

Imperial Equities Inc.

Year ending September 30, 2020

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

TABLE OF CONTENTS

2.	President's report
6.	Responsibility of Management and the Board of Directors
6.	Forward-looking information
6.	Additional non-IFRS measures
7.	Business overview and strategic direction
8.	Key performance drivers
9.	Key performance indicators
19.	Activity during the year
20.	Performance results
21.	Results of operations and cash flows
24.	Changes in cash flows
25.	Changes in financial position
28.	Summary of consolidated quarterly results
30.	Outstanding share data
30.	Dividends
30.	Related party transactions
33.	Liquidity, capital resources, and solvency
34.	Critical estimates of the current economic environment and outlook
35.	Risks
38.	Planned expenditures
38.	Critical accounting estimates and changes in accounting policies
42.	Measures not in accordance with International Financial Reporting Standards
42.	Disclosure controls and procedures
43.	Off-balance sheet arrangements

Years ago, as part of my pilot training, I learned about spatial disorientation, one of the most dangerous conditions that a pilot can encounter. It is essentially an effect where your ability to interpret altitude or speed in relation to the ground is disrupted and it is especially dangerous when it's dark and you lose sight of the horizon. Reflecting on the last year in business brings this phenomenon to mind. In a year in which all signals on lift off were positive and clear, disorienting disruption came as COVID-19 nearly shut down the world, another round of low energy prices hit the Alberta economy, and a once in 200-year flood broke over the banks in Fort McMurray, impacting one of Imperial Equities' properties. There is no question it all tested our Company at its core. With no clear horizon to gain our bearings, we relied on our experience, flexibility and our Company's foundational strength. We adapted our investment strategy, sustained and improved our relationships with our tenants, and protected our business position. And we managed to make all necessary moves without sacrificing or compromising the quality of service we deliver to our tenants or the overall quality of our asset base.

We performed through a great deal of uncertainty and absorbed some significant shocks in our 22nd year. By year end, we had a clearer picture of business impacts, including positive conditions that we were about to use in our favour. As we embark on the dawn of a new era, we have a clearer view of opportunities ahead, even in what will likely continue as a challenging and most unusual time.

Our Company has always been managed with a careful hand, focused on ensuring stable operations through the year, and managing cash flows and debt in a viable manner that maximizes the value of our assets and does not compromise our growth or sustainability. Our success also relies on the strength of the tenant covenants we have in place. This year in particular, we worked extensively with tenants to help manage through short-term business interruption and to adapt business practices; the stability we maintained as a result is a testament to these efforts and to the strength of our tenant base overall. We continue to preserve and sustain our Company's interests in accordance with our core values and key strategic objectives so as not to compromise our ability to maintain high occupancy rates, carry out rigorous asset management and maximize returns over time.

We have remained consistent and steadfast in pursuing these goals even as we faced the departure of our long-term Chief Financial Officer (CFO) and on-boarding of a new Interim CFO. We expect to announce a permanent CFO early in our next fiscal year. We also hired a new Chief Operating Officer, who is improving our controls and processes in terms of our overall asset management approach, as well as supporting the strategic objectives of the Company more broadly.

We have also adapted our internal processes and those of our property management partners to implement rigorous public health standards and to ensure all of those who interact with our properties are equally vigilant and respectful of the practices of our tenants. Through continuous reinforcement, we have not had any COVID incidents in our Company or on any of our properties to date, and we maintained full operations throughout the year. We will continue these processes, following public health advice in the coming months even as we wait for vaccine roll-out.

As of the end of this fiscal year, we were completing the restoration of a major asset in Fort McMurray which was impacted by the flood and left unusable for several months. The restoration was completed sufficient for the tenant to reoccupy the property just prior to this fiscal year-end. Almost five months of rent abatement at that property, combined with rent deferrals and tenant turnovers resulting from the pandemic and the economy, had a taxing impact on overall rental revenue.

The circumstances and uncertainty of the year did cause us to make the unfortunate decision to suspend our dividend, which had only been brought back in Q1 and Q2 of 2020. As we see conditions begin to stabilize, we will revisit this decision and likely reinstate it in Q1 2021.

Despite the challenges we faced, Imperial Equities remains firm in our resolve to expand our real estate portfolio, generating and efficiently managing cash flows and creating value for our shareholders. We see a number of positive indicators at year-end, including reaching a notable milestone this year: exceeding one million square feet of leasable space. We maintained an overall occupancy rate of 95.7% through the year, an outstanding achievement in a competitive and highly disrupted marketplace. We completed three quality acquisitions and one key disposition, put new leases in place and moved several leases towards renewal, though most of these renewals will occur subsequent to year-end. A total of 161,171 square feet of new leases were put in place prior to year-end.

Throughout the year, I've reflected on the fundamental principles that govern our actions, and as we consider the changes and new circumstances that will still be ahead of us, these continue to be touchstones for us.

First, we must continue to be strong assessors of an ever more challenging marketplace. This includes considering potential investments that diversify our portfolio and strengthen our resilience to systematic risks. The Company does not have a single tenant that makes up 10% or more of its rental revenue, thus limiting a key risk. There will be changes to the marketplace ahead. We see many companies, including some within our tenant base, contemplating the best way to manage their property footprint. Our Company understands these developments and the options available to tenants and we work to anticipate our tenants' needs and to provide solutions that strengthen their positions and ours.

Second, managing through the market means an ongoing commitment to our focus on diversification, seeking investments and tenant relationships that serve an even wider range of industries, with a special focus on the agricultural sector. In the prior year, two new properties were acquired and are classified as Agricultural Division. They are aiding in the diversification of our portfolio, as we scale back our footprint from the retail, office and oil and gas sectors. We continue to develop these efforts and will pursue more activity in the year ahead. Our disposition of an Edmonton retail property for total proceeds of \$9,350,000 has further supported this approach and limited our exposure in a year that has been highly tenuous for the retail sector.

Notwithstanding obstacles within a challenging year, we have grown our portfolio. We made three acquisitions this year, adding 149,773 square feet of leasable space, all with solid, long-term covenants in place. Two of the properties were sale leaseback transactions with a leading national supplier of industrial products and services. The third was the purchase of a property with a long-term lease in place with Canada's leading supplier of restaurant equipment.

Our actions this year helped mitigate impacts on our Company. We worked closely with tenants to restructure leases where required to help offset short-term impacts many were experiencing. Our efforts provided our tenants with some flexibility to support their ongoing operations and, in turn, ensured we had sufficient cash flow and liquidity. Income from operations overall was just slightly below Q4 2019, despite impacts from deferrals and those resulting from the Fort McMurray flood.

We have slowly started to move back into normal, although adapted, business operations. We have made good progress as of year-end on retaining leases and adding new revenue streams to our business. However, there is still much uncertainty ahead. The scale and duration of this crisis at home is amplified by our proximity to a major market that is far from stable. We cannot foresee how future events will unfold, so we will continue to move carefully, conservatively, as we assess our next moves, prioritizing stability and security above all.

Our ability to be adaptable supports our overall goal of generating consistent, long-term cash flows to support new growth. We expanded our portfolio this year even while making continuous adaptations. We maintained sufficient cash flows to meet our obligations and still managed to invest in our asset management program. We did this successfully through all of the disruptions of the past year, and without seeking any new payment terms from our lenders, even as we wait to receive payment deferrals that we have granted.

As we invest and negotiate mortgages and mortgage renewals, we continue to benefit from a low interest environment, brought about as the Bank of Canada responded to the pandemic crisis. The weighted average of the interest rates on our mortgages in 2020 was 3.29% (3.35% - September 2019). As the Bank of Canada responded to the crisis, we have been able to obtain some of the most competitive financing in our history, achieving significant savings for our Company over the duration of these mortgages. In October 2020, the Bank of Canada indicated that the low interest rate environment is likely to extend into 2023, as it assesses the longer-term impacts of the pandemic and its lingering scars on the economy.

As I write this report, there are some positive signals on the horizon. A vaccine roll out in 2021 will address our public health emergency, reduce the risk of further shut-downs, and allow our economy to stabilize. Today, though, we are very much in the midst of a strong second wave of the virus. While the pace and shape of the recovery of our national economy remains unknown, and while we cannot yet forego any of our public health diligence, we know we have the strength and adaptability to see us through.

As always, I am incredibly grateful to our investors, our tenants, and our people and partners who have all contributed to our success. I look forward to working with all of you in the months ahead. The dawn is still ahead of us, but as I reflect on all we have been through, I am reminded of a

rather poignant quote from the epic poem The Tale of Kieu: "Thank heaven we are here today, to see the sun through parting fog and clouds."

A handwritten signature in black ink, appearing to read "Sine", written in a cursive style.

Sine Chadi
President

The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an explanation of the performance of Imperial Equities Inc. ("Imperial" or "Imperial Equities" or the "Company") and its subsidiaries. This MD&A should be read in conjunction with the consolidated financial statements for the year ended September 30, 2020, and the related notes. Imperial Equities Inc. trades on the TSX Venture Exchange under the symbol "IEI". Additional information on the Company may be obtained by visiting www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

FORWARD-LOOKING INFORMATION

In our report to shareholders, Management may talk about the current economy and express opinions on future market conditions. This forward-looking information is based on Management's current assessments made based on internal expertise as well as the opinions of other professionals in this industry. While Management may consider these statements to be reasonably optimistic and favorable, the opinions and estimates of future trends are subject to risk and uncertainties. Readers are encouraged to read the risk factors identified in Note 20 of the consolidated financial statements and this MD&A. Any forward-looking statements in this report should not be relied upon as facts, as actual results may differ from estimates.

ADDITIONAL NON-IFRS MEASURES

Debt and unencumbered properties are non-IFRS financial measures and do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar calculations reported by other Canadian issuers.

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

BUSINESS OVERVIEW

Based in Edmonton, Alberta, Imperial Equities is a publicly-traded company anchored by commercial, industrial, and agricultural properties in its targeted markets throughout Western Canada.

Annually, since operations began in 1998, Imperial Equities has achieved solid growth. The Board of Directors along with corporate Management are all vigorously and enthusiastically committed to the continued growth of the Company.

STRATEGIC DIRECTION

Our Value Statement

Imperial's team of professionals is dedicated and motivated to grow its real estate portfolio and earn value for its shareholders. As a growth-focused company, Imperial has financed acquisitions largely through conventional mortgages. However, issuing new share capital may be considered at a future date to support the Company's growth objectives. We believe in building value in the shares through a commitment to acquire and develop high-quality properties and gain capital appreciation to benefit the shareholders. As part of our strategy, we would consider the disposition of a property where the Company believes that we have maximized the potential of that property and its disposition would be beneficial to the Company.

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

Strategic Goals

- Acquire commercial, industrial, and agricultural properties in strategic locations for capital appreciation
- Acquire fully occupied, single-tenant or multi-tenant industrial properties with long-term lease agreements and rental rates commensurate with the location
- Finance acquisitions with the lowest available cost of capital
- Achieve a defined rate of return on each asset
- Maximize the revenue potential of each asset in its region
- Dispose of older assets that may have reached their maximum earning potential to reduce the overall age of the properties in the portfolio
- Invest in the Community

KEY PERFORMANCE DRIVERS

Imperial Equities continues to engage a dedicated team of professionals to manage and oversee business activities. During 2020, the Chief Financial Officer (“CFO”) stepped down and remains as an advisor to the interim CFO, Azza Osman. Azza, a CPA and CIA, brings over 10 years of accounting, financial reporting, audit, and internal controls experience to Imperial. The Company also hired Patricia Misutka as Chief Operating Officer (“COO”). Patricia brings extensive experience as a corporate strategist to her role with Imperial. There is a strong Board of Directors with significant real estate experience to guide and assess the Company’s strategy and investment decisions. This dedication and professional experience of Imperial’s Management team has helped the Company achieve positive earnings every year the Company has been in business.

Management monitors the success of Imperial by measuring how well the Company delivers on its strategies and executes due diligence. This assessment will include the size of the tenant, the length of time they have been in business, their operations, and exposure to the industry in which they operate in. All these factors will be a part of our evaluation of the strength of their lease covenant. The Company’s success is also impacted by external factors including the overall economic health of industries operating in the province of Alberta. Alberta is still largely reliant on the oil industry and the Company is careful to select tenants that are best able to weather an economic downturn. Another external factor is interest rates related to the financing of the properties. Investment properties are financed with conventional mortgages that can expose the Company to possible increases in interest rates, affecting operating income and cash flows. The Company, in the short term, does not consider rising interest rates to have a significant impact on the operating cash flows. Any new commercial lease terms associated with new acquisitions and lease renewals will reflect changing market conditions including current interest rates and will be assessed on this basis.

Strategic Objectives

- Conduct comprehensive due diligence on all acquisitions, including evaluating the strength of the tenant(s) before entering into contracts
- Maximize the revenue per property and secure long lease terms to reduce the turnover of tenants
- Maintain high occupancy rates to recover carrying costs of the properties
- Monitor the quality of tenants in the portfolio to reduce the risk of defaults on leases
- Maintain the assets to high standards including structural, mechanical, and cosmetic to showcase the existing properties to prospective tenants or purchasers
- Complete preventative maintenance on the properties to reduce operating costs and to maximize the longevity of the buildings
- Ensure that maintenance on the properties is done to exacting standards involving monitoring the quality of work provided by business partners while ensuring the costs are competitive

- Maximize the cash flow from operations to ensure funding for growth opportunities
- Select mortgage terms that provide a low cost of capital and utilize debt leverage opportunities
- Minimize higher rate short-term borrowings to reduce the cost of capital

KEY PERFORMANCE INDICATORS

	September 30, 2020	September 30, 2019
Investment Properties		
Total number of investment properties	37	35
Property acquisitions during the year	3	4
Property dispositions during the year	1	1
Raw land properties held for future development	9	9
Raw land properties under lease with tenants	5	5
Gross leaseable area (GLA) square feet	1,022,864	889,298
Leasing Activities by Gross Leaseable Area (GLA)		
Leases renewed	4,864	48,973
New tenant leases	161,717	87,177
GLA of leases expiring within twelve months	162,379	95,206
Space available for lease	51,320	32,762
Average lease term to maturity in years	4.03	4.08
Building occupancy	95.7%	96.3%
Property Operations		
% operating expense recoveries	79%	82%
Income from operations	\$ 11,689,648	\$ 12,504,230
Investment property improvements	\$ 378,108	\$ 475,141
Financing		
Debt to total assets ratio	56%	53%
Weighted average interest rates on mortgages	3.29%	3.35%

Investment Properties

Acquisitions during the year

- Wajax in Nisku, AB. 37,200 ft² acquired in December 2019
- Russell Hendrix in Edmonton, AB. 71,519 ft² acquired March 2020
- Wajax in Edmonton, AB. 41,054 ft² acquired in July 2020

Dispositions during the year

- The Company sold its Oliver Crossing property in central Edmonton, for total proceeds of \$9,350,000 and a total gain of \$171,200. The sale price was settled through cash and a vendor take-back mortgage ("VTB") of \$8,000,000. The VTB bears interest at an annual rate of 2.5% with monthly interest payments due to the maturity date of July 21, 2021. The purchaser has an option to extend the mortgage for an additional year.

Raw land properties held for future development – unchanged from the prior year

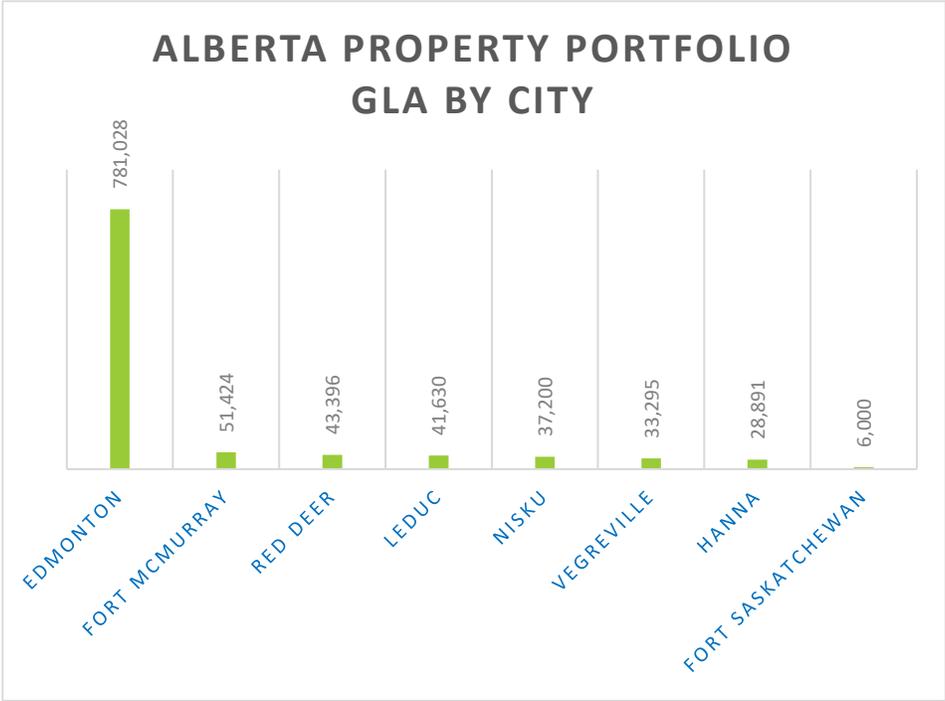
- 12.9 acres in Strathcona County, AB.
- 2.24 acres in NW Edmonton, AB.
- 49.42 acres in Hanna, AB.
- 3 acres in NW Edmonton, AB.

Raw land properties held for future development and under a lease with tenants in place – unchanged from the prior year

- 1.7 acres in SE Edmonton, AB. under a lease with an existing tenant
- 1.71 acres in SE Edmonton, AB. under a lease with an existing tenant
- 1.49 acres in SE Edmonton, AB. under a lease with an existing tenant
- 2 acres in NW Edmonton, AB. under a lease with an existing tenant
- 3 acres in NW Edmonton, AB. under individual leases with five tenants

Gross leasable area (GLA) increased by net 133,566 square feet since September 30, 2019, with the following additions and disposition:

	ft ²
• Wajax building in Nisku, AB.	37,200
• Russell Hendrix building in Edmonton, AB.	71,519
• <u>Wajax building in Edmonton, AB.</u>	<u>41,054</u>
	149,773
Less: sale of Oliver Crossing in Edmonton, AB.	(16,207)
<u>Total GLA at September 30, 2019</u>	<u>889,298</u>
<u>Total GLA at September 30, 2020</u>	<u>1,022,864</u>



The Company has expanded its investment property holdings to locations outside of major cities and continues to explore opportunities in provinces across Canada.

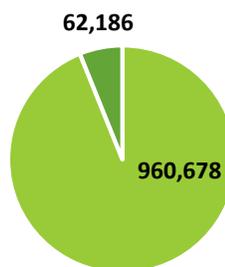
Investment Property Diversification

During the prior year, the Company completed two property acquisitions that are now classified as the agricultural division.

Fair Value of Investment Property



Total Square Feet



- Industrial and retail division
- Agricultural division

The first agricultural property was a new build-to-suit project in Hanna, Alberta, that was completed in Q1 2019. The tenant, Cervus Equipment Corporation, is an international tenant that operates 63 heavy equipment and farm implement dealerships across Canada, Australia, and New Zealand.

The second agricultural property was acquired in Q3 2019 and is located in Vegreville, Alberta. The tenant, Rocky Mountain Equipment, is a multi-branch dealership primarily involved in sales and service of Case and New Holland brands of equipment.

The total annual combined rental revenue for these two properties is \$936,392. The Company is working towards further acquisitions that will expand the agricultural division in Alberta and throughout the prairie provinces.

Leasing Activities

New tenant leases sf²

• Wajax in Nisku, AB.	37,200
• Russell Hendrix in Edmonton, AB.	71,519
• Wajax in Edmonton, AB.	41,054
• <u>Floral Delivery in Edmonton, AB.</u>	<u>11,944</u>
	161,717

Total GLA of leases expiring in the next twelve months

Nine tenant leases are expiring during the next twelve months, totaling 162,379 ft². One of the nine tenants is in the process of renewing, six tenants have already renewed, and two tenants with a total of 45,624 ft² have leases that are not within the required notice as of year-end. The renewal process for each tenant will commence according to provisions in their lease agreement.

Space available for lease

- 20,818 ft² in one of the Company's multi-tenant buildings (under contract subsequent to year end with an existing tenant)
- 4,907 ft² in a multi-tenant mixed-use building
- 25,595 ft² in a single tenant industrial building (under contract subsequent to year-end)

The Company continues to market all vacancies.

LEASE RETENTION during the current year

Location	GLA	Expiring Rate/PSF*	Renewal Rate/PSF*	Renewal Term
Edmonton, Alberta	4,864	\$ 11.85	\$ 12.00	5 years
Edmonton, Alberta	25,590	\$ 10.00	Vacated	-
Edmonton, Alberta	50,000	\$ 8.40	\$20,000/month	M to M
Edmonton, Alberta	4,907	\$ 12.00	Vacated early	-
	85,361			

LEASE RETENTION during the prior year

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

**per square foot*

A tenant occupying 4,907 ft² in a multi-tenant mixed-use building vacated their lease early. Other leases that are expiring in the next twelve months are either under current negotiations or the leases are not within the notice period.

The performance drivers of the Company include ensuring a low turnover of tenants through lease retentions and maintaining high occupancy levels. During the prior year, three tenants renewed their leases for further five-year terms at higher rates or the same rate as the expiring terms. In prior years, the Company has been very successful in retaining the current tenant base upon lease expiries, however, there is now greater uncertainty surrounding the effects of the pandemic and low oil prices, which could have a negative effect on lease renewals. The two vacancies this year were not a result of the COVID-19 pandemic.

LEASE TERMS at September 30, 2020

Single-tenant buildings		Multi-tenant buildings	
Square Feet	Maturity Year	Square Feet	Maturity Year
50,000	M to M		
33,295	2020	76,194	2020
52,890	2021	3,000	2022
190,207	2022	2,498	2023
75,151	2023	21,127	2024
74,206	2024	4,864	2025
26,400	2026	11,944	2030
29,450	2027	119,627	
188,149	2028		
62,224	2029		
41,054	2030		
28,891	2038		
851,917			

Total GLA of in-place leases	971,544
Available GLA for lease	51,320
Total GLA at September 30, 2020	1,022,864

Weighted Average Remaining Lease Terms

Single-tenant buildings = 5.07 years Multi-Tenant buildings = 2.02 years

Total average lease term to maturity = 4.03 years

The risk to the Company when a tenant does not renew a lease is for the Company to absorb the ongoing operating costs of vacant space. These costs include property taxes, insurance, utilities, and any maintenance items. If a single-tenant building becomes vacant, additional vacancy costs could include mortgage payments, if applicable. Management works closely with tenants to ensure retention rates remain high, primarily through responsive property management which ensures their leased space in the building, and the exterior parking lot and landscaping, are all well maintained.

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

At September 30, 2020, the year-to-date occupancy is 95.7% (September 30, 2019 - 96.3%).

AVERAGE ANNUAL LEASE RATES per City, per square foot at September 30

	2020	2019
Edmonton, Alberta **	\$ 10.31	\$ 11.99
Red Deer, Alberta*	\$ 25.80	\$ 25.92
Fort Saskatchewan, Alberta*	\$ 36.83	\$ 35.40
Fort McMurray, Alberta **	\$ 37.32	\$ 43.26
Leduc, Alberta **	\$ 10.99	\$ 15.70
Hanna, Alberta	\$ 19.17	\$ 18.24
Nisku, Alberta	\$ 13.00	\$ -
Vegreville, Alberta	\$ 7.18	\$ 7.18

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

** Lease rate per square foot reflects COVID-19 rent deferrals at September 30, 2020

Property Operations Year ending September 30,

	2020	2019
Property tax and insurance recoveries	\$ 2,348,418	\$ 2,444,428
Operating expense recoveries	1,123,839	908,825
	\$ 3,472,257	\$ 3,353,253
Total property operating expenses	\$ 4,386,540	\$ 4,093,678
% of property operating expense recoveries	79%	82%

Property taxes, insurance, and operating expenses are budgeted annually and reconciled every 12 months on a tenant-by-tenant basis. All the Company's leases are triple net leases, which allows the landlord to recover all operating costs except for any structural repairs. Management decides how to treat the recovery from the tenant of expenses related to large maintenance items, so as not to impose hardship on the tenant's operations. In some cases, Management will amortize the expenditures over a period within the tenant's lease term. Some leases have lower management fees than other leases dependent upon the responsibility of performing maintenance remaining with the tenant or the landlord. Because of these variations, there will always be a percentage of operating expenses not recovered by the landlord in the current fiscal year. Historical optimal recovery percentages will be in the range of 80%-86%.

Further affecting recoveries during fiscal 2020 is vacant space of 25,725 ft² in multi-tenant buildings, and 25,595 ft² in a single-tenant building that became vacant in Q3 2020. Additionally, some costs were not recoverable during a rent abatement period of 4.47 months for a property located in Fort McMurray that had substantial damage from the flood which took place in April 2020. These factors resulted in slightly lower recoveries than the historical range.

Typically, recovery percentages will vary each quarter depending on property taxes, utilities, snow removal, lawn care, and other seasonal expenditures. Management ensures operating expense recoveries are maximized for our shareholders.

The current vacancies will put downward pressure on cash flows in addition to the current rent deferrals expected over the next several months. The deferrals are a direct result of the COVID-19 pandemic and the economic downturn in the oil & gas industry in Alberta.

Year ending September 30,

	2020	2019
Income from operations for the year	\$11,689,648	\$ 12,504,230
Less: Interest on financing* during the year	4,294,644	4,048,009
<u>Less: Principal instalments on mortgages, during the year</u>	<u>6,223,437</u>	<u>5,617,362</u>
Funds available for property improvements and growth	\$ 1,171,567	\$ 2,838,859

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

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

The decrease in funds available for property improvements and growth has decreased from the prior year as a result of:

- Lower income from operations as a result of the rent abated in the building impacted by the Fort McMurray flood
- Increased interest in financing as a result of related party financing of \$5,050,000 as well as interest on new mortgages
- Increased mortgage and principal payments related to current year investment property acquisitions

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

Year ending September 30,

	2020	2019
Total property improvements	\$ 378,108	\$ 475,141

During Q1 2020, the Company made improvements to two parking lots by installing geotechnical fabric and resurfacing with concrete, as well as forming proper concrete retaining walls. One building received new overhead heaters and minor structural improvements. During Q2 2020, the Company replaced all unit heaters at two properties and completed a major upgrade to a fire alarm

panel. During Q3, property improvements include design fees for new projects and continued interior and exterior maintenance on the buildings. Property improvements during the prior year included parking lot upgrades, energy-efficient mechanical components such as new rooftop HVAC units, new infrared heaters, and new boilers for specific locations.

The Company strives to provide high-quality service to the tenants by responding promptly to address any property maintenance issues. Maintaining equipment regularly improves the life of the equipment, keeps equipment running smoothly, and avoids major interruptions to the tenant's operations. The Company has a strong relationship with all tenants and will respond to maintenance issues promptly. Working with strong business partners that are familiar with the properties and tenants, the Company has enjoyed a very high quality of work while ensuring costs are very competitive.

The Company is continuing to convert all buildings to energy-efficient LED lighting in both the interior and exterior light fixtures. Also, energy-efficient heating, ventilating, and air conditioning units are being installed to replace outdated units. The impact of these improvements is the reduction of the operating costs to the tenants and the promotion of a greener environment through reduced emissions.

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

Financing

Debt, and unencumbered properties, are non-IFRS financial measures and do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar calculations reported by other Canadian issuers.

Management considers the ratio of debt to assets to be useful for evaluating the leverage the Company may have on its investment properties to consider additional financing opportunities if any.

Year ending September 30,

	2020	2019
Investment properties	\$ 226,944,468	\$ 218,468,890
Mortgages excluding transaction fees	96,820,176	88,740,115
Other financing	5,050,000	-
Bank operating facilities	26,275,887	26,353,212
Debt	\$ 128,146,063	\$ 115,093,327

Ratio of debt to assets

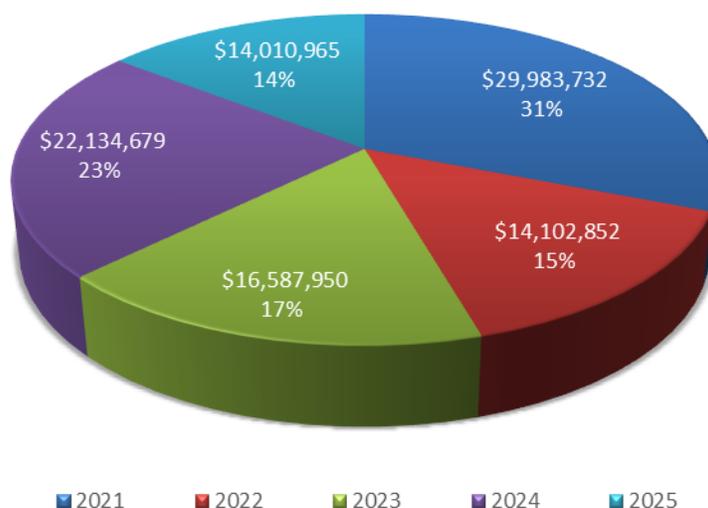
56%

53%

The Company continues to enjoy a good relationship with its lenders and has been able to renew mortgages as they come due and place new conventional financing on acquisitions. Unencumbered properties at September 30, 2020, have fair values of \$17,599,849 (September 30, 2019 - \$17,204,993).

Weighted average interest rates on the mortgages have decreased to 3.29% at September 30, 2020, from 3.35% at September 30, 2019, with rates decreasing for new financing from the Company’s lenders. During Q1 2020, the Company renewed two mortgages at their term dates. During Q2 2020, rates began to decrease and the Company received two new mortgages on the recent acquisitions with the newest mortgage at a significantly lower rate than previous mortgages.

Mortgage Maturities



The following table details the mortgage activities during the current year.

Maturity Date	Rate	Principal Balance Sept. 30'19	Mortgages Advanced/ Assumed	Y-T-D Principal Payments	Principal Paid on Maturity	Principal Balance Sept 30'20
01-Jan-21	3.060%	\$ 1,578,129		\$ 168,237		\$ 1,409,892
01-Jan-21	2.980%	3,485,483		262,734		3,222,750
01-Jan-21	2.980%	5,393,160		406,533		4,986,626
01-Apr-21	2.880%	5,581,728		412,337		5,169,392
01-Apr-21	2.948%	3,034,587		202,422		2,832,165
01-Oct-21	2.470%	6,086,078		605,500		5,480,578
01-Oct-21	2.470%	7,416,065		533,734		6,882,331
01-Feb-22	3.040%	5,794,009		390,532		5,403,477
01-Jun-22	2.730%	2,209,502		200,687		2,008,815
01-Dec-22	3.670%	3,728,639		223,062		3,505,577
01-Dec-22	3.671%	3,387,629		202,648		3,184,981
01-Feb-23	3.750%	2,044,271		119,746		1,924,526
01-Oct-23	3.950%	509,368		117,326		392,042
01-Oct-23	4.090%	6,014,888		323,340		5,691,548
01-Nov-23	4.330%	4,126,623		216,390		3,910,232
01-Dec-23	4.648%	4,919,773		250,170		4,669,603
01-Jan-24	4.300%	2,401,720		168,475		2,233,245
01-Jan-24	4.300%	1,906,127		133,710		1,772,416
01-Aug-24	3.300%	10,156,050		536,854		9,619,196
01-Nov-24	3.555%	8,966,286		456,464		8,509,822
01-Feb-25	3.420%	-	5,002,500	150,726		4,851,774
01-Apr-25	2.310%	-	5,301,000	123,931		5,177,069
01-Aug-20	2.837%	-	4,000,000	17,878		3,982,122
		\$ 88,740,115	\$ 14,303,500	\$ 6,223,437	\$ -	\$ 96,820,179

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

The Company's two bank operating facilities are secured with specific revenue-producing properties and the other financing is unsecured.

ACTIVITY DURING THE YEAR

Imperial expanded its executive management team to include the position of **Chief Operating Officer**. The COO is tasked with strategic planning of the Company's long-term direction and operational structure, and the allocation of resources to support the Company's pursuit of an increased scale of operations and future overall growth. During Q4 2020, the CFO stepped down and remains as an advisor to the interim CFO, Azza Osman.

The Company completed an agreement to **purchase a 37,200 ft² building situated on 2.82 acres** in Nisku, Alberta. The total purchase price was \$6,670,000. The tenant, Wajax, signed a 10-year lease agreement, making this its second location with Imperial.

The Company completed an agreement to **purchase a 71,519 ft² building situated on 2.97 acres** in west Edmonton, Alberta. The total purchase price was \$7,068,000. The tenant, Russell Food Equipment Limited, has over 8 years remaining on a 10-year lease agreement.

The Company completed an agreement to **purchase two contiguous lots with two buildings totaling 41,054 ft² situated on 4.67 acres** in west Edmonton. The total purchase price was

\$5,360,000. The tenant, Wajax, signed a 10-year lease agreement, making this its third location with the Company.

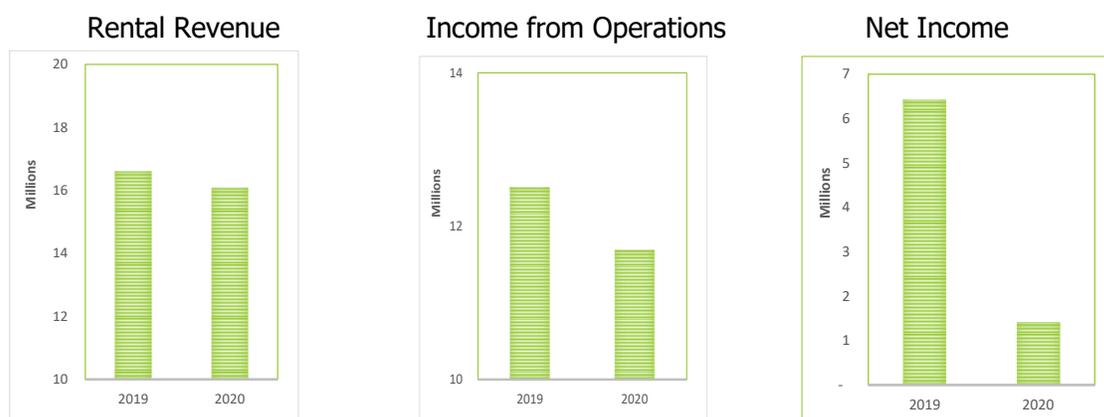
The Company renewed one mortgage at its term date for a further five years and renewed another mortgage for a one-year term. Three new mortgages were obtained for financing on the new acquisitions in Nisku and Edmonton. Total **mortgage proceeds were \$14,303,500**.

The Company completed an agreement to **sell one of its investment properties** for total gross proceeds of \$9,350,000 including a Vendor Take-Back mortgage ("VTB") of \$8,000,000. The VTB has a maturity date of July 21, 2021, with an option for the purchaser to extend the term by one additional year.

Due to the impact of COVID-19 on a number of the Company's tenants, **rent deferrals** were offered during the year amounting to \$846,940. Of the deferrals provided, \$199,406 were re-paid by tenants with the remaining balance receivable over the next several years up to and including fiscal year 2023. Subsequent to the year-end, additional deferrals were granted amounting to \$184,786.

The Company **resumed payment of dividends** which had been suspended since January 2015. Total annual dividends of \$.10 per common share and are payable quarterly at \$.025 per share, were distributed in January 2020 and the second quarterly payment was distributed in April 2020. Subsequent to the Q2 2020 payment, the COVID-19 pandemic was causing economic uncertainty which threatened the Company's cashflows. Given this uncertainty, Imperial's Board of Directors decided to suspend the payment of dividends for the remainder of the fiscal year.

PERFORMANCE RESULTS



Rental revenue is lower during the current year due to the rent abatement amounting to \$448,855, which was caused by the floods in Fort McMurray. During the current year, there were increased vacancies in our portfolio compared to the prior year which resulted in lower rental revenue.

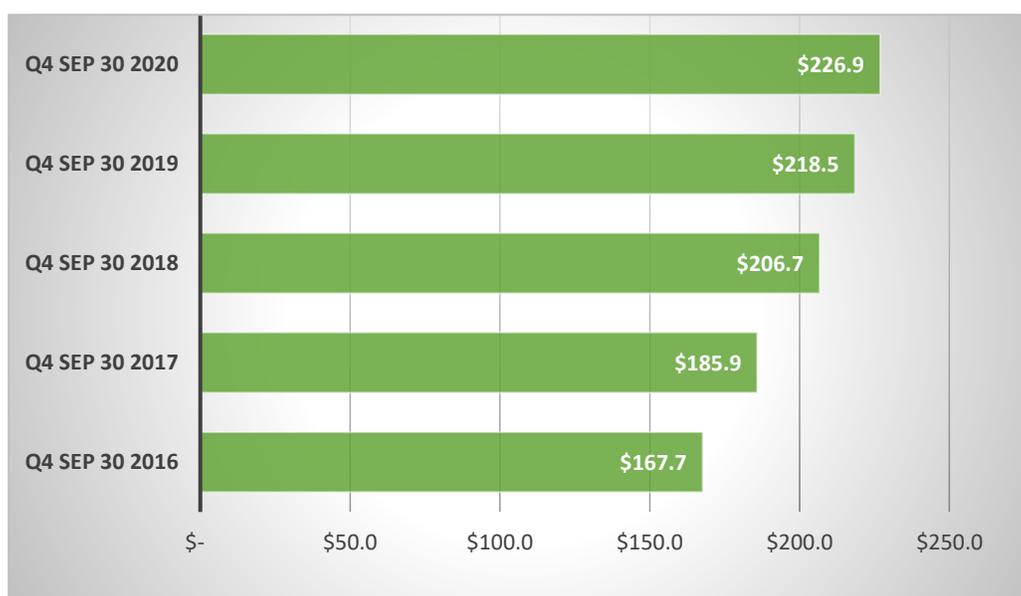
The decrease in income from operations is directly correlated to the decrease in rental revenue during the current year. There were no unusual property operating expenses.

During 2020 the Company applied write-downs amounting to \$2,930,537 on its investment properties where there are continued vacancies and the possibility of tenants not renewing their leases. Income before income tax was approximately \$3.5 million lower than the previous year resulting from these write-downs as well as the decreased income from operations.

RESULTS OF OPERATIONS AND CASH FLOWS

During the year, a tenant occupying 4,907 ft² in a multi-tenant building vacated the space prior to the lease expiry. During Q3 2020, a tenant occupying 25,595 ft² in a single-tenant building vacated the space upon the lease expiry. Subsequent to year-end, the Company completed lease negotiations with a large national distributor for the entire 25,595 ft² building. A further vacant lease space of 20,818 ft² available in a multi-tenant industrial building brings the year-to-date occupancy to 95.7%. The Company is currently under conditional contract with an existing tenant and will likely have the 20,818 ft² leased in the next quarter.

Fair Market Value of Investment Properties (Millions)



Valuation net gains (or losses) from investment property are the result of valuing the properties at market values at each reporting date. Values are estimated by Management using the actual annual contracted subsequent year revenue stream, less a vacancy, and structural reserve allowance, applying a capitalization rate to this normalized income, and deriving a fair value. Capitalization rates used to estimate fair market value consider many factors, including but not limited to: location, size of land, site coverage, strength of the tenant, term of the lease, lease rate, age of the building, size of the building, construction of the building and any unique features of the building. Given that not all industrial properties are the same, Management will apply these

factors to each property in determining a capitalization rate. If a property has all favorable factors, the valuation will likely be calculated using the low end of the capitalization rate range.

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

At each reporting date, this calculation method is performed on all the investment properties except for the Oliver Crossing property, vacant land, and land under lease. Vacant land held for development is valued using Management's research of similar vacant lands that have been sold recently or are available for sale. Land under lease with tenants is valued at the fair value of similar vacant land in the area.

The Company continues to increase its investment property portfolio each year by acquiring properties with a view towards capital appreciation. Affecting operations for each quarter are the fair valuations of investment properties.

Net valuation gains (losses) per quarter:

2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
\$ (74,228)	\$ (992,868)	\$ (1,953,004)	\$ 89,563	\$ 1,103,099	\$ (148,530)	\$ (33,127)	\$ (1,453,502)

When valuing the investment properties at fair value, all other inputs being equal, an increase in property revenue for the ensuing twelve months will have a positive impact on the fair values and a decrease in revenue will have a negative impact. When interest rates are low, investors are eager to expand their portfolios, creating a healthy, competitive environment in which to acquire property, which will keep the cap rates very competitive. Management marginally increases the cap rates on some of the properties where the Company believes property values and lease rates have decreased as a result of a lower demand and owners eager to lease up vacant buildings. Some properties' cap rates were increased to maintain existing values, despite increased contracted revenue streams which would otherwise drive the value upwards.

INVESTMENT PROPERTY CAP RATES	September 30, 2020			September 30, 2019	
	Total GLA sf	Range Cap Rates	Rate Change	Total GLA sf	Range Cap Rates
Edmonton, Alberta	729,723	4.50% - 7.35%	↑	651,797	4.50% - 6.80%
Red Deer, Alberta	43,396	6.35%	↑	43,396	6.33%
Fort Saskatchewan, Alberta	6,000	6.41%	↔	6,000	6.41%
Fort McMurray, Alberta	51,424	6.14% - 6.50%	↑	51,424	6.14% - 6.33%
Leduc, Alberta	41,630	6.50%	↓	41,630	6.85%
Vegreville, Alberta	33,295	8.50%	↔	33,295	8.50%
Nisku, Alberta	37,200	6.50%	-	-	-
Hanna, Alberta	28,891	7.00%	↔	28,891	7.00%
	971,559			856,433	
Available for lease, Edmonton, AB.	51,305			32,762	
Total GLA square feet	1,022,864			889,195	

Cap rates continue to be evaluated on a property-by-property basis to ensure values reflect current market conditions.

During Q2 & Q3, four properties were lowered in value for total net valuation losses of \$2,930,537 at September 30, 2020. Two buildings have uncertainties surrounding lease renewals, and two buildings have large vacancies that may take further time to lease-up. These losses were offset by minor gains on other properties in the portfolio.

At Q4 2019 there was an appreciation gain on vacant land that was valued at the market rate for similar land available for sale, and a revaluation gain was recorded on a mixed use building that was valued using the current cap rate for this type of property.

During Q1 2019, the Company lowered the values of two properties, which contributed significantly to the net valuation losses of \$1,453,502. One property, from which a tenant occupying 32,762 ft² vacated after paying out its lease obligations, represents 34% of the square footage of the building. The Company made significant improvements to this space and began actively marketing the space. The decrease in value represented the lost revenue, carrying costs, and leasing costs. A tenant in the second property requested a reduction in its contracted lease rate for the remaining term of its lease. The lower revenue is reflected in a lower valuation of this property at that date.

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

The Company will adjust the cap rates upward on some properties because, if left unadjusted, the increase in contracted revenue for the next twelve months would cause fair value increases that likely are not indicative of current market values.

Income from operations is lower in 2020 over 2019 largely due to the rent abatement relating to the property in Fort McMurray impacted by the flood in the spring of 2020. In the prior year accelerated rent increased the revenue reported by \$900,000. This entry was due to a reversal of a loan impairment provision made in 2018.

Property operating expenses are up this year due to an increase in acquisitions over the last twelve months as well as an increase in expenses incurred in restoring properties that were vacated during the year to leasable condition.

Finance costs include interest on financing and amortization of deferred finance fees and are net of interest income. Interest on financing is higher at September 30, 2020, compared to September 30, 2019, due to additional mortgages, increased use of the bank credit facilities, and increased related party financing. The Company utilized its lines of credit and related-party financing to assist with new acquisitions and to temporarily provide cash for operations, impacted by COVID-19 rent deferrals, and the loss of revenue from a major flood in Fort McMurray, Alberta.

The most recent mortgage received in Q3 2020 reflected a decrease in the lending rates due to the significant drop in the prime rates offered by the major banks.

Amortization of right-of-use asset refers to the head office lease space for the Company. Effective October 1, 2019, the Company has recorded a right-of-use asset and it will be amortized over the term of the lease on a straight-line basis.

Loss on short-term investments is the accounting loss on the disposal of all the short-term investments during Q1 2020. In the prior year, the unrealized investment loss is the result of valuing the marketable securities at market prices at the reporting date.

CHANGES IN CASH FLOWS

Cash provided by operating activities was \$9,621,005 at Q4 2020 (Q4 2019 – \$9,927,677). The Company continues to generate positive cash from operations each quarter to cover day-to-day expenditures and provide reserves for future opportunities. The cash flow from operations this Q3 & Q4 2020 was impacted by COVID-19 rent deferrals and the flood in Fort McMurray, AB. The cumulative rent deferred during the year was \$846,940. The impact of the flood caused abated rent of \$448,855. Beginning in Q4 2020 the Company has started to recover some of the deferred rents and some regular lease payments have resumed.

Cash used in investing activities was \$18,583,594 (2019 – \$14,222,649) as the Company completed three acquisitions in the current year for a total of \$19,417,469. In the prior year, acquisitions totaled \$11,514,213 and construction costs associated with the properties under development were \$1,888,941. In Q4 of the current year, there was a disposition of investment property generating proceeds of \$1,056,380.

Net cash provided by financing activities was \$8,050,886 in 2020 compared to \$2,986,774 in 2019. Mortgage proceeds were \$14,303,500 (2019 - \$19,600,000). Related party financing, net

repayments, is \$5,050,000 during the year (2019 - \$4,020,000). During the current year, total dividends paid were \$474,822 (2019 – Nil). Due to cash flow restrictions, the dividend payments were subsequently suspended for the remainder of the fiscal year.

At September 30, 2020, there was a **net decrease in cash** of \$911,703 compared to a net decrease in cash at September 30, 2019 of \$1,308,198.

CHANGES IN FINANCIAL POSITION

Investment properties include the fair value of the properties at the reporting date as valued by Management, including the unamortized balance of straight-line rent receivables, the unamortized balance of deferred leasing costs and the unamortized balance of tenant inducements if any. Changes since the fiscal year-end of September 30, 2019, are detailed below.

	Income Producing Properties	Held For Development	Total Investment Properties
Opening balance at September 30, 2019	\$ 205,702,397	\$ 12,766,493	\$ 218,468,890
<i>Additions:</i>			
Property improvements and additions	378,108	-	378,108
Capitalized property taxes and other	-	144,603	144,603
Leasing commissions	258,806	-	258,806
Property acquisitions	19,417,469	-	19,417,469
Amortization of tenant inducements	(27,513)	-	(27,513)
Change in straight-line rental revenue	485,069	-	485,069
Sale of investment property	(8,885,177)	-	(8,885,177)
Revaluation losses, net	(2,421,433)	(509,104)	(2,930,537)
Amortization of deferred leasing commissions	(365,250)	-	(365,250)
Ending balance at September 30, 2020	\$ 214,542,476	\$ 12,401,992	\$ 226,944,468

Property improvements include structural improvements, new HVAC units, new overhead heaters, parking lot improvements, upgrades to fire alarm panels, and project design fees. Leasing commissions were paid for new leases on the acquisitions in Nisku and Edmonton, Alberta.

Right-of-use asset refers to the head office lease with payments made to a related party described in Note 4 of the consolidated financial statements. The asset was recorded at the present value of the lease payments to the term of the lease. The asset is amortized on a straight-line basis over the term of the lease.

Receivables at the year-end were \$264,875 (2019- \$279,846). During the current year, the Company reinstated \$100,000 of the receivable that was previously considered impaired (September 30, 2019 - \$900,000). The reversal amount of \$100,000 (September 30, 2019 - \$900,000) was recorded as revenue. The Company also sold an investment property and entered into a Vendor Take-Back ("VTB") mortgage for \$8,000,000. The VTB bears interest at an annual rate of 2.5% with interest-only payments payable monthly over a 12-month term maturing on July 21, 2021. The VTB can be prepaid in whole or in part without penalty and the purchaser has an option to extend for a further year. The VTB is carried at amortized cost.

Prepaid expenses and deposits have a balance at September 30, 2020 of \$758,094 (September 30, 2019 – \$661,714), relating to property insurance premiums, security deposits with municipalities, and property taxes.

Mortgages at September 30, 2020 have a balance of \$96,820,179 (September 30, 2019 – \$88,740,115). During the current year, one mortgage was renewed for a further five-year term and another mortgage was renewed for one year. Three new mortgages were obtained for acquisitions within this fiscal year which lowered the weighted average rate to 3.29% from 3.35% at 2019. There are currently five mortgages up for renewal in the next twelve months with combined principal balances of \$17,620,825, which are shown as a current liability. Netted against mortgages on the consolidated statements of financial position is the balance of unamortized fees associated with new or renewed mortgages, totaling \$236,556 at Q4 of 2020 (2019 – \$242,080).

Other financing at September 30, 2020 of \$5,050,000 is due to related parties. The loans are unsecured and bear interest at an annual rate of 6%. Other financing was used to assist with the acquisitions in Nisku and Edmonton, Alberta, and also the temporary cash shortfall due to the COVID-19 rent deferrals.

Bank operating facilities at September 2020 have a balance of \$26,275,887 with two of the Company's major lenders (2019 - \$26,353,212).

CREDIT FACILITIES

	September 30, 2020	September 30, 2019
Bank credit facilities	\$ 26,467,000	\$ 26,500,000
Amounts drawn on facilities	(26,275,887)	(26,353,212)
Available credit facilities	\$ 191,113	\$ 146,788

The Company currently has two credit facilities (each a "Line of Credit" or "LOC") with two of its major lenders.

- 1) An operating line of credit (LOC) with a limit of \$13,467,000 (September 30, 2019 - a limit of \$13,500,000).

This LOC is used to assist with property acquisitions and general operations and has a balance at September 30, 2020, of \$13,309,907 (September 30, 2019 - \$13,372,362). The credit facility bears interest at prime plus 1% per annum (September 30, 2019 – prime plus 1% per annum) and is secured by specific revenue-producing properties with combined fair values of \$36,939,597 (September 30, 2019, specific revenue-producing properties with combined fair values of \$46,341,730). The Company pays a standby fee of .25% per annum (September 30, 2019 - .25% per annum) payable monthly on the undrawn 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, 2019): or b) the level at which a Loan to Value Ratio of 70% can be maintained for the secured properties, over which the Lender holds a 1st mortgage and 60% for the secured properties over which the Lender holds a 2nd mortgage, less the prior debt on the properties (unchanged from September 30, 2019). For these secured properties, the loan to value is set at 70%, unchanged from the prior year.

Debt Service Coverage Ratio ("DSCR") is the net operating income, divided by the debt service.

- *Debt service* = annual principal and interest payments based on a 25-year amortization and an interest rate that is the greater of 4.5% (September 30, 2019 - 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 ("LTV") is the total debt on the secured properties divided by the current market value of the secured properties.

Loan Covenant Requirements:	Min. 90% Occupancy	DSCR 1.25	LTV 70%
September 30, 2020	Yes	2.75	73%
June 30, 2020	Yes	2.89	68%
March 31, 2020	Yes	2.89	68%
December 31, 2019	Yes	2.89	69%
September 30, 2019	Yes	2.89	69%

During Q4 2020, the Company sold a property that was included as security for the LOC. The lender released the property from the LOC which increased the LTV beyond 70%. The lender agreed to allow the increase with a provision that it is to be lowered to 70% within 18 months. To facilitate this, the operating limit will be reduced by \$16,500 on the first of each month commencing August 1, 2020. At September 30, 2020, the lender approved the LTV to 73%.

- 2) An additional operating LOC with a limit of \$13,000,000 (September 30, 2019 – a limit of \$13,000,000).

This credit facility bears interest at prime plus .95% per annum (unchanged from September 30, 2019) and is secured by specific revenue-producing properties with combined fair values at September 30, 2020, of \$70,548,383 (September 30, 2019 - \$73,601,828).

There are no specific covenants or margin formulas for this line of credit. The balance on the credit facility at September 30, 2020 is \$12,965,980 (September 30, 2019 - \$12,980,850).

Lease liability is the result of the adoption of IFRS 16 "Leases" at October 1, 2019. The Company has recorded a lease liability at the present value of the remaining lease payments for its head office leased space. The lease payments were discounted using the Company's incremental borrowing rate of 4.95% at October 1, 2019. Previously these payments were expensed as rent. A corresponding entry was made to a right-of-use asset which is amortized on a straight-line basis over the term of the lease.

Payables and accruals are \$1,335,226 at September 30, 2020 (September 30, 2019 – \$800,176). The balance includes accrued interest on financing, prepaid rents from tenants, and trade payables. Also included is management compensation amounts payable of \$100,000 (2019-nil).

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4
REVENUE	3,754,671	4,285,825	4,037,197	3,998,495	4,152,393	4,273,657	4,150,537	4,021,321	5,497,881
TOTAL COMPREHENSIVE INCOME	870,508	647,839	(1,636,200)	1,533,743	4,393,990	1,519,848	1,393,144	(886,496)	3,395,251
EPS-Basic	0.09	0.07	(0.17)	0.16	0.46	0.16	0.15	(0.09)	0.35
EPS-Diluted	0.09	0.07	(0.17)	0.16	0.46	0.16	0.15	(0.09)	0.35

QUARTERLY CHANGES IN REVENUE

The increase in revenue during Q2 and Q3 reflects additional revenue from new tenant leases in the new properties acquired during the year as well as new leases in previously vacated properties. Revenue is recorded on a straight-line basis over the terms of the leases so there are not typically large swings quarter to quarter. Although the Company accommodated several tenants with a deferral of their rent from the impact of COVID-19, because the revenue is straight-line over the term of the lease, the revenue will not be affected quarter to quarter unless the tenant stops paying. In the latter half of Q3 and the majority of Q4 2020, revenue was negatively impacted by a severe flood in Fort McMurray Alberta that damaged one of the properties. The tenant's rent was abated until the cleanup and repairs allowed them to re-occupy the building and open their business in the last month of Q4 2020. Total rent abated was \$448,855.

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

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

The Company reports straight-line revenue therefore, typically, quarterly changes in revenue are not material until new tenants begin paying rent.

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

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

Net valuation gains (losses) per quarter:

2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
\$ (74,228)	\$ (992,868)	\$ (1,953,004)	\$ 89,563	\$ 1,103,099	\$ (148,530)	\$ (33,127)	\$ (1,453,502)

Q2 & Q3 2020 had four additional property write-downs; several parcels of vacant land were revalued to comparable land in the immediate area, and a building that was vacated at the end of Q2 2020, may be leased at a lower rate than the previous tenant. There are a number of leases due for renewal within the next 12 months which are likely to be renewed at a lower rate. This was reflected in the decrease in fair value of the related buildings.

Q4 2019 unrealized gains are net of small losses. The largest gains occurred on two properties: 3 acres of vacant land in west Edmonton, where land was revalued to market at Q4 2019 based on similar land values in the immediate area; and a multi-tenant building that is quasi retail and very much in demand in Edmonton, that was revalued based on similar properties available for sale or sold in the immediate area.

Q1 2019 unrealized losses reflect small gains and losses on all the properties where revaluing the properties to market values takes into consideration the amortization of straight-line rents and deferred leasing. Any amounts capitalized to the properties during the quarter will have a downward adjustment to the value, in order to maintain current market values. During Q1 2019, three properties had larger write-downs due to events that occurred after the year-end. A tenant vacated 32,762 ft² or 34% of a multi-tenant building. The lower value on this property reflects the loss in revenue and the costs to re-let the space. During the latter part of Q1 2019, a tenant requested some relief from their lease obligations. Management agreed to reduce their rent to the term of their lease. All other inputs remaining the same, the lower revenue from this lease caused a large decrease in the value of the property.

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

At Q4 each year, budgeted occupancy costs are reconciled with actual costs, and, where possible, those additional costs are charged back to the tenants. This will typically have a positive impact on revenue for the fourth quarter.

Affecting fair values are changes in the contracted revenue to be received in the next twelve months, as well as changes in the balances of straight-line rent, deferred leasing, tenant inducements, capitalized expenditures, and changes to cap rates. These are inputs that contribute to the fair value increases or decreases of the investment properties.

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Total issued and outstanding shares at Q4 2020 is 9,460,442 (Q4 2019 – 9,496,442). The Company's normal course issuer bid expired on September 2, 2020. During the current period, the Company purchased 41,900 shares for a total cost of \$160,982. Of the repurchased shares, 36,000 were canceled with the excess cost of the purchase price over the cost of the shares of \$123,984 charged to retained earnings. The remaining 9,200 shares are held in treasury until canceled in the current year.

In the prior year, the Company purchased 90,500 shares for a total cost of \$361,082. Of those shares, 87,200 were canceled with a charge to retained earnings of \$292,420. The remaining 3,300 shares were held in treasury until canceled.

There are currently no options outstanding.

DIVIDENDS

The Company issued a press release on January 6, 2020, announcing the declaration of a quarterly dividend of \$.025 per share payable on January 31, 2020, to shareholders of record effective January 13, 2020. A second press release on April 8, 2020, announced the declaration of a quarterly dividend of \$.025 per share payable on April 30, 2020, to shareholders of record effective April 17, 2020. Subsequent to the quarter ending, due to economic uncertainty brought about by COVID-19, the Board of Directors agreed to suspend the quarterly dividend payments for Q3 and Q4 2020. It is anticipated that quarterly dividends will resume in Q1 2021.

Dividend distribution is determined by the Board of Directors after evaluating the earnings of the Company and the overall outlook for the economy. Dividends are declared and paid based on the common shares owned at the record date. Shareholders are cautioned that past issuance of dividends by the Company does not guarantee that future dividends will be issued.

RELATED PARTY TRANSACTIONS

Paid to companies owned or controlled by a director, majority shareholder, and officer

Property management and maintenance fees of \$1,181,308 (2019 - \$1,038,486) were paid to Sable Realty & Management Ltd. ("Sable"), a company controlled by Sine Chadi, a director and officer of the Company. Fees paid to Sable are pursuant to a contract with the Company to bill for the management and maintenance of its properties for a fee of 4% of rents collected. Maintenance performed by Sable's property management team is charged at rates of \$85 per hour (2019 - \$65 per hour) for labour, plus truck charges, equipment use, and parts charges. Sable provides its trucks, tools, and equipment to perform property maintenance. The Company recovers most of the management and maintenance fees from the tenants under their occupancy costs. Four leases have no management fee recoverable and the remaining leases have a provision for the recovery of 2%-5% of either minimum rent or rent (which would include minimum rent and operating

expense recoveries). The percentage of management fees negotiated and collectible under the leases varies based on the amount of work undertaken by Management, as compared to the tenant, in maintaining the property.

Acquisition, disposition and leasing fees in the aggregate of \$557,937 (2019 – \$298,669) were paid to North American Realty Corp. (“NARC”), a company controlled by Sine Chadi. The increase in the current year is due to the purchase of three investment properties, the disposition of one investment property, and the three new leases entered into during the current year.

Leased office space and parking were paid to Sable in the aggregate amount of \$149,095 (2019 - \$100,200). Imperial Equities shares its head office space with the Sable head office. The increase in lease fees paid in the current year is due to additional space leased by the Company in the current year commencing March 1, 2020.

Fees for the Chief Financial Officer of \$293,333 (2019 – \$200,000) were paid to Sable for the services provided by the Company’s Chief Financial Officer who is not paid directly by the Company. The increase in the current year is due to a loyalty fee payable to the former CFO in consideration of years of service with the Company.

Rent collected from Sable for commercial lease space was \$88,414 (2019 – \$22,104). Sable leases a 7,871 ft² building in Edmonton, Alberta from the Company.

Rent collected from Sable Realty Corp., a company controlled by Sine Chadi, who is a director and officer of the Company, was \$18,000 in 2020 (2019 - Nil). Sable Realty Corp. leased commercial space in one of the Company’s multi-tenant buildings in Edmonton, Alberta.

Contracts with Sable and NARC have been in place since 1999 with no changes to the terms. They can be viewed on-line at <www.sedar.com>. These contracts and the associated fees and rates are reviewed quarterly by the Company’s Board of Directors.

Charitable donations were made to the Chadi Family Foundation, a private charitable foundation, of which Sine Chadi is a director. During the current year, the Board of Directors approved a charitable donation of \$67,025 (2019 - \$67,025).

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

Paid to directors

Directors’ fees paid for attending directors’ meetings were \$60,000 (2019 - \$52,500). Fees per director per meeting are \$2,500, unchanged from the prior year. The fees paid are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations.

Compensation to key Management personnel

The Company's key Management personnel include President Sine Chadi, who is also a director and significant shareholder of the Company. The total compensation paid to Mr. Chadi in 2020 was \$300,000 (2019 - \$300,000). The Company's COO, Patricia Misutka, as well as the interim CFO, Azza Osman, were both hired in the current year and received a compensation of \$150,000 and \$8,823 respectively.

Unsecured financing from directors and shareholders

In the current year, \$9,150,000 was received from shareholders; of which, \$5,050,000 remains outstanding at September 30, 2020. Related party financing bears interest at an annual rate of 6% (2019 – 6%). The total interest at September 30, 2020 is \$105,703.

In the prior year, a director and shareholder advanced the sum of \$200,000 to the Company, which was repaid with interest of \$1,184.

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

In the current year, \$200,000 was received and fully paid with interest of \$2,268 at an annual rate of 6%.

In the prior year, financing from North American Mortgage Corp. totaled \$750,000 and was repaid with interest of \$5,633 at an annual rate of 6%.

Unsecured financing from a company under common control

In the prior year, financing of \$5,070,000 was owed to a company that is under common control by Sine Chadi. The \$5,070,000 was repaid in full during the prior year. Total interest paid was \$19,287 calculated at an annual rate of 6%.

LIQUIDITY, CAPITAL RESOURCES, AND SOLVENCY

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

	2020	2019
Income from operations	\$ 11,689,648	\$ 12,504,230
Cash provided by operating activities	\$ 9,621,005	\$ 9,927,677

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

The impact of COVID-19 on cash flows was felt during 2020 as the Company provided some rent deferrals to specific tenants. The months of April to September 2020 had cumulative rent deferrals of \$846,940 of which repayments of \$199,406 were made during the year. The recovery dates for the deferrals vary by tenant and commenced July 2020 with the last repayment set to be made over the initial terms of their leases. Due to COVID-19, \$22,775 of rent was abated for two tenants during the year.

During Q3 2020 there was a severe flood in Fort McMurray, Alberta and as a result of the tenant's inability to remain open, \$448,855 of rent was abated during this year. The tenant has resumed operations in the building and began paying full rent on September 15, 2020.

During the COVID-19 deferrals period as well as the rent abatements, the Company's lines of credit were drawn to their maximum and the Company relied on related-party financing to bridge the gap between revenue and expenses in the impacted period. Provided tenants can continue to meet their lease obligations, the cash flow from operations will increase over the next 20 months as the majority of rent deferral agreements begin to be repaid. At this date, the Company cannot predict the further outcome of the pandemic and the effects it may have on the cashflows and financing opportunities.

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

Investment properties that are unencumbered with debt are \$17,599,810 at September 30, 2020. The ratio of debt to assets is 56% (2019- 53%), providing possible leverage opportunities in the future.

At September 30, 2020, five mortgages are due in the next twelve months with combined principal balances of \$17,620,825 and shown as current liabilities. When mortgages are renewed, the Company may have the option of increasing the debt on a particular property, subject to the lender's approval, to provide increased capital. There is a risk to the Company that mortgages that are up for renewal may not be renewed or may not be renewed at the same rates and therefore the monthly principal and interest may change. Subsequent to the year end, the Company has began the process of renewal on three of the mortgages.

Subsequent to the year ending, the Company completed an agreement to purchase a 0.312 acres Public Utility Lot ("PUL") adjacent to one of the Company's properties. The total purchase price was \$93,600.

The Company has no other contractual commitments to purchase or sell assets, other than as disclosed above, and as disclosed in Note 23 of the consolidated financial statements.

CRITICAL ESTIMATES OF THE CURRENT ECONOMIC ENVIRONMENT AND OUTLOOK

The economic environment in which Imperial operates could be adversely affected by tenants challenged by unfavorable economic conditions, most recently the collapse in oil prices, and the effect of the COVID-19 pandemic.

The economic future is uncertain for every sector of the economy including real estate, but the hardest hit have been the office and retail sectors. Fortunately, the Company has little exposure to retail or office properties. Over 80% of the Company's tenants are large national and multi-national corporations with the potential to endure a downturn in the economy. While it is anticipated that continuing low oil prices will have an impact on the Alberta economy, the Company's tenants with exposure to the oil sector have thus far maintained their lease obligations and of these, only two tenants requested rent deferrals.

The Company has entered into rent deferral arrangements with certain tenants whose businesses have been impacted by COVID-19. It is not possible to forecast with certainty the duration and full scope of the impact of COVID-19 and so the Company may experience further issues with rent collection, occupancy rates, and capitalization rates that may affect the valuations of the investment properties. The full extent and duration of COVID-19 remain uncertain at this time.

During Q1 2020, an Edmonton-based tenant occupying a single-tenant building encompassing 50,000 ft² asked Management for some relief from its current lease obligations due to cash flow issues. The Company complied and in Q2 2020 this tenant vacated their premises before their lease expiry. There is currently a tenant occupying the space on a month to month basis. Also, during

Q1 2020, a retail tenant occupying 4,907 sf² was unable to meet their lease obligations and vacated the premises. At Q2 2020 a tenant occupying a single-tenant building of 25,595 sf² vacated at the end of their lease term. In combination with the new leases signed during the year, the total vacant space is 51,320 sf². These vacancies were not a result of the sharp drop in oil prices or the COVID-19 pandemic as these vacancies had occurred prior to these events.

Management is continuing its efforts to fully lease the remaining vacancies and ongoing negotiations could realize more than 60% of the vacant space leased out in the next quarter.

Financing from the Company's lenders is currently at lower rates than in the past few years which may provide an advantage for the Company when renewing mortgages or acquiring new mortgages on acquisitions. To date, the Company has been very successful with its financing requirements and diligently monitors risk factors when considering strategic plans.

RISKS

Coronavirus risk – ("COVID-19")

The impact of COVID-19 on companies continues to evolve rapidly and its future effects are uncertain, making it difficult to assess or predict the broad effects on industries and individual tenants. The actual impact will depend on many factors beyond the Company's control and knowledge. Management is responding to evolving events and planning for the uncertainties surrounding the effects of COVID-19 on the Company.

COVID-19 - Impact on the financial condition and results of operations.

The impact of COVID-19 on the consolidated financial statements included a write-down on some of the Company's properties where there is now more uncertainty surrounding leasing vacant space and more uncertainty whether leases up for renewal in the next twelve months will be renewed. The write-downs affected the earnings per share on the consolidated statements of income. The cash flows from operations were negatively affected during the year by the rent deferrals provided to some tenants due to COVID-19.

In light of changing trends and the overall economic outlook, COVID-19 will impact the near future operating cash flows, the availability of cash through the current credit facilities, and potentially, the availability of related party financing to assist with short-term needs. In 2020, some of the Company's tenants requested some relief from rent obligations which was dealt with on a case by case basis. Fortunately, the Company has little exposure to retail or office tenants who have had to suspend operations during this pandemic.

The Company's long-term financial impact will be affected if some tenants are not able to survive the crisis and subsequently vacate the property. Valuations on properties that are vacant will likely be lower and any mortgage renewals will become challenging. There is a possibility that the Company may not be able to renew mortgages as they come due as a result of vacancies.

Much of the rent relief offered is in the form of deferrals. Over the next several quarters, revenue from tenants that is deferred until 2021 and beyond will continue to impact the cashflows and affect the Company's liquidity.

COVID-19 - Impact on capital and financial resources

The Company's access to capital and funding sources, such as revolving credit facilities, new mortgages, and related party financing, has not changed during the year. The Company has begun the process of renewing three mortgages that are expiring in the next six months and intends to increase the leverage whenever. The Company has relied on related-party financing to assist with operations in the short term.

At this reporting date, the Company has no known uncertainties as it relates to the ability to service the current debt and other financial obligations. The operating cashflows for the year were materially impacted by the deferred revenue from tenant leases, however, the Company anticipates that it has access to the required short-term financing to bridge the gap until cashflows return to normal over the next year.

Portfolio of Tenants and Lease Roll-Over Risk

One of the Company's internal performance drivers is to ensure the quality of the tenant base is strong. Most of the Company's tenants are large multi-national or national and are very likely to manage their operations sustainably during any economic turbulence. The Company does not have any tenant comprising 10% or more of its rental revenue thus limiting potential impacts from a single tenant.

Mix of Tenant Base	Institutional	Multi - National	National	Regional Large	Regional Medium	Local Small	Totals
% of Occupied GLA	7%	38%	36%	8%	3%	8%	100%
% of Annual Rental Revenue	3%	49%	33%	12%	1%	1%	100%

The Company's annual rental revenue is the 12-month revenue stream from contracted rents, also called Minimum Rent or Basic Rent in the Company's leases, and excludes revenues from property taxes and insurance, operating expense recoveries, and month-to-month leases.

The Company's real estate portfolio is predominately comprised of large single-tenant industrial buildings that are leased to multi-national and national tenants.

Most tenants have been with the Company for many years and the Company conducts due diligence on all prospective tenants. Notwithstanding the size of each tenant, the Company's risks involve losing tenants due to unforeseen circumstances and poor economic conditions.

The risk of vacancy of any leased space is the Company's ability to continue to meet the mortgage obligations on the property, as well as carrying costs including property taxes, utilities, and insurance. If in an extreme case a property became vacant, the carrying costs and mortgage payments if any could be paid for with existing cash flows from operations. At September 30, 2020 Imperial's occupancy rate is 95.7% year-to-date.

As with all the Company's past transactions, future opportunities will be evaluated through proper due diligence, assessment of industry conditions and geographical locations, and other external considerations.

Market values of the investment properties can decrease if the demand for industrial properties lease space decreases and rental rates are reduced, or capitalization rates increase. The Company's exposure to the market value of its real estate assets affects mortgages up for renewal. Properties with mortgages that are maturing in the next 12 months will be externally appraised for their current market value if the lender requires. During the year, one mortgage was renewed for a further five-year term, another mortgage renewed for one year, and three new mortgages were obtained for the new acquisitions. A mortgage was obtained in Q3 for the third and final acquisition for this fiscal year.

Factors that influence market values of investment properties are the income generated from the property, demand, vacancy rates, term of the current lease, the strength of the current tenant, age of the building and location. Imperial is not aware of any obstacles at this date that would negatively affect its ability to refinance its buildings as the mortgages come due.

The total fair value of the investment properties at Q4 2020 is \$226,944,468 which includes \$17,599,810 of properties unencumbered with debt. The mortgages and bank operating facilities secured against specific properties total \$123,096,063 or 54% of the investment properties. Management believes the amount of debt against the properties is low enough to absorb any decline in values and support our ability to refinance.

Lease rates will likely adjust downward if the demand for comparable lease space decreases, which is expected in any economic downturn. As demand for lease space increases, so does the lease rate. Imperial is mindful of these risks. Management believes that any further leases that are up for renewal in the next twelve months will likely be renewed at the same rates, but the Company will be responsive to economic conditions. The current vacancies are taking longer than initially anticipated to lease-up, however the Company is working towards achieving its prior occupancy levels of 100%.

Interest rates on mortgages that are up for renewal are currently at the lowest the Company has seen for several years. This bodes well for renewals and new mortgages on acquisitions as the Company will save significantly on interest costs while the rates are low. The Company tries to mitigate the risk of rising interest rates by fixing rates for longer terms and by minimizing its exposure to floating-rate financing. All mortgages have fixed rates.

Environmental risk

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

Cybersecurity risk

Cybersecurity has been identified as a risk to the Company, promoting regular reviews of security measures to take appropriate steps to reduce this risk. While the Company is aware it cannot

protect against all types of attacks and human error, Management has an adequate defense against the most common ones. Policies to protect the Company's data from a breach include the following:

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

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

PLANNED EXPENDITURES

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

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Adoption of accounting standards

The Company has adopted IFRS 16, "Leases" which introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the commencement of all leases, except for short-term leases and leases of low value assets. The change in the definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has determined its previously classified operating lease falls under the new definition and a right-of-use asset and lease liability have been recognized at the date of adoption, being October 1, 2019. The Company has recorded a lease liability at the present value of the remaining lease payments,

discounted at the Company's incremental borrowing rate. A right-of-use asset was measured at an amount equal to the lease liability. The Company has applied the modified retrospective approach and, therefore, the comparative information has not been restated.

In May 2020, the IASB issued an Amendment to IFRS 16, COVID-19-Related Rent Concessions. The amendment permits lessees not to assess whether particular COVID-19-related rent concessions are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. In addition, the amendment to IFRS 16 provides specific disclosure requirements regarding COVID-19-related rent concessions. The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted including in financial statements not yet authorized for issue at May 28, 2020. The adoption of this amendment had no impact on the consolidated financial statements.

Under IFRS 16, lessor accounting remains largely unchanged, and the distinction between operating and finance leases is retained. The Company has assessed this standard and, consistent with IAS 15, leases with tenants will be accounted for as operating leases in the same manner as they are currently being reported.

In June 2017, the IASB issued IFRIC 23, Uncertainty over income tax treatments ("IFRIC 23"). IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12, Income taxes when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019 with early adoption permitted. IFRIC23 requires the Company to contemplate whether uncertain tax treatments should be considered separately or together as a group, based on which approach provides better predictions of the resolution, and to determine if it is probable that the tax authorities will accept the uncertain tax treatment or, if it is not probable that the uncertain tax treatment will be accepted, measure the uncertainty based on the most likely amount or expected value, depending on which method better predicts the resolution of the uncertainty. On October 1, 2019, the Company adopted this standard with no impact on its consolidated financial statements.

Future accounting standards

IAS 1 *Presentation of Financial Statements* has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in January 2020. The amendments clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

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

(a) 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) COVID-19

The COVID-19 pandemic has had a substantial impact on the economy in 2020. The uncertainty surrounding the pandemic has required significant judgement when measuring the investment properties at fair value, which requires assumptions about the market conditions. The long-term impact is unknown, and the Company has used judgement when assessing the collectability of outstanding tenant receivable balances.

(ii) 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 judgements for the point in time at which revenue recognition under the lease commences.

The Company applies judgement in assessing whether an arrangement is, or contains, a lease in which the Company is a lessee, and in determining the lease term by considering the probability of an option being exercised to extend the term. Judgement was applied in determining the incremental borrowing rate and discount rate applied to the lease liability and right-of-use asset.

(iii) Investment property

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

In the normal course of operations, the Company acquires investment properties. At the time of the 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.

(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.

(b) Critical accounting estimates and assumptions

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

Investment properties

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

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

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

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

Income taxes

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

MEASURES NOT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Throughout the MD&A, Management will use measures that will include debt and unencumbered investment properties. These measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar calculations presented by other issuers. Different issuers may use the same term(s) to refer to different calculations or may vary the definitions of a particular term from one period to another period. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies.

DISCLOSURE CONTROLS AND PROCEDURES

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

The Company's major weakness in internal controls and procedures has always been the lack of segregation of duties in the accounting department. The potential impact of a material weakness in internal controls on the financial statements would be the possibility of a material misstatement going undetected. Management is responsible for the existence and effectiveness of systems, controls, and procedures to ensure that information used internally by Management and disclosed externally is reliable and timely. Management has initiated measures to mitigate such material weakness with the addition of new staff to segregate duties.

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

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

All proposed acquisitions are discussed at the Audit Committee stage. Once all internal conditions are met, an independent appraisal is ordered. Upon the successful closing of the transaction, acquisition fees charged by the asset manager, a related party, are disclosed to the Audit Committee. The Audit Committee provides oversight of financial statements and the MD&A released to the public on a quarterly basis.

The Company cannot guarantee that controls and procedures in place will prevent all errors or misstatements.

OFF-BALANCE SHEET ARRANGEMENTS

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