

Imperial Equities Inc.

Nine months ending June 30, 2021

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

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REPORT TO SHAREHOLDERS

I am pleased to be able to provide an update on our progress through the Third Quarter of 2021. This has been a cautious year but without question a year of filled with plenty of optimism. I am so pleased with how well we've sustained and progressed even through an unpredictable period. We've grown and updated our portfolio, even as we manage through the lingering adaptations required during a pandemic, and an economic recovery that is still uncertain and has been slow to take shape.

As a smart investor and manager, we know that our job is two-fold. First to make smart investment decisions, securing property and strong tenant covenants that will deliver immediate and ongoing value. Second, to be strong stewards of our investments, enhancing value that improves returns over the lifetime of the asset. We work hard to deliver on both fronts, and, in turn, we have delivered positive returns, year over year, even during historically uncertain times. Delivering consistently and effectively also means that while challenges we have might mean we need to up our game, we're never going to lose our footing.

For more than 18 months now, we've done just that. We've upped our game to the benefit of our tenants, our people, partners, and shareholders, showing our ability to pivot and adapt, to keep our workplaces and people healthy, to grow our business and sustain our tenant relationships, all without losing focus. As I've often said, we never relax and we don't reset expectations to make things easier – instead, we always expect more of ourselves.

Our Third Quarter was a busy one. As the weather improved, and with flexibility offered by a re-opening economy, we moved ahead with upgrades at some key properties. At our Rocky Mountain Equipment property in Vegreville, Alberta we designed and updated the large retail showroom which included converting all light fixtures to LED, adding new automated components to better manage energy output, and upgrades to HVAC and other mechanical components to support our overall energy efficiency program. This type of conversion is a priority for all our properties as we increasingly focus on accruing both green and financial benefits and will only grow in importance as we seek to minimize our environmental footprint.

We've also moved forward on a major expansion to our Wajax Fort McMurray property involving an additional 33,000 square feet of new space for this Tenant in a major project that will be complete by November 2022 and be met with an expansion and extension of our overall tenant covenant. We've selected the contractor to manage this project and are in the final stage of design and permitting at this time.

We have also now completed major building upgrades at one of our newer properties. Russell Hendrix is a new tenant for us, having become our tenant in March 2020, when we acquired the 71,000 square foot building that houses its distribution centre. Immediately after completing the purchase, the restaurant industry went into COVID lockdown. As Canada's leading equipment provider to the restaurant industry, Russell Hendrix had to adapt, and it quickly became clear that our newly purchased location could be an important part of the solution for them. As part of a restructured and extended lease arrangement, we agreed to renovate approximately 9,000 square

feet to create a new customer showroom and service centre for Russell Hendrix in Edmonton. The new arrangement allows the company to have all its Edmonton activities under a single roof – a one-stop shop for its regional customers.

The bulk of the work on this project occurred during Q3 2021. We've managed extensive renovations including an upgrade to the front exterior of the property with a new, barrier-free customer entrance and a brand-new front vestibule slightly expanded the building exterior. Other major upgrades were done to the mechanical and electrical systems to ensure the tenant can do specialized customer equipment repairs on site. Again, the transformation included an emphasis on energy efficiency. We've completely updated the entire building to LED, installed new high efficiency heating and ventilation equipment and replaced the original windows with new energy efficient tinted windows and insulated frames. The entire transformation of this property has been nothing short of remarkable and is a credit to our tenant and partners who have been tireless in delivering on our collective vision.

We also focused on ongoing assessment of investment opportunities with a busy investment pipeline that continues to provide us with full insight into the market. We did make one modest strategic investment this quarter with the purchase of the former Teamsters property, a property which was immediately moved to fully leased status.

This is a true strategic purchase because it's located right in the middle of our Coppertone Industrial Common, and further consolidates our holdings in that area. This area was first developed by Imperial Equities in 2004 and consists of seven properties with almost 120,000 square feet of first-class industrial space, most of which was developed by Imperial directly and is 100% occupied.

Filling this land gap, gives our company additional flexibility as we plan for new development. It's the type of acquisition we prioritize as it enhances our ability to respond to industrial tenants who have specialized needs or need room to grow.

Over the quarter we also continued to move forward on lease renewals and tenant retention, with close to 20 percent of our gross leasable area renewed during our fiscal year to date (180,317 square feet renewed), including another tenant who doubled its leasable space within our existing properties this quarter. Low tenant turnover, through retentions and being able to grow with our tenants, is among our most important measure of performance, and a major reason for our current 99.8% occupancy rate. During a tough year, staying at full occupancy and keeping our tenant base substantially intact is a major achievement and a reflection of strong management.

Another factor which has continued to work in our favour is interest rates. Because our investment strategy has, to date, relied on conventional financing this is always a key trend for us to follow. While the Bank of Canada has begun to relax some of its stimulus as the economy improves, it has also indicated a willingness to keep interest rates low until what it regards as temporary inflationary conditions stabilize around 2%. This continues to benefit our company as we renew mortgages and secure new financing at some of the lowest costs we've seen. Still, we are mindful that these are extraordinary conditions.

Our stability and continued profitability mean we can continue to reward our shareholders. Given the uncertainty around COVID-19, we did suspend our quarterly dividend in Q3 2020. This freed up some cash flow and provided additional flexibility as we worked with our tenants to manage through the crisis. As we gained a better sense of how we would manage through the pandemic, we made it a priority to bring back the dividend in Q1 2021 and have now issued dividend payments for three consecutive quarters at a rate of \$0.015 per share.

We are satisfied that we have positioned our company for stable and continued growth, and a strong foundation allows us a vantage point for some longer-range planning around company, markets and investment strategy. I plan to speak more to these considerations as we close out our year on September 30, 2021.

I want to express my ongoing gratitude to our shareholders, partners and our Board and staff for being a part of our success. As always, I welcome any questions or advice throughout the year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sine Chadi', is centered below the word 'Sincerely,'. The signature is fluid and cursive.

Sine Chadi

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 nine months ended June 30, 2021, 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. 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

	Nine months ending June 31, 2021	Year ending September 30, 2020
Investment Properties		
Total number of investment properties	39	37
Property acquisitions during the period	2	3
Property dispositions during the period	-	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	1,061,073	1,023,051
Leasing Activities by Gross Leaseable Area (GLA)		
Lease Retention	180,317	4,864
New tenant leases	129,970	161,717
GLA of leases expiring within twelve months	167,048	162,379
Space available for lease	9,264	51,320
Average lease term to maturity in years	4.85	4.03
Building occupancy	99.1%	95.7%
Property Operations		
% operating expense recoveries	81%	79%
Income from operations	\$ 9,685,945	\$ 11,689,648
Funds available for property improvements & growth	\$ 1,178,162	\$ 1,171,567
Investment property improvements	\$ 1,061,256	\$ 378,108
Financing		
Debt to total assets ratio	54%	56%
Weighted average interest rates on mortgages	3.15%	3.29%

During the past twelve months, several properties held by the company have been remeasured and certified to BOMA standards, hence updating the gross leaseable area in the current fiscal year.

Investment Properties

Acquisitions during the period

- Wajax in Red Deer, AB, 34,800 ft² acquired in March 2021
- Teamsters Building in Edmonton, AB, 3,097 ft² acquired in April 2021

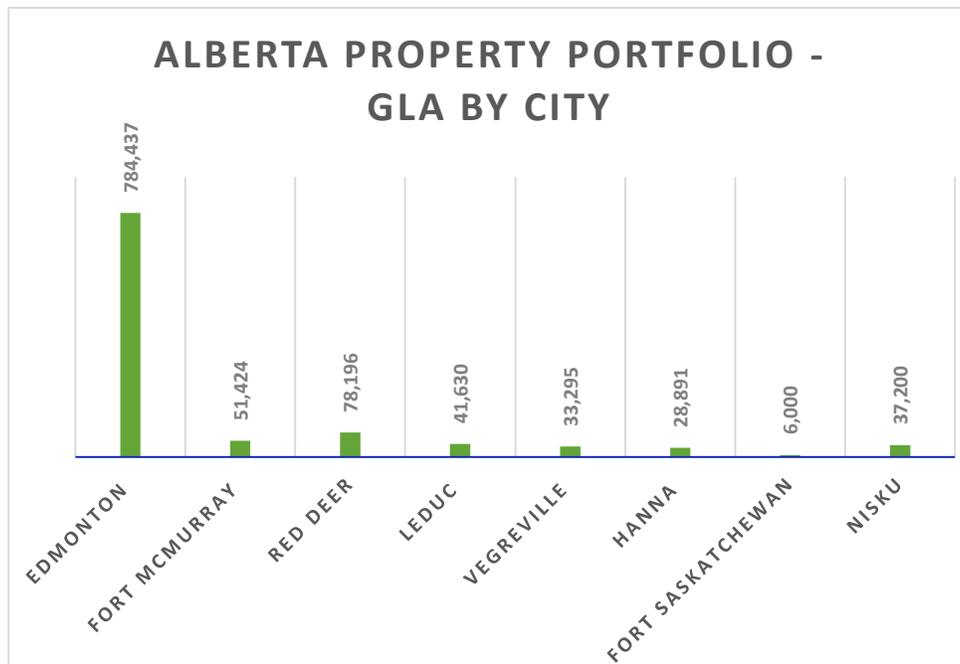
Raw land properties held for future development – unchanged from the prior year

- 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

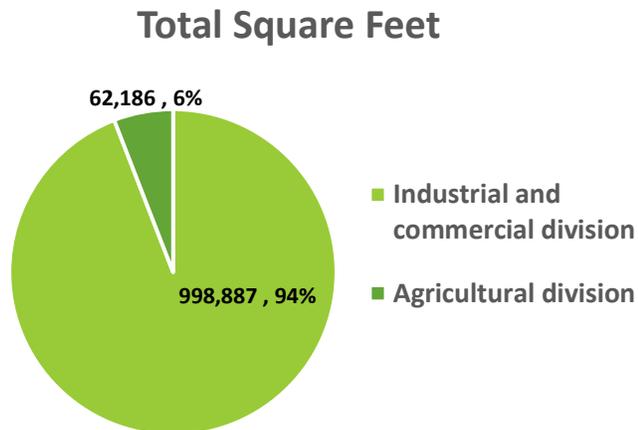
- 1.7 acres in SE Edmonton, AB. under a lease with an existing tenant
- 1.71 acres in SE Edmonton, AB. under a lease with an existing tenant
- 1.49 acres in SE Edmonton, AB. under a lease with an existing tenant
- 2 acres in NW Edmonton, AB. under a lease with an existing tenant
- 3 acres in NW Edmonton,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

Gross leasable area (GLA) totalling 1,061,073 ft² increased by net 38,022 ft² since September 30, 2020 as a result of acquisitions during the period amounting to an increase of 37,897 ft², as well as remeasurements of several properties amounting to an increase of 125 ft².



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



The Company acquired and developed its agricultural properties in 2019. The total combined rental revenue for the two agricultural properties located in Hanna and Vegerville, Alberta for the nine-month period is \$668,049. The Company is working towards further acquisitions that will expand the agricultural division in Alberta and throughout the prairie provinces.

Leasing Activities

LEASE RETENTION during the current period

Location	GLA	Expiring Rate/PSF*	Renewal Rate/PSF*	Renewal Term
Edmonton, Alberta **	2,007	\$ 12.05	\$ 12.00	60
Edmonton, Alberta	7,266	\$ 14.50	\$ 12.50	12
Edmonton, Alberta	9,560	\$ 8.95	\$ 8.50	60
Edmonton, Alberta	12,124	\$ 16.00	\$ 16.00	12
Edmonton, Alberta	17,653	\$ 15.36	\$ 12.62	60
Edmonton, Alberta	21,357	\$ 6.50	\$ 7.00	60
Vegreville, Alberta	33,295	\$ 7.18	\$ 7.18	60
Edmonton, Alberta	33,500	\$ 12.96	\$ 11.00	36
Edmonton, Alberta	43,555	\$ 6.00	\$ 6.65	60
	180,317			

**per square foot*

*** Subsequent to lease renewal, tenant vacated the space and lease a 4,924 ft space in the same building*

Performance drivers of the Company include ensuring a low turnover of tenants through lease retentions and maintaining high occupancy. During the current period, the Company has been successful in renewing expiring leases with existing tenants and in attracting new tenants.

During the current nine-month period, leases making up 17% of our total portfolio have been renewed; of those, 61% were renewed at the same or a higher rate than those expiring. This indicates confidence in the market and the landlord, as most renewed for five years.

LEASE RETENTION during the prior 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	Month to month
Edmonton, Alberta	4,907	\$ 12.00	Vacated early	-
	85,361			

**per square foot*

NEW TENANT LEASES during the current period

Location	GLA	Rate/PSF*	Lease Term
Edmonton, Alberta **	2,917	\$ 12.00	60
Edmonton, Alberta	16,658	\$ 6.50	120
Edmonton, Alberta	25,595	\$ 8.50	120
Red Deer, Alberta	34,800	\$ 17.89	156
Edmonton, Alberta	50,000	\$ 6.00	60
	129,970		

**per square foot*

*** Subsequent to renewal, an existing tenant expanded their leased space in the existing property by 2,917 square feet*

GLA of leases expiring in the next twelve months

As of the end of this Q3, six leases expiring within the next 12 months with a total of 167,048 ft² are not yet within the required notice period. The renewal process for each tenant will commence according to provisions in their respective lease agreement(s).

Space available for lease

- 4,160 ft² in a multi-tenant mixed-use building
- 2,007 ft² in a multi-tenant mixed-use building
- 3,097 ft² in a single tenant building

LEASE TERMS at June 30, 2021

Single-tenant buildings		Multi-tenant buildings	
Square Feet	Maturity Year	Square Feet	Maturity Year
191,903	2022	3,000	2022
75,151	2023	2,498	2023
107,706	2024	21,127	2024
33,295	2025	62,903	2025
76,400	2026	11,944	2030
47,103	2027	38,015	2031
116,630	2028	139,487	
62,224	2029		
41,054	2030		
97,165	2031		
34,800	2034		
28,891	2038		
912,322			

Total GLA of in-place leases	1,051,809
Available GLA for lease	9,264
Total GLA at June 30, 2021	1,061,073

Weighted Average Remaining Lease Terms

Single-tenant buildings = 5.55 years Multi-tenant buildings = 5.81 years

Total average lease term to maturity = 4.85 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 June 30, 2021, the nine month period occupancy is 99.1% (September 30, 2020 – 95.7%).

**AVERAGE ANNUAL LEASE RATES per City, per square foot
at June 30**

	2021	2020
Edmonton, Alberta	\$ 10.48	\$ 11.96
Red Deer, Alberta*	\$ 24.11	\$ 25.45
Fort Saskatchewan, Alberta*	\$ 36.83	\$ 36.11
Fort McMurray, Alberta	\$ 43.95	\$ 43.26
Leduc, Alberta	\$ 15.70	\$ 15.70
Hanna, Alberta	\$ 19.36	\$ 19.17
Nisku, Alberta	\$ 13.13	\$ 13.00
Vegreville, Alberta	\$ 7.18	\$ 7.18

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

Property Operations

	Nine months ending June 30, 2021	Year ending September 30, 2020
Property tax and insurance recoveries	\$ 2,008,354	\$ 2,348,418
Operating expense recoveries	893,924	1,123,839
	\$ 2,902,278	\$ 3,472,257
Total property operating expenses	\$ 3,562,904	\$ 4,386,540
% of property operating expense recoveries	81%	79%

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 period. Historical optimal recovery percentages will be in the range of 80%-86%.

In the prior fiscal year, there was unrecovered operating costs attributed to 25,725 ft² in multi-tenant buildings, and 25,595 ft² in a single-tenant building. Additionally, some costs were not recoverable during a rent abatement period of 4.47 months for a property located in Fort McMurray that sustained substantial damage from the flood which took place in April 2020. These factors resulted in slightly lower recoveries than the historical range for the year ending September 30, 2020.

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 accurately recorded and recovered.

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. For the nine months ending June, 2021, funds have already exceeded September 30, 2020 due to the improved performance of the Company overall, & higher prorated income for the period relative to finance costs & mortgage instalments.

	Nine months ending June 30, 2021	Year ending September 30, 2020
Income from operations for the period	\$ 9,685,945	\$ 11,689,648
Less: Interest on financing*	3,302,377	4,294,644
Less: Principal instalments on mortgages	5,205,446	6,223,437
Funds available for property improvements & growth	\$ 1,178,162	\$ 1,171,567

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

The Company, working closely with 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).

Investment property improvements

	Nine months ending June 30, 2021	Year ending September 30, 2020
Total property improvements during the period	\$ 1,061,256	\$ 378,108

During the current fiscal period, the Company made improvements to two large yards by installing geotechnical fabric and resurfacing with recycled crushed concrete. Work also commenced and is substantially complete on another building that had extensive renovations to its exterior as well as a new showroom and service center. Property improvements additionally include design fees for new projects and continued interior and exterior maintenance on the buildings.

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 replace all interior and exterior light fixtures throughout the portfolio with new energy-efficient LED lighting. Also, energy-efficient heating, ventilating, and air conditioning units are being installed to replace outdated components and equipment. 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 assess its debt position and to consider additional financing opportunities if any.

	Nine months ending June 30, 2021	Year ending September 30, 2020
Investment properties	\$ 240,794,537	\$ 226,944,468
Mortgages excluding transaction fees	110,508,157	96,820,176
Other financing	2,800,000	5,050,000
Bank operating facilities	17,404,927	26,275,887
Debt	\$ 130,713,084	\$ 128,146,063

Ratio of debt to assets

54%

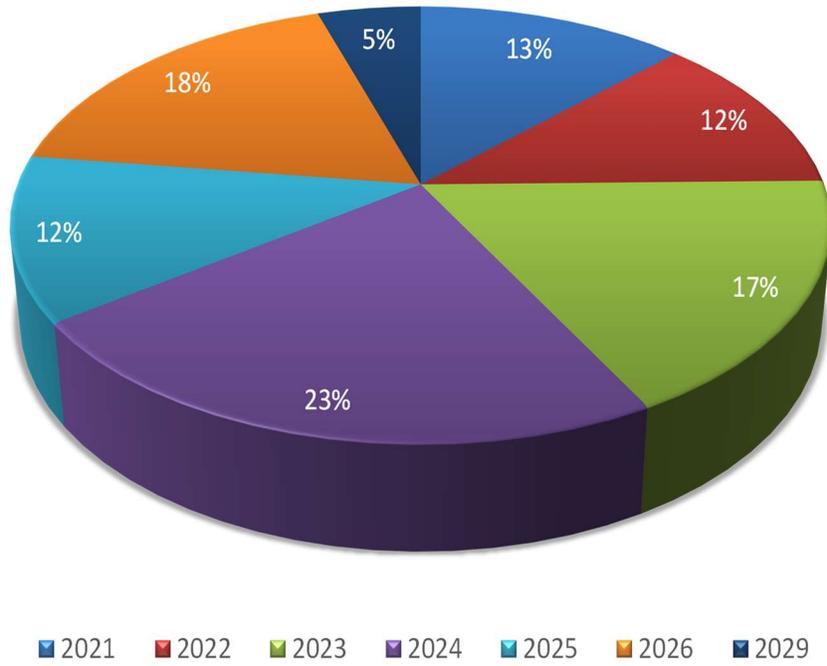
56%

The Company continues to enjoy a good relationship with its lenders and has been able to renew mortgages as they come due and place new conventional financing on acquisitions. Unencumbered properties at June 30, 2021, have fair values of \$18,616,842 (September 30, 2020 - \$17,599,849).

Weighted average interest rates on the mortgages have decreased to 3.15% at June 30, 2021 from 3.29% at September 30, 2020, as four mortgages totalling \$24,873,000 were renewed during the period at lower interest rates ranging between 1.86%-2.71%. Additionally, an existing first mortgage in the amount of \$5,459,722 was assumed with the acquisition of a new property

in Red Deer, at 3.48%, along with a Vendor Take Back (“VTB”) Agreement with an annual interest rate of 3%.

Mortgage Maturities



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

Maturity Date	Rate	Principal Balance Sept. 30'20	Mortgages Advanced/ Assumed	Y-T-D Principal Payments	Principal Paid on Maturity	Principal Balance June'21
01-Sep-21	3.000%	\$ -	\$ 2,500,000.00	\$ -	\$ -	\$ 2,500,000
01-Oct-21	2.470%	5,480,578		463,980		5,016,598
01-Oct-21	2.470%	6,882,331	-	408,988	-	6,473,343
01-Feb-22	3.040%	5,403,477	-	300,729	-	5,102,748
01-Jun-22	2.730%	2,008,815		154,127		1,854,688
01-Dec-22	3.670%	3,505,577	-	172,702	-	3,332,875
01-Dec-22	3.671%	3,184,981	-	156,898	-	3,028,083
01-Feb-23	3.750%	1,924,526	-	92,774	-	1,831,751
01-Apr-23	1.860%	1,409,892	3,565,000	120,743	1,323,525	3,530,624
01-Oct-23	3.950%	392,042	-	91,056		300,986
01-Oct-23	4.090%	5,691,548	-	251,243	-	5,440,306
01-Nov-23	4.330%	3,910,232	-	168,486	-	3,741,746
01-Dec-23	4.648%	4,669,603	-	195,318	-	4,474,285
01-Jan-24	4.300%	2,233,245	-	131,144	-	2,102,100
01-Jan-24	4.300%	1,772,416	-	104,083	-	1,668,333
01-Apr-24	2.110%	3,222,750	4,133,000	173,387	3,088,440	4,093,923
01-Aug-24	3.300%	9,619,196	-	414,331	-	9,204,865
01-Nov-24	3.555%	8,509,822	-	352,018	-	8,157,804
01-Feb-25	3.420%	4,851,774	-	198,224	-	4,653,550
01-Apr-25	2.310%	5,177,069	-	226,086	-	4,950,983
01-Aug-25	2.837%	3,982,122	-	162,803	-	3,819,320
01-Apr-26	2.675%	2,832,165	-	156,292	-	2,675,873
01-Jul-26	2.710%	5,169,392	11,275,000	317,083	4,852,309	11,275,000
01-Jul-26	2.710%	4,986,626	5,900,000	311,602	4,675,025	5,900,000
11-Jun-29	3.480%	-	5,459,722	81,351	-	5,378,371
		\$ 96,820,179	\$ 32,832,722	\$ 5,205,446	\$ 13,939,298	\$ 110,508,157

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 PERIOD

During this Q3, the Company **acquired two investment properties** amounting to \$10,200,000. The first acquisition completed in March 2021 was in Red Deer, Alberta for the amount of \$9,300,000. The building has 13-years remaining on its lease with a strong multinational tenant. The second acquisition was completed in April 2021 for \$900,000. This property located in Edmonton, Alberta, enabled the Company to consolidate its land holdings in its Coppertone Industrial Common as it was strategically situated in the middle of the Company's 120,000 square feet of first-class industrial space.

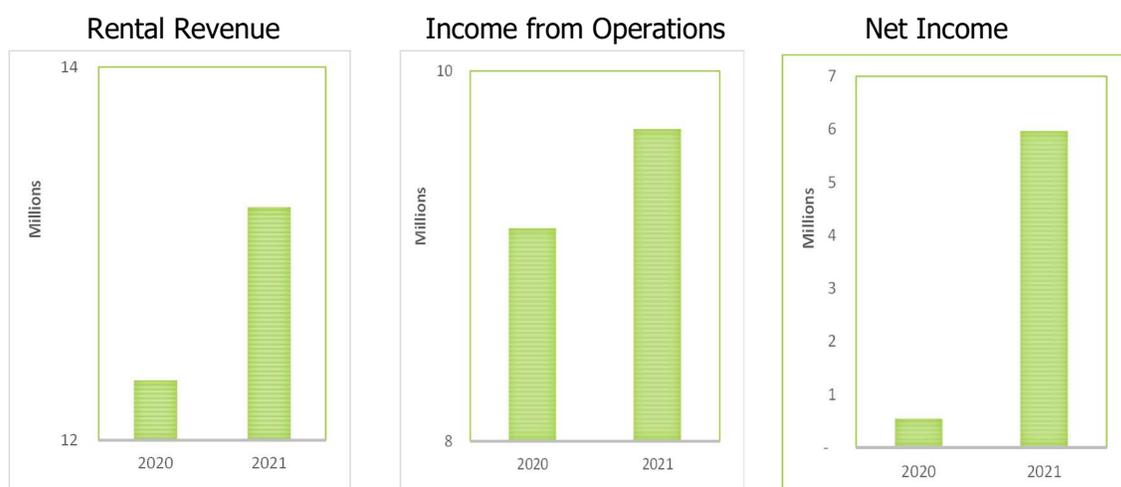
The Company's **leasing activities** resulted in a 99.1% occupancy rate (September 30, 2020 – 95.7%). This was the product of new leases occupying previously vacant space exceeding 95,000 ft² in the prior fiscal year. Moreover, all leases expiring during the 9-month period ending June 30, 2021 have been renewed for additional 12-60 month period at market rates.

Due to the low interest rate environment in 2021, the Company has been focused on using proceeds generated from mortgage refinancing at lower interest rates to **repay higher interest debt** (such as its operating facilities and other financing). The balances outstanding on operating facilities and other financing have decreased in the current period by \$11,120,960 – representing 8% of total outstanding debt.

The Company **resumed payment of dividends in Q1 2021**. Total annual dividends of \$.06 per common share are payable quarterly at \$.015 with the first payment distributed on January 31, 2021, followed by a second dividend payment on April 30, 2021 and a third payment on July 31, 2021. Subsequent to the Q2 2020 dividend payment, the Company had suspended its dividends due to the uncertainty caused by the COVID-19 pandemic.

Due to the impact of COVID-19 on several of the Company’s tenants, **rent deferrals** were provided during the nine month period amounting to \$193,685, with a remaining balance of \$271,960 from deferrals that will be receivable over the next several years up to and including fiscal year 2023.

PERFORMANCE RESULTS



Rental revenue is higher during the current month-month period in comparison with Q3 2020 as a result of revenue from new leases on two additional properties purchased since Q3, 2020. Additionally, in 2020, there was an abatement of rent in a property in Fort McMurray that was impacted by a flood in April of 2020. The tenant resumed rent payments late in Q4 of 2020; there no such abatement in the current year.

The increase in income from operations is correlated to the increase in rental revenue during the current period. There have been no unusual operating expenses.

Net income is higher during the current nine-month period in comparison to Q3 2020 as a result of net fair value gains of \$2,400,006 on investment properties in comparison to net fair value losses in the comparative period of \$2,856,309.

RESULTS OF OPERATIONS AND CASH FLOWS

Fair Market Value of Investment Properties (Millions)



Increase in fair value of investment properties is as a result of the two acquisitions during the period ending June 30, 2021 totalling \$10,200,000; as well as valuation gains of \$2,400,006.

Valuation net gains 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 are used to estimate fair market value and 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 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:

2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4
\$ 2,399,494	\$ 152,745	\$ (152,233)	\$ (74,228)	\$ (992,868)	\$ (1,953,004)	\$ 89,563	\$ 1,103,099

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 Location	June 30, 2021			Rate Change	September 30, 2020	
	Total GLA sf	Range Cap Rates			Total GLA sf	Range Cap Rates
Edmonton, Alberta	775,173	4.27% - 7.00%		↓	729,895	4.50% - 7.35%
Red Deer, Alberta	78,196	6.10-6.50%		↓	43,396	6.35%
Fort Saskatchewan, Alberta	6,000	6.44%		↑	6,000	6.41%
Fort McMurray, Alberta	51,424	6.14% - 6.57%		↑	51,424	6.14% - 6.50%
Leduc, Alberta	41,630	6.50%		↔	41,630	6.50%
Vegreville, Alberta	33,295	8.50%		↔	33,295	8.50%
Nisku, Alberta	37,200	6.50%		↔	37,200	6.50%
Hanna, Alberta	28,891	7.00%		↔	28,891	7.00%
	1,051,809				971,731	
Available for lease, Edmonton, AB.	9,264				51,320	
Total GLA square feet	1,061,073				1,023,051	

Some of the leases have escalations throughout their terms and the Company has increased the cap rates on those properties to keep the value of the properties at current market rates, despite an increase in rents. New property acquired during the period in Red Deer has increased the average cap rates in the area. Cap rates continue to be evaluated on a property-by-property basis to ensure values reflect current market conditions.

During the current quarter, increases in the fair value of properties reflects increases in income generated by the properties where previously vacant properties have been leased as of June 30, 2021 generating additional revenues. Additionally, the Company invested a significant amount of funds in one of the properties by improving the exterior, interior, and creating a showroom. The extensive renovations increased the value of the building by \$1.3M in the current quarter.

During Q2 & Q3 of 2020, four properties were lowered in value, contributing to total net valuation losses of \$2,930,537 at September 30, 2020. Two buildings had uncertainties surrounding lease renewals, and two buildings had large vacancies that the Company predicted would take 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.

Income from operations is higher at Q3 2021 than Q3 2020 as a result of revenue from an increase in leasable area directly stemming from the increased number of investment properties that the Company owns.

Property operating expenses have increased in this period in correlation with the increase in investment properties.

Finance costs include interest on financing and amortization of deferred finance fees and are net of interest income.

Finance costs overall have decreased from the prior year as a result of increased interest income derived from a Vendor Take Back Mortgage granted on a property sold during the prior year. Interest income offsets interest on financing and hence has an overall reduction in finance costs for the period.

Amortization of right-of-use asset refers to the head office lease space for the Company. Effective October 1, 2019, the Company recorded a right-of-use asset and it is 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.

CHANGES IN CASH FLOWS

Cash provided by operating activities was \$6,971,232 at Q3 2021 (Q3 2020 – \$8,984,542). The Company continues to generate positive cash from operations each quarter to cover day-to-day expenditures and provide reserves for future opportunities. The decrease in the current year can be attributed to fair value gains versus fair value losses in the prior year.

Cash used in investing activities was \$3,418,523 at Q3 2021 (Q3 2020 – \$13,925,987) as the Company completed acquisitions in both the current and prior year. During the current year, cash used in the purchase of investment properties, improvements, and additions to properties totalled \$8,884,773. This was offset by proceeds of \$5,500,000 from a loan receivable bringing the net cash used to \$3,418,523.

Net cash used in financing activities was \$3,298,324 in Q3 2021 compared to cash provided by financing activities of \$4,072,702 in Q3 2020. In the comparative period, the Company received financing from related parties amounting to \$4,800,000 while only \$50,000 was received in the current period. Additionally, the Company repaid \$8.8 million on its bank operating facilities using proceeds from renewed mortgages, while in the prior year, \$100,845 in net advances were received.

At June 30, 2021, there was a **net increase in cash** of \$254,385 compared to a net decrease in cash at June 30, 2020 of \$868,743.

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, 2020, are detailed below.

	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	938,264	-	938,264
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	(218,394)	-	(218,394)
Ending balance at June 30, 2021	\$ 228,392,504	\$ 12,402,033	\$ 240,794,537

Property improvements include structural improvements, new HVAC units, parking lot improvements, project design fees, permitting, and large scale renovations. Leasing commissions were paid for lease renewals during the period. Acquisitions include the property in Red Deer, 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 period-end were \$39,929 (September 30, 2020- \$264,875) which is comprised of rent receivable as well as interest income receivable. As of September 30, 2020, receivable balances included amounts receivable from tenants as a result of occupancy cost reconciliations performed for the year.

Prepaid expenses and deposits have a balance at period end of \$1,612,769 (September 30, 2020 - \$758,094) relating mainly to property taxes, insurance, and security deposits with municipalities. As of September 30, 2020, the prepaid taxes and insurance were amortized over approximately a 3-month period as they are paid in May & June of each year.

Mortgages at June 30, 2021 have a balance of \$110,278,511 (September 30, 2020 -\$96,820,179). The increase in mortgages is relating to additional proceeds received on renewal of existing mortgages, as well as a new mortgage received amounting to \$7,959,722 relating to the new acquisition in Red Deer, Alberta during the current period.

Other financing at June 30, 2021 of \$2,800,000 (September 30, 2020 – 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 in the prior year, and \$2,300,000 was repaid with proceeds from renewed mortgages in the current period.

Bank operating facilities at June 30, 2021 have a balance of \$17,404,927 with two of the Company’s major lenders (September 30, 2020 - \$26,275,887). The limit on one of the facilities was reduced as proceeds received on mortgage renewals were used to reduce existing facility balances.

CREDIT FACILITIES

	June 30, 2021	September 30, 2020
Bank credit facilities	\$ 20,318,000	\$ 26,467,000
Amounts drawn on facilities	(17,404,927)	(26,275,887)
Available credit facilities	\$ 2,913,073	\$ 191,113

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 2022. The increase in LTV is as a result of the sale of a property previously held 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 mortgages 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).

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 \$1,322,924 at June 30, 2021 (September 30, 2020 – \$1,335,226). The balance includes accrued interest on financing, prepaid rents from tenants, and trade payables. Also included is management compensation amounts payable of \$21,000 (Q4 2020- \$100,000).

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
<i>REVENUE</i>	4,540,224	4,430,598	4,278,027	3,754,671	4,285,825	4,037,197	3,998,495
<i>TOTAL COMPREHENSIVE INCOME</i>	3,359,351	1,230,561	1,381,850	777,391	647,839	(1,636,200)	1,533,743
<i>EPS-Basic</i>	0.35	0.13	0.15	0.08	0.07	(0.17)	0.16
<i>EPS-Diluted</i>	0.35	0.13	0.15	0.08	0.07	(0.17)	0.16

QUARTERLY CHANGES IN REVENUE

The increase in revenue during Q1 2021 reflects additional revenue from new tenant leases in the new properties acquired during the prior 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.

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:

2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4
\$ 2,399,494	\$ 152,745	\$ (152,233)	\$ (74,228)	\$ (992,868)	\$ (1,953,004)	\$ 89,563	\$ 1,103,099

During the current quarter, increases in the fair value of properties reflects increases in income generated by the properties as previously vacant properties have been leased as of June 30, 2021. Additionally, the Company invested a significant amount of funds in one of its properties to improve its exterior as well as interior design and added a new showroom to the property. The investment in the improvements have increased the value of the building by \$1.3M in the current quarter.

The fair value net losses in Q1 2021 reflect increased cap rates for some of the properties where leases have escalations in the current period. The Company increases cap rates to maintain the value of the property at current market rates.

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

Q4 2019 fair value 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. It was revalued based on similar properties available for sale or sold in the immediate area.

While a considerable number of properties had increases in the contracted revenue stream, which increases the value when applying a capitalization (“cap”) rate, the Company has chosen to keep the values the same on some of the properties by adjusting the cap rates upward. 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.

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

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Total issued and outstanding shares at Q3 2021 is 9,451,242 (Q4 2020 is 9,460,442). The Company’s normal course issuer bid expired on September 2, 2020. During the prior year, 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 were canceled in the current period.

There are currently no options outstanding.

DIVIDENDS

On January 31, 2021, April 30, 2021, and July 31, 2021, the Company paid a total of \$425,306 in dividends to its shareholders. Dividends are paid quarterly.

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 \$885,398 (Q3 2020 - \$769,524) 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 \$85 per hour for labour, plus truck charges, equipment use, and parts charges. Sable provides its trained personnel, 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.

Large-scale renovations in the current period amounted to \$278,264 in the current period (Q3 2020 - Nil) as Sable carried out improvements on the Company's properties. These included interior, exterior, and showroom improvements. No such improvements took place in the prior year.

Acquisition, disposition and leasing fees in the aggregate of \$449,208 (Q3 2020 - \$250,263) were paid to North American Realty Corp. ("NARC"), a company controlled by Sine Chadi.

Leased office space and parking were paid to Sable in the aggregate amount of \$135,000 (Q3 2020- \$103,090). Imperial Equities shares its head office space with the Sable head office. The increase in lease fees paid in the current period is due to additional space leased by the Company commencing March 1, 2020.

Consulting fees of \$48,501 (Q2 2020 - \$160,000) were paid to Sable for the services provided by the Company's Financial Advisor (formerly the CFO) who is not paid directly by the Company. Comparative figures were compensation paid for the CFO.

Rent collected from Sable for commercial lease space was \$66,885 (Q3 2020 – \$66,311). Sable leases a 7,871 ft² building in Edmonton, Alberta from the Company.

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.

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 \$42,500 (Q3 2020- \$47,500). 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 during the period was \$225,000 (Q3 2020 - \$225,000). The Company's COO, Patricia Misutka was paid \$135,000 in the current period (Q3 2020 – \$105,000). The CFO, Azza Osman, was hired in Q4 2020 and received compensation of \$123,750 (Q3 2020 – nil).

Unsecured financing from directors and shareholders

In the current period, \$2,800,000 remains outstanding (September 30, 2020 – \$5,050,000). Related party financing bears interest at an annual rate of 6% (2020 – 6%). The total interest at June 30, 2021 is \$307,272.

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

In the prior year, \$200,000 was received and fully repaid with interest of \$2,268 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.

	June 30, 2021	June 30, 2020
Income from operations	\$ 9,685,945	\$ 9,150,003
Cash provided by operating activities	\$ 6,971,232	\$ 8,984,542

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 continues to be felt during fiscal 2021 as the Company provided some additional rent deferrals to specific tenants. The months of October 2020 to June 2021 had cumulative rent deferrals of \$193,685. The recovery dates for the deferrals vary by tenant with the last repayment set to be made over the initial terms of their leases.

During the COVID-19 deferrals in 2020 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 12 months as the majority of rent deferral agreements have begun 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, or current cashflows. 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 \$18,616,842 at June 30, 2021. The ratio of debt to assets is 54% (September 30, 2020- 56%), providing possible leverage opportunities in the future.

At June 30, 2021, five mortgages are due in the next twelve months with combined principal balances of \$20,947,377 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 this Q3, the Company has begun the process of renewal on two of its mortgages.

Subsequent to this Q3, 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. Additionally, the Company declared a quarterly dividend of \$0.015 per share, payable on July 31, 2021 to shareholders of record effective July 17, 2021.

The Company has no other contractual commitments to purchase or sell assets, other than as disclosed above, and as disclosed in Note 20 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, 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 fluctuations in 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.

Vacancies during the quarter are 9,264 ft², down from the previous year ending September 30, 2020. The Company continues to actively market current vacancies.

Financing from the Company's lenders is currently at lower rates than in the past few years which provides an advantage for the Company when renewing mortgages. 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 write-downs in the prior year on some of the Company's properties where there was 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 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.

Portfolio of Tenants and Lease Roll-Over Risk

One of the Company's internal performance drivers is to ensure the quality of its 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 has one large tenant occupying four properties in four different locations being Edmonton, Nisku, Red Deer, and Fort McMurray. The revenue from this tenant will account for approximately 18% of Imperial's total revenue. The Company continuously carries out risk assessment activities with all its tenants to assess potential exposure associated with the tenant's performance. This tenant has been assessed to have strong financial performance and has not defaulted on any rent payments to date.

Mix of Tenant Base	Institutional	Multi - National	National	Regional Large	Regional Medium	Local Small	Totals
% of Occupied GLA	7%	38%	38%	9%	1%	7%	100%
% of Annual Rental Revenue	3%	45%	36%	12%	1%	3%	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 in any leased space is a risk to 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 June 30, 2021 Imperial's occupancy rate is 99.1%.

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.

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 Q3 2021 is \$240,794,537 which includes \$18,616,842 of properties unencumbered with debt. The mortgages and bank operating facilities secured against specific properties total \$130,713,084 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.

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:

- Limited access 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.

The upcoming acquisitions will be funded with cash, conventional mortgage, and the existing lines of credit if necessary.

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Future accounting standards

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.

(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 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.