



IMPERIAL EQUITIES INC.

Q3 2021 Financial Statements

NOTICE TO READERS OF THE INTERIM FINANCIAL STATEMENTS

The interim consolidated financial statements have not been reviewed by the Company's auditors and should be read in conjunction with the Company's 2020 annual consolidated financial statements.

IMPERIAL EQUITIES INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	Notes	(unaudited) June 30, 2021	(audited) September 30, 2020
Assets			
Investment properties	3	240,794,537	226,944,468
Right-of-use asset	4	700,189	812,719
Total non-current assets		241,494,726	227,757,187
Mortgage receivable	3	2,500,000	8,000,000
Receivables	5	39,929	264,875
Prepaid expenses and deposits	6	1,612,796	758,094
Cash and cash equivalents		378,004	123,619
Total current assets		4,530,729	9,146,588
Total Assets		246,025,455	236,903,775
Liabilities			
Mortgages	7	83,737,606	73,547,237
Lease liability	9	614,097	722,282
Security deposits		718,549	637,507
Deferred taxes	12 (b)	13,785,838	13,346,081
Total non-current liabilities		98,856,090	88,253,107
Current portion of mortgages	7	26,540,905	23,036,386
Current portion of lease liability	9	142,526	139,040
Other financing	21 (b)	2,800,000	5,050,000
Bank operating facilities	8	17,404,927	26,275,887
Payables and accruals	10	1,322,924	1,335,226
Income taxes payable		1,008,123	552,393
Total current liabilities		49,219,405	56,388,932
Total Liabilities		148,075,495	144,642,039
Equity			
Issued share capital	15 (a)	5,947,346	5,925,098
Retained earnings		92,002,614	86,336,638
Total Equity		97,949,960	92,261,736
Total Equity and Liabilities		246,025,455	236,903,775

Guarantees, contingencies, and commitments (Note 18)
Post-reporting date events (Note 22)

See accompanying notes to the consolidated interim financial statements.

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

	Notes	Current Quarter 2021	Prior Year Quarter 2020	9 Months June 2021	9 Months June 2020
Rental revenue	14,17	4,540,224	4,285,825	13,248,849	12,321,517
Property operating expenses	14	(1,284,518)	(1,078,012)	(3,562,904)	(3,171,514)
Income from operations		3,255,706	3,207,813	9,685,945	9,150,003
Finance costs	11	(1,141,451)	(1,054,395)	(3,229,364)	(3,263,447)
Administration expenses		(455,678)	(347,795)	(1,106,021)	(1,111,716)
Amortization of deferred leasing		(74,068)	(97,151)	(218,395)	(271,590)
Amortization of right-of-use asset		(37,510)	(37,510)	(112,530)	(112,530)
Unrealized loss on short term investments		-	-	-	(17,494)
Valuation net gains (losses) from investment property	3	2,399,494	(992,868)	2,400,006	(2,856,309)
Income before income tax		3,946,493	678,095	7,419,641	1,516,917
Income tax expense	12(a)	(587,142)	(30,256)	(1,447,879)	(971,535)
Net income and total comprehensive income for the period		3,359,351	647,839	5,971,762	545,382
Earnings per share, basic and diluted	16	0.35	0.07	0.63	0.06

See accompanying notes to the consolidated interim financial statements.

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

	Number of shares	Capital stock	Retained earnings	Total
October 1, 2020	9,460,442	\$ 5,925,098	\$ 86,336,638	\$ 92,261,736
Shares held in treasury at beginning of year	-	28,044	-	28,044
Shares cancelled during the period	(9,200)	(5,796)	(22,249)	(28,045)
Dividends paid	-	-	(283,537)	(283,537)
Net earnings	-	-	5,971,762	5,971,762
Balance June 30, 2021	9,451,242	\$ 5,947,346	\$ 92,002,614	\$ 97,949,960

	Number of shares	Capital stock	Retained earnings	Total
October 1, 2019	9,496,442	\$ 5,975,822	\$ 85,519,555	\$ 91,495,377
Shares repurchased, held in treasury	(36,000)	(50,724)	(123,984)	(174,708)
Dividends paid	-	-	(474,822)	(474,822)
Net earnings	-	-	545,382	545,382
Balance June 30, 2020	9,496,442	\$ 5,925,098	\$ 85,466,129	\$ 91,391,227

See accompanying notes to the consolidated interim financial statements.

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

Notes	Current Quarter 2021	Prior Year Quarter 2020	9 Months June 30 2021	9 Months June 30 2020
Operating activities				
Net income and total comprehensive income	3,359,352	647,843	5,971,762	545,382
Finance costs	1,141,451	1,054,393	3,229,364	3,263,447
Items not affecting cash:				
Non-cash accelerated rent	-	-	-	(100,000)
Amortization of right-of-use asset	37,510	37,510	112,530	112,530
Amortization of tenant inducements	11,447	6,878	26,726	20,635
Amortization of deferred leasing commissions	74,067	97,151	218,395	271,590
Fair value changes on investment properties	(2,399,494)	992,868	(2,400,006)	2,856,309
Loss on short term investments	-	-	-	17,494
Straight-line rental revenue	187,483	(592,324)	134,949	(525,580)
Deferred income taxes	434,690	(30,163)	439,757	622,884
Leasing commissions	(50,580)	-	(445,360)	(112,883)
Net change in operating working capital	13 (2,407,613)	628,997	(316,885)	2,012,734
Cash provided by operating activities	388,313	2,843,153	6,971,232	8,984,542
Investing activities				
Purchase of investment properties	(918,517)	(52,490)	(7,823,517)	(13,928,029)
Property under development	-	-	-	-
Improvements and additions to investment properties	(497,162)	(146,531)	(1,061,256)	(240,534)
Proceeds from sale of short-term investments	-	-	-	258,486
Proceeds from loan receivable	5,500,000	-	5,500,000	-
Net change in investing working capital	13 (92,341)	(74,214)	(33,750)	(15,910)
Cash received (used) in investing activities	3,991,980	(273,235)	(3,418,523)	(13,925,987)
Financing activities				
Proceeds from new mortgages	17,175,000	-	30,332,722	10,303,500
Repayment of mortgages on maturity	(9,527,333)	-	(13,939,298)	-
Repayment of mortgages through principal instalments	(1,777,518)	(1,602,410)	(5,205,446)	(4,565,387)
Amortization of deferred finance fees	24,200	9,206	69,280	69,186
Fees associated with new or renewed mortgages	(30,938)	(11,851)	(62,371)	(81,645)
Advances from other financing	50,000	500,000	50,000	5,300,000
Repayment of other financing	(2,300,000)	(400,000)	(2,300,000)	(3,100,000)
Principal repayments on lease liability	(34,341)	(34,091)	(104,697)	(67,348)
Finance costs	(1,141,451)	(1,054,393)	(3,229,364)	(3,263,447)
Dividends paid	(141,768)	(237,411)	(283,537)	(474,822)
Purchase of common shares for cancellation	-	(28,065)	-	(160,982)
Net advances on bank operating facilities	(6,750,756)	61,657	(8,870,960)	100,845
Net change in financing working capital	13 127,392	35,877	245,347	12,802
Cash (used) provided by financing activities	(4,327,513)	(2,761,481)	(3,298,324)	4,072,702
Increase (decrease) in cash and cash equivalents	52,780	(191,563)	254,385	(868,743)
Cash and cash equivalents, beginning of period	325,224	358,142	123,619	1,035,322
Cash and cash equivalents, end of period	378,004	166,579	378,004	166,579

See accompanying notes to the consolidated interim financial statements

1. Description of the Company

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

2. Significant accounting policies

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

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

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

These consolidated interim financial statements have been prepared using the same accounting policies and methods of computation in all material respects as the most recent annual financial statements except for the impact of the adoption of accounting standards described in Note 2 (r). These statements have not been reviewed by the Company’s auditors and should be read in conjunction with the Company’s 2020 annual consolidated financial statements. The preparation of interim financial statements in conformity with IAS 34 requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

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

(b) Investment properties

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

Investment properties

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

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

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

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

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

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

Investment properties under development

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

Borrowing costs related to properties under development

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

(c) Business combinations

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

(d) Impairment of assets

At the end of each reporting period, assets, other than those identified in the standards as not being applicable to IAS 36 – Impairment of Assets such as investment properties recorded at fair value, are assessed for any indication of impairment. Should any indication of impairment exist, the recoverable amount of the asset is estimated to

determine the extent of the impairment loss (if any). For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

(e) Investment property held for sale

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

(f) Leases

The Company as a Lessee

The Company assesses whether a contract is, or contains, a lease at the inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability for all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measure of the lease liability comprise:

- Fixed payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment, of exercise of an option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or a rate change in expected payment under a guaranteed residual value, in which cases, the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses (for right-of-use assets which are considered property, plant, and equipment). Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Company applied IAS 36 to determine whether a right-of-use asset is impaired.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments and are included in operating expenses in the consolidated statements of comprehensive income.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient on its contract for office space which contains both lease and non-lease components.

The Company as a Lessor

The Company enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. As the Company has retained substantially all of the risks and benefits of ownership of its investment properties, it accounts for leases with its tenants as operating leases. As operating leases, lease payments are recognized as revenue when the tenant has a right to use the leased asset. The leased asset is recognized in the consolidated statement of financial position according to the nature of the underlying asset.

(g) Segment reporting

Operating segments are defined as components of the Company for which separate financial information is available and is evaluated by the chief operating decision-maker (“CODM”) in allocating resources and assessing performance. The CODM is the President and Chief Executive Officer who has determined there are two reportable segments, an agricultural division, and an industrial/retail division. All the Company’s operations are solely in Canada and are

under one business, commercial real estate. The CODM and the board of directors will evaluate the performance of the segments based on income from operations and have set a predetermined level of resources to be allocated to the growth of the agricultural division.

(h) Income tax

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

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

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

(i) Provisions

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

(j) Revenue recognition

Contracted rental revenue is recognized and measured in accordance with IFRS 16 *Leases*. Revenue commences when a tenant has a right to occupy the leased asset. Base rents or minimum rents in lease contracts are recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received. The Company has retained substantially all the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases.

Rental revenue includes recoveries of property taxes, insurance, and operating expenses. Operating expense recoveries from tenants are providing a service to the tenant and therefore are non-lease components. IFRS 15 *Revenue from Contracts with Customers* requires revenue recognized from non-lease components to be disclosed separately from other sources of revenue. Operating expense recoveries are recognized over time for services rendered in the period they are earned. The recoveries are included gross of the related costs in revenue, as management considers that the Company acts as principal in this respect. Some of the Company's leases allow the tenant to pay property taxes directly to the municipality. When the tenant chooses this option, the Company does not recognize any revenue recovery or expense related to those property taxes. Rental revenue also includes accelerated rent adjustments that occur when the Company agrees to allow a tenant to terminate their lease in advance of the contractual lease term. The proceeds of the negotiated rent adjustment are recognized in income when it is receivable, and there is no ongoing contractual obligation.

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

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

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

(k) Fair value measurements

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

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

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

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

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

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

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

(l) Financial instruments

Financial assets are recognized when the Company becomes a party to the contractual provisions of the financial instruments. Financial assets are derecognized when the contractual rights to the cash flow from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. For financial assets, the Company applies the general approach to recognize impairment losses which require losses to be recognized from possible defaults in the next twelve months. Short term investments are initially recognized at fair value and subsequently measured at fair value through profit and loss.

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

Classification and measurement

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

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

<u>Classification and Measurement</u>	
Financial Assets	
Cash and cash equivalents	Amortized cost
Tenant receivables	Amortized cost
Mortgage and loan receivable	Amortized cost
Financial Liabilities	
Bank operating facilities	Amortized cost
Payables and accruals	Amortized cost
Lease liability	Amortized cost
Other financing	Amortized cost
Mortgages	Amortized cost
Security deposits	Amortized cost

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

(m) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less.

(n) Normal course issuers bid

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

(o) 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 coronavirus has had a substantial impact on the economy in 2020 and 2021. 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 judgments concerning 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 properties

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

In the normal course of operations, the Company acquires investment properties. At the time of 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) Classification of tenant incentives

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

(v) 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.

(p) Critical accounting estimates and assumptions

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

(i) Investment properties

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

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

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

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

(ii) Income taxes

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

(iii) Stock-based compensation

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

Future accounting standards

New and amended standards adopted

IFRS 3 *Business Combinations* has been amended in order to clarify that obtaining control of a business that is a joint operation is a business combination achieved in stages. Early adoption of this amendment was applied retrospectively to October 1, 2020 and there was no impact on the consolidated interim financial statements.

IFRS 16 *COVID-19 Related Rent Concessions* provides a practical expedient to lessees, who have received a rent concession as a direct consequence of the COVID-19 pandemic, an optional election not to assess if it is a lease modification. A lessee that makes this election shall account for any changes in lease payments resulting from the rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. Early adoption of this amendment was applied retrospectively to October 1, 2020 and there was no impact on the consolidated interim financial statements.

New and amended standards not yet adopted

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 provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. The amendments specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months; provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and clarify when a liability is considered settled. On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023, and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* amendments were made to IAS 37, in order to clarify (i) the meaning of “costs of fulfill a contract”, and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. IAS 37 is required to be applied for annual periods beginning on or after January 1, 2022. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

The Company has performed an assessment of new standards issued by the International Accounting Standards Board (“IASB”) that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its consolidated financial statements would not be significant.

3. Investment properties

	Income Producing Properties	Held For Development	Total Investment Properties
Opening balance at September 30, 2020	\$ 214,542,476	\$ 12,401,992	\$ 226,944,468
<i>Additions:</i>			
Property improvements and additions	938,265	-	938,265
Capitalized property taxes and other	-	122,991	122,991
Leasing commissions	445,360	-	445,360
Property acquisitions	10,323,517	-	10,323,517
Amortization of tenant inducements	(26,726)	-	(26,726)
Change in straight-line rental revenue	(134,949)	-	(134,949)
Revaluation gains (losses), net	2,522,956	(122,950)	2,400,006
Amortization of deferred leasing commissions	(218,395)	-	(218,395)
Ending balance at June 30, 2021	\$ 228,392,504	\$ 12,402,033	\$ 240,794,537

	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

Valuation methodology and processes

The fair value of investment properties at each reporting period is determined internally by management using assumptions and market information obtained from industry professionals and qualified external appraisers. Management uses inputs from external appraisers as additional sources of information when recording property-specific attributes. Investment properties carried at fair value are categorized by level according to the significance of the inputs used in making the measurements. As the fair value of investment properties is determined with significant unobservable inputs, the investment properties are typically classified as Level 3 assets. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

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

Land held for development with holding income is valued based on sale data within the market area.

The Company's executive management team is responsible for determining fair value measurements including verifying all major inputs included in the valuation. Management, along with the Audit Committee, discusses the valuation process and key inputs every quarter.

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

	June 30, 2021	September 30, 2020
Range of capitalization rates applied to investment properties	4.27% - 8.50%	4.50% - 8.50%
Fair values of properties where cap rates were applied	\$ 224,481,794	\$ 210,631,766
Weighted average cap rates	6.32%	6.36%
Fair value impact of increasing average cap rate by 0.25%	\$ (8,547,713)	\$ (7,960,123)
Fair value impact of a 1% decrease in net operating income	\$ (2,247,633)	\$ (2,093,904)
Land held for development		
Average price per acre of land	\$ 157,274	\$ 157,274
Number of acres	64.55	64.55
Total fair values	\$ 10,152,036	\$ 10,152,036
Impact of a 10% change in average price per acre	\$ 1,015,204	\$ 1,015,204
Land under lease agreements with tenants		
Number of acres leased	7.90	7.90
Average price per acre	\$ 779,837	\$ 779,837
Total fair values of leased land	\$ 6,160,710	\$ 6,160,710
Impact of a 10% change in average price per acre	\$ 616,071	\$ 616,071

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

	June 30, 2021	September 30, 2020
Straight line rent receivable	\$ 2,250,935	\$ 2,385,884
Tenant inducements	261,464	105,467
Leasing commissions	1,674,922	1,447,956
	<u>\$ 4,187,321</u>	<u>\$ 3,939,307</u>

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

Mortgage receivable

During Q4 2020, the Company disposed of an investment property for total sale proceeds of \$9,350,000 and entered into a vendor take back (“VTB”) mortgage for \$8,000,000. The VTB bore interest at an annual rate of 2.5% with monthly interest payments, and a maturity date of July 21, 2021. The VTB can be prepaid in whole or in part without penalty. The purchaser has an option to extend the mortgage for a further year.

On May 7, 2021, the Company was received \$5,500,000 with the balance of \$2,500,000 to be received by August 15, 2021. The balance of the VTB bears interest at an annual rate of 6%. The VTB is carried at amortized cost.

4. Right-of-use asset

The following table presents the change in the balance of the Company’s right-of-use asset which is its office lease:

	June 30, 2021	September 30, 2020
Opening balance	\$ 812,719	\$ -
Adoption of IFRS 16	-	962,760
Amortization expense	(112,530)	(150,041)
Balance, end of period	\$ 700,189	\$ 812,719

5. Receivables

	June 30, 2021	September 30, 2020
Receivables	\$ 17,688	\$ 248,208
Accrued interest	22,241	16,667
Receivables net, end of period	\$ 39,929	\$ 264,875

6. Prepaid expenses and deposits

	June 30, 2021	September 30, 2020
Prepaid operating expenses	\$ 1,585,777	\$ 707,215
Deposits in trust	-	9,360
Security deposits with municipalities	27,019	41,519
Total prepaid expenses and deposits	\$ 1,612,796	\$ 758,094

Prepaid operating expenses are insurance and property taxes.

7. Mortgages

Maturity	Rate	June 30, 2021	September 30, 2020
* September 1, 2021	3.000%	\$ 2,500,000	\$ -
October 1, 2021	2.470%	5,016,598	5,480,578
October 1, 2021	2.470%	6,473,343	6,882,331
February 1, 2022	3.040%	5,102,748	5,403,477
June 1, 2022	2.730%	1,854,688	2,008,815
December 1, 2022	3.670%	3,332,875	3,505,577
December 1, 2022	3.671%	3,028,083	3,184,981
February 1, 2023	3.750%	1,831,751	1,924,526
April 1, 2023	1.860%	3,530,624	1,409,892
October 1, 2023	3.950%	300,986	392,042
October 1, 2023	4.090%	5,440,306	5,691,548
November 1, 2023	4.330%	3,741,746	3,910,232
December 1, 2023	4.648%	4,474,285	4,669,603
January 1, 2024	4.300%	2,102,100	2,233,245
January 1, 2024	4.300%	1,668,333	1,772,416
April 1, 2024	2.110%	4,093,923	3,222,750
August 1, 2024	3.300%	9,204,865	9,619,196
November 1, 2024	3.555%	8,157,804	8,509,822
February 1, 2025	3.420%	4,653,550	4,851,774
April 1, 2025	2.310%	4,950,983	5,177,069
August 1, 2025	2.837%	3,819,320	3,982,122
July 1, 2026	2.710%	5,900,000	4,986,626
July 1, 2026	2.710%	11,275,000	5,169,392
April 1, 2026	2.675%	2,675,873	2,832,165
June 11, 2029	3.480%	5,378,371	-
<i>Total mortgages</i>		\$ 110,508,157	\$ 96,820,179
<i>Less: current portion of principal payments</i>		(26,540,905)	(23,036,386)
<i>Less: balance of unamortized finance fees</i>		(229,646)	(236,556)
		\$ 83,737,606	\$ 73,547,237
Weighted average rate		3.15%	3.29%

*On March 31, 2021, a property was acquired in Red Deer, Alberta for a purchase price of \$9,300,000. As part of the consideration, the Company entered into a Vendor Take Back agreement, for \$2,500,000 which is due on September 1, 2021. The VTB is secured by the related investment property.

All the remaining mortgages are repayable in blended monthly payments of interest and principal. The security pledged for each mortgage is limited to the related investment property.

8. Bank operating facilities

	June 30, 2021	September 30, 2020
Bank operating facilities	\$ 17,404,927	\$ 26,275,887

The Company has two credit facilities set out as follows:

- 1) One operating line of credit (LOC) with a limit of \$13,318,000 (September 30, 2020 - a limit of \$13,467,000).

This LOC is used to assist with property acquisitions and general operations and has a balance at June 30, 2021, of \$13,182,813 (September 30, 2020 - \$13,309,907). The credit facility bears interest at prime plus 1% per annum (September 30, 2020 – prime plus 1% per annum) and is secured by specific revenue-producing properties with combined fair values of \$36,577,652 (September 30, 2020, specific revenue-producing properties with combined fair values of \$36,939,597). The Company pays a standby fee of .25% per annum (September 30, 2020 - .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, 2020): or b) the level at which a Loan to Value Ratio of 70% can be maintained for the secured properties, over which the Lender has 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, 2020). For these secured properties, the loan to value is set at 70%, unchanged from the prior period.

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% (unchanged from September 30, 2020) 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%
June 30, 2021	Yes	2.79	72%
March 31, 2021	Yes	2.78	73%
December 31, 2020	Yes	2.79	73%
September 30, 2020	Yes	2.75	73%
June 30, 2020	Yes	2.89	68%

The lender amended the credit agreement to allow an increase in the LTV to 74.5% effective August 1, 2020 with a provision that it is to be lowered to 70% within 18 months by January 1, 2022. The increase in above 70% is as a result of the sale of a property that was removed as security.

- 2) A second operating LOC with a limit of \$7,000,000 (September 30, 2020 – a limit of \$13,000,000).

The decrease in the limit from the prior year is a result of mortgage renewals during the current period where proceeds from the mortgage were used to reduce the limit on the facility by \$6,000,000.

This credit facility bears interest at prime plus .95% per annum (unchanged from September 30, 2020) and is secured by specific revenue-producing properties with combined fair values at June 30, 2021, of \$71,850,614 (September 30, 2020 - \$70,548,383).

There are no specific covenants or margin formulas for this line of credit. The balance on the credit facility at June 30, 2021 is \$4,222,114 (September 30, 2020 - \$12,965,980).

9. Lease liability

The following table presents the change in the balance of the Company's lease liability:

	June 30, 2021	September 30, 2020
Opening balance	\$ 861,322	\$ -
Adoption of IFRS 16	-	962,760
Lease payments	(136,675)	(149,095)
Interest	31,976	47,657
Balance, end of period	\$ 756,623	\$ 861,322
Current portion	\$ 142,526	\$ 139,040
Non-current portion	614,097	722,282
	\$ 756,623	\$ 861,322

Incremental borrowing rate **4.95%**

Estimated future principal payments required to meet the lease liability as at June 30, 2021, are as follows:

12 months ending June 30, 2022	\$ 142,526
12 months ending June 30, 2023	149,602
12 months ending June 30, 2024	157,008
12 months ending June 30, 2025	164,779
12 months ending June 30, 2026	142,708
Total	\$ 756,623

10. Payables and accruals

	June 30, 2021	September 30, 2020
Trade payables	\$ 111,630	\$ 301,366
Accrued loan interest	603,037	357,691
Current portion of tenant security deposits	168,973	91,350
Accrued liabilities	105,394	316,693
Prepaid rents	333,890	268,126
Total payables and accruals	\$ 1,322,924	\$ 1,335,226

Trade payables include commissions payable on leasing fees and consulting fees. Prepaid rents from tenants largely relate to rent due on the first of the following month, and the balance represents rents paid in advance which are recognized in revenue over the applicable months. Accrued liabilities include employee vacation accruals. The carrying value of payables and accruals approximates fair value due to their short-term maturity.

11. Finance costs

The components of finance costs are as follows:

	June 30, 2021	June 30, 2020
Interest on mortgages	\$ 2,419,501	\$ 2,267,870
Interest on bank operating facilities	636,919	856,447
Interest on other unsecured financing	213,981	48,985
Interest on lease obligations	31,976	35,743
Amortization of deferred finance fees	69,280	69,186
Interest income	(142,293)	(14,786)
	\$ 3,229,364	\$ 3,263,447

12. Income taxes

a) Provision for income taxes

Components of income tax expense

	June 30, 2021	June 30, 2020
Current tax expense	\$ 1,008,122	\$ 348,653
Deferred tax expense (recovery)	439,757	622,882
	\$ 1,447,879	\$ 971,535

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

	2021	2020
Income before income taxes	\$ 7,419,641	\$ 1,516,917
Expected income tax expense at 23% (2020 – 25.25%)	\$ 1,706,517	\$ 374,678
<i>Increase (decrease) resulting from:</i>		
Non-taxable items	12,557	21,551
Tax rate differentials and tax rate changes	(271,195)	575,306
	\$ 1,447,879	\$ 971,535

b) Deferred taxes

Deferred tax assets are attributable to the following:

	June 30, 2021	September 30, 2020
Lease liability	\$ 174,023	198,104
Capital losses	-	4,774
Donations	69,943	43,484
Deferred tax assets	243,966	246,362
Offset of tax	(243,966)	(246,362)
Net deferred tax assets	\$ -	\$ -

Deferred tax liabilities are attributable to the following:

	June 30, 2021	September 30, 2020
Straight-line rent receivable	\$ 517,715	\$ 548,753
Investment properties	12,953,221	11,830,656
Finance fees	12,594	7,029
Deferred leasing	385,230	333,030
Right-of-use asset	161,044	186,926

Capital gain reserve	-	686,051
Deferred tax liabilities	14,029,804	13,592,445
Offset of tax	(243,966)	(246,362)
Net tax liabilities	\$ 13,785,838	\$ 13,346,083

\$30,273,649 (September 30, 2020 - \$30,273,649) related to investments in certain subsidiaries was not recognized because it was not probable that the temporary difference will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

13. Supplemental consolidated cash flow information

	June 30, 2021	June 30, 2020
<i>Net change in operating working capital</i>		
Decrease in receivables	\$ 224,947	\$ 48,271
Decrease in loans receivable	-	828,063
(Increase) decrease in prepaid expenses and deposits	(863,954)	(693,982)
(Decrease) increase in payables and accruals	(214,537)	2,359,492
Increase (decrease) in income taxes payable	455,617	(508,653)
Increase (decrease) in security deposits	81,042	(20,907)
	\$ (316,885)	\$ 2,012,734

Net change in investing working capital

Decrease in deposits in trust for property acquisitions	\$ 9,360	\$ -
(Decrease)in payables and accruals	(43,110)	(15,910)
	\$ (33,750)	\$ (15,910)

Net change in financing working capital

Increase (decrease) in accrued interest payable	\$ 245,347	\$ (12,802)
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Interest paid	\$ 3,129,542	\$ 3,226,107
Income taxes paid	\$ 634,313	\$ 905,468

Non cash transaction:

Vendor take back financing on purchase of investment property	\$ 2,500,000	
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14 Segmented Information

IFRS 8, Operating Segments requires reportable segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker for the purpose of assessing performance and allocating resources to segments. The CODM has determined there are two reportable segments in the current fiscal year, based on the different economic environments they operate in. The following summary presents segmented financial information by industry divisions.

June 30, 2021 and 2020	Agricultural Division				Industrial & Retail Division				Corporate				CONSOLIDATED			
	Current 3 Months	Current 9 Months	Prior Yr. 3 Months	Prior Yr. 9 Months	Current 3 Months	Current 9 Months	Prior Yr. 3 Months	Prior Yr. 9 Months	Current 3 Months	Current 9 Months	Prior Yr. 3 Months	Prior Yr. 9 Months	Current 3 Months	Current 9 Months	Prior Yr. 3 Months	Prior Yr. 9 Months
Rental revenue, contractual amount	\$ 199,626	\$ 597,965	\$ 198,245	\$ 590,273	\$ 3,511,644	\$ 9,909,884	\$ 2,600,111	\$ 8,532,021	\$ -	\$ -	\$ -	\$ -	\$ 3,711,271	\$ 10,507,850	\$ 2,798,356	\$ 9,122,294
Property tax and insurance recoveries	20,224	60,673	20,457	60,906	688,072	1,947,681	606,498	1,713,368	-	-	-	-	708,296	2,008,354	626,955	1,774,274
Operating expense recoveries	2,672	9,410	3,137	8,480	316,915	884,514	271,930	811,524	-	-	-	-	319,587	893,924	275,067	820,004
Government Subsidy	-	-	-	-	-	-	-	-	-	396	-	-	-	396	-	-
Accelerated rent adjustment	-	-	-	-	-	-	-	100,000	-	-	-	-	-	-	-	100,000
Amortization of tenant inducements	-	-	-	-	(11,447)	(26,726)	(6,878)	(20,635)	-	-	-	-	(11,447)	(26,726)	(6,878)	(20,635)
Straight-line rental revenue	-	-	12,201	41,065	(187,483)	(134,949)	580,124	484,515	-	-	-	-	(187,483)	(134,949)	592,325	525,580
Rental revenue	222,522	668,048	234,040	700,724	4,317,701	12,580,404	4,051,785	11,620,793	-	396	-	-	4,540,224	13,248,849	4,285,825	12,321,517
Property operating expenses																
Property taxes and insurance	(24,009)	(66,079)	(19,725)	(62,278)	(729,214)	(2,109,014)	(663,536)	(1,916,265)	-	-	-	-	(753,223)	(2,175,093)	(683,261)	(1,978,543)
Operating expenses:																
Repairs and maintenance	(90,403)	(90,403)	3,840	(13,899)	(199,831)	(566,690)	(183,424)	(586,387)	-	-	-	-	(290,234)	(657,093)	(187,264)	(600,286)
Management fees	(8,901)	(26,648)	(8,846)	(26,463)	(180,004)	(506,524)	(144,080)	(453,074)	-	-	-	-	(188,905)	(533,172)	(152,926)	(479,537)
Utilities	-	-	-	-	(52,156)	(197,546)	(54,561)	(113,148)	-	-	-	-	(52,156)	(197,546)	(54,561)	(113,148)
<i>subtotals</i>	<i>(123,313)</i>	<i>(183,130)</i>	<i>(32,411)</i>	<i>(102,640)</i>	<i>(1,161,205)</i>	<i>(3,379,774)</i>	<i>(1,045,601)</i>	<i>(3,068,874)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(1,284,518)</i>	<i>(3,562,904)</i>	<i>(1,078,012)</i>	<i>(3,171,514)</i>
Income from operations	99,209	484,918	201,629	598,084	3,156,497	9,200,630	3,006,184	8,551,919	-	396	-	-	3,255,706	9,685,945	3,207,813	9,150,003
Finance costs:																
Interest on mortgages	(52,001)	(158,250)	(54,958)	(167,021)	(814,823)	(2,261,252)	(726,167)	(2,100,849)	-	-	-	-	(866,824)	(2,419,501)	(781,125)	(2,267,870)
Interest on bank operating facilities	-	-	-	-	-	-	-	-	(196,647)	(636,919)	(222,716)	(856,449)	(196,647)	(636,919)	(222,716)	(856,449)
Interest on other unsecured financing	-	-	-	-	-	-	-	-	(85,407)	(213,979)	(30,034)	(48,985)	(85,407)	(213,979)	(30,034)	(48,985)
Interest on lease obligations	-	-	-	-	-	-	-	-	(10,659)	(31,977)	(11,914)	(35,742)	(10,659)	(31,977)	(11,914)	(35,742)
Amortization of deferred finance fees	(1,809)	(5,427)	(1,508)	(4,523)	(22,391)	(63,853)	(7,698)	(64,664)	-	-	-	-	(24,200)	(69,280)	(9,206)	(69,187)
Interest income	-	-	-	-	-	-	-	-	42,286	142,293	601	14,786	42,286	142,293	601	14,786
<i>subtotals</i>	<i>(53,810)</i>	<i>(163,677)</i>	<i>(56,466)</i>	<i>(171,544)</i>	<i>(837,214)</i>	<i>(2,325,105)</i>	<i>(733,865)</i>	<i>(2,165,513)</i>	<i>(250,427)</i>	<i>(740,582)</i>	<i>(264,063)</i>	<i>(926,390)</i>	<i>(1,141,451)</i>	<i>(3,229,364)</i>	<i>(1,054,394)</i>	<i>(3,263,447)</i>
Administration expenses	-	-	-	-	-	-	-	-	(455,679)	(1,106,020)	(347,795)	(1,111,716)	(455,678)	(1,106,021)	(347,795)	(1,111,716)
Amortization of deferred leasing	(3,210)	(12,320)	(3,210)	(9,629)	(70,858)	(206,075)	(93,941)	(261,961)	-	-	-	-	(74,068)	(218,395)	(97,151)	(271,590)
Amortization of right-of-use asset	-	-	-	-	-	-	-	-	(37,510)	(112,530)	(37,510)	(112,530)	(37,510)	(112,530)	(37,510)	(112,530)
Unrealized gains (losses) on short-term investments	-	-	-	-	-	-	-	-	-	-	-	(17,494)	-	-	-	(17,494)
Valuation net gains (losses) from investment properties	13,415	3,308	(40,833)	13,091	2,386,079	2,396,698	(952,035)	(2,869,400)	-	-	-	-	2,399,494	2,400,006	(992,868)	(2,856,309)
Income (loss) before income tax	55,604	312,229	101,120	430,002	4,634,504	9,066,148	1,226,343	3,255,045	(743,616)	(1,958,736)	(649,368)	(2,168,130)	3,946,493	7,419,641	678,095	1,516,917
Income tax (expense) recovery	(12,789)	(71,813)	(23,168)	(106,210)	(1,065,936)	(2,085,214)	(291,750)	(803,997)	491,583	709,147	284,662	(61,328)	(587,142)	(1,447,879)	(30,256)	(971,535)
Net income (loss) and total comprehensive income (loss) for the period	\$ 42,815	\$ 240,416	\$ 77,952	\$ 323,792	\$ 3,568,568	\$ 6,980,934	\$ 934,593	\$ 2,451,048	\$ (252,033)	\$ (1,249,589)	\$ (364,706)	\$ (2,229,458)	\$ 3,359,351	\$ 5,971,762	\$ 647,839	\$ 545,382
Investment properties		\$ 10,617,849		\$ 10,850,613		\$ 230,176,689		\$ 219,276,772						\$ 240,794,538		\$ 230,127,385
Mortgages		\$ 4,474,285		\$ 4,733,227		\$ 106,033,872		\$ 89,745,001						\$ 110,508,157		\$ 94,478,228
Additions to investment properties		\$ -		\$ 34,741		\$ 11,384,773		\$ 14,133,822						\$ 11,384,773		\$ 14,168,563

15. Share capital

a) The Company has unlimited authorized common share capital.

	June 30, 2021	September 30, 2020
Number of shares issued		
Balance beginning of year	9,460,442	9,496,442
Shares cancelled	(9,200)	(36,000)
Ending number of shares	9,451,242	9,460,442
Capital stock		
Balance beginning of year	\$ 5,925,098	\$ 5,962,095
Shares held in treasury	28,044	(28,044)
Shares cancelled during the period	(5,796)	(8,953)
Ending capital stock	\$ 5,947,346	\$ 5,925,098

The Company received approval from the TSX Venture Exchange to purchase up to 479,182 common shares representing 5% of the outstanding shares under a normal course issuer bid ("NCIB") that expired September 2, 2020.

During the prior year, the Company repurchased 41,900 shares for \$160,982. A total of 36,000 shares were canceled during the period with the excess purchase price over the cost of the shares of \$123,985, being charged to retained earnings. The remaining 9,200 were canceled in the current period.

16. Earnings per share

The following are the weighted average number of shares outstanding:

	June 30, 2021	June 30, 2020
Net income and comprehensive income	\$ 5,971,762	\$ 545,382
Weighted average shares outstanding – basic and diluted	9,451,242	9,482,337
Earnings per share – basic and diluted	\$.63	\$.06

17. Rental revenue

The Company leases its commercial properties under operating leases with terms between 1 and 16 years. Some leases have options to extend for further five-year terms and a few leases are month to month.

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

	June 30, 2021	June 30, 2020
No later than one year	\$ 11,338,442	\$ 9,270,536
2 – 5 years	43,005,933	36,351,282
Over 5 years	32,360,185	26,246,243
	\$ 86,704,560	\$ 71,868,061

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

18. Guarantees, contingencies, and commitments

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

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

c) The Company has contracts in place with related parties to provide property management and asset management. Both contracts have been in place since 1999 and have been renewed on an annual basis with no changes to the terms. Further information can be found in the Related Party Transactions in Note 21.

19. Capital risk management

The Company defines capital that it manages as the aggregate of its equity and interest-bearing debt. The Company's objectives when managing capital are to ensure that the Company will continue as a going concern so that it can sustain daily operations and provide adequate returns to its shareholders. The Company is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced, or may not be refinanced on as favorable terms or with interest rates as favorable as those of the existing debt. The Company mitigates these risks by its continued efforts to stagger the maturity profile of its long-term debt, enhance the value of its real estate properties, and maintain high occupancy levels. The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

	June 30, 2021	September 30, 2020
Mortgages	\$ 110,508,157	\$ 96,820,179
Lease liability	756,623	861,322
Bank operating facilities	17,404,927	26,275,887
Other financing	2,800,000	5,050,000
Total debt financing	131,469,707	129,007,388
Equity	97,949,960	92,261,736
Total capital	\$ 229,419,667	\$ 221,269,124

20. Financial instruments

	June 30, 2021	September 30, 2020
Financial assets		
Cash and cash equivalents	\$ 378,004	\$ 123,619
Receivables	39,927	264,875
Mortgage receivable	2,500,000	8,000,000
	\$ 2,917,931	\$ 8,388,494
Financial liabilities		
Bank operating facilities	\$ 17,404,927	\$ 26,275,887
Payables and accruals	1,322,924	1,335,226
Other financing	2,800,000	5,050,000
Lease liability	756,623	861,322
Security deposits	887,521	728,855
Mortgages	110,508,157	96,820,179
	\$ 133,680,152	\$ 131,071,469

The carrying value of cash and cash equivalents, receivables, bank operating facilities, other financing, payables and accruals, and security deposits approximate their fair value because of the near-term maturity of those instruments. The fair value of mortgages payable is a level 2 measurement and is based on discounted future cash flows using rates that reflect observable current market rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable as at June 30, 2021 is \$111,857,143 (September 30, 2020 - \$98,065,439). These estimates are subjective as current interest rates are selected from a range of potentially acceptable rates and accordingly, other fair value estimates are possible. The interest rate used for this calculation is 2.110% (September 30, 2020 – 2.837%).

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

Credit risk

The Company is exposed to credit risk equivalent to the balance of its tenant receivables of \$39,927 at June 30, 2021 (September 30, 2020 - \$264,875), and cash and cash equivalents of \$378,004 (September 30, 2020 - \$123,619). Credit risk on tenant receivables arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss with a policy of credit assessment for all new lessees and by limiting its exposure to any one tenant. For tenant accounts receivable, the Company applies the general approach to recognize expected credit losses ("ECL") in the next twelve months. Management uses historical credit losses adjusted for current and forward-looking information which may affect the ability of the customers to settle receivables. Historically the Company has very little credit losses as most tenants have been able to meet their financial obligations. There was no loss provision for the nine month period ended June 30, 2021 (September 30, 2020 – Nil).

Accounts receivable are written off when there is no reasonable expectation of recovery. During the year ended September 30, 2020, an amount of \$39,330 was written off for one tenant who leased space in an investment property that was sold during the period.

During the prior fiscal year, the Company entered into a mortgage receivable for an investment property sold during the year. The term date of the mortgage is July 21, 2021. No provision has been made on this receivable as the full amount is expected to be collected in the current fiscal year. An amount of \$5,500,000 was received on May 7, 2021 and the balance is expected to be paid by August 15, 2021.

Credit risk associated with cash and cash equivalents is mitigated through the Company holding cash and cash equivalents with reputable financial institutions.

Interest rate risk

The Company's exposure to interest rate risk relates to its short-term floating interest rates on bank operating facilities. The required cash flow to service the debt will fluctuate because of the changing prime interest rate. The balance on the bank operating facilities at June 30, 2021 is \$17,404,927 (September 30, 2020 - \$26,275,887). Under the assumption any balance of the debt is outstanding for a further one year; a 1% increase in the prime rate would have a negative impact on the future annual earnings of the Company of \$174,049 (September 30, 2020 - \$262,276). The Company minimizes its exposure to interest rate risk to the extent that all mortgages except one have fixed rates with terms of five years.

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company's objective related to liquidity risk is to effectively manage cash flows to minimize the exposure that the Company will not be able to meet its obligations associated with financial liabilities. The Company actively monitors its financing obligations and cash and cash equivalents to ensure that it has enough available funds to meet current and foreseeable future financial requirements at a reasonable cost. Management manages its liquidity risk

with the use of the lines of credit available to the Company as well as short term financing from related parties and private parties. Management estimates that cash flows from operating activities will provide enough cash requirements to cover normal operating and budgeted expenditures.

At June 30, 2021, the Company exceeded the loan to value ratio on one of the bank operating facilities as an investment property that was sold during the prior year increased the ratio beyond the limit. The lender approved the increased ratio as of June 30, 2021.

The Company has used proceeds from renewed mortgages to repay some of its financing from related parties subsequent to the quarter end.

Contractual obligations at June 30, 2021

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	\$ 29,716,924	\$ 42,493,421	\$ 43,676,962	\$5,379,150	\$ 121,266,457
Payables and accruals	1,322,924	-	-	-	1,322,924
Lease liability	142,526	360,000	300,000	-	802,526
Security deposits	168,973	38,410	107,583	572,555	887,521
	<u>31,351,347</u>	<u>42,891,831</u>	<u>44,084,545</u>	<u>5,951,705</u>	<u>124,279,428</u>
Other financing	2,800,000	-	-	-	2,800,000
Operating facilities	17,404,927	-	-	-	17,404,927
	\$ 51,556,274	\$ 42,891,831	\$ 44,084,545	\$ 5,951,705	\$ 144,484,355

Contractual obligations at September 30, 2020

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	\$ 25,830,070	\$ 36,200,538	\$ 42,376,947	\$ -	\$ 104,407,555
Payables and accruals	1,335,226	-	-	-	1,335,226
Lease liability	181,675	360,000	360,000	75,000	976,675
Security deposits	91,350	176,563	-	460,942	728,855
	<u>27,438,321</u>	<u>36,737,101</u>	<u>42,736,947</u>	<u>535,942</u>	<u>107,448,311</u>
Other financing	5,050,000	-	-	-	5,050,000
Operating facilities	26,275,887	-	-	-	26,275,887
	\$ 58,964,208	\$ 36,737,101	\$ 42,736,947	\$ 535,942	\$ 138,774,198

COVID-19 risk

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 write-downs in the prior year on some of the Company's properties where there was now more uncertainty surrounding leasing vacant space and more uncertainty whether leases up for renewal in the next twelve months would be renewed. The write-downs affected the earnings per share on the consolidated statements of income. In the current period, there were no write-downs as previously vacant properties have mostly been leased in the current year and the Company has been successful with all renewals that have come due. The cash flows from operations were negatively affected by the rent deferrals

provided to some tenants due to COVID-19. In the current period, cashflows have improved as tenants are repaying their deferred amounts & tenants with abatements in the prior year have resumed paying their monthly rent.

The Company's long-term financial impact will be determined if some tenants are not able to survive the crisis and subsequently vacate the property.

The Company has little exposure to retail tenants who have had to suspend operations during this pandemic.

Much of the rent relief offered was in the form of deferrals. Over the next few quarters, revenue from tenants that was deferred until 2021 and beyond will continue to positively 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 period. The Company has renewed 4 mortgages in the current period and is in the process of renewing an additional two mortgages that will mature in the next 3 months. The Company also entered into a new mortgage in the current period to finance one of its acquisitions for a purchase price of \$9,300,000.

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.

21. Related party transactions

The following are the related party transactions of the Company.

a) Management agreements

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

Fee structure

Payments to Sable Realty & Management Ltd.:

Property management	4% of gross rents paid plus a flat fee for ground maintenance on certain properties
Property maintenance	\$85/hour for labour plus charges for truck, equipment, and parts
Project fees	large scale improvements to tenant space are negotiated at the time services are requested

Payments to North American Realty Corp.:

Leasing	6% of the value of new leases for the first five years plus 3% of the value of the leases that extend from six years to a maximum of ten years
	3% of the value of lease renewals to a maximum of five years
Acquisitions	1% of the purchase price of the property
Dispositions	3% of the sale price of investment property

<i>Payments for the periods ending June 30,</i>	2021	2020
Property management and maintenance fees	\$ 885,389	\$ 769,524
Large-scale renovations	278,264	-
Acquisition fees	107,100	137,380
Leasing fees	347,208	112,883
Total payments	\$1,617,961	\$ 1,019,787

Amounts payable at June 30, \$ 9,450 \$ -

b) *Other related party transactions*

i) Payments made to (received from) Sable Realty & Management Ltd.

	2021	2020
Leased office space and parking	\$ 136,675	\$ 103,090
Consulting fees	48,501	160,000
Rent at Sable Centre	(66,885)	(66,311)
Net payments for the year	\$ 118,291	\$ 196,779

ii) Directors are paid a fee for attending directors' meetings. The fees are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations. Total fees paid for the nine-month period were \$42,500 (June 30, 2020 – \$47,500).

iii) Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Company's key management personnel include President Sine Chadi, who is also a director of the Company, the Chief Operating Officer, Patricia Misutka, and the Chief Financial Officer, Azza Osman.

Period ending June 30,	2021	2020
Sine Chadi	\$ 225,000	\$ 225,000
Patricia Misutka	135,000	105,000
Azza Osman	123,750	-
	\$ 483,750	\$ 330,000

vi) Other financing, unsecured

Related Parties	Balance 1-Oct-20	Advances	Repayments	Balance 30-Jun-21
Jamel Chadi, Shareholder ¹	\$ 2,000,000	\$ -	\$ (1,100,000)	\$ 900,000
Sine Chadi, Shareholder ¹	\$ 1,550,000	50,000	(700,000)	900,000
Diane Buchanan, Shareholder ¹	\$ 1,500,000	-	(500,000)	1,000,000
Total	\$ 5,050,000	\$ 50,000	\$ (2,300,000)	\$ 2,800,000

Related Parties	Balance 1-Oct-19	Advances	Repayments	Balance 30-Sep-20
Jamel Chadi, Shareholder ¹	\$ -	\$ 6,100,000	\$ (4,100,000)	\$ 2,000,000
Sine Chadi, Shareholder ¹	-	1,550,000	-	1,550,000
NAMC ²	-	200,000	(200,000)	-
Diane Buchanan, Shareholder ¹	-	1,500,000	-	1,500,000
Total	\$ -	\$ 9,350,000	\$ (4,300,000)	\$ 5,050,000

1. Loans received from shareholders bear interest at an annual rate of 6%. Accrued interest is \$307,272. In the prior period, total interest paid was \$105,703.
2. North American Mortgage Corp. ("NAMC") is controlled by Mr. Sine Chadi, President of the Company. Total interest paid in the prior period at an annual rate of 6% was \$2,268.

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

22. Post-reporting date events

Subsequent to the quarter ending, the Company declared a quarterly dividend of \$0.015 per share, payable on July 31, 2021 to shareholders of record effective July 17, 2021.

Subsequent to the quarter ending, the Company placed a deposit totalling \$100,000 pursuant to an agreement to purchase a property located in the City of Fort St. John, British Columbia for a total purchase price of \$3,200,000.

23. Authorization of the consolidated financial statements

The consolidated financial statements for the nine-month period ending June 30, 2021 (including comparatives) were authorized for issue by the Board of Directors on August 18, 2021.

Signed "Sine Chadi", Director

Signed "Kevin Lynch", Director