers as well as investors. It is a large industrial area that has been developed to accommodate almost every discipline within this sector of real estate including several oil refineries. Arterial roadways have been designed to allow for an easy flow of truck traffic through the city and onto major Alberta highways. Imperial has several large properties in the area already and is always pursuing opportunities to acquire more.

In Q1, 2017 we were introduced to an opportunity to acquire five separate contiguous industrial properties, two of which had large buildings situated on them. During this fiscal year we completed the purchase of one of the five properties and signed contractual commitments to purchase the four remaining properties. The first of the five properties was the acquisition of a 34,404 ft² industrial building situated on 3.76 acres of prime industrial land located along the highly utilized 34 Street corridor. The building is comprised of 11,016 ft² of office space and 23,388 ft² of shop space which features 5 independent cranes and a fully functional truck wash bay. Imperial completed a new long term lease agreement with a large regional company involved in the waste disposal and hydrovac business. Originally constructed in 1993, the building has recently undergone extensive renovations that will suit the existing tenant. The acquisition details of the remaining four transactions will be reported in Q1 & Q2, 2018.

Interest rates in Canada have fluctuated dramatically over the past three decades and for the past several years, borrowing costs have been at the lowest levels our Company has ever experienced. The benchmark interest rate established by the Bank of Canada, which has traditionally been tied to the rate of inflation, has been set at 0.5% since July 2015. This low interest rate environment gave way for Imperial to finance new acquisitions or renew its existing financing at interest rates never before achieved. Borrowing is an integral component to our industry and for years Imperial has taken every advantage available to it. This is demonstrated by the monitoring of our weighted average rates which have gradually decreased in the past five years from 4.34% in 2012 to an incredible 3.00% today.

It's been quite evident that Canadian interest rates will have to succumb to rising inflation and during this fiscal year the Bank of Canada (BOC) signaled that inflation had reached the lower end of its inflation target range of 2% and that a rate hike was imminent. On July 15, 2017 the Bank of Canada raised its benchmark interest rate for the first time in 7 years. The rate was increased by 25 basis points (.25%) to 0.75% and signaled further rate increases were imminent. On September 6, 2017 the BOC further raised its benchmark interest rate by another 25 basis points to 1%. It now appears that interest rates have bottomed out and are clearly on the rise. Prior to the BOC announcements, Imperial did take every advantage of the lower interest rates by placing longer terms on any new mortgages as well as any mortgages that matured in this fiscal year.

Although access to funds is rather straightforward and the cost of borrowing funds is relatively low, Imperial Equities has remained steadfast in its principle to keep its debt ratio low. A Debt Ratio is one type of financial leverage ratios used to measure a company's financial stability and ability to handle its obligations. It is defined as the ratio of the total liabilities including mortgage and other financing debt to the total value of all assets and is expressed as a decimal or percentage. Essentially, it is the proportion of a company's assets that are financed by debt. Imperial's assets are predominantly real estate properties and its debt is mainly conventional mortgages. In our experience, most commercial lenders will finance properties to a maximum of 75% and most borrowers try to maximize their loan amounts. Although Imperial does in some instances maximize its loan values on specific properties, overall, we currently hold an impressive debt ratio of 49%.

The ability to gauge the success of a company by comparing it to its rivals is very exciting and also quite motivating. The Globe and Mail publishes the Report on Business magazine that delivers insightful content through stories behind market moves, industry developments and emerging business opportunities. Once a year it also publishes a ranking of Canada's top 1000 public companies according to their after tax profits in their most recent fiscal year. In the case of Imperial Equities, the most recent fiscal year would be September 30, 2016 and we are delighted to report that Imperial Equities is once again included among the top public companies in the country. Being included among Canada's most successful corporations is in itself quite an accomplishment and a proud achievement for a relatively young company to realize such a standing!

From its inception Imperial Equities has been a caring corporate citizen. Backed by a strong belief in supporting the community through health care, sports, arts and general people initiatives, Imperial has become a leader in charitable giving. Throughout this year, we donated more than \$100,000 to 16 different charities in Alberta. With so many organizations doing so much great work, determining to who, where and when to place our support has become increasingly difficult. Placing an emphasis on "people wellness" has certainly been a path we've followed and will continue to do so.

Imperial's real estate portfolio remains the cornerstone of the Company. Our industrial real estate portfolio now consists of hundreds of thousands of leasable square feet and maintaining a standard worthy of being included in the portfolio requires continuous care and upkeep of each property. Our asset managers as well as our property

management team are continually vigilant of potential maintenance problems and recommend the appropriate corrective actions when identified. This process serves to ensure that our properties remain in good condition with contented tenants. Ensuring that our properties are fully leased and generating revenue is paramount.

We are proud of the fact that our entire portfolio remains 100% occupied and that in some cases our tenants are asking for expanded space which we will gladly oblige. Continuing to expand our real estate portfolio with quality tenants is a priority for Management. Our growth will not abate and is expected to increase throughout 2018.

As we look ahead to 2018 we are encouraged by the possibilities that may exist for Imperial Equities. The Conference Board of Canada recently stated that "Alberta's economy is recovering, so much so that it is the fastest growing province this year" and may very well lead the nation in 2018. By all accounts Alberta's economic outlook is quite exciting and we are eagerly looking forward to 2018 with vigor and optimism.

The enthusiasm and determination within management and staff at Imperial Equities will continue to drive revenues up quarter after quarter and propel our Company to greater heights. We remain focused at the task at hand and as always, we would like to thank our shareholders for their ongoing support and do invite you to contact any of the directors with comments, concerns or investment opportunities. Additional information on our Company can be viewed on line at our website www.imperialequities.com or www.sedar.com.

Sincerely,



Sine Chadi
Chief Executive Officer and Chairman of the Board

Imperial Equities Inc. MD&A as at November 30, 2017

The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an explanation of the performance of Imperial Equities Inc. ("Imperial" or the "Company" or "Imperial Equities") and its subsidiaries. This MD&A should be read in conjunction with the consolidated financial statements for the year ended September 30, 2017 and the related notes. Imperial Equities Inc. trades on the TSX Venture Exchange under the symbol "IEI". Additional information on the Company may be obtained by visiting www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

FORWARD-LOOKING INFORMATION

In our report to shareholders, management may talk about the current economy and express opinions on future interest rates and capitalization rates that we might experience or speculate on future market conditions. This forward-looking information is based on management's current assessment of market conditions based on their expertise as well as the opinions of other professionals in this industry. While management may consider these statements to be reasonably optimistic and favorable, the opinions and estimates of future trends are subject to risk and uncertainties. Readers are encouraged to read the risk factors identified in Note 19 of our 2017 consolidated financial statements and this MD&A. Any forward-looking statements in our report should not be relied upon as facts, as actual results may differ from estimates.

ADDITIONAL NON-IFRS MEASURES

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

Discontinued operations-prior year

Pharmaceuticals

Imperial Distributors Canada Inc. ("IDCI")

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

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

At December 31, 2015, the Company closed the sale agreement for a transaction value of approximately \$10,000,000 which included \$1,500,000 for all the issued and outstanding shares of IDCI and the assumption of all IDCI's liabilities which were paid out within 90 days of the closing date. The IDCI liabilities include all trade payables, bank lines of credit and the Company shareholder loan in the amount of \$2,761,212. The shareholder loan amount was received in Q2 2016 and the line of credit was paid out in Q3 2016. At December 31, 2016, the Company received the first of two \$500,000 instalment payments due from the purchaser. The Company is carrying the balance; a non-interest bearing loan receivable of \$500,000 less the unamortized discount of \$3,586 at September 30, 2017. After the year end, the Company agreed to a payment of \$100,000 due December 31, 2017. The balance of \$400,000 will earn interest at an annual rate of 6.5% beginning January 1, 2018 and will be paid by six monthly instalments of \$67,919, commencing February 1, 2018. The sale is subject to certain escrow conditions and contemplates all aspects of the operations of IDCI to remain as a going concern.

Business overview

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

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

Strategic direction

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

The fundamental strategic goals that drive our Company are:

- Acquire industrial properties in the most sought-after areas for capital appreciation
- Acquire fully occupied, single tenanted industrial properties with long term lease agreements and rental rates commensurate with the location
- Finance acquisitions with the lowest cost of capital available
- Achieve a defined rate of return on each asset
- Maximize the revenue potential of each asset in its region
- Dispose of older assets that may have reached their maximum earning potential to reduce the overall age of the properties in the portfolio
- Charitable giving in the communities where the Company does business

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

Key performance drivers

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

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

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

- Comprehensive due diligence on all acquisitions including evaluating the strength of the tenant(s) before entering into contracts
- Maximize the revenue per property and secure long lease terms to reduce the turnover of tenants
- Maintain high occupancy rates to recover carrying costs of the properties
- Monitoring the quality of tenants in the portfolio to reduce the risk of defaults on leases
- Maintain our assets to high standards including structural, mechanical and cosmetic to showcase our existing properties to prospective tenants or purchasers
- Preventative maintenance on the properties to reduce operating costs and to maximize longevity of the buildings
- Ensure that maintenance on the properties is done to exacting standards involving monitoring the quality of work provided by our business partners while ensuring the costs are competitive
- Maximizing the cash flow from operations to ensure funding for growth opportunities
- Selecting mortgage terms that provide a low cost of capital and utilizing debt leverage opportunities
- Minimize higher rate short term borrowings to reduce the cost of capital
- Provide donations to a wide variety of charities in the community

SUMMARY OF PERFORMANCE INDICATORS FOR THE YEARS ENDING SEPTEMBER 30,

	2017	2016
Number of leasable properties	20	17
Total leasable square feet	719,079	629,757
Occupancy year to date	99.9%	99.3%
Average lease term to maturity in years	5.01	4.56
Total square footage of leases up for renewal in next twelve months	13,929	103,662
% operating cost recoveries to operating costs	86%	82%
Weighted average interest rates on mortgages	3.00%	3.10%
Other financing	\$1,300,000	NIL
Number of properties held for future development	3	3

Changes in total leasable square feet year over year = net increase of 89,322

- Acquisition of Coppertone VIII 7,266 ft² November 2016
- Acquisition of Coppertone VII 47,652 ft² February 2017
- Acquisition of Derrick building 34,404 ft² April 2017

There are four tenants with leases up for renewal in the next twelve months totalling 13,929 ft². Three of the four tenants have already renewed, and the remaining tenant has indicated a desire to renew. During the current year, the Company renewed leases totalling 106,758 ft² for further four or five-year terms.

AVERAGE ANNUAL LEASE RATES per square foot

	2017	2016
Edmonton and surrounding area, Alberta	\$ 10.53	\$ 10.48
Red Deer, Alberta*	\$ 24.52	\$ 24.19
Fort Saskatchewan, Alberta*	\$ 44.62	\$ 43.77
Fort McMurray, Alberta	\$ 48.23	\$ 46.27

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

Increases in the average lease rates for 2017 compared to 2016 are largely due to rental increases in the contracted revenue stream as well as the addition of new properties.

LEASE PROFILES at September 30, 2017– total square feet of leased space

Single tenant buildings	Expiry Year	Multi-tenant buildings	Expiry Year
		4,798	Month to month
10,758	2018	7,338	2018
30,939	2019	55,858	2019
25,580	2020	80,970	2020
40,766	2021	972	2021
215,352	2022	9,037	2022
64,393	2023	2,498	2023
43,396	2024	161,471	Weighted Average Remaining
26,400	2026		Terms 2.64 years
75,000	2028		
25,024	2029		
557,608	Weighted Average Remaining		
	Terms 6.17 years		

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

Operating cost recoveries are budgeted annually and reconciled every 12 months on a tenant by tenant basis. All the Company's leases are triple net leases which allow the Landlord to recover operating costs. Management will decide on large maintenance items as to how it will treat the recovery of those costs from the tenant, so as not to incur hardship on their operations. Sometimes this means allowing the tenant to pay over time. Some leases have lower management fees than other leases dependent upon the responsibility of performing maintenance remaining with the tenant or the landlord. Because of these variations, there will always be a percentage of operating costs not recovered by the Landlord. Historical optimal recovery percentages will be in the range of 80%-86%. At September 30, 2017 recoveries are 86% compared to 82% in the prior year which is well within the Company's optimal range.

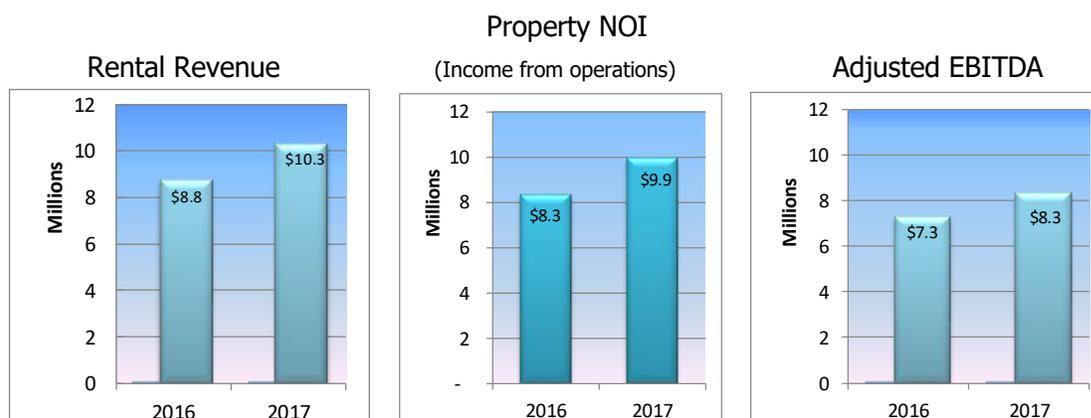
Weighted average rates on the mortgages have decreased in 2017 compared to 2016 with continued lower interest rates on new, and renewed financing from the Company's lenders. The Company renewed two mortgages during the current year and both were renewed at rates that were lower than the previous terms. Mortgages on new property acquisitions in Q2 and Q3 2017 carry interest rates of 3.04% and 2.948%. The weighted average rate is now historically low at 3.00%.

The Company has completed the plans and obtained necessary permits for the construction of Coppertone III, a 12,000 ft² building on 1.25 acres in the Coppertone Industrial Common in North West Edmonton. Construction commenced in Q1 2018.

Performance highlights for the year ending September 30, 2017

- In Q1 the Company **acquired a vacant 7,266 ft² building** in NW Edmonton for a total purchase price of \$2,077,048. The new property called Coppertone VIII is part of our Coppertone Industrial Common.
- In Q2 the Company entered into a **new lease agreement** with a large national company to lease Coppertone VIII. The lease commenced February 1, 2017.
- In Q2 the Company **completed an acquisition** in NW Edmonton and renamed it Coppertone VII. The fully occupied, multi tenant building is 47,652 ft² and situated on 2.82 acres. The total acquisition cost was \$9,941,589.
- In Q3 the Company completed the acquisition of the Derrick Building; **a 34,404 ft² single tenant building** situated on 3.76 acres in SE Edmonton. The total acquisition cost was \$5,115,161.
- In Q4 the Company entered into an unconditional **agreement to purchase 1.7 acres of vacant land** adjacent to the Derrick Building. The total purchase price is \$1,435,600 and it was completed in Q1 2018. A land lease with the tenant of the Derrick building was completed in Q1 2018.
- In Q4 the Company entered into an agreement to **purchase a 24,855 ft² building situated on 2.19 acres** in SE Edmonton for a purchase price of \$2,769,200. The Company also entered into a separate agreement to acquire an adjacent **site of 1.49 acres**, for a purchase price of \$1,080,250. Both acquisitions will be completed along with a new tenant lease agreement, in Q1 2018.
- During the year, the Company completed lease renewals totalling 106,758 ft² with four and five-year terms. All the buildings in **Imperial's portfolio are 100% occupied**.
- Two mortgages were renewed and two new mortgages were received, lowering the **weighted average rate of interest on all mortgages to 3.00%** at September 30, 2017 (September 30, 2016 – 3.10%).
- **Earnings per share**, generated \$.49 per share from continuing operations (September 30, 2016 - \$.46 per share) on total comprehensive income of \$4,737,393 (September 30, 2016 - \$4,413,983).
- The Company's total **equity** is \$8.66 per share at September 30, 2017 (September 30, 2016 - \$8.15).

PERFORMANCE RESULTS for the year ending September 30, 2017



- Property net operating income ("NOI") for the real estate segment is defined as net operating income from properties which includes property revenue less direct property operating expenses and excludes non-cash and extraordinary items, administrative expenses, amortization, valuation gains or losses, gains or losses on sales of investment property, stock based compensation, interest and income (excluding amortization of tenant inducements). Management believes that this is a useful measure of cash available from operations to assess performance of the real estate portfolio and measure the income generated by properties to support finance repayments. Commercial property net operating income, together with capitalization rates applied on a property by property basis, is widely used to value investment property in the real estate industry.
- Management is of the opinion that ADJUSTED EBITDA as calculated below is another useful measure for investors to use when evaluating the ability of the Company to generate cash to service interest on debt, and facilitate growth in the Company. Income taxes are removed from the earnings because they often include deferred taxes which are non-cash. Removing the interest expense also allows an investor to see the operating cash flows from properties without the influence of how the Company has financed its properties. When comparing other real estate companies, the differences in how companies finance their assets, together with their individual tax situations are taken out of the equation.
- NOI and ADJUSTED EBITDA are non-IFRS financial measures used by most Canadian real estate companies and should not be considered as an alternative to net income or comprehensive income, cash flow from operating activities, or any other measure prescribed under IFRS. This measure does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

ADJUSTED EBITDA at September 30,	2016	2017
Net income from continuing operations	\$ 4,413,983	\$ 4,737,393
<i>Add (subtract):</i>		
Valuation gains on investment property	(1,135,699)	(612,790)
Straight-line rental revenue	(112,541)	(190,965)
Interest	2,365,610	2,545,127
Amortization	370,164	363,030
Income taxes	1,397,846	1,671,639
Other non recurring *	-	(187,061)
ADJUSTED EBITDA from continuing operations	\$ 7,299,363	\$ 8,326,373
<i>*Forfeited deposit income and loss on sale of equipment</i>		

RESULTS of CONTINUING OPERATIONS and CASH FLOWS

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

Net valuation gains (losses) per quarter :

<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>
\$165,644	\$ 363,625	\$ (197,446)	\$ 280,967
<u>Q1 2016</u>	<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>
\$367,076	\$491,789	\$ (463,113)	\$739,947

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

At each quarter during fiscal 2017, the Company adjusted the cap rates upward on several properties because if left unadjusted, the increase in contracted revenue for the next twelve months would cause fair value increases that are not likely indicative of current market values. Notwithstanding there are increases in contracted rents, the cap rates were adjusted upward to keep values of the properties at estimated current market values, despite having a higher income stream.

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

In the prior year, several properties had an increase in value due to the renewal of their leases at market rates, which were higher than the previous lease rates.

Income from operations at September 30, 2017 is up \$1,599,627 over September 30, 2016 due to the acquisition of the Seaboard building at September 30, 2016 which is generating net annual revenue of \$836,250, plus the acquisition of Coppertone VII, Coppertone VIII and the Derrick building during the current year. The Derrick building began generating revenue on April 1st, 2017. Total net rent from these four acquisitions will add more than \$1.9 million to our income from operations over the next twelve months.

Administrative expenses were up \$452,250 this year over last year. This year there was an increase in entertainment of \$114,554, finance fees increased \$39,924, and a provision for bad debts was made in the amount of \$257,209. This bad debt provision is for two tenants. One tenant went into receivership after the year end, and so the Company has written off the entire receivable at September 30, 2017. If any funds are collected from the receiver, the Company will record it as income in the period it is received.

Amortization includes amortization of deferred leasing costs, intangible assets and transaction costs associated with new mortgages. Amortization has decreased \$16,225 this year compared to last year as intangible assets were fully amortized in the prior year and therefore there was no expense in the current year. Leasing fees charged with the signing of new tenants or upon lease renewals are amortized over the life of the respective leases varying from one to fifteen years. Transaction costs are amortized over the term of the respective mortgage, usually five years.

Loss on the sale of equipment relates to the sale of a 10-ton crane that was surplus to the Company's needs. The Company accepted an offer to sell the crane for \$23,000 which resulted in a loss for accounting purposes of \$51,034.

Fair Market Value of Investment Property at September 30



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

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

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

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

The Company continues to increase the investment property portfolio each year by acquiring properties with a view towards capital appreciation.

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

Interest income is mostly made up of the amortization of the discount on the note receivable. The discount will be fully amortized by December 31, 2017, at which date the loan is due in instalments with final payment to be received July 1, 2018.

Interest expense on mortgages and other financing is higher this year with the addition of two mortgages totalling \$10,250,000 in 2017, and an increase to the line of credit since September 30, 2016.

September 30,	2017	2016
ADJUSTED EBITDA	\$ 8,326,373	\$ 7,299,363
Interest expense	\$ 2,545,127	\$ 2,365,610
Interest coverage ratio	3.27	3.09
Minimum threshold set by Management	1.50	1.50

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

Cash flows from continuing operations:

Cash inflows from operating activities were \$6,078,965 at September 30, 2017 (September 30, 2016 – \$6,867,695). The Company continues to generate positive cash from operations to cover day to day expenditures and bank cash for future opportunities. Affecting the cash flows at Q4 2017 was the non-cash working capital figures which includes changes in deposits. At Q4 2017 the Company has placed deposits totalling \$1,517,049 on agreements to purchase investment property.

Cash outflows from real estate investing were \$17,187,879 at September 30, 2017 (September 30, 2016 – \$10,075,843). Property acquisitions during 2017 totalled \$17,133,798. The Company received the first of two instalments of \$500,000 which are due on the first and second anniversary of the sale of the subsidiary, IDCI. During the year, there were three new leases signed and four lease renewals, incurring leasing fees of \$268,611.

Net cash inflows from financing were \$9,837,217 at September 30, 2017 compared to cash inflows of \$778,003 at September 30, 2016. During 2017 the Company increased the credit facilities available from \$3,000,000 to \$9,500,000 which allowed for increased net cash flows of \$7,003,728 at year end to assist with closing four property acquisitions. During 2017 the Company received new mortgages totalling \$10,250,000, paid out one mortgage in full, and received related party financing of which \$1,300,000 remains outstanding at September 30, 2017.

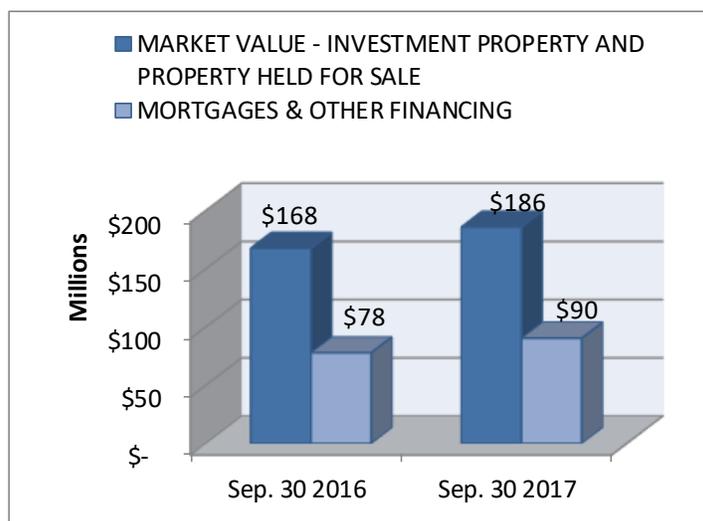
Transaction costs associated with new and renewed mortgages totalled \$106,317 at September 30, 2017 compared to \$151,040 at September 30, 2016. These costs are amortized over the terms of the respective mortgages and are shown net of the mortgages on the consolidated statements of financial position.

During this fiscal year ending September 30, 2017, the Company had purchased 26,200 common shares under the normal course issuer bid for a total cost of \$113,765 (September 30, 2016, a total of 79,900 shares were purchased for a total cost of \$469,527).

Net cash inflows from discontinued operations (the sale of the subsidiary IDCI) were \$3,535,460 in the prior year. This figure represents the sale proceeds less disposition costs, income taxes, return of the shareholder loan, and operating activities to the date of sale.

At September 30, 2017 there was a **net decrease in cash** of \$1,271,697 compared to an increase in cash the prior year of \$1,105,315.

Significant balance sheet changes



EQUITY in investment properties has **increased \$5,581,464** since September 30, 2016 – the result of monthly principal payments on the mortgages, one mortgage repaid in full, and year to date net increases to the property values.

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

The increase in the investment properties since September 30, 2016 is attributed to the following:

- an increase in the balance of deferred leasing after amortization \$ 21,713
- an increase in the straight-line rent receivables..... 190,965
- capital expenditures on properties..... 308,470
- amortization of tenant inducements (36,365)
- fair value net increases..... 612,790
- sale of equipment (74,033)
- property acquisitions 17,133,798

Total increase September 30, 2016 to September 30, 2017..... \$ 18,157,338

Loan receivable (non-current) at September 30, 2016 of \$482,060 relates to the sale of IDC I and was transferred to current assets in the current period. This loan net of a discount has a balance at September 30, 2017 of \$496,414. The current portion of the loan receivable of \$496,362 at September 30, 2016, was received by the Company on its due date of December 31, 2016. The loan is non-interest bearing and therefore discounted and amortized over the two-year term. Cash received at December 31, 2016 was \$500,000. The amortized discount is shown as interest income in the consolidated statements of comprehensive income.

After the year end, the Company agreed to terms for the balance owing of \$500,000. At December 31, 2017 the sum of \$100,000 is to be received. The remaining amount of \$400,000 will earn interest at an annual rate of 6.5% and be repaid in six monthly installments of \$67,919.31, commencing February 1, 2018.

Investment properties held for sale in the prior year consisted of 12.89 acres of vacant land in Edmonton that was under contract to sell. The sale was not completed and the purchaser forfeited their deposit. As the conditions for classification of held for sale are no longer applicable at year end, the property is now classified as investment properties.

Trade receivables at September 30, 2017 in the amount of \$81,534 are net of an allowance for doubtful accounts of \$16,061. The allowance was made for one tenant with rental arrears. At September 30 each year, the occupancy cost reconciliations are done on a property by property basis which will typically increase the trade receivables at year end.

Prepaid expenses and deposits have a balance at September 30, 2017 of \$2,008,256 (September 30, 2016 - \$494,762). At September 30, 2017 there are deposits of \$1,517,049 placed pursuant to three offers to purchase investment property in Edmonton. The balance of prepaid expenses is for property taxes, insurance, a deposit with a municipality, and a refundable mortgage commitment fee. At September 30, 2016, prepaid expenses included property insurance, property taxes, a deposit with a municipality and a deposit of \$150,000, held pursuant to the offer to purchase Coppertone VIII, which closed in Q1 2017.

Mortgages at September 30, 2017 have a balance of \$79,891,816 (September 30, 2016 - \$75,593,117). During the current year, the principal balances of mortgages were reduced by \$5,951,302 which included payment of one mortgage at its term date that had a balance at September 30, 2016 of \$853,823. Two mortgages were renewed for a further five years at lower rates of interest than the previous terms, and two new mortgages totalling \$10,250,000 were received for the acquisitions of Coppertone VII in Q2 2017, and the Derrick building in Q3 2017.

At September 30, 2017, there are three mortgages up for renewal in the next twelve months with combined principal balances of \$5,697,158 which are shown as current liabilities. After the year end, the Company received proceeds to pay two of the mortgages in full, and place new mortgages with the same lender increasing the leverage on the properties. The third mortgage is in the process of being renewed.

Netted against mortgages on the statement of financial position is the balance of unamortized transaction costs of \$241,874 at September 30, 2017 (September 30, 2016 – \$215,323).

Bank operating facilities at September 30, 2017 have a balance of \$9,506,115 (September 30, 2016 - \$2,502,387) with one of the Company's major lenders. This credit facility assisted with the acquisitions of investment property during the year.

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

The second credit facility received an increase in the limit during Q2 and Q3 2017 from \$3,000,000 to \$8,000,000 and at year end, the Company received an additional temporary increase of \$1,500,000 repayable in Q1 2018 (September 30, 2016 - \$3,000,000). The credit facility bears interest at prime plus 1% per annum and is secured by specific revenue producing properties with

combined fair values of \$17,227,241. This line of credit incurs standby fees on any unused portion of the facility. The revolving demand facility is available to assist with property acquisitions, payment of development costs, and general corporate purposes. The balance on this line of credit at September 30, 2017 is \$9,506,115 (September 30, 2016 - \$2,502,387).

After the year end, the Company received a credit facility with a limit of \$4,500,000 from one of the Company's lenders. This facility bears interest at a rate of prime plus .95% and is secured by a general security agreement and a collateral mortgage in the amount of \$5,000,000 placing a fixed charge against three properties with a combined fair value at September 30, 2017 of \$39,199,056.

Specific details of the credit facilities and associated loan covenants can be found in note 9 of the consolidated financial statements. The Company was not in breach of any loan covenants throughout both reporting years.

CREDIT FACILITIES

	September 30, 2017	September 30, 2016
Bank credit facilities	\$ 9,500,000	\$ 4,800,000
Amounts drawn on facilities	(9,506,115)	(2,502,387)
Available credit facilities	\$ (6,115)	\$ 2,297,613

The overdrawn amount of \$6,115 at September 30, 2017 relates to interest expense.

Payables and accruals at September 30, 2017 have a balance of \$672,789 (September 30, 2016 - \$818,739). Trade payables decreased by \$207,640 compared to the prior year where there was a large invoice due on an acquisition at the year end. Other accruals include interest on loans, prepaid rents from tenants, the current portion of security deposits, and year end audit fees.

Summary of consolidated quarterly results from continuing operations

	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
REVENUE	3,396,004	3,319,384	3,211,027	2,951,195	2,648,633	2,684,838	2,712,959	2,703,143
TOTAL COMPREHENSIVE INCOME- (continuing operations)	1,860,217	564,313	1,587,629	725,234	1,646,469	717,301	1,424,335	625,878
EPS-Basic - continued op.	0.19	0.06	0.16	0.08	0.17	0.08	0.15	0.06
EPS-Diluted - continued op.	0.19	0.06	0.16	0.07	0.17	0.08	0.15	0.06

QUARTERLY CHANGES IN THE REVENUE

The revenue at Q4 2017 increased with end of the year operating cost recoveries billed to the tenants and the straight-line rent calculation. There were no new leases in Q4 2017.

Revenue increased in Q3 2017 and Q2 2017 with revenue generated from three new acquisitions; Coppertone VII, Coppertone VIII and the Derrick building in those quarters.

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

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

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

QUARTERLY CHANGES IN TOTAL COMPREHENSIVE INCOME AND EARNINGS PER SHARE (BASIC AND DILUTED) FROM CONTINUING OPERATIONS

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

Net valuation gains (losses) per quarter :

<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>
\$165,644	\$ 363,625	\$ (197,446)	\$ 280,967
<u>Q1 2016</u>	<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>
\$367,076	\$491,789	\$ (463,113)	\$739,947

At Q4 each year, net valuation gains will be offset by the end of the year expenses for auditing fees. Each third quarter, the Company capitalizes property taxes on vacant land which are billed annually in June, and any capital improvements to buildings that are often completed in the warmer summer months. Together, these expenditures increase the property carrying value, contributing to a revaluation loss, when bringing the properties back to market value.

While a considerable number of properties had increases in the contracted revenue stream which drives up the value when capitalized, the Company chose to keep the values the same by adjusting the cap rates upward. There is no evidence in the market to suggest the related property values are increasing or decreasing at the present, therefore most of the values are adjusted slightly upward in the quarter to offset the amortization of deferred charges, including straight line rent, deferred leasing fees, and tenant inducements.

At Q4 2016 budgeted occupancy costs are reconciled with actual costs and where possible those additional costs are charged back to the tenants. This will typically have a positive affect on earnings for the fourth quarter. Q3 2016 had a net decrease of \$463,113 in the fair values as a property that was under contract to sell had to be reduced in value to reflect the disposition costs, and other properties had an increase in the contracted revenue, whereby Management increased the capitalization rates in order to keep the valuations constant.

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

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

Overall, there continues to be net valuation gains on a year to date basis.

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

Outstanding share data

The Company is authorized to issue an unlimited number of common shares. Total issued and outstanding shares at September 30, 2017 are 9,614,442 (September 30, 2016 – 9,671,442). The Company renewed its normal course issuer bid which expired August 30, 2017 for a further year expiring on August 30, 2018. In the current year, the Company purchased 26,200 shares for \$113,765. All the shares were cancelled at September 30, 2017 along with 30,800 shares that were held in treasury at the beginning of the year. The excess purchase price paid over the cost of the issued shares was \$217,175. This amount was charged to retained earnings at September 30, 2017.

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

Dividends

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

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

Related party transactions

Paid to companies controlled by Sine Chadi

Property management and maintenance fees in the amount of \$796,651 (September 30, 2016 - \$588,432) were paid to Sable Realty & Management Ltd., ("Sable") a company controlled by Sine Chadi, a director and officer of the Company. Fees paid to Sable are pursuant to a contract with Imperial Equities Inc. to bill for the management and maintenance of its properties for a fee of 4% of rents collected. Maintenance performed by Sable's property management team is charged at a competitive rates of \$50-\$65 per hour (September 30, 2016 - \$50 per hour) for labour, plus equipment and parts charges. Sable provides its own trucks, tools and equipment to perform property maintenance. Imperial Equities recovers 100% of the maintenance fees from the tenants under their occupancy costs. Four leases have no management fee recoverable and the remaining leases have a provision for the recovery of 2%-5% of minimum rent, or rent, which would include minimum rent and operating expense recoveries. The percentage of management fees negotiated and collectible under the leases varies based on the amount of work involved in maintaining the property.

Leasing, acquisition and disposition fees in the aggregate of \$384,980 (September 30, 2016 – \$427,866) were paid to North American Realty Corp. ("NARC") a Company controlled by Sine Chadi. At September 30, 2017, \$169,000 was paid for the acquisitions of Coppertone VII, Coppertone VIII, and the Derrick building. The remaining balance of \$215,980 was commissions on seven lease transactions. In the prior year, a disposition fee of \$159,792 was paid upon the sale of IDCI at December 31, 2015. Fees and commissions are in line with current industry standards and are comparable to similar transactions undertaken by the Company with unrelated parties.

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

Office rent, parking and warehouse lease space were paid to Sable in the aggregate amount of \$131,450 (September 30, 2016 – \$125,919). Imperial Equities shares office space with Sable and pays \$8,000 per month. Warehouse lease space to store materials owned by Imperial, is paid monthly to Sable at market rates for leased space in an industrial warehouse bay owned by Sable.

Fees paid in the amount of \$210,000 (September 30, 2016 - \$183,000) were paid to Sable for the services provided by the Company's Chief Financial Officer who is not paid directly by Imperial Equities.

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

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

Paid to directors

Directors' fees paid for attending directors' meetings were \$47,500 at September 30, 2017 (September 30, 2016 - \$46,500). Fees per meeting are currently \$2,500. At the annual general meeting on March 3, 2017, the shareholders approved the election of four board members to serve for the following year (September 30, 2016 there were six board members). The fees paid are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations.

Compensation to key management personnel

The Company's key management personnel include the President Sine Chadi who is also a director and significant shareholder of the Company. Total salary paid to Mr. Chadi at September 30, 2017 was \$300,000 (September 30, 2016 - \$300,000).

Interim financing from a company controlled by Sine Chadi

Related party financing from North American Mortgage Corp. totalling \$675,000 was received during the current year to assist with property acquisitions. Of this amount \$575,000 was repaid during the year with interest at a rate of 8% per annum. The remaining amount of \$100,000 was repaid with interest at an annual rate of 6%. Total interest paid during the year was \$12,845.

In Q1 2016, interim financing in the amount of \$100,000 was received from North American Mortgage Corp. The balance outstanding to this company on October 1, 2015 was \$1,325,000. The total amount owing of \$1,425,000 was repaid in full during Q1 2016 with interest at a rate of 8% per annum. Total interest paid during the prior year was \$5,415.

Interim financing from directors and shareholders

During the current year, financing of \$2,675,000 was received from two shareholders. \$775,000 was repaid with interest at an annual rate of 8%. \$600,000 was repaid with interest at 6% per annum. The remaining balance of \$1,300,000 bears interest at an annual rate of 6%. Total interest paid was \$10,653.

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

Interim financing from a company under common control

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

Liquidity, capital resources and solvency

The Company's liquidity position

	September 30, 2017	September 30, 2016
Cash and cash equivalents	\$ 843,336	\$ 2,115,033
Receivables	81,534	110,585
Current loan receivable	496,414	482,063
	<u>\$ 1,421,284</u>	<u>\$ 2,707,681</u>
Payables and accruals	\$ 672,789	\$ 818,739
Bank operating facilities	9,506,115	2,502,387
Other financing	1,300,000	-
Income taxes, net	852,725	656,343
	<u>\$ 12,331,629</u>	<u>\$ 3,977,469</u>
LIQUIDITY RATIO	.12	.68

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

Cash flows – continuing operations

Year ending	September 30, 2017	September 30, 2016
Cash inflow from operations	\$ 6,078,965	\$ 6,867,695
Cash outflow from investing	(17,187,879)	(10,075,843)
Cash inflow from financing	9,837,217	778,003
Net cash outflow for the period	\$ (1,271,697)	\$ (2,430,145)

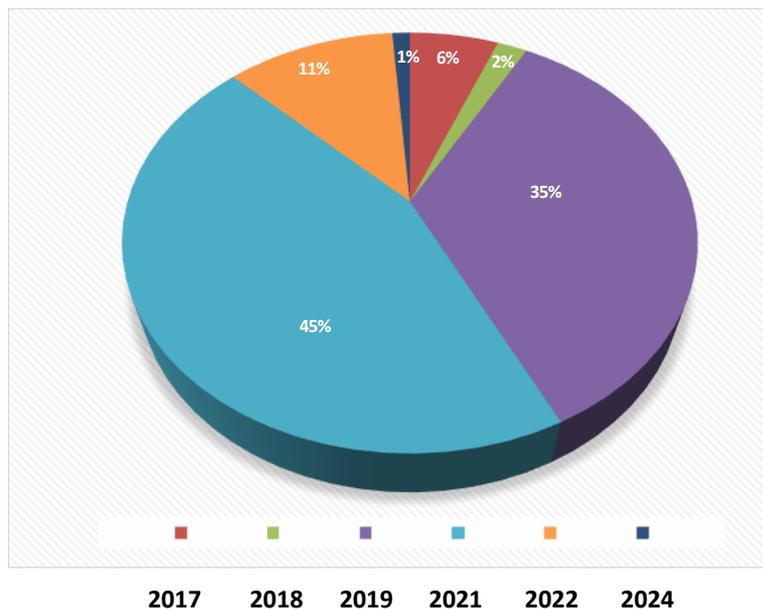
The Company continues to have sufficient **cash flow from operations** to fund day to day operations and provide additional funds for growth.

Cash outflows from investing at September 30, 2017 include the cash used to fund acquisitions. This was offset during 2017 by receiving \$500,000 from the receivable on the sale of IDCI. In the prior year, one large acquisition was completed at year end.

At September 30, 2017 **financing activities** include the repayment of principal and interest on mortgages through regular monthly payments, and a net draw on the credit facility of \$7,003,728 to assist with closing the property acquisitions. During 2017, two mortgages were renewed for further five-year terms at lower rates of interest than the previous terms. Two new mortgages totalling \$10,250,000 were received during the year to fund the property acquisitions. Related party financing was used to assist with the payment of annual property taxes and deposits held in trust for acquisitions closing in Q1 2018.

In the prior year there was considerable financing activities with new and renewed mortgages paying out other financing existing at September 30, 2015.

Maturity dates of mortgages at September 30, 2017



Mortgages on the investment properties have term dates varying to 2024. The weighted average interest rate on the mortgages has continued to decline each year as mortgages have been renewed at lower rates of interest. At September 30, 2017, the weighted average rate is 3.00% (September 30, 2016 - 3.10%). Two mortgages were renewed this year for further five-year terms with lower rates of interest than the previous terms. A mortgage with a maturity date of April 1, 2017 and a principal balance of \$783,969 at that date, was paid in full upon maturity. There are three mortgages up for renewal in the next twelve months with combined principal balances of \$5,697,158 at September 30, 2017. After the year end, two of the mortgages were paid in full and the same lender provided two new mortgages, increasing the leverage on the properties. The Company is currently in the process of renewing the third mortgage with the same lender.

Total monthly principal and interest payments are \$614,568 or \$1,843,704 quarterly. Cash flow from continuing operations at September 30, 2017 before changes in non-cash working capital is \$7,455,659. The cash flow will increase next quarter with the added revenue from tenants in the

new buildings acquired in February and April 2017. The Company currently has excess funds to cover the debt repayments.

Based on the fair values of the investment properties at September 30, 2017 and the related debt including mortgages, other financing and the bank operating facilities, there is equity of \$95,198,397 in the properties. Upon renewal of mortgages, the Company may have the option of increasing the leverage on a particular property and subject to the lender's approval, provide increased capital. Other capital resources include related party interim financing.

After the year end, the Company received a new credit facility with a limit of \$4,500,000 to assist with general operations and acquisitions of investment property. The Company used this facility to repay other financing owing at September 30, 2017 in the amount of \$1,300,000.

Leverage ratios

	September 30, 2017	September 30, 2016
Investment properties	\$ 185,896,325	\$ 159,634,487
Investment properties held for sale	-	8,104,500
Total investment properties	\$ 185,896,325	\$ 167,738,987
Mortgages	(79,891,816)	(75,593,117)
Other financing	(1,300,000)	-
Bank operating facilities	(9,506,115)	(2,502,387)
Total debt	\$ (90,697,931)	\$ (78,095,504)
Total equity in the properties	\$ 95,198,394	\$ 89,643,483
Debt to asset ratio	.49	.47
Interest coverage ratio	3.31	3.09

The Company took advantage of low interest rates in the current year when renewing two mortgages for five-year terms. The interest coverage ratio increased slightly as the Company received additional rents for the new acquisitions. The combined annual net revenue of the three acquisitions made in the current year, will be \$1,128,939.

Provided our investment portfolio continues to remain strong and interest rates remain favourable, the Company will continue to evaluate its practise of increasing leverage on some of the properties where available.

The sale of IDC1 at December 31, 2015 generated a \$1,000,000 receivable which was repayable in two installments of \$500,000 on the first and second anniversary of the sale. The first instalment was received at December 31, 2016. The remaining \$500,000 will be repaid in full by July 1, 2018.

At September 30, 2017 the Company has placed \$1,442,049 in trust to complete the purchase of 1.7 acres of vacant land adjacent to the Derrick building. The acquisition closed in Q1 2018 and the Company completed a land lease agreement with a current tenant, which commences in Q1 2018.

The Company has additional deposits of \$75,000 on agreements to purchase two investment properties that will close in Q1, 2018. Total acquisition costs will be \$3,849,450 and will be funded with conventional mortgage financing, available cash flows, available credit facilities, and temporary related party financing if necessary.

The Company has commenced construction in Q1 2018 for a 12,000 sf building on vacant land held by the Company. There is no immediate tenant for the building but Management is confident that the market is good for this type of lease space. Management is confident it will be leased in the next fiscal year.

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

Critical estimates of the current economic environment and outlook

The economic environment that the Imperial operates in could be adversely affected by tenants that may be challenged due to the oil and gas sector of our economy. This year we encountered three such cases where tenants have advised that they are experiencing some temporary cash flow issues and asked for some relief by deferring part or all of their rent for a period of time.

One small tenant has indicated they are experiencing some financial difficulty and Management continues to work with this tenant while they resolve their cash flow issues. The rent from this tenant amounts to one half of one percent of monthly rents and not considered a financial threat if the tenant, in a worst-case scenario, had to vacate. At September 30, 2017 Management included an allowance for bad debt for this tenant but firmly expects to recover all the arrears.

Another tenant with direct exposure to the oil and gas industry contacted Management to advise of their cash flow challenges and asked to defer part of their rent for one year. Upon the expiration of the deferred period, Management expects to recover all of the contracted rent as stipulated in the lease agreement.

Lastly, an Edmonton based tenant asked Management to provide them with some time to resolve their company's cashflow issues. After this fiscal year end, this particular tenant went into receivership. Management recorded the full receivable of \$241,912 from this tenant as a bad debt at September 30, 2017. If the Company receives any funds from the Receiver, they will be recorded as income in the period they are received. The Receiver is actively seeking a purchaser to take over the operations and Management expects the contracted rents to resume.

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

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

Current tenants and their exposure to market risks may impact IEI if the tenant fails to make contracted rental payments.

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

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

The risk of vacancy of any leased space is the ability to continue to meet the mortgage obligations on the property as well as carrying costs including property taxes, utilities and insurance. If in an extreme case a property sat vacant, the carrying costs and mortgage payments could be paid for with existing cash flows from operations. At September 30, 2017 Imperial remained 100% occupied. The tenant that went into receivership is continuing to operate under the receiver until a suitable buyer can be found. The receiver is obligated to continue the rent payments as long as they inhabit the building. If a suitable buyer cannot be found, the Company will actively seek a tenant to lease the space.

As with all the Company's past transactions, future opportunities will be looked at through proper due diligence, and limited risk measures.

Market values of the investment properties can decrease if the demand for industrial properties lease space decreases and rental rates are reduced, or capitalization rates increase. Imperial's exposure to the market value of its real estate assets affects mortgages up for renewal. Properties with mortgages that are maturing in the next 12 months are externally appraised for their current market value. Factors that influence market value are the income generated from the property, demand, vacancy rates, term of the current lease, strength of the current tenant, age of the building and location. Imperial is not aware of any obstacles at this date that would negatively affect its ability to refinance its buildings as the mortgages come due. The Company has determined that capitalization rates used to evaluate a property have recently moved slightly upward however the demand for industrial space is still favorable. The total fair value of the investment properties at September 30, 2017 is \$185,896,325. The mortgages and bank operating facilities encumbered on the properties leave equity in the properties of \$95,198,394 at September 30, 2017 which Management believes will be sufficient to absorb any decline in values and support our ability to refinance.

Lease rates may adjust downward if demand for industrial lease space decreases. As demand for this type of lease space goes up so does the lease rate. In any economic downturn, we could expect that the demand for space decreases and therefore the lease rate would decrease accordingly. Imperial is mindful of these risks. Management believes that leases that are up for

renewal in 2018 will be renewed at the same or higher rates than the Company is currently achieving.

Interest rates on mortgages that are up for renewal may become higher as financial institutions widen the gap on spreads or the underlying bank rates increase; however, competition within the lending industry has kept the borrowing rates low. The mortgages that were up for renewal in 2017 were successfully renewed at lower rates than the prior terms. The Company tries to mitigate the risk of rising interest rates by fixing rates for longer terms and by minimizing its exposure to floating rate financing. All mortgages have fixed rates.

Environmental risk

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

Cybersecurity risk

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

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

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

Planned expenditures

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

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

Critical accounting estimates and changes in accounting policies

Changes in accounting policies

Future accounting pronouncements

(a) Future accounting policies

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

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

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

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

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

IFRS 15, "Revenue from Contracts with Customers" was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18 Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue-Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company is in the process of evaluating the impact of this standard on its consolidated financial statements.

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

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

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

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

IAS 7 "Statement of Cash Flows" has been revised to incorporate amendments issued by the IASB. The amendments required enhanced disclosures about changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes (such as foreign exchange). The amendments are effective for annual periods beginning on or after January 1, 2017, applied prospectively. The Company is in the process of assessing the impact on its consolidated financial statements.

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

(b) Critical judgments in applying accounting policies

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

(i) Leases

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

(ii) Investment property

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

In the normal course of operations the Company acquires investment properties. At the time of acquisition, the Company considers whether the acquisition represents the acquisition of a business or a group of assets and liabilities. All acquisitions of investment properties acquired to date by the Company have been determined to be asset acquisitions.

(iii) Income tax

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

(c) Critical accounting estimates and assumptions

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

Investment properties

The choice of the valuation method for fair valuing and the critical estimates and assumptions underlying the valuation of investment properties and investment properties under construction are set out in Note 3 in the consolidated financial statements.

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

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

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

Income taxes

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

Measures not in accordance with international financial reporting standards

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

measures used by other companies. Management believes its use of Adjusted EBITDA and NOI provides the shareholders and prospective investors with additional performance measures to show the cash flow from operations that will be used to finance debt and further growth of the Company. A detail of the calculation can be found on page 13 in this MD&A.

Disclosure controls and procedures

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

Imperial Equities' major weakness in internal controls and procedures has always been the lack of segregation of duties in the accounting department. The potential impact of a material weakness in internal controls on the financial statements would be the possibility of a material misstatement going undetected. Management is responsible for the existence and effectiveness of systems, controls and procedures to ensure that information used internally by management and disclosed externally is reliable and timely. In Q3 2017, Management has undertaken measures to begin to mitigate such material weakness.

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

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

Off-balance sheet arrangements

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