

Imperial Equities Inc.

3rd Quarter ending June 30, 2019

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

TABLE OF CONTENTS

2.	President's report
6.	Responsibility of management, forward-looking information, additional non-IFRS measures
7.	Business overview and strategic direction
7.	Key performance drivers
9.	Summary of performance indicators
11.	Leasing activities
13.	Property Operations
15.	Financing
18.	Highlights
19.	Performance results
19.	Results of continuing operations and cash flows
24.	Significant balance sheet changes
27.	Summary of quarterly results
29.	Outstanding share data
30.	Dividends
30.	Related party transactions
32.	Liquidity, capital resources and solvency
33.	Critical estimates of the current economic environment and outlook
33.	Risks
36.	Planned expenditures
36.	Critical accounting estimates and changes in accounting policies
40.	Measures not in accordance with IFRS
41.	Disclosure controls and procedures
41.	Off-balance sheet arrangements

REPORT TO SHAREHOLDERS

The economic wellbeing of Alberta and the rest of Canada has largely been dependant on oil production and our ability to sell our oil at a fair price. For decades, oil production in Canada and Alberta in particular, has been increasing at a swifter pace than our ability to consume it and or to sell it at prices achieved by other oil producing nations. A strong Alberta economy not only depends on a robust world oil price but also the ability to sell and deliver its products anywhere in the world.

Being landlocked and having only one major market for its product can have a detrimental effect the likes of which we've seen in Alberta during the past several decades. A resolution to the landlocked issue has long been debated and the most preferred outcome is the development of pipelines sufficient to carry Alberta oil to tidewater. One such pipeline, the Trans Mountain Pipeline which was originally built in 1953 and continues to operate safely today, would need to be expanded. The expansion is essentially a twinning of this existing 1,150 kilometre pipeline between Strathcona County (Edmonton), Alberta and Burnaby, BC. It will create a pipeline system with the nominal capacity of the system going from 300,000 barrels per day to 890,000 barrels per day.

The simple truth is that Canada's oil will fetch a better price on every barrel of oil that's piped to its west coast compared to those sold to the existing customers in the United States, a differential that exists regardless of the price of oil. The expansion will allow Canadian oil to be delivered to international markets and, as a result, Canada will likely earn approximately \$4 billion more per year. Independent estimates conclude oil producer revenues will increase by \$73.5 billion over 20 years of operations and Canada will earn around \$50 billion in additional taxes and royalties that will flow to federal and provincial governments.

After more than a decade of intense debate in our country, it appears we may now have a consensus to move forward on the expansion of Trans Mountain. After much consultation and court battles the federal government, who now owns the existing Trans Mountain Pipeline, has provided the necessary approvals to complete the project and by all accounts, construction is said to resume in September 2019. Both, the Alberta and Canadian governments appear to be resolute in their resolve to see expansion completed.

With oil sands production expanding in Alberta in the years ahead, new markets and new opportunities are likely to emerge. As countries in Asia Pacific begin to develop the same quality of life we enjoy here in Canada, they need to secure sources of energy. Canada is a natural trading partner for these countries, and with an expanded Trans Mountain Pipeline system, we will be in a position to provide for their growing needs for years to come.

Imperial's property portfolio largely consists of industrial properties many of which are tenanted by corporations deriving their revenues from the oil and gas industry. This industry has been and will likely continue be a lucrative real estate asset class for Imperial. There are many asset classes or sectors of real estate including several industrial subsectors. Diversity within these subsectors will likely bode well for Imperial and for some time now, management has been considering investing in a subsector of industrial real estate through the creation of an agricultural division. Assets in this division would consist of properties that cater to the agricultural industry such as farm implement dealerships, similar to the recent development of our John Deere project in Hanna, Alberta. Diversifying our portfolio can help achieve higher returns and minimize risk on our overall investments, given that we wouldn't be solely dependent on the highs and lows of a single market class. Additionally, Imperial will have the advantage of a greater geographical diversification.

In this Q3, Imperial completed the acquisition of its second farm implement dealership property in Vegreville, Alberta. The property consists of 5.89 acres of serviced industrial land and is situated along 55 Avenue, which provides for easy access to and from 2 major thoroughfares being the Yellowhead Highway and Highway 16A. The large square site is all level, fully fenced and has a completely hard surfaced parking lot. The tenant, Rocky Mountain Equipment (RME) is the largest independent dealer of Case IH and Case Construction equipment in Canada, and the second largest in the world.

There are four buildings on the site totaling 33,295 ft² and each serve a specific purpose for the operations of the tenant. The main building is 25,775 ft² and serves as a show room, parts room, general offices and a modern service centre, all on one level. A newer 5,440 ft² service shop with 10 service bays serve as overflow during the peak farming season. The remaining two buildings on site serve as parts and merchandise storage.

The creation of a new agricultural "AG" division is clearly imminent now and Management has made the strategic decision which is supported by the Board, to begin the process of categorizing and reporting this asset class in segmented information. Imperial's near-term goal is to acquire several more AG properties throughout Alberta and Saskatchewan. A revamp of our website will soon clearly identify this division and will make surfing the Imperial site a breeze.

Imperial's ability to transform a tired run-down property is best demonstrated by the refurbishment of the newly monikered "Sable Building". Imperial acquired the property in Q1 2019 and its tenant vacated several months later. The building required a major overhaul and of course a new tenant. Imperial undertook to completely renovate the property with all new modern components and most prerequisites required to be included in a Leadership in Energy and Environmental Design Standards (LEEDS) certified project. Management began the transformation and within 90 days, the property was ready for occupancy.

The 7,813 ft² masonry building now comprises a large office, warehouse/shop, break room, storage room, and a 500 ft² mezzanine. The office component features an abundance of built in teak cabinetry with granite tops that are accentuated by the high gloss epoxy finished walkways and carpet tile flooring throughout. The warehouse/shop includes features such as a large purpose-built wash bay with a retractable curtain system and ample power including 3 phase power. The mechanical systems throughout the building were totally replaced with new state-of-the-art energy efficient components. The entire building now has new LED lighting and is secured with a camera system that covers every part of the interior and the exposed areas of the exterior. The building was a great fit for Imperial's property manager, Sable Realty Management, who signed a new 5 year lease agreement that commenced at the end of this Q3.

Imperial Equities has long been a proponent of greening our properties thus reducing our carbon footprint. Incorporated in the designs of our newly constructed properties are the latest technologies that include new contemporary components along with most prerequisites required to be included in a LEEDS certified project. Incorporating these types of LEEDS prerequisites in existing buildings does create challenges but is not insurmountable.

Throughout the past several years we have embarked on a green plan to convert all electrical and mechanical components to a new and more energy efficient class. During the past several years, new light emitting diodes or LED lamps and fixtures have become far more accessible as well as affordable. These lamps are significantly more efficient than the equivalent incandescent and fluorescent lamps and have a much longer lifespan. The same holds true for heating ventilating and air conditioning (HVAC) units that have traditionally been very expensive to operate and were extremely inefficient, both with natural gas and electricity consumption. Imperial has instituted a

program whereby any older HVAC unit requiring significant repair will immediately be replaced with a new energy efficient unit.

Imperial's Green Plan has been very well received by our tenants. There is notable cost savings both in natural gas as well as electricity. Once installed, these components have eliminated close to 90% of all maintenance service requests which has not only reduced service costs to our tenants but also has provided comfortable and uninterrupted occupancy.

Borrowing is an integral part of our business and the cost of borrowing can considerably impact our profitability. In Canada, interest rates are determined by the policy of the Bank of Canada, the demand for loans, the supply of available lending capital, interest rates in the United States, inflation rates and other economic factors. For several decades the Bank of Canada (BOC) has followed a system whereby announcements are made to the official key interest rate it uses to implement monetary policy. These announcements take place at pre-specified dates, eight times per year. As a result, interest rates in Canada have fluctuated dramatically over the past three decades and not surprising, Imperial had taken every advantage presented to it.

During the past 2 years we have experienced a measured but continuous rise in Canadian interest rates. Starting in July of 2017, for the first time in seven years, the BOC raised its key interest rate by 0.25% to 0.75%. During the subsequent ten announcements ending on October 24, 2018, the BOC on 4 different occasions, raised the key interest rate by a further 1% to the current set rate of 1.75%. With every increase announced by the BOC, financial institutions were quick to react and raise their prime lending rates accordingly. It is interesting to note that with every BOC key interest rate announcement since October 24, 2018, rates have remained unchanged. During the past 2 interest rate announcements the BOC has hinted that it may in fact be considering a rate reduction. Also interesting, is that subsequent to this Q3, the Fed in the United States announced its first rate cut since the depression of 2008.

The BOC has been using its key interest rate in an attempt to keep inflation at around 2 percent. Economic growth in Canada has improved throughout much of 2017 and 2018 which in turn has triggered increased inflation. Lower rates that were in place to encourage individuals and companies to borrow more have increased the demand for goods and services which consequently creates higher prices thus increasing the inflation rates. For several decades, the BOC has been following its inflation fighting policies and has recently agreed with Canadians that its one size fits all policy has exposed many problems and a rewriting of the policy may be due. Recently, the BOC announced that it will launch the most sweeping review into alternatives to its current 2 percent inflation policy as it prepares for the expiration of the existing policy in 2021.

As mortgages mature and renewals are negotiated, Imperial has experienced marginal increases in our weighted average interest rates. Despite the five different 25 basis point increases by the BOC we continue to maintain a relatively low weighted average interest rate of 3.35%, a measured increase from our all time low of 3.00%. Management is extremely vigilant and maintains a close watch on fluctuations in interest rates.

Imperial's real estate portfolio remains the cornerstone of the Company. Since its inception, Imperial has been resolute in ensuring the quality of its assets are superior and the scale of its tenant base being primarily international, national or large regional. Our steadfast resolution to stay committed to these principals has certainly allowed us to forge forward on a solid foundation which has, to date, held the Company in good stead. We are proud of the fact that our year to date building occupancy is 96.9%.

Continuing to expand this dynamic portfolio of industrial properties with quality tenants is a priority for Management. 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. Negotiations are currently underway on several large industrial properties and Management expects a resolution prior to our fiscal year end. We are confident that our growth will continue, and we look forward to increasing our portfolio quite significantly throughout 2019 and 2020.

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, 2018 and we are delighted to report that Imperial Equities is once again included among the top 1000 publicly traded companies in the country. Being included among Canada's most successful corporations is quite an accomplishment and a proud achievement for a relatively young company to realize such a standing!

We remain optimistic about the continued growth of Imperial Equities 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 August 8, 2019

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 interim financial statements for the quarter ended June 30, 2019 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 annual 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 21 of our 2018 annual 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

Investment properties encumbered with debt, clear title properties and total debt on encumbered properties are non-IFRS financial measures and do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar calculations reported by other Canadian issuers.

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

Business overview

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 each year for the past 21 years. The Board of Directors along with corporate Management are all committed to the continued growth of the Company with much vigor and enthusiasm.

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 tenant or multi tenant 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 a property where the Company believes that we have maximized the potential of that property 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 21 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 year 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 still largely reliant on the oil industry 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. The Company had experienced consistently lower weighted average interest rates throughout each quarter, until Q1 2018 where the weighted average rate began to marginally increase. With Canada's economy improving and consequently giving rise to higher inflation, interest rates will likely continue upward in the foreseeable future. The Company, in the short term, does not consider rising interest rates to have a significant impact on the operating cash flows, as commercial lease terms associated with new acquisitions and lease renewals will reflect changing market conditions.

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

Summary of Performance Indicators

	Nine months ending June 30, 2019	Year ending September 30, 2018
Changes in Investment Properties		
Number of investment properties	36	32
Number of properties under development	0	2
Number of properties held for future development	4	3
Total raw land under lease with tenants	9.9 acres	6.9 acres
Gross leaseable area (GLA) square feet	896,637	810,018
Leasing Activities		
GLA of leases renewed during the period	48,973	24,687
New tenant leases during the period, total GLA	93,932	115,963
Total square footage of leases expiring within twelve months	33,580	81,735
Total GLA of space available for lease	32,762	32,762
Average lease term to maturity in years	4.34	4.53
Building occupancy year to date	96.9%	99.9%
Property Operations		
% operating expense recoveries	79%	81%
Income from operations	\$ 8,539,941	\$11,788,601
Investment property improvements	\$ 316,115	\$ 157,479
Financing		
Ratio of debt on encumbered properties	56%	55%
Weighted average interest rates on mortgages	3.35%	3.13%

Changes in Investment Properties

Investment property acquisitions during the current period

- ALS Canada building in Edmonton, AB. 29,450 ft² November 2018
- Sable building in Edmonton, AB. 7,313 ft² November 2018
- 3 acres of vacant land in NW Edmonton, AB. November 2018
- Rocky Mountain Equipment Canada ("RME") in Vegreville, AB. 33,295 ft² June 2019

Completed properties under development in the current period

- Completed construction for Cervus in Hanna, AB. 28,891 ft² at November, 2018
- Completed construction in Edmonton, AB. Coppertone III, 12,124 ft² at December, 2018

Properties held for lease or future development

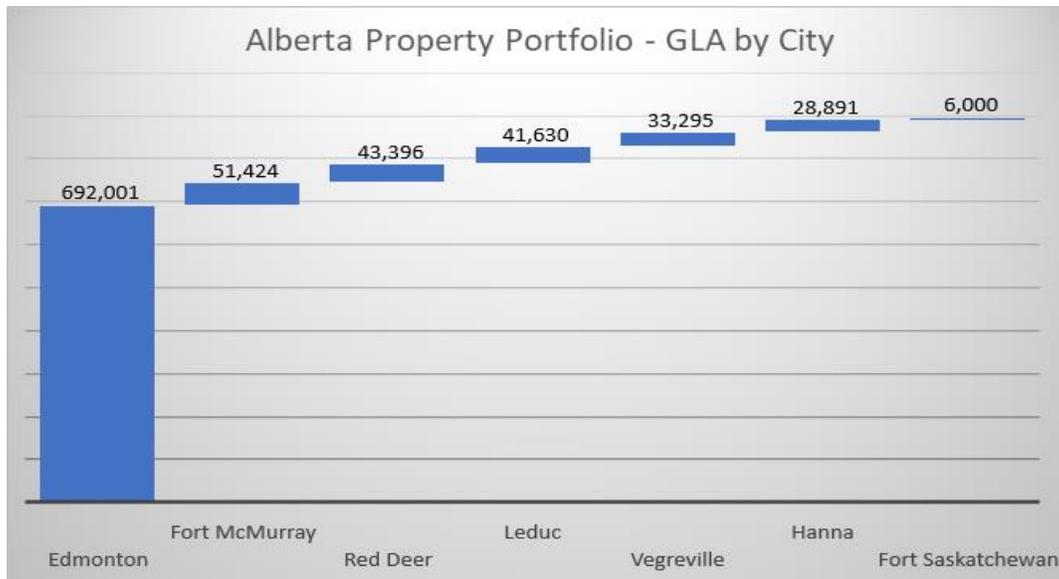
- 12.9 acres in Strathcona County, AB.
- 2.24 acres in NW Edmonton, AB.
- 49.25 acres in Hanna, AB.
- 3 acres in NW Edmonton, AB. (new acquisition in Q1 2019)

Total raw land under lease with tenants is 9.9 acres at June 30, 2019 and includes the following properties:

- 1.7 acres in SE Edmonton, AB. under lease with an existing tenant
- 1.71 acres in SE Edmonton, AB. under lease with an existing tenant
- 1.49 acres in SE Edmonton, AB. under lease with an existing tenant
- 2.00 acres in NW Edmonton, AB. under lease with an existing tenant
- 3 acres in NW Edmonton, AB. under lease with six new tenants (new acquisition Q1 2019)

Gross leaseable area (GLA) increased by 86,619 square feet since September 30, 2018 with the following additions:

	SF ²
• An ancillary building on the Cervus site in Hanna, AB.	4,437
• Coppertone III in Edmonton, AB. completed construction	12,124
• New acquisition – ALS building in Edmonton, AB.	29,450
• New acquisition – Sable building in Edmonton, AB.	7,313
• <u>New acquisition – RME building in Vegreville, AB.</u>	<u>33,295</u>
	86,619
<u>Total GLA at September 30, 2018</u>	<u>810,018</u>
<u>Total GLA at June 30, 2019</u>	<u>896,637</u>



The Company has expanded its investment property holdings to cities outside of Edmonton and will continue to explore other provinces as well.

LEASING ACTIVITIES

	9 Months June 30, 2019	12 Months September 30, 2018
Total GLA square feet at beginning of period	810,018	719,079
Expiring GLA at beginning of period	(81,735)	(24,687)
Square footage early lease terminations	-	(25,024)
Square footage of tenant lease renewals	48,973	24,687
Square footage of new tenant leases	77,371	91,509
Square footage new tenant leases on property developed	12,124	24,454
Square footage of lease amendments	4,437	-
Square footage of leases expired	(7,313)	-
Total square feet available for lease	32,762	-
Total GLA square feet at end of period	896,637	810,018

LEASE RETENTION

Location	GLA	Expiring Rate/PSF*	Renewal Rate/PSF*	Renewal Term
Edmonton, Alberta	22,939	\$ 13.00	\$ 13.65	5 years
Edmonton, Alberta	4,907	\$ 10.60	\$ 12.00	5 years
Edmonton, Alberta	21,127	\$ 18.00	\$ 18.00	5 years
	48,973			

**per square foot*

One of the performance drivers of the Company is to ensure a low turnover of tenants to minimize any periods of vacancy. During the current period, three tenants renewed their leases for further five-year terms at higher rates or the same rate as the expiring terms. To date the Company has been very successful in retaining the current tenant base upon lease expiries.

New tenant leases and amendments in the current period:	Square Feet
Sable building acquired in Q1 2019 (tenant subsequently vacated in Q2)	7,313
ALS building acquired in Q1 2019	29,450
Sable building (new tenant in Q3 2019)	7,313
Rocky Mountain Equipment building acquired in Q3 2019	33,295
	77,371
New tenant in the completed construction of Coppertone III	12,124
Additional building added to the Cervus site in Q1 2019 (lease amendment)	4,437
Total new tenant leases in the current period	93,932
Tenant vacated upon lease expiry in the Sable building in Q2 2019	(7,313)

Leases expired during the period total 7,313 ft² which was in the Sable building purchased this fiscal year. The building was purchased with the knowledge that the current tenant was vacating, and the Company could renovate the building and place a new tenant. During Q2 2019 the tenant vacated when their lease expired, and the Company completed significant leasehold improvements to facilitate the occupancy of a new tenant in Q3 2019.

Total square footage of leases expiring in the next twelve months

There are two tenant leases in Edmonton, AB. expiring during the next twelve months totalling 33,580 ft². A lease with a tenant occupying 8,000 ft² expires in December 2019 and the tenant will not be renewing. The other tenant occupying 25,580 ft² has not yet begun the process of the renewal.

Total GLA of space available for lease

Current vacant square feet available for lease includes 32,762 ft² in one of the Company's multi tenant buildings. The Company is actively marketing this space for lease.

LEASE TERMS at June 30, 2019

Single tenant buildings		Multi tenant buildings	
Square Feet	Maturity Year	Square Feet	Maturity Year
8,000	2019	4,798	Month to Month
58,875	2020	80,970	2020
52,890	2021	2,941	2021
240,207	2022	9,037	2022
75,151	2023	9,836	2023
73,648	2024	21,127	2024
26,400	2026	128,709	
29,450	2027		
116,630	2028		
25,024	2029		
28,891	2038		
735,166			

Total GLA of in place leases	863,875
Available GLA for lease	32,762
Total GLA at June 30, 2019	896,637

Weighted Average Remaining Lease Terms

Single tenant buildings = 5.21 years Multi-Tenant buildings = 2.97 years

Total average lease term to maturity = 4.34 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 could

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.

One of the Company's goals is to maximize the revenue of each asset in its region. With proper market analysis of comparables, the Company has been able to negotiate lease rates that achieve its desired rate of return.

AVERAGE ANNUAL LEASE RATES per City, per square foot

	9 Months June 30, 2019	9 Months June 30, 2018
Edmonton, Alberta	\$ 11.99	\$ 11.33
Red Deer, Alberta*	\$ 25.92	\$ 24.89
Fort Saskatchewan, Alberta*	\$ 35.40	\$ 42.80
Fort McMurray, Alberta	\$ 43.26	\$ 46.23
Leduc, Alberta	\$ 15.70	\$ -
Hanna, Alberta	\$ 18.24	\$ -
Vegreville, Alberta	\$ 7.18	\$ -

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

Most of the Company's leases are being renewed at par, but in some cases, the rates have been lowered. In Fort Saskatchewan and Fort McMurray, a lease renewal and a new lease had a decrease in the rate from the previously expiring lease rates. The previous leases were for long extended periods of time with escalations throughout the terms. Due to the slow down in activity in the oil patch sector, lease rates for renewals and a new lease were lowered to match current market conditions. The Company has not experienced any vacancies in these cities.

At June 30, 2019 the year to date occupancy is 96.9% (September 30, 2018 - 99.9%) because of the continued vacancy in one property.

Property Operations

	June 30, 2019	September 30, 2018
% Operating expense recoveries	79%	81%

Operating expense 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 allows the landlord to recover all operating costs, with the exception of any structural repairs. Management will decide on large maintenance items as to how it will treat the recovery of those expenses from the tenant, so as not to incur hardship on their operations. In some cases, management will amortize the expenditures over a period of time within the tenant's lease term. 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 expenses not recovered by the landlord in the current fiscal year. Historical optimal recovery percentages will be in the range of 80%-86%.

Affecting recoveries during the current period is vacant space of 32,762 ft² in a multi tenant building, and a tenant in a single tenant building that was granted an additional four and a half

months of free rent, while the landlord absorbed the operating expenses. This tenant is experiencing cash flow problems and the Landlord is working closely with the tenant to ensure they can meet their future lease obligations.

Recoveries in the current quarter were 86% of operating expenses and 79% year to date. During the next quarter, the percentage of recoveries to expenditures will increase the year to date percentage as new tenants pay rent, and with lower seasonal costs which now exclude snow removal and higher utilities incurred in the winter months. Management ensures operating expense recoveries are maximized for our shareholders.

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

	June 30, 2019	September 30, 2018
Income from operations	\$ 8,539,941	\$ 11,788,601
Less: Interest on financing*	2,974,043	2,994,340
Less: Principal instalments on mortgages	4,238,166	5,509,782
Funds available for property improvements and growth	\$ 1,327,529	\$ 3,284,479

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

The Company continues to ensure all properties are well maintained through third party contractors including maintenance, electrical, mechanical, structural, and cosmetic which includes exterior maintenance of the buildings through painting, landscaping, parking lot striping, etc.

	June 30, 2019	September 30, 2018
Total property improvements during the period	\$ 316,115	\$ 157,479

Capital improvements during the current period include parking lot upgrades, new rooftop HVAC units, new infrared heaters and new boilers for specific locations. The Company strives to provide high quality service to the tenants by responding in a timely manner to address any property maintenance issues. Maintaining equipment on a regular basis improves the life of the equipment, keeping equipment running smoothly, and avoids major interruptions to the tenant's operations. The Company has a great relationship with all the tenants and will respond to maintenance issues within hours. Working with strong business partners that are familiar with our properties and tenants, the Company has enjoyed quality of work while ensuring costs are very competitive.

Through the Company's hands-on approach to maintaining its properties, the tenant retention is very high with little turnover, and shows a firm commitment by the Company to promote pride of ownership which will attract new prospective tenants, and possible future build to suit opportunities.

The Company is also investing heavily in energy efficiency by replacing expensive, inefficient interior and exterior light fixtures with LED replacements, thus reducing the operating costs to the tenant, and promoting a greener environment through reduced emissions.

Financing

Investment properties encumbered with debt, clear title properties and total debt on encumbered properties, and ratio of debt on encumbered properties are non-IFRS financial measures and do not have any standard meaning prescribed by IFRS. These measures as calculated by the Company may differ from similar computations calculated by other issuers and accordingly may not be comparable to similar computations presented by such issuers. Management considers these measures to be useful for evaluating the leverage the Company may have on its investment properties to consider additional financing opportunities, if any.

	June 30, 2019	September 30, 2018
Investment properties	\$ 218,805,652	\$ 206,710,736
Less: unencumbered properties	(17,204,993)	(17,900,757)
Investment properties encumbered with debt	\$ 201,600,659	\$ 188,809,979
Balance of mortgages excluding transaction fees	\$ 90,831,066	\$ 85,669,230
Bank operating facilities	22,946,004	18,457,672
Total debt on encumbered properties	\$ 113,777,070	\$ 104,126,902

Ratio of debt on encumbered properties

56%

55%

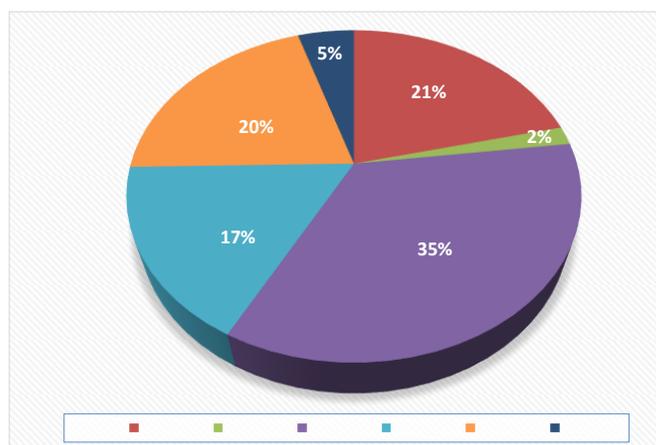
The Company continues to enjoy a good relationship with its lenders and has been able to renew mortgages as they come due and place new conventional financing on acquisitions. Unencumbered properties at June 30, 2019 include raw land and the Sable building. (September 30, 2018 - unencumbered properties include raw land and Coppertone III).

The amount of debt secured against the value of investment properties is 56% at June 30, 2019 compared to 55% at September 30, 2018. The Company believes this low debt ratio saves on interest costs and are low enough to allow for opportunities upon mortgage renewals to increase the leverage if necessary, subject to the lender's approval.

Weighted average interest rates on the mortgages have increased to 3.35% at Q3 2019 from 3.13% at September 30, 2018 with rates rising for new, and renewed financing from the Company's lenders. During Q1 2019 the Company received two new mortgages and renewed three mortgages at their term dates. New mortgages received this year were for any new acquisitions and the completed building in Hanna, Alberta.

During Q3 2019 the Company renewed a mortgage for a further term of five years. Concurrent with this new mortgage was the release of the restricted cash of \$1,300,000 which was held in GICs as additional security.

Mortgage Maturities



2019 2020 2021 2022 2023 2024

Balance	Rate	Monthly P & I	Year of Maturity	Principal Due by Year
\$ 9,079,639	3.33%	\$ 62,733	2019	
\$ 10,168,734	3.30%	\$ 71,809	2019	\$ 19,248,372
\$ 1,618,943	3.41%	\$ 18,134	2020	\$ 1,618,943
\$ 5,682,983	2.88%	\$ 47,229	2021	
\$ 3,084,274	2.95%	\$ 24,053	2021	
\$ 7,547,463	2.47%	\$ 59,166	2021	
\$ 3,549,961	2.98%	\$ 30,201	2021	
\$ 6,235,145	2.47%	\$ 62,356	2021	
\$ 5,492,927	2.98%	\$ 46,731	2021	\$ 31,592,754
\$ 2,258,829	2.73%	\$ 21,515	2022	
\$ 3,783,150	3.67%	\$ 29,597	2022	
\$ 3,437,150	3.67%	\$ 26,892	2022	
\$ 5,889,815	3.04%	\$ 46,682	2022	\$ 15,368,944
\$ 755,615	3.57%	\$ 8,519	2023	
\$ 4,179,287	4.33%	\$ 32,438	2023	
\$ 4,980,540	4.65%	\$ 39,285	2023	
\$ 537,989	3.95%	\$ 11,266	2023	
\$ 6,093,698	4.09%	\$ 46,776	2023	
\$ 2,073,519	3.75%	\$ 16,149	2023	\$ 18,620,648
\$ 2,442,730	4.30%	\$ 22,298	2024	
\$ 1,938,675	4.30%	\$ 17,696	2024	\$ 4,381,405
\$ 90,831,066		\$ 741,526		\$ 90,831,066

The following table details the mortgage activity during the year.

Maturity Date	Rate	Principal Balance Sept. 30 '18	Mortgages Advanced/ Assumed	Y-T-D Principal Payments	Principal Repaid on Maturity	Principal Balance 30-Jun-19
01-Nov-19	3.334%	\$ 9,414,128	\$ -	\$ 334,489	\$ -	\$ 9,079,639
01-Jan-20	3.410%	1,742,156		123,213		1,618,943
01-Jan-21	2.980%	3,740,559	-	190,598		3,549,961
01-Jan-21	2.980%	5,787,844	-	294,916		5,492,928
01-Apr-21	2.880%	5,982,442		299,458		5,682,983
01-Apr-21	2.948%	3,231,172	-	146,898		3,084,274
01-Oct-21	2.470%	6,676,895		441,750		6,235,145
01-Oct-21	2.470%	7,936,856	-	389,393		7,547,463
01-Feb-22	3.040%	6,172,934	-	283,119		5,889,815
01-Jun-22	2.730%	2,404,821		145,992		2,258,829
01-Dec-22	3.670%	3,943,735	-	160,586		3,783,149
01-Dec-22	3.671%	3,583,038	-	145,888		3,437,150
01-Jan-23	3.570%	811,376		55,761		755,615
01-Feb-23	3.750%	2,159,649	-	86,130		2,073,519
01-Oct-23	3.950%	622,274	-	84,285		537,989
01-Oct-23	4.090%	6,300,000	-	206,302		6,093,698
01-Nov-23	4.330%	-	4,300,000	120,713		4,179,287
01-Dec-23	4.648%	-	5,100,000	119,460		4,980,540
01-Jan-24	4.300%	2,569,227	-	126,497		2,442,730
01-Jan-24	4.300%	2,039,948	-	101,273		1,938,675
01-Aug-24	3.300%	10,550,178	-	381,444		10,168,734
		\$ 85,669,232	\$ 9,400,000	\$ 4,238,166	\$ -	\$ 90,831,066

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

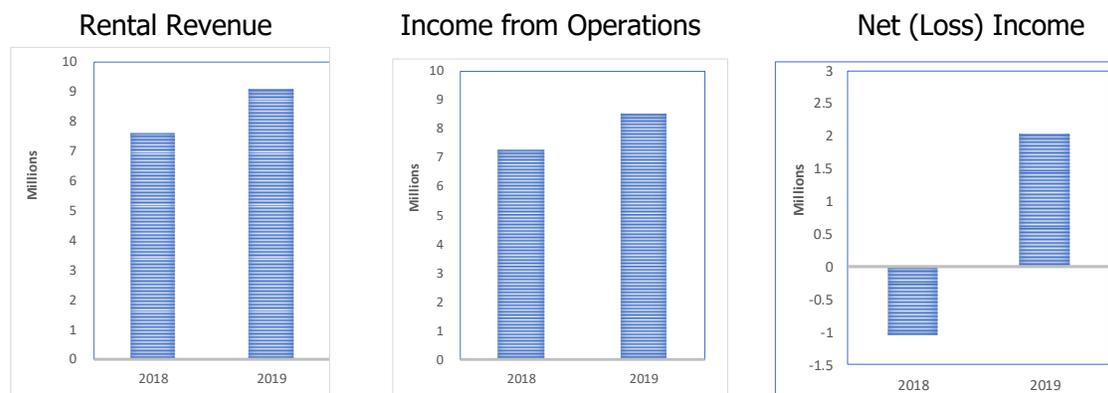
The Company's two bank operating facilities are secured with specific revenue producing properties.

Other financing of \$5,070,000 owed to related parties is unsecured and was repaid subsequent to the quarter ending.

Highlights during Q1 – Q3 2019

- + In Q1 the Company completed an agreement to **purchase at 29,450 ft² building situated on 3.78 acres** in the southeast Edmonton Research and Development park. The total purchase price was \$6,150,000. The tenant, ALS Canada Inc. is an international company with operations in 70 countries.
- + In Q1 the Company completed an agreement to **purchase 3 acres of vacant land** in west Edmonton for a total purchase price of \$1,650,000.
- + In Q1 the Company completed an agreement to **purchase a 7,313 ft² building** situated along the Yellowhead Trail in northeast Edmonton. The total purchase price was \$975,000.
- + During Q1 the Company completed the **build to suit, 24,454 ft² building** in Hanna, Alberta on 16.5 acres along with an additional 4,044 sf² ancillary building. The tenant, Cervus Equipment, is an international company that provides sales and service of John Deere equipment to the agricultural sector. The tenant took occupancy in Q1 2019.
- + During Q1 construction of the **12,124 ft² Coppertone III** building in the Coppertone Industrial Common in NW Edmonton was completed. The Company has secured a tenant for the building with rent commencing in Q3 2019.
- + In Q1 the Company received **conventional mortgage** financing for the Hanna property in the amount of **\$5,100,000** from one of the Company's major lenders.
- + In Q1 the Company received a **new mortgage** on the acquisition of the ALS Canada building in southeast Edmonton. Total funds received were **\$4,300,000** from one of the Company's major lenders.
- + During Q1 two mortgages were renewed for further five-year terms and one mortgage was renewed for a one-year term. An increase in the interest rates during the quarter affected the **weighted average rate of interest on all mortgages which is now 3.35%** at June 30, 2019 (September 30, 2018 – 3.13%). During Q3 the Company renewed a mortgage for a further five-year term at a rate of 3.30% compared to the previous rate of 3.45%.
- + During Q1 – Q3 the Company signed month to month **leases with six individual tenants** to lease sections of the 3 acres of vacant land acquired in NW Edmonton. Annual revenue of over \$76,000 will offset property taxes while the Company pursues development opportunities.
- + During Q3 the Company completed an agreement to **purchase a 33,295 ft² building** in Vegreville, Alberta on 5.89 acres. The total purchase price was \$2,550,000.

PERFORMANCE RESULTS ending June 30,



With the addition of several investment property acquisitions during the last year, the rental revenue and income from operations has increased year over year. Net (loss) income was negatively affected by net valuation losses recorded on the investment properties of \$1,635,159 at June 30, 2019 compared to net valuation losses in the prior year of \$4,281,718. During the current period, a tenant in one of the Company's single tenant buildings requested an amendment to their lease to lower the Minimum rent in order to continue their operations. This decrease in revenue over the term of the lease affected the valuation of the property. A second property with multiple tenants, has a single vacancy amounting to 34% of the building. The Company lowered the value on this property due to the decreased revenue and the associated lease up costs to place a new tenant. A third property where a tenant is vacating at the end of their lease, was lowered in value to reflect current market conditions.

In the prior year the Company reduced the valuation of a property in Fort McMurray by \$4,464,828. The Company agreed to an early lease termination for a tenant, resulting in an accelerated rent adjustment of \$2,992,928 that was reported as income in the prior year.

Affecting current year net income are the unrealized losses of \$133,500 on short term investments which are valued at mark to market at each reporting date.

RESULTS of OPERATIONS and CASH FLOWS

For over five years the Company enjoyed better than 99% occupancy in its properties. In Q2 2019 the year to date occupancy dipped slightly to 98.0% with one large space currently available for lease and a small building that was under renovations to place a new tenant. With the large space still unoccupied, the year to date occupancy is now 96.9%. Each quarter in the last eight, the Company has begun to receive revenue from new tenants occupying the new building acquisitions.

There have been no other significant changes in operations for each quarter during 2018 or 2019, except for fluctuations in earnings resulting from the fair valuations of investment properties.

Net valuation gains (losses) per quarter:

2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4
\$ (148,530)	\$ (33,127)	\$ (1,453,502)	\$ 805,792	\$ (4,702,567)	\$ 235,704	\$ 185,145	\$ 280,967

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 and a decrease in revenue will have a negative impact. When interest rates are low, investors are eager to expand their portfolios creating a healthy, competitive environment in which to acquire property, which will keep the cap rates very competitive. Since 2016 Management decided to marginally increase the cap rates on some of the properties where the Company believes property values and lease rates have decreased slightly; the result of more product coming on stream from developers eager to lease up vacant buildings. Some properties' cap rates were increased to maintain existing values, despite increased contracted revenue streams which would otherwise drive the value upwards.

INVESTMENT PROPERTY CAP RATES	June 30, 2019			Rate Change	September 30, 2018	
	Total GLA sf	Range Cap Rates	Total GLA sf		Range Cap Rates	
Location						
Edmonton, Alberta	659,239	5.00% - 7.00%	↓	638,677	5.00% - 7.17%	
Red Deer, Alberta	43,396	6.33%	↔	43,396	6.33%	
Fort Saskatchewan, Alberta	6,000	6.41%	↑	6,000	6.30%	
Fort McMurray, Alberta	51,424	6.14% - 6.30%	↑	51,424	6.14 - 6.19%	
Leduc, Alberta	41,630	6.85%	↔	41,630	6.85%	
Vegreville, Alberta	33,295	8.85%		-		
Hanna, Alberta	28,891	7.00%	↓	28,891	7.17%	
	863,875			810,018		
Available for lease, Edmonton, AB.	32,762			-		
Total GLA square feet	896,637			810,018		

Throughout 2018 and 2019 some of the new leases in place do have escalations throughout their terms and the Company has increased the cap rates on those properties to keep the value of the properties at current market rates, despite an increase in rents. Edmonton cap rates continue to be evaluated on a property by property basis to ensure values reflect current market conditions. The cap rate utilized on the Hanna, Alberta property was lowered to reflect additional square footage, additional lease revenue, and an in place long-term lease with a multi-national tenant.

There were no significant changes to the net values during Q3 2019.

During Q1 2019, the Company lowered the values on two properties which contributed significantly to the net valuation losses of \$1,453,502. One property where a tenant occupying 32,762 ft²

vacated after paying out their lease obligations, represents 34% of the square footage of the building. The Company made significant improvements to this space after the tenant vacated and it is being actively marketed for lease. The decrease in value represents the lost revenue and the expected costs to lease it. The second property is where a tenant requested a reduction in their contracted lease rate to the term of their lease. The loss in revenue is reflected in a lower valuation of this property.

At Q4 2018 the Company increased the cap rates on several properties to avoid large fair value increases that may not be indicative of the current market value of the property. The positive valuation during the quarter was the result of the build to suit project in Hanna, Alberta. The building was substantially complete at Q4 2018 and with a current lease in place the tenant took occupancy in Q1 2019. The property was recorded at fair value, less the construction costs to complete at Q4 2018.

At Q3 2018 the Company agreed to an early lease termination for a tenant in Fort McMurray Alberta. An accelerated rent adjustment in the amount of \$1,992,928 was reported as income in Q4 2018. Concurrent with the negotiations to release the tenant from their lease obligations, Management agreed to a new lease with a large national tenant that took occupancy of the building on July 1, 2018. The new lease rental revenue is lower than the lease that was terminated due to decreased market conditions in Fort McMurray. The impact of the recession, and the major fires that ravaged the Fort McMurray region, means the city is still restructuring to its former glory. All other inputs remaining the same, the effect of the lowered income from the new lease, meant a decrease of \$4,464,828 in the fair value of the land and building. The new tenant already has a well-established presence in Fort McMurray and was eager to move into a newer, larger facility for their expanding operations.

Fair value losses will often occur during Q3 each year the result of small increases in the revenue stream which typically cause fair value increases, netted against items capitalized. Building improvements are performed in the warmer summer months of Q3. The capitalized building improvements generally exceed any incremental fair value increase, and Management will make a negative adjustment to the property's carrying value to bring it to the fair value at the reporting date. Also, at Q3 each year property taxes are capitalized to vacant land causing a negative revaluation to bring the values back to estimated market values.

In each of the last quarters, the Company has 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.

Fair Market Value of Investment Properties



Valuation net gains or (losses) from investment property are the result of market values at each reporting date, estimated by management using the actual annual contracted subsequent year revenue stream, less a vacancy and structural 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, condition of the building, the strength of the tenants, site coverage and location of the property.

At each reporting date, this calculation method is performed on all the investment properties except for the Oliver Crossing property, vacant land, and land under lease. (September 30, 2018 there was one property under development valued at cost). 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. Land held for development is valued using

management's research of similar vacant land that has sold recently or, is available for sale. Land under lease with tenants is valued at the fair value of similar vacant land.

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

Income from operations in the current period was positively affected by the recording of accelerated rent of \$182,207 from a tenant that vacated their premises prior to their lease expiry date. Rental revenue is higher in 2019 over 2018 due to the increased activity in acquisitions and new leases in the last twelve months. Property operating expenses are higher this year due to the new acquisitions.

Finance costs include interest on financing, amortization of deferred finance fees, and are net of interest income. Interest on financing is up at Q3 2019 compared to Q3 2018 due to additional mortgages received, rising interest rates on new and renewed mortgages, and increased use of the bank credit facilities. The Company utilized the lines of credit and related party financing in the last twelve months to assist with new acquisitions. Related party financing during the current period is noninterest bearing.

Administrative expenses are lower this year compared to last year due to a reversal of a bad debt provision in the amount of \$900,000 at Q3 2019. Administrative expenses increased during this year due to an increase in employees and associated salaries and benefits.

Regular administrative expenses include salaries, annual finance fees on lines of credit, charitable donations, shareholder communications and other small sundry accounts.

Amortization of deferred leasing costs relates to leasing fees charged with the signing of new tenants, or upon lease renewals. The costs are amortized over the life of the respective leases varying from five to twenty years. Amortization is higher this year due to increased lease renewals and new leases in the last twelve months.

Unrealized losses on short term investments are the result of valuing the marketable securities at mark to market.

Changes in cash flows

Cash provided by operating activities was \$6,698,591 at Q3 2019 (Q3 2018 – \$4,694,317). The Company continues to generate positive cash from operations to cover day to day expenditures and bank cash for future opportunities. The cash flow provided from operations this year was higher due to increased revenues from new acquisitions with tenants. In the prior year there were cash outflows for leasing fees of \$877,549 compared to \$220,020 at Q3 2019.

Cash used in investing activities was \$15,488,238 at Q3 2019 (Q3 2018 – \$8,203,842). There were four property acquisitions this year totalling \$11,482,864 and two buildings under construction during 2018 were completed in Q1 2019, with additional construction costs of \$1,865,104. This compares to five acquisitions in the prior year at a cost of \$7,131,140 and

construction costs of \$3,356,753. Changes in working capital associated with investing activities can temporarily skew the figures positively or negatively depending on accounts payable. At Q3 2019 accounts paid for construction payables created negative cash flows of \$1,694,361 compared to positive cash flows at Q3 2018 of \$2,130,022.

Net cash provided by financing activities was \$6,696,883 at Q3 2019 compared to \$3,138,521 at Q3 2018. At Q3 2019 the Company has received \$9,400,000 of new mortgages compared to net proceeds received at Q3 2018 of \$10,050,000. The credit facilities were used to assist with closing property acquisitions and fund the construction projects. In addition to regular principal payments on the mortgages, one lender required the Company to deposit a total of \$1,300,000 (monthly instalments of \$100,000) in GIC's until a specific mortgage matured in Q3 2019. Total GIC's held under this agreement at Q3 2019 are \$1,300,000 (Q3 2018 – Nil). Subsequent to the quarter ending, the GICs were released to the Company.

Finance costs increased this year by \$771,869 compared to last year with new and renewed mortgages at slightly higher interest rates and increased use of bank operating facilities.

During the current year the Company purchased 43,700 common shares under the normal course issuer bid for a total cost of \$171,936 (Q3 2018 - a total of 18,900 shares were purchased for a total cost of \$79,780).

At Q3 2019 there was a **net decrease in cash** of \$2,092,764 compared to a decrease in cash at Q3 2018 of \$371,004.

Significant balance sheet changes

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

Changes since the fiscal year end of September 30, 2018 are detailed below.

	Income Producing Properties	Completed Properties Under Development	Held For Development	Total Investment Properties
Opening balance at September 30, 2018	\$ 186,853,753	\$ 9,340,565	\$ 10,516,418	\$ 206,710,736
<i>Additions:</i>				
Property improvements	316,115	-	129,794	445,909
Construction costs	-	1,865,104	-	1,865,104
Leasing commissions	173,464	46,556	-	220,020
Property acquisitions	9,803,127	-	1,679,737	11,482,864
Change in straight-line revenues	(28,866)	(44,087)	-	(72,953)
Revaluation losses, net	(1,441,819)	(60,422)	(132,918)	(1,635,159)
Amortization of deferred leasing	(199,940)	(10,932)	-	(210,872)
Ending balance at June 30, 2019	\$ 195,475,834	\$ 11,136,784	\$ 12,193,031	\$ 218,805,652

Property improvements on income producing properties include HVAC units, overhead heaters, parking lot major improvements. Capitalized to land held for development are property taxes.

Construction costs are for the completed projects in Hanna, Alberta for the tenant Cervus and Edmonton, Alberta for the newest building called Coppertone III. This building was leased to a tenant in Q3 2019.

Leasing commissions during the current period were for three lease renewals and one new lease.

Property acquisitions include the ALS building, the Sable Building and 3 acres of vacant land all in Edmonton, Alberta, and the Rocky Mountain Equipment building in Vegreville, Alberta.

Mortgages at Q3 2019 have a balance of \$90,831,066 (Q4 2018 - \$85,669,230). During Q1 2019 two new mortgages totalling \$9,400,000 were received and placed on a new acquisition and the completed building project in Hanna, Alberta. Three mortgages were renewed for five-year terms, and one mortgage was renewed for one year.

At Q3 2019 there are two mortgages up for renewal in the next twelve months with combined principal balances of \$10,698,582 which are shown as current liabilities. GIC's in the amount of \$1,300,000 (Q4 2018 - \$400,000) are held as additional security for one mortgage that matured July 1, 2019. The Company renewed the mortgage prior to the quarter ending and the related GICs were released to the Company July 1, 2019. Netted against mortgages on the consolidated interim statements of financial position is the balance of unamortized fees associated with new or renewed mortgages, totalling \$266,117 at Q3 2019 (Q4 2018 – \$242,184).

Loan receivable of \$1,030,167 at Q3 2019 is net of a \$100,000 provision for impairment (Q4 2018 – loan of \$1,009,825 net of a provision of \$1,000,000). The loan relates to the early lease termination of a tenant in Fort McMurray, Alberta where an accelerated rent adjustment in the amount of \$2,992,928 was negotiated during the prior year. Included in the agreement was a loan receivable of \$2,200,000 repayable in 22 monthly instalments that includes interest at an annual rate of 6%. An impairment provision of \$1,000,000 was applied to this loan at September 30, 2018. Contractual instalments were received in Q1, Q2 and Q3 2019 and the Company reversed a portion of the provision for impairment in the amount of \$900,000. Management will continue to re-evaluate the provision at each reporting period and apply any changes as necessary.

Receivables of \$81,940 at Q3 2019 and \$242,792 at Q4 2018 are net of an allowance for doubtful accounts of \$10,000 (September 30, 2018 - \$16,061). Receivables at Q4 2018 included taxes and rebates of \$111,757 and the balance was for tenant receivables and accrued interest.

Prepaid expenses and deposits have a balance at Q3 2019 of \$1,251,789 (Q4 2018 - \$1,218,946) relating to property insurance premiums, property taxes and security deposits with municipalities.

At Q4 2018 there were deposits of \$665,000 placed pursuant to offers to purchase investment property. Three deposits were applied to acquisitions in Q1 2019 and the remaining \$200,000 was refunded to the Company.

Restricted cash of \$1,300,000 at Q3 2019 (Q4 2018 - \$400,000) was held as collateral with one of the Company's major lenders as additional security for a specific mortgage that matured July 1,

2019. The mortgage was renewed for a further five-year term and the \$1,300,000 was released to the Company on July 1, 2019.

Short-term investments are common shares held for trading. The value at Q3 2019 is \$240,000 (Q4 2018 - \$373,500). The shares are recorded at the quoted market value at each reporting date.

Security deposits held for the performance of the tenants increased this year with the addition of new tenant leases. The current portion of deposits is included in payables and accruals.

Other financing unsecured at Q3 2019 of \$5,070,000 (Q4 2018 - \$4,020,000) is non-interest bearing (Q4 2018 – annual rate of 6%). Other financing is due to related parties and has no specific dates of repayment.

Bank operating facilities at Q3 2019 have a balance of \$22,946,004 with two of the Company’s major lenders (Q4 2018 - \$18,457,672 with two of the Company’s major lenders). These credit facilities were used to assist with the acquisitions of investment properties, and the completed construction of two buildings.

The Company currently has two credit facilities (“Line of credit”, or LOC”) with two of its major lenders.

CREDIT FACILITIES

	June 30, 2019	September 30, 2018
Bank credit facilities	\$ 23,000,000	\$ 20,000,000
Amounts drawn on facilities	(22,946,004)	(18,457,672)
Available credit facilities	\$ 53,996	\$ 1,542,328

- A LOC with a limit of \$13,000,000 (Q4 2018 - \$10,000,000) is secured by a general security agreement and a collateral mortgage in the amount of \$10,000,000 placing a fixed charge against specific properties. The facility bears interest at prime + .95%, unchanged from the prior year, and can be used for property acquisitions and general operations. There are no financial covenants with this credit facility.
- The Company has a second LOC with a limit of \$10,000,000 unchanged from the prior year. The LOC bears interest at prime plus 1% per annum and is secured by specific revenue producing properties. This LOC incurs standby fees of 0.25% per annum 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.

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

Payables and accruals are \$752,505 at Q3 2019 (Q4 2018 - \$3,145,876). The balance at Q3 2019 includes accrued interest on financing, prepaid rents from tenants, and regular payables. (Q4 2018 – accrued interest on mortgages, prepaid rents from tenants and construction payables).

Summary of consolidated quarterly results

	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4
<i>REVENUE</i>	3,973,657	3,850,537	3,721,321	5,497,881	2,930,792	3,486,193	3,328,342	3,396,004
<i>TOTAL COMPREHENSIVE INCOME (LOSS)</i>	1,519,848	1,393,144	(886,496)	3,395,251	(3,163,279)	1,449,203	661,438	1,860,217
<i>EPS-Basic</i>	0.16	0.15	(0.10)	0.35	(0.33)	0.15	0.07	0.19
<i>EPS-Diluted</i>	0.16	0.15	(0.10)	0.35	(0.33)	0.15	0.07	0.19

QUARTERLY CHANGES IN THE REVENUE

The increase in revenue at Q3 2019 reflects additional revenue from new tenant leases.

Q2 2019 revenue is higher than Q1 2019 by \$125,000 reflecting a full quarter of revenue from the tenant in Hanna, Alberta, and changes in the straight-line revenue.

Q1 2019 revenue reflects an amount received for accelerated rent from a tenant that vacated their premises prior to the expiry date of their lease. The full amount of rent due to the term of the lease was \$182,207. Revenues have increased this year compared last year due to additional tenants in the buildings acquired over the last twelve months.

Q4 2018 revenue from investment property increased with the addition of new leases on land acquisitions and two new tenants on property acquisitions, the Skyway building and Dynamax building. Additional revenue of \$1,992,928 is non-recurring revenue generated from the accelerated rent adjustment for an early termination of a lease. Q4 revenues also increased with additional billings to tenants for annual reconciled operating cost recoveries.

In Q3 2018 revenue was impacted by the amortization of tenant inducements relating to one lease that was terminated where the tenant was placed in receivership. The total amortization was \$336,364. The unamortized balance of straight-line rent associated with a lease terminated in Fort McMurray, Alberta was fully amortized in Q3 2018. This resulted in a decrease to rental revenue of \$162,652.

During Q2 2018 the Company started receiving revenue from the Skyway building and an additional land lease.

Fluctuations in revenue quarter to quarter will often be the result of one or more of the following:

- revenue generated from new leases
- amortization of tenant inducements
- increases due to the reconciliation of operating costs to budget at each Q4
- changes in straight line revenue due to lease renewals and new leases.

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

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

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

Net valuation gains (losses) per quarter:

2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4
\$ (148,530)	\$ (33,127)	\$ (1,453,502)	\$ 805,792	\$ (4,702,567)	\$ 235,704	\$ 185,145	\$ 280,967

Q1 2019 unrealized losses reflect small gains and losses on all the properties where revaluing the properties to market values takes into consideration amortization of straight-line rents and deferred leasing. Any amounts capitalized to the properties during the quarter will have a downward adjustment to the value, to maintain current market values. Three properties had larger write downs this quarter. A multi tenant building has a vacancy where a tenant was occupying 32,762ft² or 34% of the building. After the tenant vacated, Management completed major improvements to the interior space, and it is being actively marketed for lease. The lower value on this property reflects the loss in revenue and the costs to release the space. Another property has a single tenant that requested some relief from their lease obligations. Management agreed to reduce their rent to the term of their lease. All other inputs remaining the same, the lower revenue from this lease caused a large decrease in the value of the property. A third property where a tenant will not be renewing their lease, was lowered in value to reflect current market conditions.

Q4 2018 had small property by property decreases to maintain the values at the current market rates. These small losses were offset by the gain on one of the properties that was under construction during the year in Hanna, Alberta. At Q4 2018 the building was substantially complete with a signed lease in place. The tenant took occupancy in Q1 2019. At Q4 2018 the property could be reliably measured at fair value less the construction costs to complete.

Q3 2018 net losses are primarily the result of one property in Fort McMurray, Alberta. During Q3 2018 the Company agreed to an early lease termination for a tenant resulting in an accelerated rent adjustment of \$2,992,928 (less a provision for impairment of \$1,000,000) that was reported as income in Q4 2018. Concurrent with the negotiations to release the tenant from their lease

obligations, Management agreed to a new lease with a large national tenant that took occupancy of the building July 1, 2018. The new lease rental revenue is lower than the lease that was terminated due to decreased market rates in Fort McMurray. The impact of the recession, and the major fires that attacked the Fort McMurray region, means the city is still recovering to its former glory. All other inputs remaining the same, the effect of the lowered income from the new lease, meant a decrease of \$4,464,828 in the fair value of the land and building. Rent from the new tenant commenced in Q4 2018. The balance of net losses at Q3 2018 in the amount of \$237,739 are typical of this time of year where capital improvements and capitalization of property taxes on vacant land, will increase the cost for accounting purposes. A negative revaluation is required to keep the values at market rates.

While a considerable number of properties had increases in the contracted revenue stream which increases the value when applying a capitalization ("cap") rate, the Company has chosen to keep the values the same on some of the properties by adjusting the cap rates upward during 2017 and 2018. 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, which includes straight line rent, leasing fees, and tenant inducements, if any.

At Q4 each year, 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 impact on earnings for the fourth quarter.

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.

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 Q3 2019 remains unchanged from Q4 2018 at 9,583,642. The Company received approval to renew its normal course issuer bid which expires on August 30, 2019. During the current period, the Company purchased 43,700 shares for a total cost of \$171,936. All the shares will remain in treasury until cancelled.

In the prior year, the Company purchased 18,900 shares for a total cost of \$79,780. All the shares were held in treasury until cancelled.

At Q3 2019 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 owned or controlled by a director, majority shareholder and officer

Property management and maintenance fees in the amount of \$734,558 (Q3 2018 - \$633,160) 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 competitive rates of \$65 per hour (Q3 2018 - \$50-\$65 per hour) for labour, plus equipment and parts charges. Sable provides its own trucks, tools and equipment to perform property maintenance. Imperial Equities recovers most of the management and 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 involving Management in maintaining the property, as opposed to how much the tenant is involved.

Leasing, acquisition and disposition fees in the aggregate of \$247,369 (Q3 2018 – \$844,777) were paid to North American Realty Corp. ("NARC") a Company controlled by Sine Chadi. In the current period, \$113,250 was paid for the acquisitions of the ALS building, the Sable building, a three-acre parcel of land and the RME building. During Q2 2019 leasing fees were \$134,119 for new and renewed leases during the quarter. Fees and commissions are in line with current industry standards and are comparable or favorable to similar transactions undertaken by the Company with unrelated parties.

Office rent, parking and warehouse lease space were paid to Sable in the aggregate amount of \$75,150 (Q3 2018 – \$72,700). Imperial Equities shares office space with Sable and pays \$8,350 per month (Q3 2018 average \$8,077 per month). Warehouse lease fees to store materials owned by Imperial were discontinued in Q1 2018.

Fees paid in the amount of \$150,000 (Q3 2018 - \$150,000) 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 \$40,000 at Q3 2019 (Q3 2018 - \$37,500). Fees per meeting are currently \$2,500. 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 during the period was \$225,000 unchanged from the prior year.

Unsecured interim financing from a company owned 100% by a director and major shareholder

Interim party financing from North American Mortgage Corp. totalling \$750,000 was received and repaid with interest at an annual rate of 6% during Q1 2019. Total interest paid was \$5,633.

In the prior year during Q1 2018, interim financing in the amount of \$50,000 was received from North American Mortgage Corp. The total amount was repaid without interest in Q1 2018.

Unsecured interim financing from a company under common control

In the current quarter, interim financing of \$1,050,000 was received from a company that is under common control by Sine Chadi. During the prior year, interim financing of \$4,020,000 was received from this company and remains outstanding at Q3 2019, bringing the total balance outstanding to \$5,070,000 at June 30, 2019. No interest is being charged on this balance during the current period. The \$4,020,000 outstanding at September 30, 2018 accrued interest at an annual rate of 6% from the date of receipt until September 30, 2018. Total interest accrued at Q4 2018 was \$19,287. (Q3 2018-Nil). The loans were repaid in full subsequent to the quarter ending. Total interest paid was \$19,287.

Unsecured interim financing from directors and shareholders

In the prior year, at Q1 2018, the balance of other financing outstanding at September 30, 2017 of \$1,300,000 was repaid with interest at an annual rate of 6%. Total interest paid was \$10,903.

During Q3 2018 other financing unsecured in the amount of \$2,500,000 was received from two shareholders of the Company. The loans earned interest at an annual rate of 6%. Total interest accrued at June 30, 2018 was \$5,820.

Liquidity, capital resources and solvency

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

	9 months	12 months
	June 30, 2019	September 30, 2018
Income from operations	\$ 8,539,941	\$ 11,788,601
Available unused credit facilities	\$ 53,996	\$ 1,542,328
Cash provided by operating activities	\$ 6,698,591	\$ 7,180,380

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

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

Investment properties that are unencumbered with debt total \$17,204,993 at June 30, 2019 and the current debt encumbered on properties is 56% of the fair value of the secured properties.

At June 30, 2019 there are two mortgages totalling \$10,698,582 and shown as current liabilities. The Company intends to renew the mortgages as they come due and may have the option of increasing the debt on a particular property, subject to the lender's approval, to provide increased capital. There is risk to the Company that mortgages that are up for renewal may not be renewed or may not be renewed at the same rates and therefore the monthly P&I may change. Total monthly principal and interest payments at June 30, 2019 are \$741,526. Annual payments of \$8,898,312 will be covered with cash flow from operations.

Subsequent to the quarter ending, the Company received an increase to one of the credit facilities from \$10,000,000 to \$13,500,000. Additional investment properties were added to the secured properties with this increase. There was no change to any of the financial covenants.

Other sources of funds include the loan receivable of \$1,130,167 (before a provision of \$100,000) at Q3 2019 which should contractually provide monthly cash receipts of \$105,850. The Company will also look toward the disposition of short-term investments of \$240,000 when the market conditions are favorable.

The Company has no other contractual commitments to purchase or sell assets, other than as disclosed above, and as disclosed in Note 21 of the consolidated interim financial statements.

Critical estimates of the current economic environment and outlook

The economic environment that Imperial operates in could be adversely affected by tenants that may be challenged by unfavourable economic conditions within our economy.

During Q1 2019 an Edmonton based tenant asked Management for some relief from their current lease obligations due to major cash flow issues. Management agreed to amend their rent for the duration of their lease.

One very small tenant has resumed making payments on their arrears. The rent from this tenant amounts to one half of one percent of monthly rents and is not considered a financial threat if the tenant, in a worst-case scenario, had to vacate. At Q3 2019 and Q4 2018 Management included an allowance for bad debt for this tenant.

Early in 2017 a 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 in Q2 2018, Management extended the deferral to Q3 2018. During Q3 2018, Management completed negotiations to accept an accelerated rent adjustment for early termination of this tenant's lease. The total net rent adjustment of \$1,992,928 was recorded in revenue in Q4 2018 (Note 4). Simultaneous with this lease termination, was a new 11 - year lease agreement with a large national tenant who wished to take over this space in Fort McMurray, Alberta. Rental income commenced in Q4 2018.

There are no other indications from any other tenants that they will not be able to pay their rent.

Imperial continues to be very successful with all its financing requirements and diligently monitors the risk factors when considering strategic plans.

Risks

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 Imperial if the tenant fails to make contracted rental payments.

Portfolio of Tenants

One of the Company's internal performance drivers is to ensure the quality of the tenant base is strong. Most of the Company's tenants are large and able to withstand a little economic turbulence. The Company does not have any one tenant that makes up 10% or more of the rental revenue.

Mix of Tenant Base	Institutional	Multi - National	National	Regional Large	Regional Medium	Local Small	Totals
% of Occupied GLA	8%	42%	26%	9%	8%	7%	100%
% of Annual Rental Revenue	4%	53%	24%	13%	4%	6%	100%

The Company's annual rental revenue is the 12-month revenue stream from contracted rents, also called Minimum Rent or Basic Rent in the Company's leases and excludes revenues from operating expense recoveries and month to month leases. It is shown in the above chart to illustrate the majority of the Company's lease revenues are from large multi-national or national tenants.

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.

Most 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 Company's 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 became vacant, the carrying costs and mortgage payments could be paid for with existing cash flows from operations. At Q3 2019 Imperial's occupancy rate is 96.9% year to date.

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 may be externally appraised for their current market value, if the lender requires. During Q1 2019 three mortgages were extended at their term dates and two new conventional mortgages were received. During Q3 2019 a mortgage was renewed for a further five-year term.

Factors that influence market values of investment properties 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.

One property in Fort McMurray, Alberta where the tenant vacated early in 2018, the lender required the Company to place additional security and collateral against this mortgage, by depositing funds into GIC's held to the maturity date of the mortgage, July 2019. Total deposits to GIC's will not exceed \$1,300,000. This requirement was based on the new lease signed with another company at lower rates than the previous lease. The lower income generated from the property, caused a valuation loss of over \$4 million during the prior year.

The Company has determined that capitalization rates used to evaluate a property have moved slightly upward and when valuing the properties at each quarter, several properties were adjusted accordingly, which will create unrealized losses. The total fair value of the investment properties at Q3 2019 is \$218,805,652 which includes \$17,204,993 of properties unencumbered with debt. The mortgages and bank operating facilities encumbered on specific properties total \$113,777,070 or 56% of the encumbered property. Management believes the amount of debt against the properties is low enough to absorb any decline in values and support our ability to refinance.

Lease rates will 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 any further leases that are up for renewal in 2019 will likely be renewed at par.

Interest rates on mortgages that are up for renewal may rise as the Bank of Canada continues to keep inflation in check by increasing its benchmark interest rates. All the mortgages that were up for renewal in the last twelve months were renewed at higher rates than the prior terms, except the most recent mortgage which was renewed at a lower rate than the previous term. 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 includes 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 Q4 2018, the Company had placed deposits of \$665,000 pursuant to conditional agreements to purchase investment property. Subsequent to the year end, \$445,000 were applied to the acquisitions in the period and the remaining \$200,000 was refunded to the Company.

At Q4 2018 the Company had construction costs to complete the two buildings under development. Total contracted costs not incurred at September 30, 2018 were \$1,521,661. During Q1 2019, both buildings were completed, and both are now occupied with tenants.

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 which is generally available on a short-term basis. 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

Adoption of accounting standards

The Company has adopted the following standards in its consolidated interim financial statements.

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 Company has adopted the standard and there was no impact on the consolidated interim financial statements.

IFRS 9, Financial Instruments replace IAS 39 and introduces a new classification and measurement model with three classification categories, 'amortized cost', 'fair value' and 'fair value through other comprehensive income', for financial assets, as well as an expected loss impairment model that requires more timely recognition of expected credit losses and a new hedge accounting model. The adoption of IFRS 9 did not result in any adjustments upon transition. Financial assets which include cash and cash equivalents, restricted cash, accounts receivable and loan receivable were previously classified as Loans and Receivables are now classified as amortized cost. This change in classification did not result in any changes in measurement of financial assets. The Company was required to revise its impairment methodology under IFRS 9 for its financial assets, to account for expected credit losses. To measure the expected credit loss, financial assets have been grouped based on shared credit risk characteristics and the days past due. There was no significant impact to the measurement, recognition or disclosures of financial liabilities.

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 some gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. The Company's most material revenue stream is rental revenue and it is outside the scope of the new standard. The adoption of the new standard did not have a material impact on the consolidated statements of income and comprehensive income. The Company's pattern of revenue recognition is unchanged and there were no adjustments to the opening retained earnings on the adoption of this standard.

IAS 40 was issued in December 2016 with an amendment effective January 1, 2018 that requires an asset to be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The Company adopted these amendments and clarifications in its consolidated interim financial statements on a retroactive basis and it did not result in any impact.

The Company adopted the Amendments to IFRS 3, Business Combinations ("IFRS 3 Amendments") effective October 1, 2018 in advance of its mandatory effective date. Amendments clarifies the definition of a business in determining whether an acquisition is a business combination or an asset acquisition. It has removed the assessment of whether market participants are capable of replacing

any missing inputs or processes and continuing to produce outputs and the reference to an ability to reduce costs, and requires, at a minimum, the acquired set of activities and assets to include an input and a substantive process to meet the definition of a business. IFRS 3 Amendments also provides for an optional concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. If substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set of activities and assets is determined not be a business and no further assessment is needed. This election is made separately for each transaction. The Company has adopted the standard prospectively. All acquisitions to date are considered asset acquisitions and applying the IFRS 3 Amendments did not have an impact on the consolidated financial statements.

After the adoption of the IFRS 3 Amendments, the Company will account for business combinations in which control is acquired under the acquisition method. When an acquisition is made, the Company considers the inputs, processes and outputs of the acquiree in assessing whether it meets the definition of a business. If the acquired set of activities and assets lack a substantive process in place but will be integrated into the Company's existing operations, the acquisition ceases to meet the definition of a business and is accounted for as an asset acquisition. Assets acquired through asset acquisitions are initially measured at cost, which includes transaction costs incurred.

Future accounting standards

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 assessed this standard and consistent with IAS 17, leases with tenants will be accounted for as operating leases in the same manner they are currently being reported. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments", was issued in June 2017 as a clarification to requirements under IAS 12 "Income Taxes". IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019. The adoption of this standard is not expected to have a material impact on the 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 interim 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.

Valuation of loan receivable

The valuation of the loan receivable is based on management's best estimate of the collectability of the principal balance. Management monitors the loan receivable for indications of impairment on an ongoing basis.

Measures not in accordance with international financial reporting standards

Throughout the MD&A, management will use measures that will include Investment properties encumbered with debt, clear title properties and total debt on encumbered properties. These measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar calculations presented by other issuers. Different issuers may use the same term(s) to refer to different calculations or may vary the definitions of a particular term from one 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.

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. Management has initiated measures to mitigate such material weakness with the addition of new staff to segregate duties.

Imperial Equities is a Venture Issuer and is not required to certify the design and evaluation of the disclosure controls and procedures and internal control over financial reporting and has not completed such an evaluation. There are inherent limitations on the ability of the certifying officers to design and implement on a cost effective basis DC&P and ICFR for Imperial and therefore there may be additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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.

All proposed acquisitions are discussed at the audit committee stage. Once all internal conditions are met, an independent appraisal is ordered. Upon the successful closing of the transaction, acquisition fees charged by the asset manager, a related party, are disclosed to the audit committee. 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.