



IMPERIAL EQUITIES INC.

Q3 2019 Financial Statements

NOTICE TO READERS OF THE INTERIM FINANCIAL STATEMENTS

The interim consolidated financial statements have not been reviewed by the Company's auditors and should be read in conjunction with the Company's 2018 annual consolidated financial statements.

**IMPERIAL EQUITIES INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

		(unaudited) June 30, 2019	(audited) September 30, 2018
	Notes		
Assets			
Investment properties	3	218,805,652	206,710,736
Total non-current assets		218,805,652	206,710,736
Loan receivable	4	1,030,167	1,009,825
Receivables	6	81,940	242,792
Prepaid expenses and deposits	7	1,251,789	1,218,946
Restricted cash	8	1,300,000	400,000
Short term investments	5	240,000	373,500
Cash and cash equivalents		250,756	2,343,520
Total current assets		4,154,652	5,588,583
Total Assets		222,960,304	212,299,319
Liabilities			
Mortgages	8	74,644,982	64,146,206
Security deposits		614,369	611,654
Deferred taxes	12(b)	15,085,284	14,299,347
Total non-current liabilities		90,344,635	79,057,207
Current portion of mortgages	8	15,919,967	21,280,840
Other financing	22 (b)	5,070,000	4,020,000
Bank operating facilities	9	22,946,004	18,457,672
Payables and accruals	10	752,505	3,145,876
Income taxes payable		650,386	915,477
Total current liabilities		45,338,862	47,819,865
Total Liabilities		135,683,497	126,877,072
Equity			
Issued share capital	14(a)	5,858,822	6,030,758
Contributed surplus	14(b)	593,750	593,750
Retained earnings		80,824,235	78,797,739
Total Equity		87,276,807	85,422,247
Total Equity and Liabilities		222,960,304	212,299,319

Guarantees, contingencies and commitments (Note 18)
Post-reporting date events (Note 23)

See accompanying notes to the consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
Three and nine months ending June 30,

	Notes	Current Quarter 2019	Prior Year Quarter 2018	9 Months June 30 2019	9 Months June 30 2018
Rental revenue	17(a)	3,121,351	2,253,899	9,167,936	7,704,075
Property operating expense recoveries		852,306	676,893	2,377,579	2,041,252
Property operating expenses	17(b)	(996,190)	(839,371)	(3,005,574)	(2,488,147)
Income from operations		2,977,467	2,091,421	8,539,941	7,257,180
Finance costs	11	(895,941)	(720,389)	(2,963,437)	(2,191,568)
Administration expenses		(61,723)	(255,147)	(134,155)	(833,672)
Amortization of deferred leasing		(72,231)	(85,983)	(210,872)	(202,450)
Unrealized gains (losses) on short term investments	3	6,000	-	(133,500)	-
Valuation net gains (losses) from investment property	3	(148,530)	(4,702,567)	(1,635,159)	(4,281,718)
Income (loss) before income tax		1,805,042	(3,672,665)	3,462,818	(252,228)
Income tax (expense) recovery	12(a)	(285,194)	509,387	(1,436,322)	(800,412)
Net income (loss) and total comprehensive income (loss) for the period		1,519,848	(3,163,278)	2,026,496	(1,052,640)
Earnings (loss) per share, basic and diluted	15	0.16	(0.33)	0.21	(0.11)

See accompanying notes to the consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Nine months ending June 30,

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
October 1, 2018	9,583,642	\$ 6,030,758	\$ 593,750	\$ 78,797,739	\$ 85,422,247
Shares repurchased during the period	-	(171,936)	-	-	(171,936)
Net income	-	-	-	2,026,496	2,026,496
Balance June 30, 2019	9,583,642	\$ 5,858,822	\$593,750	\$ 80,824,235	\$ 87,276,807

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
October 1, 2017	9,614,442	\$ 6,050,152	\$ 593,750	\$ 76,564,622	\$ 83,208,524
Shares repurchased during the period	-	(22,200)	-	-	(22,200)
Shares cancelled during the period	(13,500)	(8,495)	-	(49,085)	(57,580)
Net loss	-	-	-	(1,052,640)	(1,052,640)
Balance June 30, 2018	9,600,942	\$ 6,019,457	\$593,750	\$ 75,462,897	\$ 82,076,104

See accompanying notes to the consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
Three and nine months ended June 30,

Notes	Current Quarter 2019	Prior Year Quarter 2018	9 Months June 30 2019	9 Months June 30 2018
Operating activities				
Net income from operations	1,519,848	(3,163,279)	2,026,496	(1,052,640)
Finance costs	895,941	720,389	2,963,437	2,191,568
Items not affecting cash:				
Amortization of discount on loan receivable	-	-	-	(3,586)
Amortization of tenant inducements	-	318,182	-	336,364
Amortization of deferred leasing commissions	72,231	85,983	210,872	202,450
Fair value losses on investment properties	148,530	4,702,567	1,635,159	4,281,718
Unrealized (gain) loss on short term investments	(6,000)	-	133,500	-
Straight-line rental revenue	(2,894)	92,399	72,953	(51,757)
Deferred income taxes	43,596	(562,056)	785,937	347,970
Leasing commissions	(23,277)	(606,972)	(220,020)	(877,549)
Net change in operating working capital	13 a) (1,321,180)	(899,196)	(909,743)	(680,221)
Cash provided by operating activities	1,326,795	688,017	6,698,591	4,694,317
Investing activities				
Purchase of investment properties	(2,595,044)	(1,397,441)	(11,482,864)	(7,131,140)
Completed property under development	(253,568)	(1,581,446)	(1,865,104)	(3,356,753)
Improvements and additions to investment properties	(58,509)	(166,689)	(445,909)	(278,413)
Proceeds from loan receivable	-	200,528	-	432,442
Net change in investing working capital	13 a) 100,000	184,040	(1,694,361)	2,130,022
Cash used in investing activities	(2,807,121)	(2,761,008)	(15,488,238)	(8,203,842)
Financing activities				
Proceeds from new mortgages	-	-	9,400,000	10,050,000
Repayment of mortgages on maturity	-	-	-	(4,813,092)
Repayment of mortgages through principal instalments	(1,458,985)	(1,476,771)	(4,238,166)	(4,260,011)
Restricted cash held in guaranteed investment certificates	(300,000)	-	(900,000)	-
Amortization of deferred finance fees	20,236	21,692	65,252	65,079
Fees associated with new or renewed mortgages	(42,875)	-	(89,186)	(36,609)
Advances from other financing	1,050,000	2,500,000	1,800,000	2,550,000
Repayment of other financing	-	-	(750,000)	(1,350,000)
Finance costs	(895,941)	(720,389)	(2,963,437)	(2,191,568)
Purchase of common shares for cancellation	741	(22,200)	(171,936)	(79,780)
Net advances on bank operating facilities	3,223,752	1,979,310	4,488,333	3,150,782
Net change in financing working capital	13 a) (112,177)	1,330	56,023	53,720
Cash (used) provided by financing activities	1,484,751	2,282,972	6,696,883	3,138,521
	-	-	-	-
Increase (decrease) in cash and cash equivalents	4,425	209,981	(2,092,764)	(371,004)
Cash and cash equivalents, beginning of period	246,331	262,351	2,343,520	843,336
Cash and cash equivalents, end of period	250,756	472,332	250,756	472,332

Reconciliation of the opening and closing balances for liabilities arising from financing activities Note 13 b).

See accompanying notes to the consolidated interim financial statements.

1. Nature of operations

Imperial Equities Inc. ("the Company") was incorporated in Edmonton, Alberta, Canada. The registered and operating office of the Company is 2151, 10060 Jasper Avenue, Edmonton, Alberta T5J 3R8. The Company's operations consist of the acquisition, development and redevelopment of commercial and industrial properties primarily in Edmonton and throughout Alberta. All the operations of Imperial Equities Inc. are conducted in Canadian funds. The Company's common shares trade on the TSX Venture Exchange (TSXV) under the symbol "IEI". These consolidated interim financial statements include the Company and its wholly owned subsidiaries, Imperial Equities Properties Ltd. ("IEPL"), Imperial One Limited, Imperial Two Limited, Imperial Three Limited, Imperial Four Limited, Imperial Five Limited, Imperial Six Limited, Imperial Seven Limited and Imperial Eight Limited.

2. Significant accounting policies

(a) Statement of compliance, basis of presentation and consolidation

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated interim financial statements have been prepared on a historical cost basis, except for investment properties and certain financial instruments that have been measured at fair value. These consolidated interim financial statements are prepared on a going concern basis and are presented in Canadian dollars, which is the Company's functional currency.

These consolidated interim financial statements have been prepared using the same accounting policies and methods of computation in all material respects as the most recent annual financial statements except for the impact of the adoption of accounting standards described in Note 2 (r). These statements have not been reviewed by the Company's auditors and should be read in conjunction with the Company's 2018 annual consolidated financial statements. The preparation of interim financial statements in conformity with IAS34 requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, which are the entities over which the Company has control. The Company controls the entity when the Company is exposed to or has rights to variable returns from its involvement with the entity and can affect those returns. All significant intercompany balances and transactions have been eliminated.

Comparative information in the consolidated interim financial statements includes reclassification of certain balances to provide consistency with current period classification Note 13. The current period classification more appropriately reflects the Company's core operations and any changes are not material to the financial statements as a whole.

(b) Investment properties

Investment properties are comprised of acquired commercial properties, developed commercial properties, and properties under development or re-development, held to earn rental income or for capital appreciation or both.

Investment properties

Investment properties are measured initially at cost including transaction costs. Transaction costs include various professional fees, initial leasing commissions and other costs to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. After initial recognition, investment properties are stated at fair value. Related fair value gains and losses arising from changes in the fair values are recorded in the consolidated statements of comprehensive income in the period in which they arise.

The carrying value of investment properties also includes straight-line rent receivable, tenant incentives and leasing commissions.

Tenant incentives are inducements given to prospective tenants to move into the properties or to existing tenants to extend the lease term. The net book value of tenant incentives is included in the carrying value of the investment properties and are deducted from rental revenue on a straight-line basis over the term of the tenant's lease.

Investment properties are derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated statements of comprehensive income in the period of retirement or disposal. Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous reporting period financial statements.

Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of re-development or development with a view to sale. Investment properties are reclassified to "Investment properties held for sale" when the criteria set out in IFRS 5 "Non-Current Asset Held for Sale and Discontinued Operations" are met (Note 2(e)). If the investment property is not sold and the criteria are no longer met, the investment property is no longer classified as "Investment properties held for sale."

Vacant land owned by the Company is held for capital appreciation or future development and treated as investment property.

Investment properties under development

The cost of properties under development includes direct development costs, realty taxes, and borrowing costs directly attributable to the development. Investment properties under development are measured at fair value at each reporting date and any gains or losses are recognized in the consolidated statements of comprehensive income. If the fair value of investment properties under development is not reliably determinable, but the Company expects the fair value of the properties to be reliably determinable when construction is complete, it measures those investment properties under development at cost until either the fair value becomes reliably determinable, or construction is completed (whichever is earlier).

Borrowing costs related to properties under development

Borrowing costs associated with direct expenditures on properties under development are capitalized. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale, are complete. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs along with amortization of deferred finance fees, and net of interest income.

(c) Business combinations

In accordance with IFRS 3 – Business Combinations ("IFRS 3"), the acquisition of an asset or group of assets is recorded as a business combination if the assets acquired and the liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. Building and other asset acquisitions, which meet the above definition of a business, are recorded as business combinations and the acquisition method of accounting for these transactions is applied. Building and other asset acquisitions which do not meet the above definition of a business are recorded as an asset addition. There are no acquisitions which meet the definition of a business in the current or comparative year.

(d) Impairment of assets

At the end of each reporting period, assets, other than those identified in the standards as not being applicable to IAS 36 – Impairment of Assets such as investment properties recorded at fair value, are assessed for any indication of impairment. Should an indication of impairment exist, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is defined as the higher of an asset's "fair value less costs of disposal" and its "value-in-use". In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the consolidated statements of comprehensive income. Should this impairment loss be determined to have reversed in a future period, a reversal of the impairment loss is recorded in the consolidated statements of comprehensive income. However, the reversal of an impairment loss will not increase the carrying amount that would have been determined had no impairment loss been recognized.

(e) Investment property held for sale

Investment property is categorized as held for sale where the property is available for sale in its present condition and the sale is highly probable. For this purpose, a sale is highly probable: (a) if management is committed to a plan to achieve the sale, (b) there is an active program to find a buyer, (c) the property is being actively marketed at a reasonable price, (d) the sale is anticipated to be completed within one year from the date of classification, and (e) it is unlikely there will be changes to the plan. Where a property is acquired with a view to resale, it is classified as held for sale if the disposal is expected to take place within one year of the acquisition and it is highly likely that the other conditions referred to above will be met within a brief period following the acquisition. Retrospective application is not required; therefore, comparative figures will not be adjusted to reflect property held for sale. On reclassification to or from investment property held for sale, investment property that is measured at fair value continues to be so measured.

(f) Leases – Company as lessor

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statements of comprehensive income as they arise.

Other leases are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

The Company has assessed all leases in which it is the lessor to be operating leases.

(g) Segment reporting

Operating segments are defined as components of the Company for which separate financial information is available and is evaluated by the chief decision makers in allocating resources and assessing performance. All the Company's operations are solely in Canada and are under one business, commercial real estate.

(h) Income tax

Income tax expense is comprised of current and deferred taxes. Current and deferred tax is recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes for the current period, including any adjustments to tax payable in respect of previous years, are recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to settle, based on the laws that have been enacted or substantively enacted by the reporting date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that it is no longer probable that they can be utilized.

(i) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the best estimate of the consideration required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as interest expense.

(j) Revenue recognition

Revenue from investment properties is recognized when a tenant has a right to occupy the leased asset. Rental income from investment properties is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received. The Company has retained substantially all the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payment is not made on such basis. The lease term is the non-cancellable period of the lease.

Rental revenue also includes contractual recoveries of operating expenses, including property taxes and is recognized as income in the period that recoverable costs are chargeable to the tenants. The recoveries are included gross of the related costs in revenue, as management considers that the Company acts as principal in this respect. Some of the Company's leases allow the tenant to pay property taxes directly to the municipality. When the tenant chooses this option, the Company does not recognize any revenue recovery or expense related to those property taxes.

Accelerated rent adjustments occur when the Company agrees to allow a tenant to terminate their lease in advance of the contractual lease term. The proceeds of the negotiated rent adjustment are recognized in income when it is receivable, and there is no ongoing contractual obligation.

When management determines collectability of revenue under a lease is not reasonably assured, revenue is no longer recorded.

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognized only when all the significant conditions are satisfied.

(k) Fair value measurements

The Company measures certain non-financial assets such as investment property, at fair value at the end of each reporting period. Fair values of financial instruments measured at amortized cost, are disclosed in the notes to the consolidated financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Company must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest. A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(l) Financial instruments

Financial assets are recognized when the Company becomes party to the contractual provisions of the financial instruments. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. For financial assets, the Company applies the simplified expected credit loss approach, which requires expected lifetime losses to be

recognized from initial recognition. Short term investments are initially recognized at fair value and subsequently measured at fair value through profit and loss.

Financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instruments and they are derecognized when they are extinguished, discharged, cancelled, or expire.

Classification and measurement

Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Financial liabilities are classified and measured on two categories: amortized cost or FVTPL.

The following summarizes the Company’s classification and measurement of financial assets and liabilities:

	<u>Classification and Measurement</u>
Financial Assets	
Cash, cash equivalents and restricted cash	Amortized cost
Short term investments	FVTPL
Receivables and loans receivable	Amortized cost
Financial Liabilities	
Bank operating facilities	Amortized cost
Payables and accruals	Amortized cost
Other financing	Amortized cost
Mortgages	Amortized cost
Security deposits	Amortized cost

The Company does not have any derivatives embedded in financial or non-financial contracts.

(m) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less. Restricted cash represents cash held in guaranteed investment certificates as collateral, pursuant to certain lender agreements.

(n) Stock based compensation

The Company has established a stock option plan for its directors, management and key employees as described in Note 16. The Company uses the fair value method of accounting for stock options. The fair value of the option grants is calculated on the grant date for employees using the Black-Scholes Option Pricing Model and recognized as compensation expense over the vesting period of those granted options, adjusted for estimated forfeitures. The corresponding adjustment is recorded to contributed surplus. The fair value of the option grants to non-employees is calculated based on the value of the services provided in exchange for the option issue. When the options are exercised the proceeds received by the Company, together with the related amount in contributed surplus, are added to share capital. Forfeited or expired options are put back into the pool of available stock options for future grants. No adjustment is recorded for stock options that expire unexercised. For stock options which expire unexercised, the corresponding amount in contributed surplus is transferred to retained earnings. There is no adjustment to past compensation expense. Compensation expense related to forfeited options is reversed on the forfeiture date provided the options have not vested.

(o) Normal course issuers bid

Common shares purchased under the normal course issuer bid (“NCIB”) are acquired at market value. The transaction reduces the number of common shares outstanding and the transaction value, including costs, reduces capital stock at the adjusted cost base of the shares repurchased with the remaining transaction value charged to retained earnings. For shares acquired and not cancelled, the transaction value, including costs, reduces capital stock.

(p) 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 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 properties

The Company's accounting policies relating to investment properties are described in Note 2(b). 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 property under development is available for use. This judgement is applied when the property is substantially complete and is sometimes concurrent with occupancy.

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) Classification of tenant incentives

Payments are sometimes made to, or on behalf of, tenants of our commercial properties when new leases are signed. When the payments add future value to the space independent of the lease in place, such costs are capitalized to the investment property. If the costs incurred are specific to the lessee, and do not have stand-alone value, these costs are treated as tenant incentives and amortized on a straight-line basis to revenue over the lease term in accordance with SIC 15, Operating leases – incentives.

(iv) 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.

(q) 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:

(i) Investment properties

The choice of valuation method and the critical estimates and assumptions underlying the calculation of the fair value of investment properties and investment properties under development is set out in Note 3.

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, vacancy rates, and standard costs) by property, using property specific capitalization rates.

Investment property under development is valued at cost until either the fair value becomes reliably determinable, or construction is completed (whichever is earlier).

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 development. 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.

(ii) 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.

(iii) Stock-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuing its stock options to employees and directors at the date of issue. Management uses estimates of the expected life, the risk-free rate, expected volatility, and expected forfeiture rate when calculating the value of the options issued. These estimates may vary from the actual expense incurred.

(iv) 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.

(r) 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 interim 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 Company is in the process of assessing the impact on its consolidated financial statements.

3. Investment properties

	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 and additions	316,115	-	129,794	445,909
Completed 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 rental revenue	(28,866)	(44,087)	-	(72,953)
Revaluation losses, net	(1,441,819)	(60,422)	(132,918)	(1,635,159)
Amortization of deferred leasing commissions	(199,940)	(10,932)	-	(210,872)
Ending balance at June 30, 2019	\$ 195,475,834	\$ 11,136,784	\$ 12,193,031	\$ 218,805,652

	Income Producing Properties	Properties Under Development	Held For Development	Total Investment Properties
Opening balance at September 30, 2017	\$ 174,447,425	\$ -	\$ 11,448,900	\$ 185,896,325
<i>Additions:</i>				
Capitalized property taxes and other	-	20,420	122,109	142,529
Capitalized interest	-	86,354	-	86,354
Property improvements	408,968	-	-	408,968
Construction costs	-	6,916,537	-	6,916,537
Leasing commissions	821,747	256,764	-	1,078,511
Property acquisitions	15,707,210	105,839	317,518	16,130,567
Change in straight-line revenues	141,838	-	-	141,838
Revaluation (losses) gains, net	(4,058,468)	704,651	(122,109)	(3,475,926)
Amortization of deferred leasing	(278,603)	-	-	(278,603)
Amortization of tenant inducements	(336,364)	-	-	(336,364)
Transfers (from) to	-	1,250,000	(1,250,000)	-
Ending balance at September 30, 2018	\$ 186,853,753	\$ 9,340,565	\$ 10,516,418	\$ 206,710,736

Valuation methodology and processes

The fair value of investment properties at each reporting period is determined internally by management using assumptions and market information obtained from industry professionals and qualified external appraisers. Management uses inputs from external appraisers as additional sources of information when recording property specific attributes. Investment properties carried at fair value are categorized by level according to the significance of the inputs used in making the measurements. As the fair value of investment properties is determined with significant unobservable inputs, all the investment properties are classified as Level 3 assets. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 fair value measurements for investment properties during the above periods.

Management's primary internal valuation model is based on a capitalization of forecasted normalized net operating income approach. The Company determines the forecasted normalized net operating income using a one-year income forecast for each property based on current in-place rents and assumptions about occupancy, structural and vacancy reserves, less cash outflows expected to operate and manage each individual property within the portfolio. Capitalization rates used to estimate fair market value consider many factors including but not limited to; the location of the property, the size of the land parcel, site coverage, the quality and strength of tenants, whether lease rates are over or under current market rates, demand for the type and use of the property, the age of the building, any special use characteristics of the building or area, whether it is single tenant or multi tenanted and vacancy rates in the area. Market information related to the external sale of similar buildings within a similar geographic location is also taken into consideration.

These factors were used to determine the fair value of investment properties at each reporting date. Investment properties are valued on a highest and best use basis. For all the Company's investment properties, except for the Oliver Crossing property, land held for development and unoccupied buildings, the current use is the highest and best use. The Company's executive management team is responsible for determining fair value measurements including verifying all major inputs included in the valuation. Management, along with the Audit Committee, discuss the valuation process and key inputs on a quarterly basis.

The key level 3 valuation metrics for the investment properties except for those described below are set out in the following tables:

	June 30, 2019	September 30, 2018
Range of capitalization rates applied to investment properties	5.00% - 8.85%	5.00% - 7.17%
Fair values of properties where cap rates were applied	\$ 194,301,913	\$ 181,766,587
Weighted average cap rates	6.27%	6.27%
Fair value impact of increasing average cap rate by 0.25%	\$ (7,447,323)	\$ (6,968,691)
Fair value impact of a 1% decrease in net operating income	\$ (1,943,021)	\$ (1,817,669)

This calculation was used on all the investment properties except for Oliver Crossing, land held for development, and land under lease agreements.

The market value of Oliver Crossing is based on the total square footage of land multiplied by a dollar value per square foot. 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 agreements is valued at the market value of the land valued using management's research of similar land that has sold recently or is available for sale.

	June 30, 2019	September 30, 2018
Oliver Crossing		
Fair value	\$ 8,400,000	\$ 8,400,000
Impact of a \$10 change in price per square foot	\$ 525,000	\$ 525,000
Land held for development		
Average price per acre of land	\$ 163,349	\$ 163,349
Number of acres	64.38	64.38
Total fair values	\$ 10,516,497	\$ 10,516,418
Impact of a 10% change in average price per acre	\$ 1,051,650	\$ 1,051,642
Property available for lease		
Coppertone III – 12,024 sf, Edmonton, AB	\$ -	\$ 3,473,629
Impact of a \$10 change in price per square foot	\$ -	\$ 120,256
Land under lease agreements with tenants		
Number of acres leased	7.90	4.90
Average price per acre	\$ 707,246	\$ 798,104
Total fair values of leased land	\$ 5,587,245	\$ 3,910,710
Impact of a 10% change in average price per acre	\$ 558,725	\$ 391,071

One investment property entitles the lessee to purchase the land and building under an Option to Purchase agreement that expires January 15, 2021.

Included in the carrying amount of investment properties are the following:

	June 30, 2019	September 30, 2018
Straight line rent receivable	\$ 1,474,950	\$ 1,547,901
<u>Leasing commissions</u>	<u>1,641,802</u>	<u>1,632,652</u>
	<u>\$ 3,116,752</u>	<u>\$ 3,180,553</u>

All the above are amortized over the terms of the respective leases.

4. Loan receivable

	June 30, 2019	September 30, 2018
Loan receivable, beginning of year	\$ 1,009,825	\$ 496,414
Additional loan receivable	-	2,200,000
Reversal, (provision) for impairment	900,000	(1,000,000)
Principal payments received	(879,658)	(686,589)
Balance, end of the period	\$ 1,030,167	\$ 1,009,825

The contractual receivable at June 30, 2019 is \$1,130,167 (September 30, 2018 - \$2,009,825). During the current period, the Company reinstated a portion of the receivable that was previously considered impaired. Monthly instalments are to be received until May 1, 2020.

In the prior year, an accelerated rent adjustment of \$2,992,928 was negotiated with a tenant that was granted an early termination of their lease. Contractual consideration was as follows:

Cash received on the termination date	\$ 243,219
150,000 common shares of the tenant's company valued at \$2.00 per share at the termination date	300,000
Adjustment to the balance of the mortgage payable to the tenant	249,709

Monthly instalments of \$105,850 for 22 months inclusive of interest at an annual rate of 6%	2,200,000
Total contractual accelerated rent adjustment	2,992,928
Adjustment to fair value on initial recognition	(1,000,000)
Accelerated rent adjustment	\$ 1,992,928

The loan receivable of \$496,414 at September 30, 2017 was received in full during the prior year.

5. Short – term investments

Level 1 Measurement	June 30, 2019	September 30, 2018
Marketable securities, beginning of year	\$ 373,500	\$ -
Value of shares acquired	-	300,000
Change in fair value	(133,500)	73,500
Balance at the end of the period	\$ 240,000	\$ 373,500

6. Receivables

	June 30, 2019	September 30, 2018
Tenant receivables	\$ 78,889	\$ 136,324
Accrued interest	13,051	10,772
Excise taxes receivable and rebates receivable	-	111,757
Provision for impairment	(10,000)	(16,061)
Receivables, net	\$ 81,940	\$ 242,792

The tenant receivables at September 30, 2018 include invoices for occupancy costs that were reconciled at year end and subsequently collected.

7. Prepaid expenses and deposits

	June 30, 2019	September 30, 2018
Prepaid operating expenses	\$ 1,195,350	\$ 497,507
Deposits on offers to purchase investment property	-	665,000
Security deposits with municipalities	56,439	56,439
Total prepaid expenses and deposits	\$ 1,251,789	\$ 1,218,946

Prepaid operating expenses at June 30, 2019 are for property taxes and insurance (September 30, 2018 - property taxes and insurance).

At September 30, 2018 the Company had refundable deposits of \$665,000 on agreements to purchase investment property. Of the total deposits, \$445,000 was applied to three acquisitions and the remaining \$200,000 was refunded, all in Q1 2019.

8. Mortgages

Maturity	Rate	June 30, 2019	September 30, 2018
* November 1, 2019	3.334%	9,079,639	9,414,128
* January 1, 2020	3.410%	1,618,943	1,742,156
January 1, 2021	2.980%	3,549,961	3,740,559
January 1, 2021	2.980%	5,492,928	5,787,844
April 1, 2021	2.880%	5,682,983	5,982,442
April 1, 2021	2.948%	3,084,274	3,231,172
October 1, 2021	2.470%	6,235,145	6,676,895
October 1, 2021	2.470%	7,547,463	7,936,856
February 1, 2022	3.040%	5,889,815	6,172,934
June 1, 2022	2.730%	2,258,829	2,404,821
December 1, 2022	3.670%	3,783,149	3,943,735
December 1, 2022	3.671%	3,437,150	3,583,038
January 1, 2023	3.570%	755,615	811,376
February 1, 2023	3.750%	2,073,519	2,159,649
October 1, 2023	3.950%	537,989	622,274
October 1, 2023	4.090%	6,093,698	6,300,000
November 1, 2023	4.330%	4,179,287	-
December 1, 2023	4.648%	4,980,540	-
January 1, 2024	4.300%	2,442,730	2,569,227
January 1, 2024	4.300%	1,938,675	2,039,948
August 1, 2024	3.300%	10,168,734	10,550,178
<i>Total mortgages</i>		\$ 90,831,066	\$ 85,669,230
<i>Less: current portion of principal payments</i>		(15,919,967)	(21,280,840)
<i>Less: balance of unamortized finance fees</i>		(266,117)	(242,184)
		\$ 74,644,982	\$ 64,146,206
Weighted average rate		3.35%	3.13%

*Mortgages due in the next twelve months

All the above mortgages are repayable in blended monthly payments of interest and principal. The security pledged for each mortgage is limited to the related investment property, except for one mortgage that matured July 1, 2019. Additional security and collateral for the lender of this mortgage included monthly instalments of \$100,000 held in interest bearing GIC's, for a total debt service reserve in the aggregate of \$1,300,000. Total instalments at June 30, 2019 are \$1,300,000 (September 30, 2018 - \$400,000) and are classified as restricted cash. Prior to this quarter ending, this mortgage was renewed for a further five years and the additional collateral of \$1,300,000 held in GIC's was released to the Company effective July 1, 2019.

9. Bank operating facilities

	June 30, 2019	September 30, 2018
Bank operating facilities	\$ 22,946,004	\$ 18,457,672

At June 30, 2019 and September 30, 2018, the Company has two credit facilities set out as follows:

- 1) An operating line of credit (LOC) with a limit of \$10,000,000 (September 30, 2018 - a limit of \$10,000,000).

This LOC is used to assist with property acquisitions and general operations and has a balance at June 30, 2019 of \$9,985,169 (September 30, 2018 - \$9,888,223). The credit facility bears interest at prime plus 1% per annum (September 30, 2018 – interest at prime plus 1% per annum) and is secured by specific revenue producing properties with combined fair values of \$40,040,854 (September 30, 2018, specific revenue producing properties with combined fair values of \$39,870,611). The Company pays a standby fee of .25% per annum (September 30, 2018 - .25% per annum) payable monthly on the un-drawn portion of the facility. Specific covenants of this credit facility are that there be a minimum of 90% occupancy of the secured buildings and adherence to a margin formula as outlined below.

Availability under the facility will be restricted to the lending value assigned to the properties which will be the lesser of: a) the level at which a Debt Service Coverage Ratio of 1.25 can be maintained, less the Prior Debt on the properties, (unchanged from September 30, 2018): or b) the level at which a Loan to Value Ratio of 70% can be maintained with respect to the secured properties, over which the Lender has a 1st mortgage and 60% with respect to the secured properties over which the Lender holds a 2nd mortgage, less the prior debt on the properties (unchanged from September 30, 2018). For these secured properties, the loan to value is set at 70%, unchanged from the prior year.

Debt service = annual principal and interest payments based on 25-year amortization and an interest rate that is the greater of 5.0% (September 30, 2018 - 5.0%) or the Government of Canada Benchmark Bond Yields plus 225 basis points.

Net Operating Income is stabilized operating income from the secured properties adjusted for normal operating expenses, common area maintenance expenses, property taxes and other expenses that are not recovered from the tenants.

Loan to Value Ratio is the total debt on the properties divided by the current market value of the properties.

Loan Covenant Requirements:	Min. 90% Occupancy	DSCR 1.25	LTV 70%
June 30, 2019	Yes	1.15	70%
September 30, 2018	Yes	1.12	72%

The aggregate of the LTV on all secured properties equals the “Preliminary Lending Value” and at June 30, 2019 the Preliminary Lending Value met the ratio requirement of 70%. At March 31, 2019 the LTV was 71%, however the lender had agreed to the “Final Lending Value” of \$10,000,000 and therefore the Company was not in breach of its covenants. The Lender will allow the Final Lending Value to be accommodated until March 31, 2020 at which time it will be adjusted back down to the Preliminary Lending Value, as recalculated at that time. Any resulting margin shortfall is to be covered by the Company’s own resources.

At September 30, 2018 the debt covenants exceeded the Preliminary Lending Value, however the Final Lending Value of \$10,000,000 was approved by the lender until March 31, 2019, at which date it was renewed for a further year.

- 2) An additional operating LOC with a limit of \$13,000,000 (September 30, 2018 – a limit of \$10,000,000).

This credit facility bears interest at prime plus .95% per annum and is secured by specific revenue producing properties with combined fair values at June 30, 2019 of \$73,322,641 (September 30, 2018 - \$64,956,941).

There are no specific covenants or margin formulas for this line of credit. The balance on the credit facility at June 30, 2019 is \$12,960,835 (September 30, 2018 - \$8,569,449).

10. Payables and accruals

	June 30, 2019	September 30, 2018
Trade payables	\$ 157,573	\$ 1,814,114
Accrued loan interest	284,752	228,729
Current portion of tenant security deposits	5,531	25,624
Accrued liabilities	21,098	734,175
Prepaid rents	283,551	343,234
Total payables and accruals	\$ 752,505	\$ 3,145,876

Trade payables and accrued liabilities at September 30, 2018 include construction payables for projects that were completed during the current period.

Prepaid rents from tenants largely relates to rent due on the first of the following month, and the balance represents rents paid in advance which is recognized in revenue over the applicable months. The carrying value of payables and accruals approximates fair value due to their short-term maturity.

11. Finance costs

The components of finance costs are as follows:

	June 30, 2019	June 30, 2018
Interest on mortgages	\$ 2,258,723	\$ 1,821,911
Interest on bank operating facilities	709,687	340,860
Interest on other unsecured financing	5,633	15,309
Amortization of deferred finance fees	65,254	65,080
Capitalized interest	-	(40,370)
Interest income	(75,860)	(11,222)
	\$ 2,963,437	\$ 2,191,568

At Q1 and Q2 2019 the Company had accrued interest at an annual rate of 6% on other financing. During Q3 2019 the Company reversed that accrual. See Note 23 (b) iii).

12. Income taxes

a) Provision for income taxes

Components of income tax expense

	June 30, 2019	June 30, 2018
Current tax expense	\$ 650,385	\$ 452,442
Deferred tax expense	785,937	347,970
	\$ 1,436,322	\$ 800,412

The actual income tax provision differs from the expected amount calculated by applying Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

	2019	2018
Income (loss) before income taxes	\$ 3,462,818	\$ (252,228)
Expected income tax expense (recovery) at 27%	\$ 934,960	\$ (68,102)
<i>Increase (decrease) resulting from:</i>		
Non-taxable items	20,218	16,432

Tax rate differentials	481,144	852,082
	\$ 1,436,322	\$ 800,412

b) Deferred taxes

Deferred tax assets are attributable to the following:

	June 30, 2019	September 30, 2018
Financing fees	\$ 85	\$ 6,259
Marketable securities	18,023	-
Deferred tax assets	18,108	6,259
Offset of tax	(18,108)	(6,259)
Net deferred tax assets	\$ -	\$ -

Deferred tax liabilities are attributable to the following:

	June 30, 2019	September 30, 2018
Straight-line rent receivable	\$ 398,236	\$ 417,933
Investment properties	14,260,775	13,436,855
Marketable securities	-	9,923
Finance fees	1,095	79
Deferred leasing	443,286	440,816
Deferred tax liabilities	15,103,392	14,305,606
Offset of tax	(18,108)	(6,259)
Net tax liabilities	\$ 15,085,284	\$ 14,299,347

\$30,273,649 (September 30, 2018 - \$30,273,649) related to investments in certain subsidiaries was not recognized because it was not probable that the temporary difference will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

13. Supplemental consolidated cash flow information

a) Changes in working capital

	June 30, 2019	June 30, 2018
<i>Net change in operating working capital</i>		
Decrease in receivables	\$ 160,852	\$ 12,464
Increase in loans receivable	(20,342)	-
Increase in prepaid expenses and deposits	(697,843)	(648,740)
(Decrease) increase in payables and accruals	(90,034)	198,384
Decrease in income taxes payable	(265,091)	(400,283)
Increase in security deposits	2,715	157,954
	\$ (909,743)	\$ (680,221)

Net change in investing working capital

Decrease in deposits in trust for property acquisitions	\$ 665,000	\$ 1,517,049
Decrease (increase) in construction payables and accruals	(2,359,361)	612,973
	\$ (1,694,361)	\$ 2,130,022

Net change in financing working capital

Decrease in refundable deposits with lenders	\$ -	\$ 41,000
Increase in accrued interest payable	56,023	12,720
	\$ 56,023	\$ 53,720

Interest paid	\$ 3,232,540	\$ 2,169,765
Income taxes paid	\$ 915,370	\$ 970,044

In the prior year at June 30, 2018, the Company corrected prior period errors to the classification of changes in investing working capital and financing working capital which were erroneously included in operating working capital. In the September 30, 2018 annual consolidated financial statements, these errors were incorrectly reported as changes in accounting policies. The September 30, 2018 annual consolidated financial statements Note 2 (r) should have stated these reclassifications were corrections to prior period errors. The impact of these errors is shown below.

Prior year changes to statements of cash flows	September 30, 2017
Cash inflow from operating activities of continuing operations, previously stated	\$ 6,078,965
Interest income, reclassified to financing activities	(19,636)
Direct leasing costs, reclassified from investing activities	(268,611)
Deposits in trust for investment properties, reclassified to investing activities	1,367,049
Payables for acquisition fees, reclassified to investing activities	128,625
Refundable deposit, reclassified to financing activities	41,000
Accrued interest on financing, reclassified to financing activities	(18,994)
Cash inflow from operation activities, reclassified	\$ 7,308,398
Cash outflow used in investment activities of continuing operations, previously stated	\$ (17,187,879)
Deposits in trust for investment properties, reclassified from operating activities	(1,367,049)
Payables for acquisition fees, reclassified from operating activities	(128,625)
Direct leasing costs, reclassified to operating activities	268,611
Cash used in investing activities, reclassified	\$ (18,414,942)
Cash provided by financing activities of continuing operations, previously stated	\$ 9,837,217
Refundable deposit, reclassified from operating activities	(41,000)
Accrued interest on financing, reclassified from operating activities	18,994
Interest income, reclassified to finance costs in operating activities	19,636
Cash provided by financing activities, reclassified	\$ 9,834,847

Consolidated interim financial statements for the periods December 31, 2018 and March 31, 2019 failed to provide a note stating that prior period errors were corrected as follows.

Amounts reclassified to or from operating activities to investing activities and financing activities during the prior year at December 31, 2017

	December 31, 2017
Cash inflow from operating activities as previously reported	\$ 3,305,366
Interest income reclassified to financing activities	(3,586)
Leasing commissions reclassified from investing activities	(261,161)
Deposits in trust, reclassified to investing activities	(1,517,049)
Refundable deposit, reclassified to financing activities	(41,000)
Accrued interest on financing, reclassified to financing activities	(7,152)
Cash inflow from operating activities, reclassified	\$ 1,475,418
Cash outflow used for investing activities as previously reported	\$ (5,688,339)
Leasing commissions reclassified to operating activities	261,161
Decrease in deposits in trust for property acquisitions, reclassified from operating activities	\$ 1,517,049
Cash outflow from investing activities, reclassified	\$ (3,910,129)

Cash inflow from financing activities as previously reported	\$ 1,805,669
Interest income reclassified from operating activities	3,586
Decrease in refundable deposits with lenders reclassified from operating activities	\$ 41,000
Increase in accrued interest payable reclassified from operating activities	7,152
Cash inflow from financing activities, reclassified	\$ 1,857,407

Amounts reclassified to or from operating activities to investing activities and financing activities during the prior year at March 31, 2018

	March 31, 2018
Cash inflow from operating activities as previously reported	\$ 5,802,514
Interest income reclassified to financing activities	(7,992)
Leasing commissions reclassified from investing activities	(270,577)
Deposits in trust, reclassified to investing activities	(1,465,256)
Refundable deposit, reclassified to financing activities	(41,000)
Accrued interest on financing, reclassified to financing activities	(11,390)
Cash inflow from operating activities, reclassified	\$ 4,006,300

Cash outflow used in investing activities as previously reported	\$ (7,178,666)
Leasing commissions reclassified to operating activities	270,577
Decrease in deposits in trust for property acquisitions reclassified from operating activities	1,465,256
Cash outflow from investing activities, reclassified	\$ (5,442,834)

Cash inflow from financing activities as previously reported	\$ 795,166
Decrease in refundable deposits with lenders reclassified from operating activities	41,000
Interest income reclassified from operating activities	7,992
Increase in accrued interest payable reclassified from operating activities	11,390
Cash inflow from financing activities, reclassified	\$ 855,548

b) Reconciliation of the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

	Opening Balance October 1, 2018	Transactions During Period	Closing Balance June 30, 2019
Mortgages, excluding transactions fees	85,669,232		
Proceeds of new mortgages		9,400,000	
Repayment of mortgages upon maturity		-	
Repayment of mortgages through principal instalments		(4,238,166)	90,831,066
Restricted cash held in guaranteed investment certificates	400,000	(900,000)	1,300,000
Unamortized finance fees Note 8.	(242,184)		
Amortization of finance fees		65,252	
Fees associated with new or renewed mortgages		(89,186)	(266,117)
Other financing	4,020,000		
Advances from other financing		1,800,000	
Repayment of other financing		(750,000)	5,070,000
Finance costs from statements of comprehensive income		(2,963,437)	
Purchase of common shares for cancellation		(171,936)	
Bank operating facilities	18,457,672		
Net advances on bank operating facilities		4,488,332	22,946,004
Accrued interest on financing Note 10.	228,729	56,023	284,752
Cash provided by financing activities		6,696,883	

Prior Year	Opening Balance October 1, 2017	Transactions During Period	Closing Balance June 30, 2018
Mortgages, excluding transactions fees	79,891,816		
Proceeds of new mortgages		10,050,000	
Repayment of mortgages upon maturity		(4,813,092)	
Repayment of mortgages through principal instalments		(4,260,011)	80,868,713
Restricted cash held in guaranteed investment certificates	-	-	-
Unamortized finance fees Note 8.	(241,874)		
Amortization of finance fees		65,079	
Fees associated with new or renewed mortgages		(36,609)	(213,404)
Other financing	1,300,000		
Advances from other financing		2,550,000	
Repayment of other financing		(1,350,000)	2,500,000
Finance costs from statements of comprehensive income		(2,191,568)	
Purchase of common shares for cancellation		(79,780)	
Bank operating facilities	9,506,115		
Net advances on bank operating facilities		3,150,782	12,656,897
Refundable deposit with lenders Note. 7	(41,000)		
Deposit returned		41,000	-
Accrued interest on financing Note 10.	195,136	12,720	207,856
Cash provided by financing activities		3,138,521	

14. Share capital

a) The Company has unlimited authorized common share capital.

	June 30, 2019	September 30, 2018
Number of shares issued		
Balance beginning of year	9,583,642	9,614,442
Shares cancelled	-	(30,800)
Ending number of shares	9,583,642	9,583,642
Capital stock		
Balance beginning of year	\$ 6,030,758	\$ 6,050,152
Shares held in treasury	(171,936)	-
Shares cancelled during the period	-	(19,394)
Ending capital stock	\$ 5,858,822	\$ 6,030,758

The Company received approval from the TSX Venture Exchange to purchase up to 480,047 common shares representing 5% of the outstanding shares under a normal course issuer bid ("NCIB") that expires August 30, 2019. During the current period, the Company repurchased 43,700 shares for a total cost of \$171,936. All the repurchased shares are held in treasury until cancelled.

During the prior year 30,800 shares were repurchased for a total cost of \$128,890. All the repurchased shares were cancelled and the excess of the purchase price over the cost of the shares in the amount of \$109,496 was charged to retained earnings.

b) Contributed surplus

Contributed surplus arises because of recording the fair value of options granted under the share option plan and the options granted as part of a share issuance. The fair value of the options is recorded to contributed surplus as

the options vest. Upon exercise, the proceeds received, as well as any balance previously recorded to contributed surplus, are credited to capital stock.

	June 30, 2019	September 30, 2018
Contributed surplus, beginning and end of the period	\$ 593,750	\$ 593,750

15. Earnings per share

The following are the weighted average number of shares outstanding:

	June 30, 2019	June 30, 2018
Net income (loss) and comprehensive income (loss) for the period	\$ 2,026,496	\$ (1,052,640)
Weighted average shares outstanding – basic	9,578,149	9,604,801
Unexercised dilutive options	-	15,360
Weighted average shares outstanding – diluted	9,578,149	9,620,161

Earnings per share – basic and diluted	\$.21	\$ (.11)
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At June 30, 2019 the exercise of options would have an antidilutive effect on earnings per share.

16. Stock-based compensation plan

The following table reflects the activity under the stock option plan:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Yrs.)
Opening balance at October 1, 2018	475,000	\$ 4.25	.92
Ending balance at June 30, 2019	475,000	\$ 4.25	.17

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Yrs.)
Opening balance at October 1, 2017	475,000	\$ 4.25	1.92
Ending balance at September 30, 2018	475,000	\$ 4.25	.92

The Board of Directors may designate which directors, management and key employees of the Company are to be granted options. Under the Directors', Management, Employees' and Consultants' Stock Option Plan (the "Plan"), the number of Common Shares reserved for issuance at any time pursuant to the Plan is 875,000. An Amendment to the Fixed Stock Option Plan was put forth at the annual and special meeting of the Shareholders held on March 21, 2013. The disinterested shareholders voted for an amendment to the Plan that provides for the maximum number of capital common shares reserved for issuance at any time pursuant to the Plan be increased from 875,000 to 1,800,000. All other components in terms of the Plan remain in full force and effect.

The contractual term of each option granted is five years. There are no cash settlement alternatives. The Company does not have a past practice of cash settlement for these share options. All the options outstanding as of June 30, 2019 and September 30, 2018 are exercisable.

17. Rental revenue

The Company leases commercial properties under operating leases with lease terms generally between 5 and 20 years. Some leases have options to extend for further five-year terms and some small leases are month to month.

a) Rental revenue

	June 30, 2019	June 30, 2018
Rental revenue, contractual amount	\$ 9,240,889	\$ 7,988,682
Amortization of tenant inducements	-	(336,364)
Straight line of rental revenue from leases	(72,953)	51,757
Rental revenue on statement of comprehensive income	\$ 9,167,936	\$ 7,704,075

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

	2019	2018
No later than one year	\$ 12,701,999	\$ 10,599,121
2 – 5 years	38,062,653	33,704,664
Over 5 years	25,707,313	16,525,123
	\$ 76,471,966	\$ 60,828,907

The month to month tenant revenue is not included in the future contracted minimum rent receivable. The future contracted minimum rent receivable could be negatively impacted by a tenant having financial difficulties and unable to meet their rent obligations. The future rent receivable assumes all tenants will honor the financial obligations of their leases, to the terms of their leases, with no defaults or variations in the contracted amounts.

b) Property operating expenses

	June 30, 2019	June 30, 2018
Property taxes	\$ 1,733,435	\$ 1,400,380
Insurance	74,478	62,337
Repairs and maintenance	584,694	485,435
Management fees	516,218	449,357
Utilities	96,749	90,638
	\$ 3,005,574	\$ 2,488,147

18. Guarantees, contingencies and commitments

a) In the normal course of operations, the Company and its subsidiaries execute agreements that provide for indemnification and guarantees to third parties, such as engagement letters with advisors and consultants, and service agreements. The Company has also agreed to indemnify its directors and certain of its officers and employees in accordance with the Company's bylaws. Certain agreements do not contain any limits on the Company's liability and, therefore, it is not possible to estimate the Company's potential liability under these indemnities, and as such no provision has been included in these financial statements. Further the Company maintains insurance policies that may provide coverage against certain claims under these indemnities.

b) The Company maintains insurance on its properties. The all-risk property insurance includes replacement cost and rental value coverage (including coverage for the perils of flood and earthquake).

c) The Company has contracts in place with related parties to provide property management and asset management. Both contracts have been in place since 1999 and have been renewed on an annual basis with no changes to the terms. Further information can be found in the Related Party Transactions in Note 22.

20. Capital risk management

The Company defines capital that it manages as the aggregate of its equity and interest-bearing debt. The Company's objectives when managing capital are to ensure that the Company will continue as a going concern, so that it can sustain daily operations and provide adequate returns to its shareholders. The Company is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced, or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt. The Company

mitigates these risks by its continued efforts to stagger the maturity profile of its long-term debt, enhance the value of its real estate properties, and maintain high occupancy levels. The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

	June 30, 2019	September 30 2018
Mortgages	\$ 90,831,066	\$ 85,669,230
Bank operating facilities	22,946,004	18,457,672
Other financing	5,070,000	4,020,000
Total debt financing	118,847,070	108,146,902
Equity	87,276,807	85,422,247
Total capital	\$ 206,123,877	\$ 193,569,149

21. Financial instruments

	June 30, 2019	September 30, 2018
Financial assets		
Loans and receivables		
Cash and cash equivalents	\$ 250,756	\$ 2,343,520
Restricted cash	1,300,000	400,000
Short term investments	240,000	373,500
Receivables, net of provisions	81,940	242,792
Loan receivable, net of provision	1,030,167	1,009,825
	\$ 2,902,863	\$ 4,369,637

Financial liabilities

Other financial liabilities		
Bank operating facilities	\$ 22,946,004	\$ 18,457,672
Payables and accruals	752,505	3,145,876
Other financing	5,070,000	4,020,000
Security deposits	614,369	611,654
Mortgages	90,831,066	85,669,230
	\$ 120,213,944	\$ 111,904,432

The carrying value of cash and cash equivalents, restricted cash, receivables, loan receivable, bank operating facilities, other financing, payables and accruals and security deposits approximate their fair value because of the near-term maturity of those instruments. The fair value of short - term investments is a level 1 measurement valued at the quoted market price. The fair value of mortgages payable is a level 2 measurement and is based on discounted future cash flows using rates that reflect observable current market rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable as at June 30, 2019 is \$91,520,157 (September 30, 2018 - \$84,553,051). These estimates are subjective in nature as current interest rates are selected from a range of potentially acceptable rates and accordingly, other fair value estimates are possible. The interest rate used for this calculation is 3.30% (September 30, 2018 – 4.090%).

The Company's activities expose it to risks arising from financial instruments including credit risk, interest rate risk and liquidity risk. Management reviews these risks on an ongoing basis to ensure that the risks are appropriately managed.

Credit risk

The Company's maximum exposure to credit risk is the balance of its trade receivables of \$81,940 at June 30, 2019 (September 30, 2018 - \$129,263), cash and cash equivalents of \$250,756 (September 30, 2018 - \$2,343,520), restricted cash of \$1,300,000 at June 30, 2019 (September 30, 2018 - \$400,000) and loan receivable of \$1,030,167, net of a provision of \$100,000 (September 30, 2018 - \$2,009,825 net of a provision of \$1,000,000).

Credit risk on trade receivables for Imperial Equities Inc. arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss with a policy of credit assessment for all new lessees and by limiting its exposure to any one tenant. Credit risk associated with cash and cash equivalents is mitigated through the Company holding cash and cash equivalents with reputable financial institutions. Restricted cash is held in GIC's with a financial institution and was released as security subsequent to this quarter ending. Credit risk associated with the loan receivable arises from the possibility that the counterparty may experience financial difficulty and be unable to make the contractual payments.

For accounts receivable the Company applies the simplified credit loss approach, which requires the Company to recognize lifetime expected credit losses for all accounts receivables and loan receivable balances by applying an expected loss rate based on historical credit losses adjusted for current and forward looking information which may affect the ability of the customers to settle receivables. Historically the Company has very little credit losses as the majority of tenants have been able to meet their financial obligations. Only one tenant continues to have cash flow issues and the resulting AFDA of \$10,000 applies to this tenant (September 30, 2018 – AFDA was \$16,061 for the same tenant).

The loan receivable was incurred when a tenant was granted an early termination of their lease in Fort McMurray Alberta in 2018. The resultant lease surrender premium included a receivable from the tenant which is payable over 22 months. As the tenant was experiencing cash flow problems at that date, the Company was not certain of their ability to continue payments for 22 months to repay their debt. During the current period, as they paid their monthly obligations on time, the Company reversed the AFDA proportionate to their payments. The Company has a provision for impairment of the loan receivable of \$100,000 at June 30, 2019 (September 30, 2018 - \$1,000,000).

Accounts receivable and loan receivable are written off when there is no reasonable expectation of recovery.

Interest rate risk

The Company's exposure to interest rate risk relates to its short-term floating interest rates on bank operating facilities. The required cash flow to service the debt will fluctuate because of the changing prime interest rate. The balance on the bank operating facilities at June 30, 2019 is \$22,946,004 (September 30, 2018 - \$18,457,672). Under the assumption any balance of debt is outstanding for a further one year; a 1% increase in the prime rate would have a negative impact on the future annual earnings of the Company of \$229,460 (September 30, 2018 - \$184,577). The Company minimizes its exposure to interest rate risk to the extent that all mortgages except one have fixed rates with terms of five years. One mortgage was renewed at a fixed rate for a further one-year term.

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company's objective related to liquidity risk is to effectively manage cash flows to minimize the exposure that the Company will not be able to meet its obligations associated with financial liabilities. The Company actively monitors its financing obligations and cash and cash equivalents to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost. Management manages its liquidity risk with the use of the lines of credit available to the Company as well as short term financing from related parties and private parties. Management estimates that cash flows from operating activities will provide sufficient cash requirements to cover normal operating and budgeted expenditures. Short-term investments held by the Company may have some liquidity risk due to the underlying low trading volumes of the stock.

During the current year, the Company received two new conventional mortgages secured against a new property acquisition and one of the buildings that was newly constructed. Three mortgages were renewed for further five - year terms and one mortgage was renewed for one year. Concurrent with the renewal of a specific mortgage on July 1, 2019, the restricted cash held in GIC's of \$1,300,000 was released to the Company. The proceeds of \$1,300,000 plus interest were used to repay other financing.

During this quarter the Company received an additional \$3,000,000 limit to one of the Company's bank operating facilities. An increase to the limit of the second facility in the amount of \$3,500,000 was finalized subsequent to this quarter ending. An investment property purchased in the third quarter was purchased using available credit facilities. This new property was used as additional security to increase the limit of the second credit facility.

The Company will be able to meet its future obligations through normal operations, current credit facilities and the use of related party interim financing.

Contractual obligations at June 30, 2019

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	\$ 18,781,878	\$ 45,578,318	\$ 34,736,454	\$ -	\$ 99,096,650
Payables and accruals	752,505	-	-	-	752,505
Security deposits	5,531	241,992	47,340	325,037	619,900
	19,539,914	45,820,310	34,783,794	325,037	100,469,055
Other financing	5,070,000	-	-	-	5,070,000
Operating facilities	22,946,004	-	-	-	22,946,004
	\$ 47,555,918	\$ 45,820,310	\$ 34,783,794	\$ 325,037	\$ 128,485,059

Contractual obligations at September 30, 2018

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	\$ 23,730,510	\$ 35,111,505	\$ 33,739,056	\$ -	\$ 92,581,071
Payables and accruals	3,145,876	-	-	-	3,145,876
Construction contracts	1,521,661	-	-	-	1,521,661
Security deposits	25,624	87,354	179,430	344,870	637,278
	28,423,671	35,198,859	33,918,486	344,870	97,885,886
Other financing	4,020,000	-	-	-	4,020,000
Debt service reserve (Note 8)	900,000	-	-	-	900,000
Operating facilities	18,457,672	-	-	-	18,457,672
	\$ 51,801,343	\$ 35,198,859	\$ 33,918,486	\$ 344,870	\$ 121,263,558

22. Related party transactions

The following are the related party transactions of the Company.

a) Management Agreements

Sable Realty & Management Ltd. provides property management services to Imperial Equities Inc. The company is controlled by the President and CEO of the Company, Sine Chadi. North American Realty Corp. is also controlled by Mr. Chadi and provides asset management services to the Company.

Fee structure

Payments to Sable Realty & Management Ltd.:

Property management	4% of gross rents paid plus a flat fee for ground maintenance on certain properties
Property maintenance	\$65/hour for labour plus charges for truck, equipment and parts (September 30, 2018 - \$50-\$65/hour)
Fees for Chief Financial Officer	\$16,667 monthly, unchanged from the prior year
Office rent and parking	flat rate of \$8,350 monthly (September 30, 2018 – average \$8,145/mo.)

Warehouse lease space discontinued at December 31, 2017

Payments to North American Realty Corp.:

Leasing 3% of the value of lease renewals to a maximum of five years
6% of the value of new leases for the first five years plus 3% of the value of the leases that extend from six years to a maximum of ten years

Acquisitions 1% of the purchase price of the property

Dispositions 3% of the sale price of investment property

Payments for the nine months ending June 30,	2019	2018
Property management and maintenance fees	\$ 734,558	\$ 633,160
Acquisition fees	113,250	56,101
Leasing fees	134,119	788,676
Office rent and parking	75,150	72,700
Warehouse lease space	-	5,918
Fees for Chief Financial Officer	150,000	150,000
Total payments	\$ 1,207,077	\$ 1,706,555

Amounts payable at June 30, \$ - \$ -

b) *Other related party transactions*

- i) Directors are paid a fee for attending directors' meetings. The fees are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations. Total fees paid for the nine months ending June 30, 2019 were \$40,000 (June 30, 2018 – \$37,500).
- ii) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Company's key management personnel include the President Sine Chadi who is also a director of the Company. Total compensation paid to Mr. Chadi for the nine months ending June 30, 2019 was \$225,000 (June 30, 2018 - \$225,000).
- iii) Other financing, unsecured

Related Parties	Balance Oct 1'18	Advances	Repayments	Balance 30-Jun-19
NAMC ¹	\$ -	\$ 750,000	\$ (750,000)	\$ -
Imperial Land Corp. ²	4,020,000	1,050,000		5,070,000
Total	\$ 4,020,000	\$ 1,800,000	\$ (750,000)	\$ 5,070,000

Related Parties	Balance Oct 1'17	Advances	Repayments	Balance Sep 30'18
NAMC ¹	\$ -	\$ 50,000	\$ (50,000)	\$ -
Diane Buchanan, Shareholder ³	-	1,200,000	(1,200,000)	-
Jamel Chadi, Shareholder ³	1,300,000	1,300,000	(2,600,000)	-
Imperial Land Corp. ²	-	4,020,000	-	4,020,000
Total	\$ 1,300,000	\$ 6,570,000	\$ (3,850,000)	\$ 4,020,000

1. North American Mortgage Corp. (“NAMC”) is controlled by Mr. Sine Chadi, President of the Company. Total interest paid at an annual rate of 6% at June 30, 2019 was \$5,633. (No interest was paid on the repayment of the loan in the prior year due to the short-term nature of the loan.)
2. Imperial Land Corp. is controlled by Mr. Sine Chadi, President of the Company. Total interest accrued at an annual rate of 6% in Q1 2019 and Q2 2019 was reversed. The loans were paid in full subsequent to this quarter ending. Total interest paid was \$19,287. (September 30, 2018 – accrued interest at an annual rate of 6% totalled \$19,287.)
3. Loans repaid to shareholders totalling \$3,800,000 in the prior year were repaid with interest at an annual rate of 6%. Total interest paid at September 30, 2018 was \$43,685.

All related party financing is unsecured with no specified dates of repayment and therefore are due on demand. The fair value of the related party loans at both reporting dates approximates their carrying value as the amounts are due on demand.

23. Post-reporting date events

Subsequent to the quarter ending, the Company received an increase to one of the operating facilities. The total limit was increased to \$13,500,000 from \$10,000,000. Specific investment properties are held as additional security and there were no changes to the covenants.

Subsequent to the quarter ending, the Company repaid the related party financing of \$5,070,000 plus accrued interest of \$19,287.

Subsequent to the quarter ending, the Company entered an agreement to sell an investment property for \$1,710,000. The offer is in the due diligence phase. Should the purchaser remove conditions, the sale will close in Q4 2019.

24. Authorization of the unaudited consolidated interim financial statements

The consolidated interim financial statements for the nine months ending June 30, 2019 (including comparatives) were authorized for issue by the Board of Directors on August 8, 2019.

Signed “Sine Chadi”, Director

Signed “Kevin Lynch”, Director