

IMPERIAL EQUITIES INC.

Q3 2024 Interim Financial Statements

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.4(4)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Imperial Equities Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

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

	Notes	June 30, 2024 (unaudited)	September 30, 2023 (audited)
Assets			
Investment properties	3	\$ 232,608,344	\$ 260,517,019
Right-of-use asset		250,068	362,598
Mortgages and loans receivable	4	5,607,386	-
Total non-current assets		238,465,798	260,879,617
Current portion of mortgages and loans receivable	4	1,539,419	1,439,324
Receivables		447,790	237,344
Prepaid expenses and deposits	5	1,837,609	1,053,951
Cash		241,369	424,451
Total current assets		4,066,187	3,155,070
Total Assets		\$ 242,531,985	\$ 264,034,687
Liabilities			
Mortgages	6	\$ 51,909,376	\$ 78,886,257
Security deposits		745,791	745,791
Lease liability		117,043	245,776
Deferred taxes	8	16,249,164	16,721,444
Total non-current liabilities		69,021,374	96,599,268
Other financing	13	700,000	3,565,000
Income taxes payable		1,581,400	439,588
Current portion of lease liability		169,587	163,419
Current portion of mortgages	6	40,615,792	28,851,657
Bank operating facilities	7	22,870,920	19,873,766
Payables and accruals		1,362,299	2,614,324
Total current liabilities		67,299,998	55,507,754
Total Liabilities		136,321,372	152,107,022
Equity			
Issued share capital		5,947,346	5,947,346
Retained earnings		100,263,267	105,980,319
Total Equity		106,210,613	111,927,665
Total Equity and Liabilities		\$ 242,531,985	\$ 264,034,687

Post-reporting date events (Note 14)

Approved on Behalf of the Board

Signed "Sine Chadi", Director

Signed "Kevin Lynch", Director

See accompanying notes to the interim condensed consolidated financial statements.

IMPERIAL EQUITIES INC.**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)**

		Three months ended June 30,		Nine months ended June 30,	
	Notes	2024	2023	2024	2023
Rental revenue	9	\$ 4,670,354	\$ 5,195,639	\$ 14,466,823	\$ 14,510,940
Property operating expenses		1,727,638	1,522,645	4,849,225	4,476,486
Income from operations		2,942,716	3,672,994	9,617,598	10,034,454
Finance costs	10	1,396,070	1,246,291	4,271,631	3,682,423
Administration expenses		281,088	320,443	912,235	959,864
Amortization of deferred leasing		101,313	126,445	291,048	361,806
Amortization of right-of-use asset		37,510	37,510	112,530	112,530
Loss on the sale of investment properties	3	1,484,940	-	1,484,940	-
Valuation loss (gain) from investment properties, net	3	(114,985)	354,077	6,586,071	(2,047,397)
(Loss) income before income tax		(243,220)	1,588,228	(4,040,857)	6,965,228
Income tax expense	8	1,202,397	299,001	1,109,120	1,278,088
Net (loss) income and comprehensive (loss) income		\$ (1,445,617)	\$ 1,289,227	\$ (5,149,977)	\$ 5,687,140
Weighted average number of shares outstanding - basic & diluted		9,451,242	9,451,242	9,451,242	9,451,242
Earnings (loss) per share basic and diluted		\$ (0.15)	\$ 0.14	\$ (0.54)	\$ 0.60

See accompanying notes to the interim condensed consolidated financial statements.

IMPERIAL EQUITIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Number of shares	Capital stock	Retained earnings	Total
Balance, October 1, 2022	9,451,242	\$ 5,947,346	\$ 99,923,488	\$ 105,870,834
Dividends paid	-	-	(756,099)	(756,099)
Net income and comprehensive income	-	-	6,812,930	6,812,930
Balance, September 30, 2023	9,451,242	5,947,346	105,980,319	111,927,665
Dividends paid	-	-	(567,075)	(567,075)
Net loss and comprehensive loss	-	-	(5,149,977)	(5,149,977)
Balance, June 30, 2024	9,451,242	\$ 5,947,346	\$ 100,263,267	\$ 106,210,613

See accompanying notes to the interim condensed consolidated financial statements.

IMPERIAL EQUITIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Notes	Three months ended June 30,		Nine months ended June 30,	
		2024	2023	2024	2023
Operating activities					
Net (loss) income		\$ (1,445,617)	\$ 1,289,227	\$ (5,149,977)	\$ 5,687,140
Finance costs		1,396,070	1,246,291	4,271,631	3,682,423
Leasing commissions		(6,183)	-	(148,460)	(376,727)
Items not affecting cash:					
Amortization of right-of-use asset		37,510	37,510	112,530	112,530
Amortization of tenant inducements		38,591	(5,332)	115,775	17,769
Amortization of deferred leasing commissions		101,313	126,447	291,048	361,808
Loss on sale of investment properties		1,484,940	-	1,484,940	-
Valuation (gain) loss on investment properties		(114,985)	354,077	6,586,071	(2,047,397)
Straight-line rental revenue		50,235	(214,817)	165,039	77,319
Deferred income taxes	8	(157,342)	180,531	(472,280)	931,776
Net change in operating working capital	11	(1,648,684)	(2,295,782)	(160,201)	(988,570)
Cash (used in) provided by operating activities		(264,152)	718,152	7,096,116	7,458,071
Investing activities					
Proceeds on sale of investment properties		4,460,247	-	4,460,247	-
Improvements and additions to investment properties		(204,972)	(1,211,138)	(210,798)	(4,254,675)
Advances on loans and mortgages receivable		(46,000)	-	(46,000)	-
Proceeds from mortgage receivable		79,197	8,294	96,251	24,606
Change in payables and accruals for investing		-	(113,964)	(905,836)	(1,561,326)
Cash provided by (used in) investing activities		4,288,472	(1,316,808)	3,393,864	(5,791,395)
Financing activities					
Repayment of mortgages		(1,900,965)	(1,901,114)	(5,791,460)	(5,667,800)
Fees associated with new or renewed mortgages		(5,374)	(5,228)	(14,604)	(13,877)
Advances from other financing		-	350,000	650,000	3,065,000
Repayment of other financing		(2,215,000)	-	(3,515,000)	(1,040,000)
Finance costs paid		(1,622,912)	(1,129,251)	(4,297,077)	(3,377,484)
Principal repayments on lease liability		(45,000)	(45,000)	(135,000)	(115,000)
Dividends paid		(189,025)	(189,025)	(567,075)	(567,075)
Net advances from bank operating facilities		1,721,862	3,708,945	2,997,154	6,453,697
Cash (used in) provided by financing activities		(4,256,414)	789,327	(10,673,062)	(1,262,539)
(Decrease) increase in cash and cash equivalents		(232,094)	190,671	(183,082)	404,137
Cash and cash equivalents, beginning of period		473,463	446,464	424,451	232,998
Cash and cash equivalents, end of period		\$ 241,369	\$ 637,135	\$ 241,369	\$ 637,135

See accompanying notes to the interim condensed consolidated financial statements.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2024

(Unaudited)

1. General information and nature of operations

Imperial Equities Inc. (“the Company”) was incorporated in Edmonton, Alberta, Canada. The registered and operating office of the Company is 2151, 10060 Jasper Avenue, Edmonton, Alberta T5J 3R8. The Company’s operations consist of the acquisition, development, and redevelopment of industrial, agricultural, and commercial properties primarily in Edmonton, throughout Alberta and in British Columbia. The Company’s common shares trade on the TSX Venture Exchange (TSXV) under the symbol “IEI”.

2. Statement of compliance and basis of preparation

Statement of compliance

These interim condensed consolidated 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 note disclosures normally included in the annual financial statements have been omitted or condensed.

The Board of Directors authorized these interim condensed consolidated financial statements for issue on August 14, 2024.

Basis of preparation

These interim condensed consolidated 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, 2023, except as explained below, and should be read in conjunction with the Company’s annual September 30, 2023 consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB.

The interim condensed consolidated statements are for the three and nine months ended June 30, 2024, and are presented in Canadian dollars, which is the functional currency of the parent and subsidiary companies.

The interim condensed 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. All significant intercompany balances and transactions have been eliminated.

Use of estimates judgments and assumptions

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. The significant judgments made by management when applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company’s annual September 30, 2023 audited consolidated financial statements.

New and amended standards adopted

Amendments to IAS 1 *Presentation of Financial Statements*, and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments will have an impact on the Company’s disclosures of accounting policies in its annual consolidated financial statements, but not on the measurement, recognition, or presentation of any items in the Company’s financial statements. The amendments did not have a material effect on the disclosures included in these interim condensed consolidated financial statements.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2024

(Unaudited)

2. Statement of compliance and basis of preparation (cont'd)

Amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The effective date of these amendments is for annual periods beginning on or after January 1, 2023 and it is to be applied retrospectively. There was no material impact to the Company's interim condensed consolidated financial statements to as a result of the adoption of this amendment.

New and amended standards not yet adopted

The IASB has published several new, but not yet effective, standards, amendments to existing standards, and interpretations. None of these standards, amendments to existing standards, or interpretations have been early adopted by the Company, and management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. No pronouncements have been disclosed as they are not expected to have a material impact on the Company's interim condensed consolidated financial statements.

3. Investment properties

	Income producing properties	Held for development	Total investment properties
Balance, September 30, 2023	\$ 247,539,383	\$ 12,977,636	\$ 260,517,019
<i>Additions:</i>			
Property improvements and additions	109,529	101,269	210,798
Leasing commissions	148,460	-	148,460
Amortization of tenant inducements	(115,775)	-	(115,775)
Amortization of deferred leasing commissions	(291,048)	-	(291,048)
Change in straight-line rental revenue	(165,039)	-	(165,039)
Reclassification to investment property held for sale	(13,790,000)	(7,320,000)	(21,110,000)
Valuation gains (losses), net	(6,012,801)	(573,270)	(6,586,071)
Balance, June 30, 2024	\$ 227,422,709	\$ 5,185,635	\$ 232,608,344

Investment properties held for sale

During the quarter ended June 30, 2024, the Company closed the sales of the three investment properties classified as "held for sale" at March 31, 2024.

The property sales consisted of the following;

- Sale of land and building for total gross proceeds of \$13,790,000 with transaction costs of \$827,410. The purchaser assumed the related mortgage with an outstanding balance of \$9,483,147 at the closing date. The valuation loss on investment properties for the nine months ended June 30, 2024 includes a loss of \$1,023,855 for the adjustment to fair value. The loss on sale of investment properties includes \$827,410 for the sale of this property.
- Sale of land for total gross proceeds of \$820,000, with transaction costs of \$49,200. The valuation loss on investment properties for the nine months ended June 30, 2024 includes a loss of \$80,000 for the adjustment to fair value. The loss on the sale of investment properties includes \$49,200 for the sale of this property.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2024

(Unaudited)

3. Investment properties (cont'd)

- Sale of land for total gross proceeds of \$6,500,000, with transaction costs of \$423,336. Of the purchase price, \$600,000 was paid in cash, and the remaining balance of \$5,866,664 was in the form of a vendor-take-back mortgage (Note 4). The valuation loss on investment properties for the nine months ended June 30, 2024 includes \$1,240,000 for the adjustment to fair value prior. The loss on disposal of investment properties includes \$607,999 for the disposal of the property including an adjustment to the value of the consideration on the sale of \$184,994 for the significant financing component in the form of the vendor-take-back mortgage.

The key Level 3 valuation inputs for the investment properties are set out below.

	June 30, 2024	September 30, 2023
Income producing property		
Range of capitalization rates applied to investment properties	4.50% - 8.00%	4.50% - 8.50%
Fair values of properties where direct comparison approach was used	\$ 10,524,000	\$ 5,041,295
Fair values of properties where capitalization rates were applied	\$ 212,988,000	\$ 238,587,382
Weighted average capitalization rates on properties valued using income capitalization approach	6.44%	6.47%
Weighted average net operating income for properties valued using income capitalization approach	\$ 716,508	\$ 752,048
Fair value impact of increasing average capitalization rate by 0.25%	\$ (7,965,955)	\$ (8,883,294)
Fair value impact of a 1% decrease in net operating income	\$ (2,132,643)	\$ (2,388,624)
Land held for development		
Average price per acre of land	\$ 91,329	\$ 189,316
Number of acres held	56.78	68.55
Total fair value	\$ 5,185,636	\$ 12,977,635
Impact of a 10% decrease in the price per acre	\$ (518,564)	\$ (1,297,764)
Land under lease agreements with tenants		
Number of acres leased	4.90	4.90
Average price per acre	\$ 798,104	\$ 798,104
Total fair values of leased land	\$ 3,910,710	\$ 3,910,710
Impact of a 10% decrease in average price per acre	\$ (391,071)	\$ (391,071)

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2024

(Unaudited)

4. Mortgages and loans receivable

	June 30, 2024	September 30, 2023
Loan receivable from a tenant, bearing interest at 5.5% per annum, repayable in equal monthly payments of principal and interest of \$496, with a maturity date of May 1, 2028, at which time any outstanding balance is repayable in full.	\$ 45,714	\$ -
Mortgage receivable, bearing interest at 4.50% per annum, repayable in monthly blended payments of principal and interest of \$8,164, with a maturity date of July 31, 2024. Secured by a first mortgage charge against land and building (Note 4 (i)).	1,413,599	1,439,324
Mortgage receivable, bearing interest at 5.5% per annum, with monthly blended payments of principal and interest of \$34,315, and a maturity date of May 28, 2027. Secured by a first mortgage charge against land (Note 4(ii)).	5,687,492	-
	7,146,805	1,439,324
Less current portion	(1,539,419)	(1,439,324)
Long-term portion	\$ 5,607,386	\$ -

- i) Subsequent to June 30, 2024, the Company entered into a mortgage amending agreement on the vendor take back (“VTB”) mortgage. The amendment adjusted the interest rate to 8.00% per annum, the monthly blended payments to \$10,303, and amended the maturity date to July 31, 2025.
- ii) During the three months ended June 30, 2024, the Company entered into a VTB mortgage agreement on the sale of an investment property (Note 3). The consideration assigned to the VTB mortgage as a component of the sales price was \$4,907,196, using a discount rate of 6.010%. The face value of the VTB mortgage at inception was \$5,866,664. The resulting difference between the value of the consideration and the sales price of \$184,994 was included in the loss on sale. Finance income related to the amortization of the difference is included in interest income in finance costs on the statement of comprehensive loss.

5. Prepaid expenses and deposits

	June 30, 2024	September 30, 2023
Prepaid operating expenses	\$ 1,837,609	\$ 926,932
Security deposits with municipalities	-	27,019
Deposits held in trust	-	100,000
Total	\$ 1,837,609	\$ 1,053,951

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2024

(Unaudited)

6. Mortgages

Maturity Date	Monthly blended principal and interest payments		Rate	June 30, 2024	September 30, 2023
	\$			\$	\$
Maturity October 2024	-	-	-	-	11,229
** Assumed (Note 3)	-	-	-	-	9,898,484
July 1, 2024	22,084	6.910%		1,302,166	1,430,709
August 1, 2024	71,809	3.300%		7,441,982	7,899,062
November 1, 2024	63,681	3.555%		6,652,899	7,044,169
December 1, 2024	33,003	6.073%		2,632,173	2,806,416
December 1, 2024	29,985	6.073%		2,391,475	2,549,785
February 1, 2025	35,507	3.420%		3,808,261	4,027,712
February 1, 2025	47,279	3.310%		3,840,202	4,166,544
February 1, 2025	17,662	5.720%		1,449,509	1,544,751
April 1, 2025	27,830	5.290%		2,941,556	3,073,687
April 1, 2025	34,847	2.310%		4,006,667	4,248,881
August 1, 2025	27,279	2.837%		3,132,596	3,309,756
* October 1, 2025	53,312	7.020%		4,389,744	4,639,139
October 1, 2025	63,227	6.720%		7,008,653	7,200,000
* November 1, 2025	35,967	6.640%		3,027,333	3,202,558
* December 1, 2025	43,161	6.763%		3,637,374	3,846,275
* January 1, 2026	23,512	5.930%		1,538,107	1,682,599
* January 1, 2026	18,660	5.930%		1,220,720	1,335,396
April 1, 2026	23,715	2.675%		2,010,230	2,181,648
* April 1, 2026	33,136	6.010%		3,374,449	3,551,844
July 1, 2026	76,219	2.710%		9,423,822	9,913,807
July 1, 2026	39,884	2.710%		4,931,312	5,187,713
October 1, 2026	65,250	2.940%		8,100,143	8,504,926
June 11, 2029	42,759	3.480%		4,334,865	4,613,752
<i>Total mortgages</i>				92,596,238	107,870,842
<i>Less: current portion of principal payments</i>				(40,615,792)	(28,851,657)
<i>Less: Balance of unamortized finance fees</i>				(71,070)	(132,928)
				51,909,376	78,886,257
Weighted average rate				4.30%	3.73%

*These mortgages were renewed during the nine months ended June 30, 2024.

**This mortgage was assumed by the purchaser of the related investment property (Note 3).

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2024

(Unaudited)

7. Bank operating facilities

The Company has two credit facilities consisting of operating lines of credit ("LOC").

- i) During the quarter ended June 30, 2024, the Company completed an amending agreement on its LOC with a \$6,000,000 limit to increase the available balance from \$6,000,000 to \$8,000,000. This credit facility continues to bear interest at prime plus 0.95% per annum and be secured by specific revenue-producing properties with fair values totaling \$24,636,000 at June 30, 2024 (September 30, 2023 - \$32,209,073). The balance on this facility at June 30, 2024 was \$7,845,476 (September 30, 2023 - \$4,769,549). There are no specific covenants or margin formulas for this line of credit.
- ii) During the quarter the Company entered into an amending agreement on its LOC with a limit of \$15,500,000. The fixed rate fixed term ("FRFT") component of the line of credit will be reset to \$7,815,340 with the revolving portion increasing to \$7,684,660. The balance of the FRFT component will continue to bear interest at 3.36% per annum, with a three-year term ending February 1, 2025. The revolving component of the LOC will continue to bear interest at prime plus 1% per annum. The LOC is secured by specific revenue producing properties with fair values totaling \$46,727,000 at June 30, 2024 (September 30, 2024 - \$37,157,449). The balance of this facility at June 30, 2024 was \$15,025,443 (September 30, 2023 - \$15,104,226). The specific covenants related to this facility remained the same as at September 30, 2023.

During the quarter, the Company was in violation of the covenant requiring a minimum of 90% occupancy of the secured buildings as the result of the vacancy of a building commencing March 1, 2024. The lender was aware of this violation, and during the quarter determined that the 6-month grace period to remedy the violation commenced March 1, 2024 and ended September 30, 2024. As part of the amending agreement, the properties securing the LOC were modified and the vacant property was removed. As a result, as of June 30, 2024, the Company was in compliance with this covenant.

8. Income taxes

a) Provision for income taxes

Components of income tax (recovery) expense

	Three months ended June 30,		Nine months ended June 30,	
	2024	2023	2024	2023
Current tax expense	\$ 1,359,739	\$ 121,358	\$ 1,581,400	\$ 341,574
Prior period adjustments	-	(2,888)	-	4,738
Deferred tax expense	(157,342)	180,531	(472,280)	931,776
	\$ 1,202,397	\$ 299,001	\$ 1,109,120	\$ 1,278,088

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2024

(Unaudited)

8. Income taxes (cont'd)

b) Deferred taxes

	June 30, 2024	September 30, 2023
Deferred tax assets are attributable to the following:		
Lease liability	\$ 65,925	\$ 94,115
Capital losses	108,340	-
Mortgages receivable	41,210	-
Finance fees	4,036	-
Total deferred tax assets	219,511	94,115
Offset of deferred tax liabilities	(219,511)	(94,115)
Net deferred tax assets	\$ -	\$ -
Deferred tax liabilities are attributable to the following:		
Straight-line rent receivable	\$ 424,189	\$ 462,148
Investment properties	15,598,948	15,842,858
Finance fees	-	3,479
Deferred leasing	380,221	413,016
Right-of-use-asset	57,516	83,398
Capital gain reserve	7,801	10,660
Total deferred tax liabilities	16,468,675	16,815,559
Offset of deferred tax assets	(219,511)	(94,115)
Net deferred tax liabilities	\$ 16,249,164	\$ 16,721,444

9. Rental revenue

	Three months ended June 30,		Nine months ended June 30,	
	2024	2023	2024	2023
Rental revenue, contractual amount	\$ 3,555,995	\$ 3,769,773	\$ 11,089,753	\$ 11,020,423
Property tax and insurance recoveries	800,334	902,307	2,403,223	2,357,943
Amortization of tenant inducements	(38,591)	(19,669)	(115,775)	(17,770)
Straight-line rental revenue	(50,235)	214,816	(165,039)	(77,319)
Other	200	47,619	200	47,619
Lease income	4,267,703	4,914,846	13,212,362	13,330,896
Operating expense recoveries	402,651	280,793	1,254,461	1,180,044
Total Rental Revenue	\$ 4,670,354	\$ 5,195,639	\$ 14,466,823	\$ 14,510,940

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2024

(Unaudited)

9. Rental revenue (cont'd)

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

	2024		2023	
One year	\$	13,768,967	\$	14,904,289
One to two years		12,755,886		12,846,741
Two to three years		11,253,117		12,334,777
Three to four years		9,384,335		10,440,496
Four to five years		7,052,220		9,266,130
Thereafter		29,791,538		38,526,441
	\$	84,006,063	\$	98,318,874

10. Finance costs

	Three months ended June 30,		Nine months ended June 30,	
	2024	2023	2024	2023
Interest on mortgages	\$ 997,555	\$ 891,748	\$ 3,039,735	\$ 2,577,408
Interest on bank operating facilities	341,045	267,470	1,059,394	866,660
Interest on other unsecured financing	29,775	72,643	129,237	204,357
Interest on lease obligations	4,145	6,114	12,435	18,343
Amortization of deferred financing fees	37,317	24,484	76,461	67,262
Finance fees	35,476	-	35,476	-
Interest income	(49,243)	(16,168)	(81,107)	(51,607)
Total	\$ 1,396,070	\$ 1,246,291	\$ 4,271,631	\$ 3,682,423

11. Supplemental consolidated cash flow information

	Three months ended June 30,		Nine months ended June 30,	
	2024	2023	2024	2023
Change in operating working capital:				
Receivables	\$ 26,382	\$ (37,638)	\$ (210,446)	\$ 180,257
Prepaid expenses and deposits	(1,763,764)	(1,492,645)	(783,658)	(632,249)
Security deposits	-	18,550	-	17,600
Payables and accruals	(526,249)	(905,404)	(307,909)	(9,671)
Contract liabilities	(300,000)	-	-	-
Income taxes payable	914,947	121,355	1,141,812	(544,507)
Net change in operating working capital	\$ (1,648,684)	\$ (2,295,782)	\$ (160,201)	\$ (988,570)
Interest paid	\$ 1,564,761	\$ 882,706	\$ 4,279,080	\$ 3,409,093
Income taxes paid	\$ 449,687	\$ 452,000	\$ 486,837	\$ 703,042

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2024

(Unaudited)

12. Fair value of financial instruments

Financial assets and liabilities:

	June 30, 2024	September 30, 2023
Financial assets		
Cash and cash equivalents	\$ 241,369	\$ 424,451
Receivables	447,790	237,344
Mortgages and loans receivable	7,146,805	1,439,324
	7,835,964	2,101,119
Financial liabilities		
Bank operating facilities	\$ 22,870,920	\$ 19,873,766
Payables and accruals	1,362,297	2,614,324
Other financing	700,000	3,565,000
Lease liability	286,630	409,195
Security deposits	745,791	745,791
Mortgages	92,596,239	107,870,842
	\$ 118,561,877	\$ 135,078,918

Measurement of fair value

The carrying value of cash and cash equivalents, receivables, bank operating facilities, other financing, payables and accruals, and security deposits approximate their fair value because of the near-term maturity of those instruments.

The fair value of mortgages and loans receivable is a level 2 measurement and is based on discounted future cash flows using rates that reflect observable current market rates for similar debt with similar terms and conditions. The estimated fair value of the mortgages and loans receivable using a discount rate of 6.010% is approximately \$7,143,000.

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 at June 30, 2024 is approximately \$89,595,000 (September 30, 2023 - \$102,248,000). The interest rate used for this calculation was 6.84% (September 30, 2023 – 6.84%).

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.

13. Related party transactions

The following are the related party transactions the Company entered into during the three and nine months ended June 30, 2024.

a) *Management agreements*

Sable Realty & Management Ltd. (“Sable”) provides property management services to the Company. North American Realty Corp. (“NARC”), which provides asset management services to the Company. North American Mortgage & Leasing Inc. (“NAML”) leases vehicles to the Company. All three companies are controlled by the President and CEO of the Company.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2024

(Unaudited)

13. Related party transactions (cont'd)

Transactions with these three entities during the period under the terms of the management agreements and leases are summarized below:

	Three months ending June 30,		Nine months ending June 30,	
	2024	2023	2024	2023
Property management and maintenance fees paid to Sable	\$ 424,766	\$ 362,325	\$ 1,165,614	\$ 1,030,172
Leasing fees paid to NARC	639,483	-	692,870	91,975
Vehicle lease payments paid to NAML	4,800	7,500	14,400	22,500
Total payments	\$ 1,069,049	\$ 369,825	\$ 1,872,884	\$ 1,144,647

At June 30, 2024, the Company has \$nil (2023- \$nil) in outstanding payables to Sable, NARC and NAML.

b) Other related party transactions

i) Payments made to (received from) Sable in the normal course of business are as follows:

	Three months ending June 30,		Nine months ending June 30,	
	2024	2023	2024	2023
Leased office space and parking	\$ 45,000	\$ 45,000	\$ 135,000	\$ 135,000
Rent at Sable Centre	(23,731)	(23,731)	(71,192)	(71,192)
Net payments for the period	\$ 21,269	\$ 21,269	\$ 63,808	\$ 63,808

i) Directors are paid a fee for attending directors' meetings. The fees are measured at the exchange amount established and agreed to by the related parties. These transactions occurred in the normal course of operations. Total fees paid for the three months ending June 30, 2024 were \$10,000 (2023 – \$10,000) and \$37,500 for the nine months ending June 30, 2024 (2023 - \$35,000).

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 amount disclosed in the table is recognized as an expense in the period. There were no other transactions with key management personnel in the period.

	Three months ending June 30,		Nine months ending June 30,	
	2024	2023	2024	2023
Salaries and wages	\$ 130,000	\$ 94,425	\$ 381,250	\$ 280,007
Short-term employee benefits	4,293	1,863	13,073	11,051
Total	\$ 134,293	\$ 96,288	\$ 394,323	\$ 291,058

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2024

(Unaudited)

13. Related party transactions (cont'd)

iii) Other financing, unsecured

Related Parties	Balance			Balance June 30, 2024
	October 1, 2023	Advances	Repayments	
Jamel Chadi, Shareholder ¹	\$ 1,965,000	\$ -	\$ (1,965,000)	\$ -
Sine Chadi, Shareholder ¹	1,600,000	200,000	(1,100,000)	700,000
NAMC ²	-	450,000	(450,000)	-
Total	\$ 3,565,000	\$ 650,000	\$ (3,515,000)	\$ 700,000

- 1) Loans received from shareholders bear interest at an annual rate of 6%. Total interest expense during the three months and nine months ended June 30, 2024 was \$28,479 and \$122,499 respectively (2023 - \$65,973 and \$183,889). Accrued interest on the loans at June 30, 2024 was \$159,912 (September 30, 2023 - \$240,789) and is included in payables and accruals.
- 2) Loans from North American Mortgage Corp. ("NAMC"), a company controlled by the President and CEO of the Company, bear interest at 6% per annum. Total interest expense for the three and nine months ended June 30, 2024, was \$1,296 and \$6,738 respectively (2023 - \$6,670 and \$20,468).

All related party financing is unsecured with no specified dates of repayment and 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.

14. Post-reporting date events

Subsequent to period end, the Company declared a quarterly dividend of \$0.02 per share totalling \$189,025 which was paid on August 8, 2024 to shareholders of record effective July 19, 2024.