



IMPERIAL EQUITIES INC.

Q3 2022 Financial Statements

NOTICE TO READERS OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements have not been reviewed by the Company's auditors and should be read in conjunction with the Company's 2021 annual consolidated financial statements.

IMPERIAL EQUITIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	Notes	(Unaudited) June 30, 2022	(Audited) September 30, 2021
Assets			
Investment properties	3	250,792,503	244,943,895
Right-of-use asset		550,149	662,679
Total non-current assets		251,342,652	245,606,574
Mortgage receivable	3	-	2,500,000
Receivables		144,330	279,750
Prepaid expenses and deposits	4	2,040,161	905,499
Cash and cash equivalents		1,631,942	196,114
Total current assets		3,816,433	3,881,363
Total Assets		255,159,085	249,487,937
Liabilities			
Mortgages	5	90,724,307	82,293,558
Lease liability	7	450,612	564,738
Security deposits		763,276	748,608
Deferred taxes	9	14,633,406	14,272,154
Total non-current liabilities		106,571,601	97,879,058
Current portion of mortgages	5	19,166,470	26,216,379
Current portion of lease liability	7	153,634	148,046
Other financing	17	1,900,000	3,800,000
Bank operating facilities	6	19,317,892	20,360,492
Payables and accruals		2,889,808	1,701,278
Income taxes payable		748,083	703,934
Total current liabilities		44,175,887	52,930,129
Total Liabilities		150,747,488	150,809,187
Equity			
Issued share capital		5,947,346	5,947,346
Retained earnings		98,464,251	92,731,404
Total Equity		104,411,597	98,678,750
Total Equity and Liabilities		255,159,085	249,487,937

Guarantees, contingencies, and commitments (Note 14)

Post-reporting date events (Note 18)

See accompanying notes to the condensed consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
Nine months ending June 30,

	Notes	Current Quarter 2022	Prior Year Quarter 2021	9 Months June 2022	9 Months June 2021
Rental revenue	11,13	4,758,558	4,540,224	14,295,093	13,248,849
Property operating expenses	11	(1,402,726)	(1,284,518)	(4,232,120)	(3,562,904)
Income from operations		3,355,831	3,255,706	10,062,973	9,685,945
Finance costs	8	(1,116,258)	(1,141,451)	(3,213,772)	(3,229,364)
Administration expenses		(342,236)	(455,678)	(1,094,940)	(1,106,021)
Amortization of deferred leasing		(90,167)	(74,068)	(261,765)	(218,395)
Amortization of right-of-use asset		(37,510)	(37,510)	(112,530)	(112,530)
Valuation net gains from investment property	3	866,337	2,399,494	1,840,431	2,400,006
Income before income tax		2,635,997	3,946,493	7,220,397	7,419,641
Income tax expense	9	(337,528)	(587,142)	(1,014,988)	(1,447,879)
Net income and total comprehensive income for the period		2,298,469	3,359,351	6,205,409	5,971,762
Earnings per share, basic and diluted	12	0.24	0.35	0.66	0.63

See accompanying notes to the condensed consolidated interim financial statements.

IMPERIAL EQUITIES INC.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Capital stock	Retained earnings	Total
October 1, 2021	9,451,242	\$ 5,947,346	\$ 92,731,404	\$ 98,678,750
Dividends paid	-	-	(472,562)	(472,562)
Net earnings	-	-	6,205,409	6,205,409
Balance June 30, 2022	9,451,242	\$ 5,947,346	\$98,464,251	\$104,411,597

	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	-	28,044	-	28,044
Shares cancelled during the year	(9,200)	(5,796)	(22,248)	(28,044)
Dividends paid	-	-	(425,306)	(425,306)
Net earnings	-	-	6,842,320	6,842,320
Balance Sept 30, 2021	9,451,242	\$ 5,947,346	\$ 92,731,404	\$ 98,678,750

See accompanying notes to the condensed consolidated interim financial statements.

IMPERIAL EQUITIES INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
Nine months ending June 30,

	Notes	Current Quarter 2022	Prior Year Quarter 2021	9 Months June 30 2022	9 Months June 30 2021
Operating activities					
Net income and total comprehensive income		2,298,469	3,359,352	6,205,409	5,971,762
Finance costs		1,116,258	1,141,451	3,213,772	3,229,364
Items not affecting cash:					
Amortization of right-of-use asset		37,510	37,510	112,530	112,530
Amortization of tenant inducements		16,550	11,447	49,651	26,726
Amortization of deferred leasing commissions		90,167	74,067	261,765	218,395
Fair value changes on investment properties		(866,337)	(2,399,494)	(1,840,431)	(2,400,006)
Straight-line rental revenue		27,849	187,483	169,088	134,949
Deferred income taxes		177,909	434,690	361,252	439,757
Leasing commissions		-	(50,580)	(68,627)	(445,360)
Net change in operating working capital	10	(2,702,938)	(2,407,613)	(449,849)	(316,885)
Cash provided by operating activities		195,437	388,313	8,014,560	6,971,232
Investing activities					
Purchase of investment properties		(1,065)	(918,517)	(2,276,912)	(7,823,517)
Improvements and additions to investment properties		(1,619,612)	(497,162)	(2,143,142)	(1,061,256)
Proceeds from loan receivable		-	5,500,000	2,500,000	5,500,000
Net change in investing working capital	10	1,167,334	(92,341)	958,731	(33,750)
Cash received (used in) investing activities		(453,343)	3,991,980	(961,323)	(3,418,523)
Financing activities					
Proceeds from new mortgages		-	17,175,000	20,500,000	30,332,722
Repayment of mortgages on maturity		2,500,000	(9,527,333)	(11,195,362)	(13,939,298)
Repayment of mortgages through principal instalments		(4,367,162)	(1,777,518)	(7,920,437)	(5,205,446)
Amortization of deferred finance fees		25,661	24,200	76,983	69,280
Fees associated with new or renewed mortgages		-	(30,938)	(80,343)	(62,371)
Repayment of other financing		-	(2,300,000)	(3,800,000)	(2,300,000)
Principal repayments on lease liability		(36,179)	(34,341)	(108,538)	(104,697)
Finance costs		(1,116,258)	(1,141,451)	(3,213,772)	(3,229,364)
Dividends paid		(189,025)	(141,768)	(472,562)	(283,537)
Net advances (proceeds from) bank operating facilities		2,491,027	(6,750,756)	(1,042,600)	(8,870,960)
Net change in financing working capital	10	(4,204)	127,392	(260,779)	245,347
Cash (used in) provided by financing activities		1,203,860	(4,327,513)	(5,617,410)	(3,298,324)
Increase in cash and cash equivalents		945,954	52,780	1,435,827	254,385
Cash and cash equivalents, beginning of period		685,987	325,224	196,114	123,619
Cash and cash equivalents, end of period		1,631,941	378,004	1,631,941	378,004

See accompanying notes to the condensed 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 industrial, agricultural, and commercial 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

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Standards (“IAS”) 34 – Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual September 30, 2021 consolidated financial statements.

b) Basis of presentation

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended September 30, 2021. The Company’s condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair value, as explained in the accounting policies of the Company’s annual September 30, 2021, consolidated financial statements. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These condensed consolidated interim financial statements were prepared on a going concern basis and have been presented in Canadian dollars. The accounting policies set out below have been applied consistently in all material respects.

c) Significant accounting judgements, estimates, and assumptions

The preparation of the Company’s June 30, 2022 condensed consolidated interim financial statements in accordance with IFRS requires management to make judgements, estimates, and assumptions that affect the reported amounts of assets, liabilities, profit (loss), and related disclosures. The estimates and associated assumptions are based on historical experience and various other factors that are deemed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are consistent with those disclosed in the Company’s September 30, 2021 annual consolidated financial statements.

3. Investment properties

	Income Producing Properties	Properties Under Development	Held For Development	Total Investment Properties
Opening balance at September 30, 2021	\$ 232,421,152	\$ 120,751	\$ 12,401,992	\$ 244,943,895
<i>Additions:</i>				
Property improvements and additions	59,195	1,955,058	-	2,014,253
Capitalized property taxes and other	-	-	128,889	128,889
Leasing commissions	68,627	-	-	68,627
Property acquisitions	2,276,912	-	-	2,276,912
Amortization of tenant inducements	(49,651)	-	-	(49,651)
Change in straight-line rental revenue	(169,088)	-	-	(169,088)
Revaluation gains (losses), net	1,969,320	-	(128,889)	1,840,431
Amortization of deferred leasing commissions	(261,765)	-	-	(261,765)
Ending balance at June 30, 2022	\$ 236,314,702	\$ 2,075,809	\$ 12,401,992	\$ 250,792,503

	Income Producing Properties	Properties Under Development	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	1,852,799	120,751	-	1,973,550
Capitalized property taxes and other	-	-	144,605	144,605
Tenant inducements	386,881	-	-	386,881
Leasing commissions	764,652	-	-	764,652
Property acquisitions	13,643,005	-	-	13,643,005
Amortization of tenant inducements	(43,414)	-	-	(43,414)
Change in straight-line rental revenue	(248,646)	-	-	(248,646)
Revaluation gains (losses), net	1,830,508	-	(144,605)	1,685,903
Amortization of deferred leasing commissions	(307,109)	-	-	(307,109)
Ending balance at September 30, 2021	\$ 232,421,152	\$ 120,751	\$ 12,401,992	\$ 244,943,895

On March 1, 2022, the Company acquired two investment properties in Edmonton, Alberta for a purchase price of \$2,250,000 comprising of two contiguous parcels of land. One parcel is 0.72 acres with a 5,840 sf² industrial building, and the second parcel is a vacant 0.91 acre lot.

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 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, 2022	September 30, 2021
Range of capitalization rates applied to investment properties	4.27% - 8.50%	4.27% - 9.35%
Fair values of properties where cap rates were applied	\$ 231,420,498	\$ 228,631,148
Weighted average cap rates	6.35%	6.35%
Fair value impact of increasing average cap rate by 0.25%	\$ (8,774,097)	\$ (8,664,623)
Fair value impact of a 1% decrease in net operating income	\$ (2,317,008)	\$ (2,289,113)
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	8.90	7.90
Average price per acre	\$ 804,574	\$ 779,837
Total fair values of leased land	\$ 7,160,710	\$ 6,160,710
Impact of a 10% change in average price per acre	\$ (716,071)	\$ (616,071)

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

	June 30, 2022	September 30, 2021
Straight line rent receivable	\$ 1,968,150	\$ 2,137,238
Tenant inducements	399,283	448,934
Leasing commissions	1,712,361	1,905,499
	\$ 4,079,794	\$ 4,491,671

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

Mortgage receivable

During Q4 2020, the Company completed the sale of an investment property for total sale proceeds of \$9,350,000 and agreed to a vendor take back ("VTB") mortgage in the amount of \$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 could be prepaid in whole or in part without penalty. The purchaser had an option to extend the mortgage for a further year.

On May 7, 2021, the Company agreed to amend the terms of the VTB and received \$5,500,000 with the balance of \$2,500,000 to be received on or before August 15, 2021 (the "Maturity Date"). The balance of the VTB bore interest at an annual rate of 6%. If payment of the principal amount and accrued interest did not occur by the maturity date, then the whole of the principal amount plus accrued interest shall become immediately due and payable upon demand. The VTB was carried at amortized cost.

The principal amount and accrued interest were received after the maturity date but prior to demand being made. The full balance was received on October 29, 2021.

4. Prepaid expenses and deposits

	June 30, 2022	September 30, 2021
Prepaid operating expenses *	\$ 2,013,142	\$ 878,480
Security deposits with municipalities	27,019	27,019
Total prepaid expenses and deposits	\$ 2,040,161	\$ 905,499

* Prepaid operating expenses are insurance and property taxes which have been fully paid during the quarter ending June 30, 2022.

5. Mortgages

Maturity	Rate	June 30, 2022	September 30, 2021
On Demand	3.000%	\$ -	\$ 2,500,000
July 1, 2022	2.730%	1,644,249	1,802,612
December 1, 2022	3.670%	3,095,156	3,274,254
December 1, 2022	3.671%	2,812,115	2,974,825
February 1, 2023	3.750%	1,703,961	1,800,247
April 1, 2023	1.860%	3,322,119	3,478,861
October 1, 2023	3.950%	175,348	270,036
October 1, 2023	4.090%	5,093,225	5,354,849
November 1, 2023	4.330%	3,508,510	3,684,371
December 1, 2023	4.648%	4,203,168	4,407,669
January 1, 2024	4.300%	1,920,603	2,057,447
January 1, 2024	4.300%	1,524,288	1,632,895
April 1, 2024	2.110%	3,856,557	4,035,050
August 1, 2024	3.300%	8,636,363	9,064,479
November 1, 2024	3.555%	7,673,738	8,038,382
February 1, 2025	3.420%	4,381,286	4,586,347
February 1, 2025	3.310%	4,693,268	5,000,983
April 1, 2025	2.310%	4,643,412	4,874,751
August 1, 2025	2.837%	3,596,829	3,764,283
July 1, 2026	2.710%	5,604,521	5,846,820
July 1, 2026	2.710%	10,710,334	11,173,373
April 1, 2026	2.675%	2,459,861	2,622,407
November 1, 2026	2.930%	10,655,868	4,860,030
October 1, 2026	2.940%	9,160,183	6,335,332
June 11, 2029	3.480%	5,045,856	5,296,315
<i>Total mortgages</i>		\$ 110,120,819	\$ 108,736,618
<i>Less: current portion of principal payments</i>		(19,166,470)	(26,216,379)
<i>Less: balance of unamortized finance fees</i>		(230,042)	(226,681)
		\$ 90,724,307	\$ 82,293,558
Weighted average rate		3.19%	3.15%

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

6. Bank operating facilities

	June 30, 2022	September 30, 2021
Bank operating facilities	\$ 19,317,892	\$ 20,360,492

The Company has two credit facilities set out as follows:

- 1) One operating Line of Credit (LOC) with a limit of \$13,500,000 (September 30, 2021 - a limit of \$13,500,000).

This LOC is used to assist with property acquisitions and general operations and has a balance at June 30, 2022, of \$13,465,198 (September 30, 2021 - \$13,476,456). The credit facility bears interest at prime plus 1% per annum (September 30, 2021 – prime plus 1% per annum) and is secured by specific revenue-producing properties with combined fair values of \$36,338,761 (September 30, 2021- \$ 36,338,761). In Q4 2021, the standby fee provisions were deleted and no longer in effect (September 30, 2021 - .25% per annum).

On February 2, 2022, the Company has entered into an amending agreement with the lender to designate \$8,000,000 from the operating line as a fixed rate fixed term component with blended principal and interest monthly payments. The rate fix term is 3 years with a 25-year amortization. The interest rate on the component is the lender’s cost of funds plus 1.10% per annum. The lender may, on demand, require immediate payment of all amounts outstanding or accrued in connection with this component and the facility as a whole. The remaining \$5,500,000 of the operating line will remain as revolver, with interest only payments. The limit of the operating line in aggregate will remain at \$13,500,000.

Specific covenants of this credit facility are that there be a minimum of 90% occupancy of the secured buildings. As at June 30, 2022, the Company was in compliance with all covenants.

- 2) A second operating LOC with a limit of \$6,000,000 (September 30, 2021 – a limit of \$7,000,000).

The decrease in the limit from the prior year is a result of increased mortgage amounts upon maturity of existing mortgages. During the current nine-month period, proceeds from the increases in mortgage amounts were used to reduce the limit on the facility by \$1,000,000.

This credit facility bears interest at prime plus .95% per annum (unchanged from September 30, 2021) and is secured by specific revenue-producing properties with combined fair values at June 30, 2022, of \$72,343,334 (September 30, 2021 - \$72,210,516).

There are no specific covenants or margin formulas for this line of credit. The balance on the credit facility at June 30, 2022 is \$5,852,694 (September 30, 2021 - \$6,884,036).

7. Lease liability

The adoption of IFRS 16- Leases on October 1, 2019, resulted in the initial recognition of a right-of-use asset amounting to \$812,719 and a corresponding lease liability of \$861,322 having a weighted average borrowing rate of 4.95%.

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

	June 30, 2022	September 30, 2021
Opening balance	\$ 712,784	\$ 861,322
Lease payments	(135,000)	(181,675)
Interest	26,462	33,137
Balance, end of period	\$ 604,246	\$ 712,784

	June 30, 2022	September 30, 2021
Current portion	\$ 153,634	\$ 148,046
Non-current portion	450,612	564,738
	\$ 604,246	\$ 712,784

Incremental borrowing rate 4.95% 4.95%

Estimated future principal payments required to meet the lease liability as at June 30, 2022, are as follows:

12 months ending June 30, 2023	\$ 153,634
12 months ending June 30, 2024	161,414
12 months ending June 30, 2025	169,587
<u>12 months ending June 30, 2026</u>	<u>119,611</u>
Total	\$ 604,246

8. Finance costs

The components of finance costs are as follows:

	June 30, 2022	June 30, 2021
Interest on mortgages	\$ 2,671,397	\$ 2,419,501
Interest on bank operating facilities	440,746	636,919
Interest on other unsecured financing	5,048	213,981
Interest on lease obligations	26,462	31,976
Amortization of deferred finance fees	76,983	69,280
Interest income	(6,864)	(142,293)
	\$ 3,213,772	\$ 3,229,364

9. Income taxes

Components of income tax expense

	June 30, 2022	June 30, 2021
Current tax expense	\$ 653,735	\$ 1,008,122
Deferred tax expense	361,253	439,757
	\$ 1,014,988	\$ 1,447,879

Current tax expense in the comparative period included tax on a capital gain in 2021 relating to disposition of an investment property which took place during the fiscal year ending September 30, 2020.

10. Supplemental consolidated cash flow information

	June 30, 2022	June 30, 2021
<i>Net change in operating working capital</i>		
Net change in receivables	\$ 135,420	\$ 224,947
Net change in prepaid expenses and deposits	(1,134,551)	(863,954)
Net change in payables and accruals	490,576	(214,537)
Net change in income taxes payable	44,037	455,617
Net change in security deposits	14,669	81,042
	\$ (449,849)	\$ (316,885)
<i>Net change in investing working capital</i>		
Net change in deposits in trust for property acquisitions	\$ -	\$ 9,360
Net change in payables and accruals	958,731	(49,110)
	\$ 958,731	\$ (33,750)
<i>Net change in financing working capital</i>		
Net change in accrued interest payable	\$ (260,779)	\$ 245,347
Interest paid	\$ 2,832,821	\$ 3,129,542
Income taxes paid (received)	\$ 685,760	\$ 634,313

11 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, 2022 and 2021	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	\$ 201,028	\$ 602,151	\$ 199,626	\$ 597,965	\$ 3,394,632	\$ 10,603,926	\$ 3,511,644	\$ 9,909,884	\$ -	\$ -	\$ -	\$ -	\$ 3,595,660	\$ 11,206,077	\$ 3,711,271	\$ 10,507,850
Property tax and insurance recoveries	21,722	66,389	20,224	60,673	692,962	2,080,302	688,072	1,947,681	-	-	-	-	714,684	2,146,691	708,296	2,008,354
Operating expense recoveries	2,820	8,460	2,672	9,410	489,792	1,152,604	316,915	884,514	-	-	-	-	492,612	1,161,064	319,587	893,924
Government Subsidy	-	-	-	-	-	-	-	-	-	-	-	396	-	-	-	396
Accelerated rent adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of tenant inducements	-	-	-	-	(16,550)	(49,651)	(11,447)	(26,726)	-	-	-	-	(16,550)	(49,651)	(11,447)	(26,726)
Straight-line rental revenue	-	-	-	-	(27,849)	(169,088)	(187,483)	(134,949)	-	-	-	-	(27,849)	(169,088)	(187,483)	(134,949)
Rental revenue	225,570	677,000	222,522	668,048	4,532,987	13,618,093	4,317,701	12,580,404	-	-	-	396	4,758,557	14,295,093	4,540,224	13,248,849
Property operating expenses																
Property taxes and insurance	(22,379)	(67,615)	(24,009)	(66,079)	(806,715)	(2,328,042)	(729,214)	(2,109,014)	-	-	-	-	(829,094)	(2,395,657)	(753,223)	(2,175,093)
Operating expenses:																
Repairs and maintenance	(2,307)	(2,307)	(90,403)	(90,403)	(258,448)	(937,447)	(199,831)	(566,690)	-	-	-	-	(260,755)	(939,754)	(290,234)	(657,093)
Management fees	(8,984)	(26,905)	(8,901)	(26,648)	(179,694)	(549,601)	(180,004)	(506,524)	-	-	-	-	(188,678)	(576,506)	(188,905)	(533,172)
Utilities	-	(478)	-	-	(124,199)	(319,725)	(52,156)	(197,546)	-	-	-	-	(124,199)	(320,203)	(52,156)	(197,546)
<i>subtotals</i>	(33,670)	(97,305)	(123,313)	(183,130)	(1,369,056)	(4,134,815)	(1,161,205)	(3,379,774)	-	-	-	-	(1,402,726)	(4,232,120)	(1,284,518)	(3,562,904)
Income from operations	191,900	579,695	99,209	484,918	3,163,931	9,483,278	3,156,497	9,200,630	-	-	-	396	3,355,831	10,062,973	3,255,706	9,685,945
Finance costs:																
Interest on mortgages	(48,904)	(149,067)	(52,001)	(158,250)	(875,316)	(2,522,330)	(814,823)	(2,261,252)	-	-	-	-	(924,220)	(2,671,397)	(866,824)	(2,419,501)
Interest on bank operating facilities	-	-	-	-	-	-	-	-	(156,752)	(440,746)	(196,647)	(636,919)	(156,752)	(440,746)	(196,647)	(636,919)
Interest on other unsecured financing	-	-	-	-	-	-	-	-	(805)	(5,049)	(85,407)	(213,979)	(805)	(5,049)	(85,407)	(213,979)
Interest on lease obligations	-	-	-	-	-	-	-	-	(8,821)	(26,462)	(10,659)	(31,977)	(8,821)	(26,462)	(10,659)	(31,977)
Amortization of deferred finance fees	(1,809)	(5,427)	(1,809)	(5,427)	(23,851)	(71,555)	(22,391)	(63,853)	-	-	-	-	(25,660)	(76,982)	(24,200)	(69,280)
Interest income	-	-	-	-	-	-	-	-	-	6,864	42,286	142,293	-	6,864	42,286	142,293
<i>subtotals</i>	(50,713)	(154,494)	(53,810)	(163,677)	(899,167)	(2,593,885)	(837,214)	(2,325,105)	(166,378)	(465,393)	(250,427)	(740,582)	(1,116,259)	(3,213,772)	(1,141,451)	(3,229,364)
Administration expenses	-	-	-	-	-	-	-	-	(342,237)	(1,094,940)	(455,679)	(1,106,020)	(342,237)	(1,094,940)	(455,678)	(1,106,021)
Amortization of deferred leasing	(5,004)	(15,011)	(3,210)	(12,320)	(85,163)	(246,754)	(70,858)	(206,075)	-	-	-	-	(90,167)	(261,765)	(74,068)	(218,395)
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation net gains (losses) from investment properties	15,458	45,311	13,415	3,308	850,879	1,795,120	2,386,079	2,396,698	-	-	-	-	866,337	1,840,431	2,399,494	2,400,006
Income (loss) before income tax	151,641	455,501	55,604	312,229	3,030,480	8,437,759	4,634,504	9,066,148	(546,125)	(1,672,863)	(743,616)	(1,958,736)	2,635,996	7,220,397	3,946,493	7,419,641
Income tax (expense) recovery	(34,877)	(104,765)	(12,789)	(71,813)	(697,010)	(1,940,685)	(1,065,936)	(2,085,214)	394,360	1,030,462	491,583	709,147	(337,527)	(1,014,988)	(587,142)	(1,447,879)
Net income (loss) and total comprehensive income (loss) for the period	\$ 116,764	\$ 350,736	\$ 42,815	\$ 240,416	\$ 2,333,470	\$ 6,497,074	\$ 3,568,568	\$ 6,980,934	\$ (151,766)	\$ (642,401)	\$ (252,033)	\$ (1,249,589)	\$ 2,298,468	\$ 6,205,409	\$ 3,359,351	\$ 5,971,762
Investment properties		\$ 10,865,862		\$ 10,617,849		\$ 239,926,641		\$ 230,176,689						\$ 250,792,503		\$ 240,794,538
Mortgages		\$ 4,203,168		\$ 4,474,285		\$ 105,917,651		\$ 106,033,872						\$ 110,120,819		\$ 110,508,157
Additions to investment properties		\$ -		\$ -		\$ 4,420,054		\$ 11,384,773						\$ 4,420,054		\$ 11,384,773

12. Earnings per share

The following are the weighted average number of shares outstanding:

	June 30, 2022	June 30, 2021
Net income and comprehensive income	\$ 6,205,409	\$ 5,971,762
Weighted average shares outstanding – basic and diluted	9,451,242	9,451,242
Earnings per share – basic and diluted	\$.66	\$.63

13. Rental revenue

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

a) Rental revenue

	June 30, 2022	June 30, 2021
Rental revenue, contractual amount	\$ 11,206,077	\$ 10,507,850
Property tax and insurance recoveries	2,146,691	2,008,354
Government Subsidy	-	396
Operating expense recoveries	1,161,064	893,924
Amortization of tenant inducements	(49,651)	(26,726)
Straight-line rental revenue	(169,088)	(134,949)
Rental revenue on statements of comprehensive income	\$ 14,295,093	\$ 13,248,849

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

	June 30, 2022	June 30, 2021
No later than one year	\$ 8,224,558	\$ 11,338,442
2 – 5 years	44,617,869	43,005,933
Over 5 years	27,089,331	32,360,185
	\$ 79,940,758	\$ 86,704,560

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.

14. Guarantees, contingencies, and commitments

a) In the normal course of operations, the Company and its subsidiaries may 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 may 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 17.

d) As at June 30, 2022, the Company entered into a construction contract to build an additional 33,200 ft² of industrial space on one of its investment properties in Fort McMurray, Alberta. The total contract price is \$8,600,000.

15. 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, 2022	September 30, 2021
Mortgages	\$ 109,890,777	\$ 108,509,937
Lease liability	604,246	712,784
Bank operating facilities	19,317,892	20,360,492
Other financing	1,900,000	3,800,000
Total debt financing	131,712,915	133,383,213
Equity	104,411,597	98,678,750
Total capital	\$ 236,124,512	\$ 232,061,963

16. Financial instruments

	June 30, 2022	September 30, 2021
Financial assets		
Cash and cash equivalents	\$ 1,631,942	\$ 196,114
Receivables, net of provisions	144,330	279,750
Mortgage receivable	-	2,500,000
	\$ 1,776,272	\$ 2,975,864
Financial liabilities		
Bank operating facilities	\$ 19,317,892	\$ 20,360,492
Payables and accruals	2,889,808	1,701,278
Other financing	1,900,000	3,800,000
Lease liability	604,246	712,784
Security deposits	804,085	896,654
Mortgages	109,890,777	108,509,937
	\$ 135,406,808	\$ 135,981,145

The carrying value of cash and cash equivalents, receivables, mortgage receivable, bank operating facilities, other financing, payables and accruals, and security deposits approximate their fair value because of the near-term maturity of those instruments. The fair value of 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, 2022 is \$109,586,657 (September 30, 2021 - \$109,317,430). 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 3.31% (September 30, 2021 – 2.94%).

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 \$144,330 at June 30, 2022 (September 30, 2021 - \$279,750), and cash and cash equivalents of \$1,631,942 (September 30, 2021 - \$196,114). 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. At June 30, 2022 there is no loss provision for tenant receivables (September 30, 2021 - \$nil).

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, 2022 is \$19,317,892 (September 30, 2021 - \$20,360,492). 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 \$193,179 (September 30, 2021 - \$203,605). The Company minimizes its exposure to interest rate risk to the extent that all mortgages have fixed rates with terms of 2-5 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.

During the current period, the Company renewed three mortgages. The mortgages were renewed for a further 3-5 years at fixed rates. Upon renewal, the Company received \$11,144,252 in cash proceeds and assumed additional debt.

Contractual obligations at June 30, 2022

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	\$ 22,378,332	\$ 56,609,361	\$ 36,428,330	\$ 5,295,204	\$ 120,711,227
Payables and accruals	2,889,808	-	-	-	2,889,808
Lease liability	153,634	331,001	119,611	-	604,246
Security deposits	40,810	55,894	28,951	678,430	804,085
	<u>25,462,584</u>	<u>56,996,256</u>	<u>36,576,892</u>	<u>5,973,634</u>	<u>\$ 125,009,366</u>
Operating facilities	19,317,892	-	-	-	19,317,892
	<u>\$ 44,780,476</u>	<u>56,996,256</u>	<u>\$ 36,576,892</u>	<u>\$ 5,973,634</u>	<u>\$ 144,327,258</u>

Contractual obligations at September 30, 2021

	1 year	2-3 years	4-5 years	> 5 years	Total
Gross mortgage payments	\$ 29,147,767	\$ 48,884,829	\$35,291,074	\$ 4,587,053	\$ 117,910,723
Payables and accruals	1,701,278	-	-	-	1,701,278
Lease liability	148,046	318,961	245,777	-	712,784
Security deposits	151,973	38,410	107,583	602,614	900,580
	<u>31,149,064</u>	<u>49,242,200</u>	<u>35,644,434</u>	<u>5,189,667</u>	<u>\$ 121,225,365</u>
Other financing	3,800,000	-	-	-	3,800,000
Operating facilities	20,360,492	-	-	-	20,360,492
	<u>\$ 55,309,556</u>	<u>\$ 49,242,200</u>	<u>\$ 35,644,434</u>	<u>\$ 5,189,667</u>	<u>\$ 145,385,857</u>

Market risk

Market risk is the risk that the Company could be adversely affected due to product and service supply shortages, utility price increases, and property tax increases. These risk factors have a direct impact on the Company's costs, however they are mitigated through the Company's lease term structures which recover the majority of these costs from the respective tenants.

17. 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.

Refer to the September 30, 2021 audited consolidated financial statements for the property management, maintenance, and project fee structures.

Payments for the period ending June 30,	2022	2021
Property management and maintenance fees	\$ 952,846	\$ 885,389
Large-scale renovations	-	278,264
Acquisition fees	22,500	107,100
Leasing fees	68,627	347,208
Total payments	\$ 1,043,973	\$ 1,617,961

b) Other related party transactions

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

Period ending June 30,	2022	2021
Leased office space and parking	\$135,000	\$ 136,675
Fees for Accounting/Consulting Services	1,800	48,501
Rent at Sable Centre	(71,190)	(66,885)
Net payments for the period	\$ 65,610	\$ 118,291

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 \$35,000 (2021 – \$42,500).

ii) Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Company's key management personnel include 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,	2022	2021
Sine Chadi	\$ 225,000	\$ 225,000
Patricia Misutka	135,000	135,000
Azza Osman	133,750	123,750
	\$ 493,750	\$ 483,750

vi) Other financing, unsecured

Related Parties	Balance 1-Oct-21	Advances	Repayments	Balance 30-Jun-22
Jamel Chadi, Shareholder ¹	\$ 2,100,000	\$ 1,200,000	\$ (2,100,000)	\$ 1,200,000
Sine Chadi, Shareholder ¹	\$ 700,000	-	(700,000)	-
Diane Buchanan, Shareholder ¹	\$ 1,000,000	700,000	(1,000,000)	\$ 700,000
Total	\$ 3,800,000	\$ 1,900,000	\$ (3,800,000)	\$ 1,900,000

Related Parties	Balance 1-Oct-20	Advances	Repayments	Balance 30-Sep-21
Jamel Chadi, Shareholder ¹	\$ 2,000,000	\$ 1,200,000	\$ (1,100,000)	\$ 2,100,000
Sine Chadi, Shareholder ¹	\$ 1,550,000	750,000	(1,600,000)	700,000
NAMC ²	\$ -	225,000	(225,000)	-
Diane Buchanan, Shareholder ¹	\$ 1,500,000	-	(500,000)	1,000,000
Total	\$ 5,050,000	\$ 2,175,000	\$ (3,425,000)	\$ 3,800,000

- Loans received from shareholders bear interest at an annual rate of 6%. Total interest expense during the period was \$5,049 (June 30, 2021 -\$213,979).
- North American Mortgage Corp. ("NAMC") is controlled by Mr. Sine Chadi, President of the Company. No interest was paid in the current period or the comparative period for the nine months ended June 30, 2022.

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.

18. Post-reporting date events

Subsequent to the period ending, the Company has declared a quarterly dividend of \$0.02 per share totalling \$189,025 paid on July 29, 2022, to shareholders of record effective July 18, 2022.

Subsequent to the period ending, on August 1, 2022, the Company completed the sale of an investment property for total sale proceeds of \$1,675,000 and agreed to a vendor take back ("VTB") mortgage in the amount of \$1,475,000. The term of the VTB will be two years commencing August 1, 2022, bearing interest at an annual rate of 4.5% with monthly principal and interest payments and a maturity date of July 31, 2024.

19. Authorization of the consolidated financial statements

The condensed consolidated interim financial statements for the nine-month period ending June 30, 2022 (including comparatives) were authorized for issue by the Board of Directors on August 17, 2022.

Signed "Sine Chadi", Director

Signed "Kevin Lynch", Director