



IMPERIAL  
EQUITIES  
INC.

# Creativity Presents Opportunities

2024 Annual Report



ALS Environmental Laboratory Building  
Edmonton, AB

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# 2024

# President's Report



# President's Report

From CEO, Sine Chadi



When people talk about creativity in business, there is a tendency to think of big leaps in strategy or bold, sudden moves based on flights of inspiration. But true creativity is rarely a spontaneous, sudden act.

Indeed, the creativity that underlines growth and stability over many years is often the cumulative result of continuous, incremental movements that become everyday practice in an organization.

To me, this is what creativity is all about. It's constantly taking steps to uncover new opportunities, and then knowing when to act on these opportunities. For us this is true whether evaluating potential investments or managing existing assets. Incremental steps have become the building blocks of our success. Each step moves us towards new opportunities, in new directions or through problem solving towards some level of discovery or innovation. Small, deliberate steps allow for continuous learning and adjustment, ensuring we adapt to meet changing conditions. Each step also becomes practice that builds flexibility into the structure of our operations, allowing us to recognize signals, apply learning and make ongoing adjustments. At Imperial Equities, the creative process provides space to experiment and explore as well as to refine ideas and uncover new ones.

Our creativity has served us extremely well through several years of volatility. From a strategic standpoint, we have sought to maintain a selected real estate portfolio across multiple sectors and regions to help ensure stability and mitigate risk. Additionally, we have demonstrated consistent strong financial performance, with a history of reliable cash flows and steady dividend payouts to shareholders. Our strategic focus on growth through selective acquisitions and development projects positions us for continued expansion and value creation.

Our creative practice is a product of refinement and ongoing environment scanning and adjustment. In 2024, this process led us to take a strong look at our existing assets and make several moves that have improved our position overall. This has included selective dispositions of four properties either completed during the fiscal year or "held for sale" at year end. These activities impacted three of our raw land parcels as well as one vacant property.

The vacant property impacted was our former EPCOR building, a development which we completed in 2008, had been a strong performer for us for 15 years, but its vacancy in late 2023 presented a challenge, especially considering the large portion of the building made up of office space. This level of on-site office space is not as sought after in the post-COVID environment. Our marketing identified an ideal occupant who also preferred to be in an ownership position. Given the special nature of this property, it was clear that we had found the right occupant, and the disposition became a net advantage to the Company, especially as the new owner also assumed the existing mortgage, meaning we did not have to pay any penalties for an early payout.

In terms of our raw land, we made the strategic decision to dispose of several parcels, previously held for development, but with no near-term plan for development. We completed

two raw land sales in 2024, aided in one case by a vendor-take-back mortgage. A final additional property, consisting of raw land, was held for sale as of September 30, 2024, for gross sale proceeds of \$2,200,000. The funds resulting from these dispositions has been used to reduce overall debt and to support operations. In addition, the dispositions also benefit our Company's overall cash flow position as the carrying costs associated with raw land and a vacant property will now reduce, and cash flow is freed up to direct towards new investments.

As I noted in our Q3 report, we did face two significant single tenant building vacancies this year. A single tenant building in Red Deer was the second vacancy that occurred in Q2. In this case, we were able to move quickly to identify a new tenant for the property shortly after it became vacant, and a new five-year term commenced within Q4.

As a result of these transactions, along with 74,662 square feet of leasing renewal activity, we ended the year with less than 1 per cent vacancy across our portfolio with only 7,119 square feet of leasable space that is unused in a 70,660 square foot property that is otherwise fully occupied by a single tenant. The quick turnaround in placing a new lease, and minimal spending required to get the building ready for a new tenancy, means that the loss of revenue from the vacancy was reduced. Further, because of this, we returned to being as close to 100 per cent occupancy as possible within the year.

This is something we continue to monitor through an active asset management program, which contributes to our success in maintaining a consistently high occupancy rate. By closely monitoring our properties and building trust with our tenants, we are able to quickly identify and address any issues that could lead to vacancies. This proactive approach allows us to stay ahead of potential problems, whether it's working with existing tenants to renew leases or actively marketing vacant spaces to attract new high-quality tenants. It is a major differentiator for us, allowing us to stabilize occupancy rates at a consistently high level, and optimize performance across our portfolio.

Our internal processes have allowed us to stay ahead of the higher cost environment which has impacted us in this 2024 financial year. Lower rental income, valuation losses and higher financing costs impacted cash flows and both operating and net income. We incurred some higher carrying costs associated with maintenance of vacant property and other non-recoverable utilities costs associated with the noted vacancies. Our overall debt to assets ratio improved to 48% this year due to the dispositions, which included a mortgage assumption as part of the property sale.

Our net loss for the year was \$4,261,023, which was a result of the non-cash valuation loss on investment properties of \$6,110,040 that was recorded in the year. Our operations continued to generate cash, with net cash provided by operations of close to \$10 million for the year. The valuation loss on investment properties was primarily driven by two factors. The loss reflects adjustments to property values when final sale prices were determined. The Company viewed the sales as advantageous from an operational perspective, and accepted creative solutions to ensure the sales were completed, including negotiating a mortgage assumption to avoid penalties. Further accepted sale prices reflected current market values. These solutions resulted in lower sales prices than previously estimated fair values but were a net benefit to the Company. Additionally, the Company recorded a write down in the fair value the property that was vacant for part of the year and then leased to a new tenant, as a result of the lease rates obtained being lower than what was previously achieved due to a softening in the property's particular market. As always, our adjustments to the property values strive to be transparent and accurate to reflect the current market values available for the portfolio.

## The Company has successfully managed to absorb the impacts of a higher interest rate environment, with the weighted average interest rate increasing to 4.30% from 3.73% in the prior year.

With the decreases in the Bank of Canada rate in Q3 and Q4 of the year, the Company is beginning to see some moderation in the impacts on its financing costs.

The Bank of Canada has now reduced interest rates over three consecutive quarters and has adjusted its strategy, signaling it no longer needs to raise rates to combat inflation as the Consumer Price Index has dropped below its 2% target. The Bank's policy interest rate now sits at 3.25%, following a full half-point cut in December 2024. Costs associated with higher interest rates have been one of the most significant cost increases impacting our bottom line in 2024 as the impact on our financings and refinancings took hold. The move away from rate increases and back to a somewhat lower rate environment is welcome both for the cost relief it will bring, as well as the signal it sends about the market and opportunities overall.

The Company also continues to actively monitor the regulatory environment on sustainability related issues, and to move forward in pursuing improvements to our properties that support our environmental goals. We continue to invest in upgrades to lighting and HVAC systems to move towards our goal of Net-Zero.

We have been monitoring the Canadian sustainability standards (CSDS 1 General requirements for disclosure of sustainability related information), and CSDS 2 Climate-related disclosures, which are expected to be approved and adopted by the Canadian Sustainability Standards Board (CSSB) by the end of December 2024, as well as continuing to wait for guidance from the Canadian Securities Administrators as to when adoption for public companies will be mandated. In the meantime, we are reviewing our reporting to ensure that we will have the appropriate information available, and a framework for compliance in place. We also continue to follow the Global Reporting Index (GRI) standards for our environmental, social, and governance reporting, and will be providing a stand-alone report for the year ended September 30, 2024, which we expect to complete prior to the Company's AGM in March 2025.

Our efforts over the course of this year speak to the strength of our overall strategy, and to the flexibility we have embedded in our culture to ensure we are making necessary adjustments to manage costs and position us for continued long-term growth. In doing so, we are excited to be considering several potential investment opportunities in the coming year within our key markets, which remain strong.

The industrial market continues to provide a strong outlook both for our existing portfolio and as we begin to assess new growth opportunities with expectations looking up on rental rates and vacancy rates declining in the Edmonton areas to below 4.5%. We have now seen 17 consecutive quarters of positive absorption in the Edmonton region (Colliers, 2024).

Similarly, the forecast for the British Columbia market, which is a focus of much of our current investment assessment work, is also slated to remain strong going into 2025 and beyond. The industrial vacancy rate in British Columbia reached a record low of 1.5% in 2022, driven by high demand and limited supply (Colliers International, 2022). Tight market conditions have led to significant rent growth, with average net rents increasing by over 20% year-over-year.

Looking ahead, industry experts believe that the British Columbia industrial market will continue to be a top performer, a factor which is drawing more of our attention. The latest forecasts predict that the industrial vacancy rate will remain below 2% through 2025, with rents expected to rise further during this period (Cushman & Wakefield, 2022).

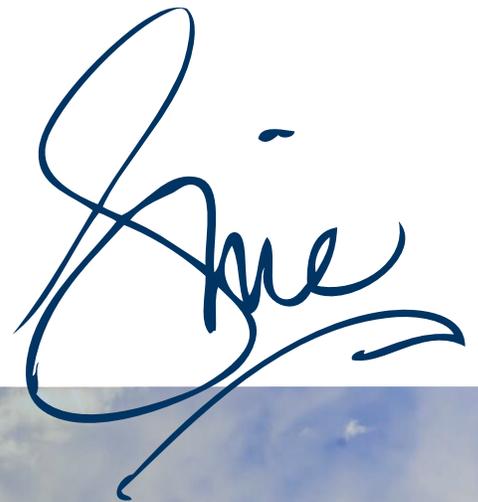
We look forward to having more to report on this activity in 2025.

As always, we remain grateful for the ongoing support and interest of our shareholders. We look forward to having the opportunity to speak with investors and partners at our AGM which will be held on March 13, 2025 online via zoom at <https://bit.ly/IEIAGM2025>. But do not hesitate to reach out with any questions about your investment.

Thank you for your ongoing interest in our Company.

Sincerely,

**Sine Chadi**  
CEO



# MD & A

## Management's Discussion & Analysis

for the year ending September 30, 2024



Universal Rail Building  
Edmonton, AB

# Imperial Equities Inc.

## MD&A as at December 11, 2024



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 audited consolidated financial statements for the years ended September 30, 2024 and 2023, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). Effective at the end of the day on September 30, 2024, the Company dissolved eight inactive subsidiaries. Subsequent to year-end, and effective on October 1, 2024 the Company amalgamated with its wholly owned subsidiary Imperial Equities Properties Ltd., This reorganization did not impact the financial or operational results of the Company.

Unless otherwise noted, all amounts in this MD&A are reported in Canadian dollars, which is the Company's presentation and functional currency. The information contained in this MD&A, including forward-looking statements, is based on information available to management as at December 11, 2024, except as otherwise noted.

Throughout the MD&A, Management will use measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar calculations presented by other issuers. These measures include operating expense recoveries, funds available for property improvements and growth, debt, debt to asset ratios, and unencumbered properties. A description of these measures and their limitations are discussed under "Non-IFRS financial Measures".

Imperial Equities Inc. trades on the TSX Venture Exchange under the symbol "IEI". Additional information on the Company may be obtained by visiting [www.sedarplus.com](http://www.sedarplus.com).

The Company's Board of Directors, at the recommendation of the Audit Committee have reviewed and approved this MD&A and the accompanying consolidated financial statements.

## Forward-Looking Information

Some of the information that the Company provides in this document is forward-looking and therefore could change over time to reflect changes in the environment in which the Company operates and competes. This forward-looking information reflects the Company's intentions, plans, expectations, and beliefs, and is based on management's experience and assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances.

Forward-looking statements may involve but are not limited to, comments with respect to our initiatives for 2025 and beyond, future leasing, acquisition and financing plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results or outlook for our operations. By their nature, forward looking statements are subject to numerous risks and uncertainties including

those discussed under Risks and Risk Management in this MD&A. Readers are cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be imprecise, and as such, undue reliance should not be placed on forward-looking statements.

Actual results, performance or achievements could differ materially from those expressed in or implied by these forward-looking statements. Except as may be required by law, the Company does not undertake to update any forward-looking statement, whether written or oral, made by the Company or on its behalf.

# Our Business

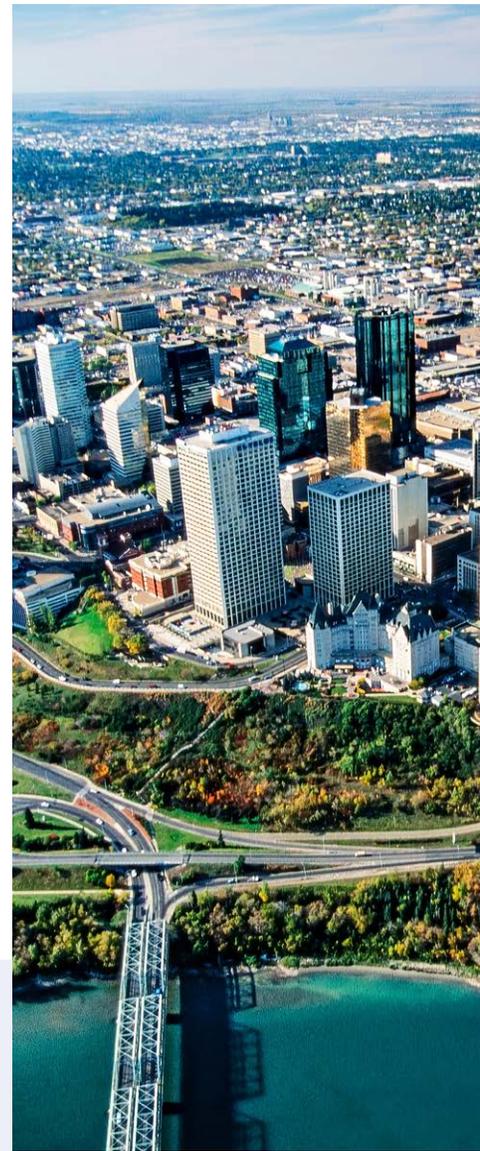
Based in Edmonton, Alberta, Imperial Equities is a publicly-traded company that invests in and manages industrial, agricultural, and commercial properties in its targeted markets throughout Western Canada.

Since operations started in 1998, the Company has increased revenues, and the fair value of its portfolio of investment properties through growth via acquisitions, the construction of build-to-suit projects, proactive maintenance of its properties, and responsive property management to build strong relationships with long-term tenants.

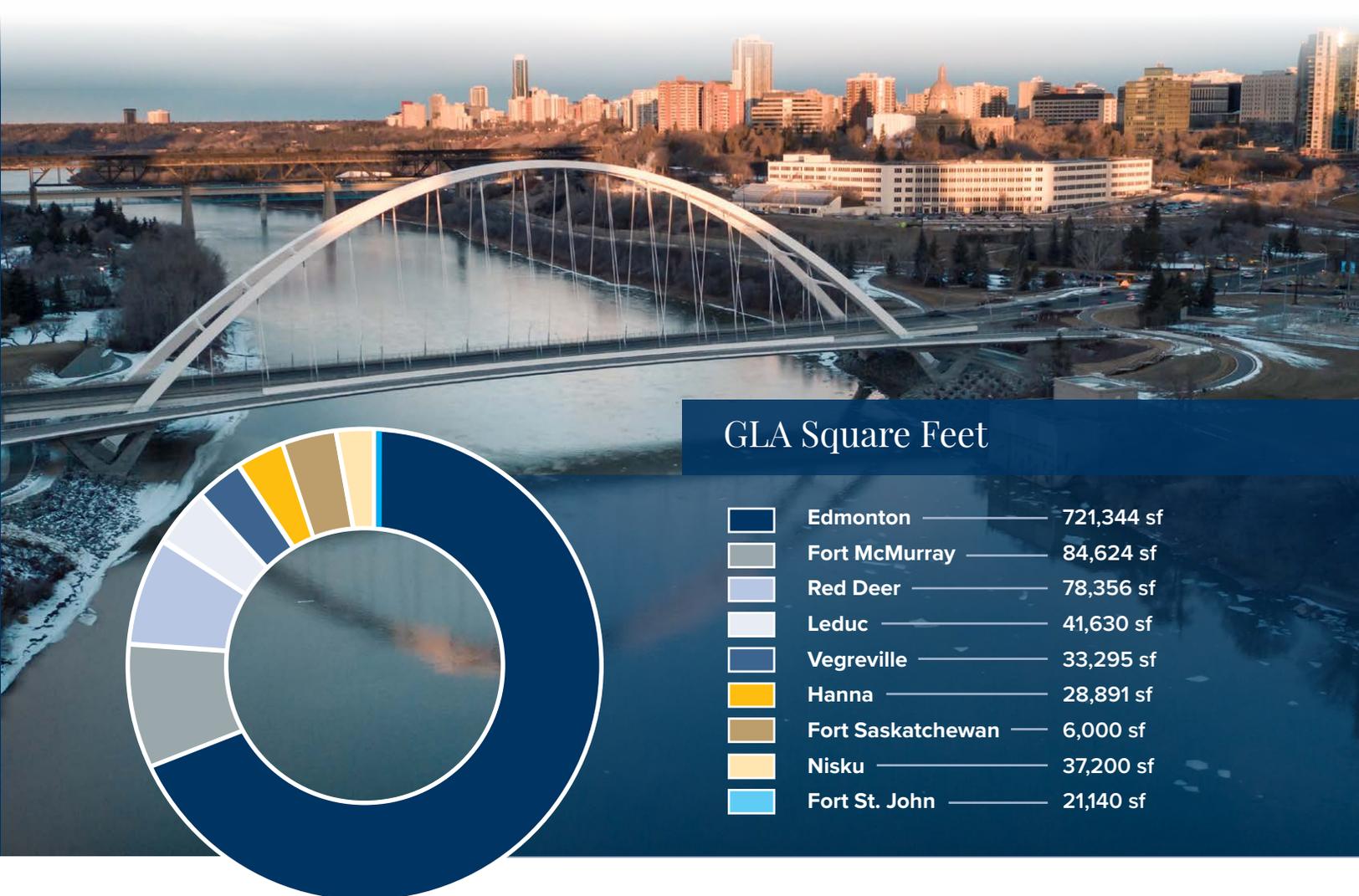
*The Company's business model is to:*

- 1 Acquire fully occupied, single-tenant or multi-tenant industrial properties with long-term lease agreements and rental rates commensurate with the location
- 2 Finance acquisitions with the lowest available cost of capital
- 3 Maximize the revenue potential of each asset in its region
- 4 Dispose of older assets that may have reached their maximum earning potential to reduce the overall age of the properties in the portfolio
- 5 Manage the Company's environmental impacts with a view to moving to net zero emissions
- 6 Invest in the communities where properties are located

The Company has 37 investment properties, consisting of 30 income producing properties, and 7 pieces of raw land held for development, at September 30, 2024. The Company owns properties located in Western Canada, with a focus on assets in Edmonton, Alberta.



# Gross Leasable Area by Location



During the current year, Management took a fresh look at the properties in the portfolio and decided to dispose of certain properties to generate cash flows to position the Company for future growth. One of the purchases required flexibility in working with the purchaser, resulting in a vendor-take-back mortgage that will generate approximately \$300,000 of cash flows per year until its maturity in July 2027. One other sale was conditional on the purchaser assuming the existing mortgage, which enabled the Company to avoid early payment penalties.

Management also continued to look for creative ways to further upgrade the energy efficiencies and quality of its properties, including discussions to partner with tenants on projects, or negotiating to complete capital projects in conjunction with lease extension or renewals.

The Board of Directors oversees the activities of the Company and includes individuals with significant real estate and governance experience to guide and assess the Company's strategy and investment decisions. Management monitors the success of Imperial by measuring how well the Company delivers on its strategies and executes due diligence.

# Strategic Objectives

- 1 Maximize the revenue per property and secure long lease terms to reduce the turnover of tenants, and maintain high building occupancy
- 2 Monitor the quality of tenants in the portfolio to reduce the risk of defaults on leases
- 3 Maximize the cash flow from operations to ensure funding for growth opportunities
- 4 Select mortgage terms that provide a low cost of capital and utilize debt leverage opportunities
- 5 Monitor GHG emissions on all properties and move towards net zero emissions
- 6 Maintain the assets to high standards, including structural, mechanical, and cosmetic, to showcase the existing properties to prospective tenants or purchasers
- 7 Ensure that maintenance on the properties is done to exacting standards, and performed at rigorous safety standards, while ensuring the costs are competitive
- 8 Complete preventative maintenance on the properties with a focus on improving energy efficiency, reducing occupancy costs, and maximizing the longevity of the buildings



## Environmental, Social and Governance (“ESG”)

The Company is moving to ensure it can meet its ESG reporting requirements as well as to set goals to ensure its environmental risks are managed, mitigated and its environmental footprint is reduced over time. The Company has set a goal of achieving Net Zero impact on its properties and continues to assess what steps are required to meet this goal.

In the current year, the Canadian Sustainability Standards Board (“CSSB”) issued CSDS1 *General Requirements for Disclosure of Sustainability-related Financial Information* and CSDS2 *Climate-related Disclosures* for comment. These standards are expected to be finalized by the end of December 2024. These disclosures are not yet mandatory in Canada, and the Company will

continue to monitor developments from the Canadian Securities Administrators (CSA), and the Canadian Sustainability Standards Board (CSSB).

The Company continues to use the Global Reporting Initiative (GRI) standards as a framework for reporting its ESG impact. The first report based on the GRI General Disclosures was the Annual Report for the year ended September 30, 2022. The Company will issue a separate stand-alone ESG report for the year ended September 30, 2024.

# Key Highlights

Management and the board monitor the performance of the Company using specific key performance indicators as highlighted below.

(1) See "Non-IFRS Financial Measures" for further information about this measure.



NexSource Power Building  
Red Deer, AB

## Our Operations and Financing

### Income from operations ('000s)

September 30, 2024	September 30, 2023
<b>\$13,027</b>	<b>\$13,625</b>

In the current year, income from operations decreased primarily as a result of lower contractual rental revenues compared to the prior year. This was the result of vacancies in the current year, along with the disposition of one income-producing property, offset by increased rental revenue from properties where leases commenced part way through the prior year. In addition, the prior year included one-time settlement payments from tenants related to damages and remediation costs for properties at the end of the lease term.

### Operating expense recovery percentage (1)

September 30, 2024	September 30, 2023
<b>80%</b>	<b>79%</b>

The percentage of property operating expenses recovered from tenants increased slightly in comparison to the prior year as a result of slightly more recoverable costs being able to be charged back to tenants, and an overall lower amount of recoverable costs associated with vacant properties in the current year compared to the prior year.

Over the last two years, the percentage of operating expenses recovered from tenants has also been impacted by significant non-recoverable repairs and maintenance expenses incurred. These non-recoverable expenses are incurred either when a property is vacant, and therefore there is no tenant to recover costs from, or for repairs and maintenance items which management determines will not be charged back to tenants.

### Funds available for property improvements and growth (1)

September 30, 2024	September 30, 2023
<b>\$461,245</b>	<b>\$897,683</b>

Funds available for property improvements and growth decreased over the prior year, as a result of increased interest expense due to higher interest rates, and the overall decline in property operating revenues as noted above. This was partially offset by a decrease in principal repayments compared to the prior year, due to a mortgage being assumed by the purchaser of the related investment property in May 2024.

### Debt to total assets ratio <sup>(1)</sup>

September 30, 2024	September 30, 2023
<b>48%</b>	<b>50%</b>

The debt to total assets ratio improved to 48%, as compared to the historical average of 50%. This improvement is primarily a result of the sale of an income producing property in the year that carried a mortgage where the mortgage was assumed by the purchaser as a part of the sale. This property had a debt to total assets value ratio of approximately 70% at September 30, 2023 and so its disposal improved the overall debt to total assets ratio in the current year.

### Weighted average interest rates on mortgages

September 30, 2024	September 30, 2023
<b>4.30%</b>	<b>3.73%</b>

The weighted average interest rate on the Company's outstanding mortgages is used to monitor the cost of the Company's outstanding mortgage debt. The weighted average interest rate on mortgages increased to 4.30% at September 30, 2024. During the current year seven mortgages were renewed, with the weighted average interest rate on the renewed mortgages increasing from 4.10% to 6.49%. Market interest rates remained higher than prior periods, but started to decline in Q3 2024.

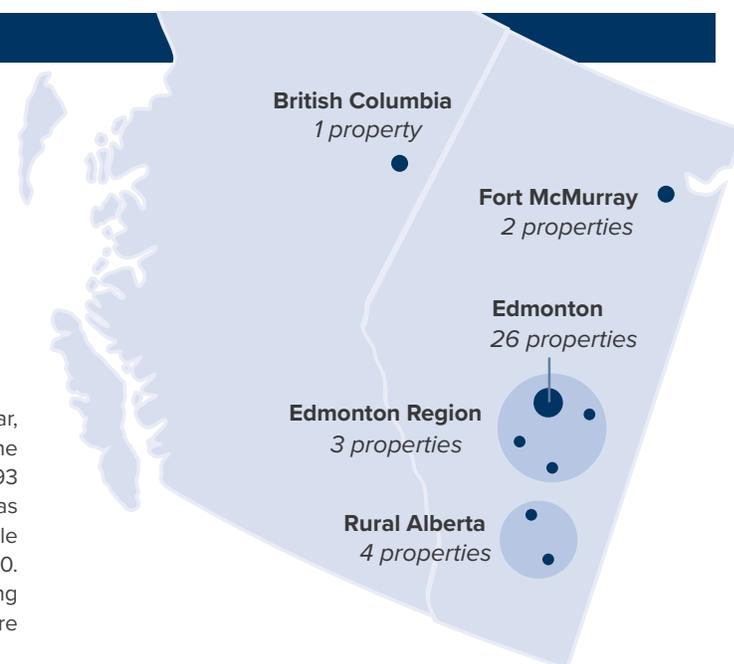
## Our Investment Properties

### Total number of investment properties <sup>(2)</sup>

September 30, 2024	September 30, 2023
<b>36</b> (excluding property held for sale)	<b>40</b>

<sup>(2)</sup> The number of investment properties for the year ended September 30, 2023 was adjusted in the current year to group certain investment properties together for consistency with the current year presentation.

The Company sold three investment properties during the year, consisting of two pieces of raw land held for development, and one income producing property with a gross leaseable area of 58,393 ft<sup>2</sup>. One additional investment property, consisting of raw land, was classified as "held for sale" at September 30, 2024, with the sale closing subsequent to year-end for gross proceeds of \$2,200,000. The sales of these properties provided capital to reduce outstanding debt, and for operations, as well as disposing of vacant property where the Company was incurring carrying costs with no revenue streams.



### Gross Leaseable Area ("GLA") in square feet <sup>(3)</sup>

September 30, 2024	September 30, 2023
<b>1,059,599</b>	<b>1,117,832</b>

GLA decreased in the current year as a result of the sale of an income producing property with total GLA of 58,393 ft<sup>2</sup>. In addition, the square footage of a building was reassessed during the year, resulting in an increase of 160 ft<sup>2</sup>.

<sup>(3)</sup> GLA is the square footage of space in the Company's investment properties that is leased or available to be leased to tenants.

# Our Leasing Activities

## Renewals (GLA in square feet)

September 30, 2024	September 30, 2023
74,662	70,679

During the year, the Company successfully renewed 74,622 ft<sup>2</sup> of leases with existing tenants consisting of 4 tenants leasing single tenant buildings, and one tenant in a multi-tenant building. The weighted average rental rate per square foot ("PSF") increased to \$14.00 PSF from \$13.39 PSF for the renewed leases.

## New tenant leases (GLA in square feet)

September 30, 2024	September 30, 2023
43,556	100,901

During the second quarter of the year, the Company had a tenant vacate a building. The Company entered into a new lease agreement which commenced in Q4 2024 with a new tenant on the property. In the prior year, the Company completed the construction of an additional 33,200 ft<sup>2</sup> which was then leased to an existing tenant, entered into a new lease with a tenant for a vacant property, and leased additional vacant space in a multi-tenant building to an existing tenant.

## GLA (square feet) of leases expiring in the next twelve months

September 30, 2024	September 30, 2023
60,543	118,018

As at September 30, 2024, there are three leases that are expiring within the next 12 months with a combined total of 60,543 ft<sup>2</sup>. Management anticipates renewing these leases during the coming year based on preliminary conversations with tenants, and past renewal history. If any leases are not renewed, management expects that the Company will be able to find new tenants for the spaces during the year.

All of the GLA related to leases expiring in the prior year was fully leased during the current fiscal year, either through renewals or new leases.

## Space available for lease (GLA square feet) and building occupancy (%)

September 30, 2024	September 30, 2023
7,119	65,512
99.3% occupied	94.1% occupied

Building occupancy increased in the current year, as a result of the sale of a building that was vacant at the end of the prior year, consisting of 58,393 ft<sup>2</sup>. The remaining vacant space is located in a single tenant building and remains unchanged from the prior year.

## Average lease term to maturity (years)

September 30, 2024	September 30, 2023
4.89	4.49

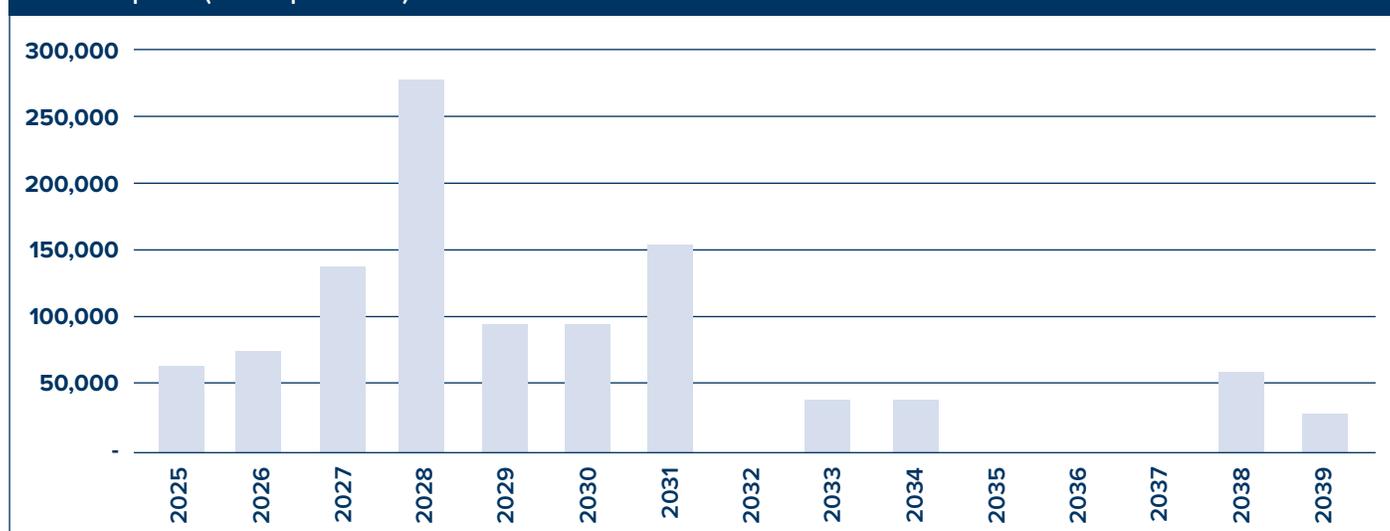
The lease term to maturity remains consistent with the prior year. The Company's approach to leasing focuses on long-term leases, with a preference to have leases signed for a minimum of five years.

### Tenant base by type (%) of annual revenue

Type	September 30, 2024	September 30, 2023
Multi-National	40%	39%
National	44%	40%
Regional	12%	17%
Local	4%	4%

The Company's tenant base consists primarily of National or Multi-National tenants, with almost 80% of the gross leasable area being leased to these tenants and 84% of the total annual rental revenue received from them. The changes in the percentage of annual rental revenue received from the various types of tenants has been impacted by increases in lease rates for specific national tenants, and a new lease signed with a regional tenant at a lower rate, reducing the proportionate share of revenue of that category.

### Lease Expiries (GLA square feet)



The Company monitors lease expiries to manage risks related to tenant vacancies. There are minimal expiries occurring over the next two years. In fiscal 2028, the Company will have 6 leases which expire throughout the year. Management actively monitors upcoming renewals, and wherever possible renews leases in advance of expiry.

### Annualized lease rates (by City) per square foot (4)

Type	September 30, 2024	September 30, 2023
Edmonton, AB	\$11.48	\$10.85
Red Deer, AB	\$9.40	\$22.30
Fort Saskatchewan, AB	\$42.15	\$39.28
Fort McMurray, AB	\$39.98	\$33.87
Leduc, AB	\$17.27	\$17.66
Hanna, AB	\$19.91	\$19.72
Nisku, AB	\$13.49	\$13.36
Vegreville, AB	\$7.18	\$7.18
Fort St. John, BC	\$14.75	\$14.75

The Company monitors lease rates, as these correlate to the expected profitability of leases.

In the current year, the Company's lease rates have declined in Red Deer, as a result of a new lease in that market which is at lower rates than the previous lease, as well as the annualized lease rate being reduced by the period of time that the building was vacant and not generating minimum rent. The lower rates negotiated in the lease reflected a softening in the local market in the demand for industrial space, in addition to the building having a larger office component, for which there was limited demand.

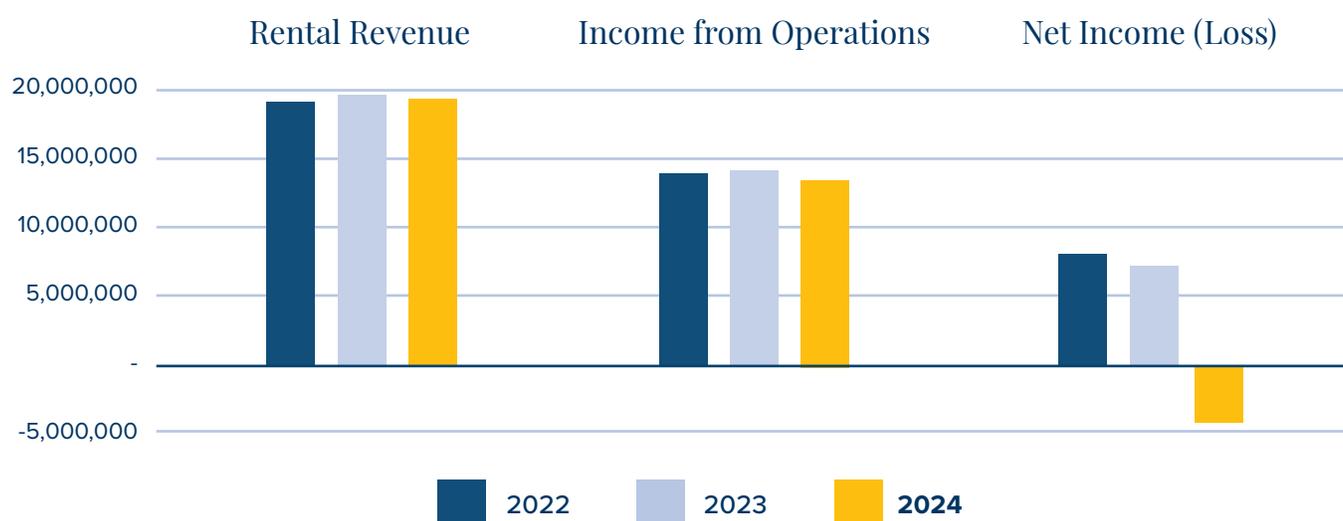
In Fort McMurray, the increase in lease rates reflects the payment of increased rent for a building expansion, which was completed in fiscal 2023, but for which rent did not commence until fiscal 2024. Overall, the Company saw increased lease rates compared to the prior year, due to a combination of renewals at higher rates, and leases with negotiated increases that came into effect in the year.

(4) Annualized lease rates are calculated as total actual minimum rent by city divided by total square feet leased per city.

# Financial Performance

(in thousands)	Year ended September 30,			
	2024	2023	Variance	2022
<b>Rental revenue</b>	\$ 19,523	\$ 19,737	\$ (214)	\$ 19,067
Property operating expenses	6,496	6,111	385	5,608
<b>Income from operations</b>	<b>13,027</b>	13,626	(599)	13,459
Finance costs	5,567	5,106	461	4,377
Administrative expenses	1,649	1,450	199	1,477
Share based compensation	252	-	252	-
Amortization of deferred leasing	397	483	(86)	352
Amortization of right-of-use asset	154	150	4	150
Loss (gain) on sale of investment properties	1,506	-	1,506	(193)
Valuation net (gain) loss from investment properties	6,110	(2,131)	8,241	(2,508)
<b>Income before income tax</b>	<b>(2,608)</b>	8,568	(11,176)	9,804
Income tax expense	1,653	1,755	(102)	1,950
<b>Net income and comprehensive income</b>	<b>\$ (4,261)</b>	\$ 6,813	\$ (11,074)	\$ 7,854
<b>Earnings per share basic and diluted (in dollars)</b>	<b>\$ (0.45)</b>	\$ 0.72	\$ (1.17)	\$ 0.83
<b>Dividends per share (in dollars)</b>	<b>\$ 0.08</b>	\$ 0.08	\$ -	\$ 0.07

The following charts compare the years ended September 30, 2024, 2023 and 2022.



— **Rental revenue** includes minimum rent, which is recorded on a straight-line basis over the terms of the related leases, as well as property tax, insurance and occupancy cost recovery revenue. Rental revenue also includes adjustments for amortization of tenant inducements, as well as any settlement revenue received from tenants for payments for the early termination of leases, or for damages when a tenant is vacating a property.

Property taxes, insurance, and operating cost recovery revenue is budgeted annually and reconciled every 12 months on a tenant-by-tenant basis. All the Company's leases, except one, are triple net leases, which allows the landlord to recover all operating costs except for any structural repairs. In addition, 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 or cause large year over year cost fluctuations. In some cases, Management will amortize the recovery of the expenditures over a period consistent 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, recovery revenues will fluctuate year-over-year, however are expected to be approximately 80-85% of property operating expenses.

For the year ended September 30, 2024, rental revenue was \$19,522,902 compared to \$19,736,765 for the year ended September 30, 2023.

The decrease is due to a net decline in minimum rent due to vacancies in the current year. One building became vacant in Q3 2023 and remained vacant until it was sold in Q2 2024, and another building became vacant during the current year, and was vacant for four months before being leased to a new tenant, but at a reduced lease rate. The impact of both of these vacancies was a reduction in rental income of approximately \$1,475,000 compared to the prior year. This was offset by rental revenue received on locations that were vacant for part of the prior year, but fully leased in the current year, resulting in a net decrease of \$280,000 in minimum rent.

Additionally, there was a decrease in other rental revenue of almost \$200,000, as in the prior year there were one-time settlement revenues received for damages upon tenant departures, which did not reoccur in the current year.

The decreases in minimum rent and other rental revenue were offset by a net increase of approximately \$375,000 in increased property tax, insurance and operating expense recovery revenues. This increase is due to increases in the related recoverable costs over the prior year, offset by reductions in recovery revenue collected due to vacancies.

The increase in rental revenue for the year ended September 30, 2023 compared to September 30, 2022 was the result of increases from minimum rent and recovery revenue collected on previously vacant locations, and other rental revenue from settlements from departing tenants.

— **Income from operations** is \$13,026,527 for the year ended September 30, 2024 compared to \$13,625,486 for the year ended September 30, 2023. The decrease compared to the prior year is due primarily to the decrease in rental revenues noted above. The percentage of property operating expenses that were recovered from recovery revenue increased slightly in fiscal 2024. This is primarily due to a reduced impact of vacancies on operating costs in the current year compared to the prior year, as well as increased recovery of costs that were expensed in prior years, and are being recovered from tenants over several years.

— **Net (loss) income** for the year ended September 30, 2024 is \$(4,261,023) compared to \$6,812,930 for the year ended September 30, 2023. The loss in the year is directly related to valuation losses, and loss on sale of investment properties. In addition, there were higher administrative costs due to increased bad debts, and higher finance costs due to higher interest rates on mortgages and operating facilities. For the year ended September 30, 2023, net income was lower than the year ended September 30, 2022 as a result of lower net valuation gains on investment properties as well as higher finance costs due to increasing market interest rates on debt and higher overall debt balances.

## Property Operating Expenses

	Year ended September 30, 2024	Year ended September 30, 2023	Variance
Property taxes	\$ 3,404,060	\$ 3,135,290	\$ 268,770
Insurance	243,467	245,729	(2,262)
Repairs and maintenance	2,356,902	2,262,915	93,987
Utilities	491,946	467,345	24,601
	\$ 6,496,375	\$ 6,111,279	\$ 385,096

The increase in property operating expenses is primarily related to increased property taxes. In Fort McMurray, a new building was completed in fiscal 2023, and the fiscal 2024 tax assessment reflected this addition, resulting in an additional \$77,000 in property taxes on the property. Overall property taxes increased an average of 5% for all of the remaining properties compared to the prior year.

With the expansion project in Fort McMurray completed, the Company focused its attention on repairs and maintenance for its existing buildings. The Company incurred \$480,000 in non-recoverable repairs and maintenance costs compared to approximately \$500,000 in the prior year. The Company took the opportunity on the property that became vacant in the year to fully clean and paint the interior and exterior to ready the property

for a new tenant. Additional projects across the property portfolio included work on various drainage and grading projects, and painting and refreshing building landscaping. In addition, certain projects were undertaken at the request of the tenants, including interior renovations, and repairs, and replacement of lighting which were recoverable from the tenant.

The Company also had increased utilities expenses in the year ended September 30, 2024 as a result of having additional vacant space where the Company was required to pay for utilities, and a general increase in utilities costs in the locations in which it pays for utilities directly, and the tenant reimburses the cost through recovery revenue.

## Finance Costs

	Year ended September 30, 2024	Year ended September 30, 2023	Variance
<b>Interest on mortgages</b>	<b>\$ 4,072,134</b>	<b>\$ 3,541,154</b>	<b>\$ 530,980</b>
<b>Interest on bank operating facilities</b>	<b>1,362,538</b>	<b>1,205,258</b>	<b>157,280</b>
<b>Interest on other unsecured financing</b>	<b>134,363</b>	<b>281,830</b>	<b>(147,467)</b>
<b>Interest on lease obligations</b>	<b>17,339</b>	<b>24,457</b>	<b>(7,118)</b>
<b>Financing fees</b>	<b>64,996</b>	<b>31,286</b>	<b>33,710</b>
<b>Amortization of deferred financing fees</b>	<b>103,345</b>	<b>89,682</b>	<b>13,663</b>
<b>Interest income</b>	<b>(187,649)</b>	<b>(67,681)</b>	<b>(119,968)</b>
	<b>\$ 5,567,066</b>	<b>\$ 5,105,986</b>	<b>\$ 461,080</b>

Finance costs have increased from the prior year because of increases in the in the floating rates on the bank operating facilities due to the overall increases in the bank prime rate during the year ended September 30, 2024, and the renewals of mortgages at higher rates during the past two years. During fiscal 2024, the other unsecured financing was repaid which reduced interest costs. Financing fees and amortization of deferred financing fees increased due to increased costs related to renewals of both operating lines of credit, and a new mortgage, which was used to retire two separate mortgages on the same property.

The Company also saw an increase in interest income, as a result of entering into an additional vendor-take back mortgage receivable on the sale of an investment property, and renewing the previously existing vendor take back mortgage at a higher rate for an additional year. This generated additional interest revenue in the current year.



# Administrative Expenses

	Year ended September 30, 2024	Year ended September 30, 2023	Variance
Salaries and benefits	\$ 727,152	\$ 727,375	\$ (223)
Public company costs	97,281	93,049	4,232
Professional fees	139,572	95,221	44,351
Office and other	334,960	404,409	(69,449)
Bad debts	349,621	129,609	220,012
	<b>\$ 1,648,586</b>	<b>\$ 1,449,663</b>	<b>\$ 198,923</b>

Administrative expenses increased in the current year compared to the prior year.

Salaries and benefits remained consistent. This was due to offsetting additions and departures in positions in the current and prior year. In the current year, there was a full year of salary for the CFO, and the addition of a new Director of Financial Planning, Reporting and Analysis in Q4. Salaries in the prior year included additional expenses for a general counsel position that was filled for most of the prior year, but not filled in the current year.

Professional fees increased in the current year as a result of additional costs related to additional tax filings required for the fiscal 2023 year to comply with required legislation, as well as fluctuations in the timing of invoices received for tax and audit.

Office and other expense decreased in comparison to the prior year primarily as a result of a reduction in consulting fees of approximately \$62,000, as contract support for financial reporting was required in the prior year but was not required in the current year.

Bad debts increased over the prior year. Management identified two specific tenants that had overdue rent balances at September 30, 2024 which the Company allowed for. Management believes that there is uncertainty around these tenants' ability to repay the amounts outstanding. In both cases, the Company has been receiving partial rent payments, however, has not been able to collect on overdue amounts. Management will continue to work with these tenants to receive payment and remains optimistic that all or a portion of the balances will be received.

— **Share based compensation** expense is for stock options that were issued during the current year. The Board of Directors approved the issuance of 200,000 stock options to the CEO, with a term of 5 years and an exercise price of \$4.00 which vested immediately. The Black-Scholes option pricing model was used to determine the fair value of the options of \$1.258 per option.

— **Amortization of deferred leasing and right-of-use asset** are related to the accounting for deferred leasing costs and right-of-use asset. Deferred leasing costs are costs incurred when a lease is entered into or renewed and consist primarily of commissions. For accounting purposes these are deferred and amortized against rental revenue over the term of the related lease. Amortization is recorded on the right-of-use asset on a straight-line basis over the term of the lease which generated the asset. The decrease in deferred leasing amortization in the current year is a result of certain deferred leasing balances being fully amortized over the current year.

— **Loss on sale of investment property** is the amounts recognized on the sales of three investment properties during the year, and primarily consists of transaction costs, as the fair value of investment properties does not include any adjustment for transaction costs. In addition, the loss on sale includes \$185,000 which is the result of adjusting the consideration received on one of the sales per the requirements of IFRS 15 for a significant financing component in the form of a vendor-take-back mortgage.

— **Valuation loss (gains) from investment properties, net** are the result of adjusting the investment properties to fair value at the end of each reporting period. For the year ended September 30, 2024, the net valuation loss from properties was \$6,110,040 compared to a valuation gain of \$2,131,024 for the year ended September 30, 2023. The change in investment property fair value is discussed below in "Investment properties".



## Selected Balance Sheet Information

(in thousands) As at September 30,	2024	2023	Variance	2022
Investment properties	\$ 231,058	\$ 260,517	\$ (29,459)	\$ 253,596
Right-of use asset	264	363	(99)	513
Mortgages and loans receivable	5,587	-	5,587	1,439
Total non-current assets	236,909	260,880	(23,971)	255,548
Current portion of mortgage receivable	1,478	1,439	39	32
Current assets	1,839	1,716	123	1,595
Total current assets	3,317	3,155	162	1,627
Investment property held for sale	2,200	-	2,200	-
Total assets	\$ 242,426	\$ 264,035	\$ (21,609)	\$ 257,175
Mortgages	\$ 58,402	\$ 78,886	\$ (20,484)	\$ 89,073
Security deposits	795	746	49	763
Lease liability	98	246	(148)	409
Deferred taxes	16,665	16,721	(56)	15,411
Total non-current liabilities	75,960	96,599	(20,631)	105,656
Other financing	-	3,565	(3,565)	3,000
Current portion of mortgages	35,460	28,852	6,608	18,969
Bank operating facilities	21,294	19,874	1,420	18,883
Other current liabilities	2,550	3,217	(667)	4,796
Total current liabilities	59,304	55,508	3,796	45,648
Total liabilities	135,264	152,107	(16,843)	151,304
Equity	107,162	111,928	(4,766)	105,871
Total equity and liabilities	\$ 242,426	\$ 264,035	\$ (21,609)	\$ 257,175

# Investment Properties

Investment properties are carried at fair value, which is determined by management using valuation methodologies at the end of each reporting period.

Investment property fair values are determined by Management using either an income approach, or a direct comparison approach. For the income approach, net operating income is estimated based on the actual annual contracted minimum rental revenue, less a vacancy and structural reserve allowance, and a capitalization rate is applied to this normalized operating income to derive 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 applies these factors to each property in determining a capitalization rate.

Lower capitalization rates are applied to the Company's buildings that have strong tenants and 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 land held for development (2023 - except for two income producing properties and land held for development). Vacant land held for development (2023 – Vacant land held for development and two income producing properties) are valued using Management's research of similar properties that have been sold recently or are available for sale.

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 more likely 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 or adjusts the net operating income downward 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 or normalized operating income decreased to maintain existing values, despite increased contractual revenue streams which would otherwise drive the value upwards.

During the year ended September 30, 2024, the fair value of the investment property portfolio decreased from \$260,517,019 at September 30, 2023 to \$231,058,342 at September 30, 2024.

This decrease is primarily due to the sale of three investment properties, and the reclassification of a fourth property to investment property held for sale at year-end. There were also reductions in fair value recorded for certain properties based on the expected future market rent, and the current market conditions.

There has been no significant change in the cap rates used in the valuation of the buildings.

Investment Property Cap Rates	September 30, 2024			September 30, 2023	
Location	Total GLA sf	Range Cap Rates	Rate Change	Total GLA sf	Range Cap Rates
Edmonton, AB	721,344	4.50% - 7.00%	↔	721,344	4.50% - 7.00%
Fort McMurray, AB	84,624	6.50% - 6.75%	↔	84,624	6.50% - 6.75%
Red Deer, AB	78,356	6.10% - 6.65%	↔	78,196	6.10% - 6.65%
Leduc, AB	41,630	7.00%	↔	41,630	7.00%
Vegreville, AB	33,295	8.00%	↔	33,295	8.00%
Hanna, AB	28,891	7.00%	↔	28,891	7.00%
Fort Saskatchewan, AB	6,000	6.75%	↔	6,000	6.75%
Nisku, AB	37,200	6.50%	↔	37,200	6.50%
Fort St. John, BC	21,140	8.00%	↓	21,140	8.50%
	1,052,480			1,052,320	
Available for lease Edmonton, AB	7,119			65,512	
<b>Total GLA square feet</b>	<b>1,059,599</b>			<b>1,117,832</b>	

Some of the leases have rental rate escalations throughout their terms and the Company may increase the cap rate on the property to maintain the property value despite increases in rent. Cap rates in Fort St. John were decreased as a result of increased activity and stronger economic activity in the region. Cap rates continue to be evaluated on a property-by-property basis to ensure values reflect current market conditions.

Changes in investment properties since the fiscal year-end of September 30, 2023, are detailed below.

	Income producing properties	Held for development	Total investment properties
<b>Balance, September 30, 2023</b>	\$ 247,539,383	\$ 12,977,636	\$ 260,517,019
<i>Additions:</i>			
Property improvements and additions	219,057	-	219,057
Capitalized property taxes and other	-	110,394	110,394
Leasing commissions	397,722	-	397,722
Amortization of tenant inducements	(149,782)	-	(149,782)
Amortization of deferred leasing commissions	(396,727)	-	(396,727)
Change in straight-line rental revenue	(219,301)	-	(219,301)
Disposals	(13,790,000)	(7,320,000)	(21,110,000)
Revaluation gains (losses), net	(5,477,646)	(632,394)	(6,110,040)
<b>Balance, September 30, 2024</b>	\$ 228,122,706	\$ 5,135,636	\$ 233,258,342
Less: Classified as Held for sale	-	(2,200,000)	(2,200,000)
<b>Balance, September 30, 2024</b>	\$ 228,122,706	\$ 2,935,636	\$ 231,058,342

Property improvements and additions include structural improvements. Leasing commissions were paid for lease renewals during the year. In the current year, property additions are for the replacement of a roof on a property. In the prior year, property additions included \$3,947,000 for the expansion of an existing building and addition of a second building at a property in Fort McMurray, and \$590,000 related to renovations to a property to convert it from a warehouse and office to a warehouse and retail space.

The Company sold three investment properties during the year.

- 0.91 Acres of land held for development for gross proceeds of \$820,000. Net cash proceeds of \$766,941 were received for the sale.
- 12.89 Acres of land held for development for gross proceeds of \$6,500,000. Net cash proceeds of \$204,022 were received. The purchase agreement was for \$600,000 of cash deposit, and a vendor-take-back mortgage for the outstanding balance after adjustments. The face value of the Vendor take-back mortgage at the closing date was \$5,866,665. The vendor-take-back mortgage is discussed under "mortgage receivables".

- Income producing property consisting of land and building for gross proceeds of \$13,790,000. Net cash proceeds received on the sale were \$3,486,265. The purchaser assumed a mortgage with a balance of \$9,483,147 at the closing date.

During the current year, the Company also entered into an agreement to sell an investment property consisting of 3.0 Acres of land held for development prior to September 30, 2024 for gross proceeds of \$2,200,000. The sale closed subsequent to year-end on October 15, 2024.

The Company also entered into an option to lease agreement 49.42 Acres of land held for development in Hanna Alberta during the current year. The option to lease is for a two year period expiring October 20, 2025, with the potential for renewal for a one year period. The potential tenant has applied to construct and operate a solar farm at the location, and if approved, will enter into a long-term lease for the property. Management believes this prospect both monetizes a previously inactive property, and aligns with the Company's beliefs in supporting net-zero initiatives.

The Fair value of investment properties decreased by \$29,458,677 from \$260,517,019 at September 30, 2023 to \$231,058,342 at September 30, 2024 as a result of the following:

- The sale of three investment properties with a fair value of \$21,110,000. The fair value of the investment properties was adjusted to the sale price during the year, resulting in an additional valuation loss of \$2,343,855 being recorded in the year.
- The Company classified one investment property valued at \$2,200,000 to investment property held for sale at year-end.
- There was a loss recorded on a property that was vacated during the year and leased to a new tenant prior to year-end, at a lower lease rate than previously anticipated. The total valuation loss recorded on the property was \$6,391,000.
- The Company received an offer to purchase one of the properties, which was determined by management to reflect a market price for the property. This result in a valuation increase of \$1,219,000.
- Several properties had increased rental revenue as a result of lease steps ups and renewals with lease rates at higher rates. This was offset by increases in capitalization rates and decreases in normalized net operating income on some properties, to maintain a fair value that was consistent with overall market values. The net of these changes was an increase in fair value of \$1,185,000.
- The Company reduced the capitalization rate for the property located in Fort St. John, BC as a result over the overall improved economic activity in that market, resulting in a valuation gain of \$220,000.

The Fair value of investment properties increased by \$6,920,637 from \$253,596,382 at September 30, 2022 to \$260,517,019 at September 30, 2023 as a result of the following:

- The project in Fort McMurray was completed during fiscal 2023. Additions to the property during the year ended September 30, 2023 totalled \$3,947,000, and the property fair value increased by \$2,015,000 as a result of the increased rental revenue under the lease commencing subsequent to year-end, as well as the adjustment for the completion of construction, with prior period fair value being prorated based on the percentage completion of construction on the whole project.
- Two previously vacant properties were occupied during fiscal 2023. One of the properties had substantial property improvement additions of \$590,000. Both properties had increases in fair value of \$2,526,013 as a result of increased lease rates.
- Several properties had increased rental revenue as a result of lease steps ups, and two tenants leased additional space that increased the rental revenue by tenant. This was offset by increases in capitalization rates on some properties, to maintain a fair value that was consistent with overall market values. The net of these changes was an increase in fair value of \$901,000.
- There were losses on fair value on two properties in the year. One property was vacated during fiscal 2023, and the projected rental revenue from a new tenant was expected

to be lower than previous lease rates. The capitalization rate was also increased to account for the market risk related to vacancy and current economic uncertainty. The other property had a lease which expired during fiscal 2024 and the outcome of renewal was uncertain at September 30, 2023.

The expected rental rate from the renewal was lower than prior years, and management increased the capitalization rate to account for market uncertainty, and the fact that the renewal was unsigned at September 30, 2023. The loss in fair value on these two properties totalled \$2,672,000.

- There was a loss in fair value on vacant land held for development of \$600,000 as a result of the overall market changes.

— **Mortgage and loans receivable** increased to a total balance of \$7,064,267 at September 30, 2024 compared to a total balance of \$1,439,324 at September 30, 2023.

During the year ended September 30, 2024, the Company entered into a vendor take back mortgage on the sale of an investment property. At September 30, 2024, the new vendor take back mortgage had a balance of \$5,670,867. It bears interest at a stated rate of 5% per annum, with monthly blended payments of principal and interest of \$34,315, and a maturity date of May 28, 2027. At inception, the loan was adjusted to fair value for accounting to comply with the requirements of IFRS 15 to take into account significant financing components when determining total consideration on a sale. The loan was valued using an effective interest rate of 6.10%, and the difference of \$185,000 between the face value and the fair value was included in the loss on sale of investment property. The balance of the loan will be amortized to its face value at maturity at the effective interest rate, with the difference included in interest income.

Wajax Edmonton Building  
Edmonton, AB



The Company also entered into a loan with a tenant during the current year, with a value of \$44,850 at September 30, 2024. This loan was used to finance specific equipment at the tenant's location and will be paid back in monthly payments of \$496, bearing interest at 5.5% per annum. Any balance outstanding at the end of the tenant's lease term at May 1, 2028 will be due in full.

At September 30, 2023, the Company had a vendor-take-back mortgage from a sale of a property from fiscal 2022, which bore interest at 4.5%, had monthly blended principal and interest payment of \$8,164 and a due date of July 31, 2024. During the current year this mortgage receivable was extended for an additional year, to a maturity date of July 31, 2025, and the terms amended to bear interest at 8% per annum, with monthly blended principal and interest payments of \$10,303. The balance of the mortgage at September 30, 2024 is \$1,348,550 (2023 - \$1,439, 324).

— **Right-of-use assets and lease liabilities** have been recorded in accordance with the requirements of IFRS 16 *Leases*, and consist of the Company's office lease, and the lease of two vehicles. The two vehicle leases were entered into in the current year, and the right of use assets and lease liabilities were initially recorded at the present value of the lease payments based on discount rates of 7.40% and 8.15%. Total lease payments for all leases were \$210,444 for the year ended September 30, 2024 (2023 - \$180,000). In the prior year, the only right of use asset and lease liability was related to the Company's office lease.

— **Current assets** include receivables from tenants, prepaid expenses and deposits and cash balances with banks. The balance has increased as a result of higher prepaids and deposits, which are a result of higher property taxes in the current year compared to the prior year. In addition, there are higher receivables from tenants in the current year as a result of higher than budgeted operating

cost recoveries. As a result, the year-end accruals for operating cost recoveries were higher in the current year than the prior year.

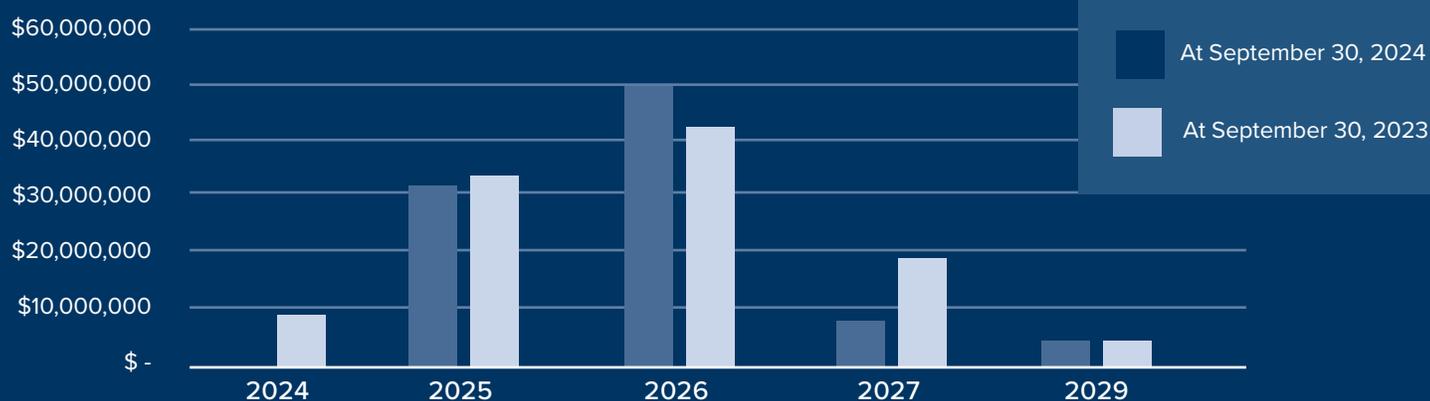
— **Mortgages** including both current and long-term portions and unamortized finance fees have a balance of \$93,861,523 at September 30, 2024 (September 30, 2023 - \$107,737,913). The decrease in mortgages is as a result of paying down mortgages through monthly principal payments, and the assumption of one mortgage by the purchaser of the related investment property. This was offset by a new mortgage of \$17,400,000 which was used to combine two existing mortgages on the same property that had a balance of \$14,491,827 prior to being paid out. This mortgage was secured by the property in Fort McMurray. The excess proceeds were used to reduce the outstanding balances on the Company's bank operating facilities and other financing.

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.

Management monitors the timing of mortgage renewals, and where possible spaces renewal timings to mitigate any risks related to interest rate changes during the year of renewal.

Management decided to renew all of the mortgages that came due during the current year for 2 year terms, based on the belief that interest rates would decline over the remainder of fiscal 2024 and into fiscal 2025. As a result, the Company will have an increased amount of mortgages renewing in fiscal 2025 and 2026. Based on the decline in the Bank of Canada prime rate over Q3 and Q4 of 2024, Management believes that this renewal strategy will result in the ability to renew the mortgages at lower rates when they come due in the future.

## Principal Balances of Mortgages Maturing by Year



The following table details the mortgages at the end of the year.

Maturity Date	Monthly blended principal and interest payments	Rate	September 30, 2024	September 30, 2023
October 1, 2023	\$ -	-	\$ -	\$ 11,229
*** November 1, 2026	\$ -	-	\$ -	\$ 9,898,484
** October 1, 2025	\$ -	-	\$ -	\$ 7,200,000
** August 1, 2024	\$ -	-	\$ -	\$ 7,899,062
November 1, 2024	\$ 63,681	3.555%	\$ 6,520,161	\$ 7,044,169
December 1, 2024	\$ 33,003	6.073%	\$ 2,572,333	\$ 2,806,416
December 1, 2024	\$ 29,985	6.073%	\$ 2,337,107	\$ 2,549,785
February 1, 2025	\$ 35,507	3.420%	\$ 3,733,862	\$ 4,027,712
February 1, 2025	\$ 47,279	3.310%	\$ 3,729,623	\$ 4,166,544
February 1, 2025	\$ 17,662	5.720%	\$ 1,416,856	\$ 1,544,751
April 1, 2025	\$ 27,830	5.290%	\$ 2,896,350	\$ 3,073,687
April 1, 2025	\$ 34,847	2.310%	\$ 3,924,998	\$ 4,248,881
* July 1, 2025 (2023 - July 1, 2024)	\$ 25,203 (2023 - 22,084)	5.990% (2023 - 6.91%)	\$ 1,249,673	\$ 1,430,709
August 1, 2025	\$ 27,279	2.837%	\$ 3,072,706	\$ 3,309,756
* October 1, 2025 (2023 - October 1, 2023)	\$ 53,312 (2023 - 46,776)	7.02% (2023- 4.090%)	\$ 4,305,259	\$ 4,639,139
* November 1, 2025 (2023 - November 1, 2023)	\$ 35,967 (2023-32,438)	6.640% (2023-4.330%)	\$ 2,968,684	\$ 3,202,558
* December 1, 2025 (2023 - December 1, 2023)	\$ 43,161 (2023 - 39,285)	6.763% (2023 -4.648%)	\$ 3,568,158	\$ 3,846,275
* January 1, 2026 (2023 - January 1, 2024)	\$ 23,512 (2023 - 22,298)	5.930% (2023 - 4.30%)	\$ 1,489,864	\$ 1,682,599
* January 1, 2026 (2023 - January 1, 2024)	\$ 18,660 (2023 - 17,696)	5.930% (2023-4.300%)	\$ 1,182,432	\$ 1,335,396
* April 1, 2026 (2023 - April 1, 2024)	\$ 33,136 (2023 - 26,788)	6.010% (2023 - 2.110%)	\$ 3,324,875	\$ 3,551,844
April 1, 2026	\$ 23,715	2.675%	\$ 1,952,328	\$ 2,181,648
July 1, 2026	\$ 76,219	2.710%	\$ 9,258,283	\$ 9,913,807
July 1, 2026	\$ 39,884	2.710%	\$ 4,844,689	\$ 5,187,713
** September 1, 2026	\$ 100,705	4.950%	\$ 17,400,000	\$ -
October 1, 2026	\$ 65,250	2.940%	\$ 7,963,235	\$ 8,504,926
June 11, 2029	\$ 42,759	3.480%	\$ 4,244,070	\$ 4,613,753
<b>Total mortgages</b>			\$ 93,955,546	\$ 107,870,841
<b>Less: Current portion of principal payments</b>			\$ (35,459,869)	\$ ( 28,851,657)
<b>Less: Balance of unamortized finance fees</b>			\$ (94,023)	\$ (132,928)
			\$ 58,401,654	\$ 78,886,256
<b>Weighted average rate</b>			<b>4.30%</b>	<b>3.73%</b>

\* Mortgages renewed during the twelve months ended September 30, 2024

\*\* Mortgages were combined into new mortgage during the year ended September 30, 2024

\*\*\* Mortgage was assumed by purchaser of related investment property (Note 4).

— **Security deposits** are amounts received from certain tenants under the terms of the leases as security on the building and future rental revenue, and are refundable to the tenant upon the conclusion, if certain conditions are met, including the return of the lease premises in an appropriate state of repair. As the majority of the Company's leases are long term in nature and security deposits are held for the duration of the lease, they are classified as long-term liabilities. Any security deposits that relate to leases with a term that expires in the next twelve months are reclassified to payables and accruals. The current portion of security deposits for the year ended September 30, 2024 was \$86,755 (2023 - \$57,344).

— **Deferred taxes** are recorded on the difference between the accounting and tax bases of assets and liabilities. The difference between the fair value of investment properties recorded for accounting purposes, and the cost basis used for tax purposes generates the largest deferred tax liability at \$16,127,047 (2023 – \$15,842,858). The decrease in deferred tax in the current year is due to the disposals of investment properties, and reduction in the fair value of the investment properties compared to the tax basis. This decrease was substantially offset by the increase in the capital gains inclusion rate effective June 25, 2024. The capital gains inclusion rate increased from ½ to ⅔, and

adjusted the deferred taxes recorded on the land component of investment properties with an impact of increasing deferred taxes by approximately \$1,908,000.

— **Bank operating facilities** at September 30, 2024 have a total balance of \$21,293,808 with two of the Company's major lenders (September 30, 2023 - \$19,873,766). The increase for the year ended September 30, 2024 reflects the use of the facilities to fund certain operational expenditures and assist with the repayment of the other financing.

The details of the Company's two credit facilities are as follows:

- 1) One operating Line of Credit (LOC) with a limit of \$15,500,000 and a balance of \$13,799,145 at September 30, 2024 (2023 – \$15,104,227)

This LOC is used to assist with property acquisitions and general operations. The facility is comprised of a fixed rate fixed term ("FRFT") component of \$8,000,000 and a revolving component. The FRFT component is reset annually to the principal balance at the time of renewal.

The components had the following balances and availability:

	September 30, 2024		September 30, 2023	
	Balance	Availability	Balance	Availability
<b>Fixed Rate, Fixed Term</b>	<b>\$ 7,444,453</b>	<b>\$ 7,518,340</b>	\$ 7,663,656	\$ 7,735,103
<b>Revolving</b>	<b>6,354,962</b>	<b>7,981,660</b>	7,440,571	7,764,897
<b>Total</b>	<b>\$ 13,799,415</b>	<b>\$ 15,500,000</b>	\$ 15,104,227	\$ 15,500,000



Day & Ross Crossdock Facility  
Edmonton, AB

The FRFT component bears interest at 3.35% per annum, with an original three-year term ending February 1, 2025. The revolving component bears interest at prime plus 1% per annum. The LOC is secured by specific revenue-producing properties with combined fair values of \$46,880,000 (September 30, 2023 - \$37,157,449). Prime rate at September 30, 2024 was 6.45% (September 30, 2023 – 7.2%).

The specific covenants related to this facility remained the same as at September 30, 2023. The lender may, on demand, require immediate payment of all amounts outstanding or accrued in connection with the facility as a whole.

Specific covenants of this credit facility include the following:

- o **Minimum Occupancy Level:** The Company is required to have a minimum of 90% occupancy of the secured buildings. Should a secured property fall below the Minimum Occupancy level, a 6-month grace period will commence subject to a reduced Loan to Value Test of 50%, and the existing Debt Service Test.
- o **Debt Service Coverage Ratio (“DSCR”):** The DSCR is calculated as the net operating income divided by the debt service. The debt service is defined as the annual principal and interest payments based on a 25-year amortization and an interest rate that is the greater of 4.5% or the Government of Canada Benchmark Bond Yields plus 225 basis points. The net operating income is defined as 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.
- o **Loan to Value Ratio (“LTV”):** The LTV must be maintained at less than 70%. The LTV is defined as the total debt on the secured properties divided by the current market value of the secured properties.

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; 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. For these secured properties, the loan to value is set at 70%, unchanged from the prior year.

The Company was in compliance with all of the covenants as at September 30, 2024 and 2023. During the year ended September 30, 2024 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 determined that the 6-month grace period to remedy the violation commenced March 1, 2024 and ended

September 30, 2024. As part of an amendment to the agreement in June 2024, the properties securing the LOC were modified and the vacant property was removed, putting the Company back in compliance with the covenant.

- 2) A second operating LOC with a limit of \$8,000,000 (September 30, 2023 – a limit of \$6,000,000).

This credit facility bears interest at prime plus 0.95% per annum and is secured by specific revenue-producing properties with combined fair values at September 30, 2024, of \$33,429,000 (September 30, 2023 - \$32,209,073).

In June 2024, the Company completed an amending agreement to increase the available balance on the LOC from \$6,000,000 to \$8,000,000.

On March 24, 2023, the Company entered into an agreement for a \$2,000,000 temporary increase in the operating line of credit, creating a new limit of \$8,000,000. On June 22, 2023, an additional temporary increase of \$2,000,000 was approved increasing the credit limit to \$10,000,000. The temporary agreements included a general security agreement covering a first position on all present and after acquired property and were extended to September 21, 2023 at which time, the Company received funding on a new mortgage. In accordance with the terms of the agreements, the proceeds of the new mortgage were used to reduce the outstanding balance on the line of credit. Additionally, at the expiration date of the extensions, the security agreement was discharged and the limit on the LOC reverted back to \$6,000,000 at September 30, 2024.

There are no specific covenants or margin formulas for this line of credit.

— **Other financing** decreased to \$nil at September 30, 2024 compared to \$3,565,000 at September 30, 2023. The balance was due to related parties and was repaid in full during the current year. The loans were unsecured and bore interest at an annual rate of 6%. During the year, the Company received advances of \$650,000 which were also repaid during the year. The other financing was used for operating cash flows and to fund the expansion project in Fort McMurray during the prior year.

— **Other current liabilities** include payables and accruals, income taxes payable and the current portion of the lease liability. Payables and accruals decreased \$1,534,665 from \$2,614,324 at September 30, 2023 to \$1,079,659 at September 30, 2024. The balance in the prior year included approximately \$1,300,000 in outstanding construction and holdback payables on the expansion of the investment property in Fort McMurray. This was paid in full during the current year. This decrease was offset by an increase in corporate taxes payable of \$831,000, which increased due to the estimated taxes on the sale of the income producing property in the year which had unrealized tax gains.

# Selected Cash Flow Information

(in thousands) Year ended September 30,	2024	2023	Variance	2022
Cash provided by operating activities	\$ 9,843	\$ 11,270	\$ (1,427)	\$ 11,210
Cash provided by (used in) investing activities	3,448	(6,529)	9,977	(3,015)
Cash used in financing activities	(13,409)	(4,550)	(8,859)	(8,158)
Increase in cash and cash equivalents	(118)	191	(309)	37
Cash and cash equivalents, beginning of period	424	233	191	196
Cash and cash equivalents, end of period	\$ 306	\$ 424	\$ (118)	\$ 233

— **Cash provided by operating activities** for the year ended September 30, 2024 was \$9,842,730 (2023 - \$11,270,735). The Company continues to generate positive cash flows from operations which cover operating expenses, additions to investment properties, and payments on financing. The decrease in the cash provided by operating activities was primarily due to lower net income from operations after non-cash addbacks, due to decreased rental income, and increased financing costs.

— **Cash provided by (used in) investing activities** for the year ended September 30, 2024 was \$3,448,293 (2023 – (\$6,529,391)). The large increase in cash provided by operating activities relates to reduced property improvement and additions to investment properties, as a result of the completion of the expansion project in Fort McMurray in the prior year and the sale of three investment properties, which generated net cash of \$4,439,205.

— **Cash used in financing activities** for the year ended September 30, 2024 was \$13,409,457 (2023 - \$4,589,891). Changes in cash used in financing activities are driven by the timing of funds received from mortgages, and other financing, as well as the timing of draws or repayments. The increase in cash used in financing activities is due to the repayment of other financing totalling \$4,215,000, as well as cash finance costs which increased by \$1,044,445 compared to the prior year due to higher interest rates. In addition, the Company had a lower net cash inflow from proceeds on new mortgages, net of repayments of mortgages on maturity of \$2,499,102 in the current year compared to \$7,200,000 in the prior year, as a result of new financing in the current year being used to combine and refinance two existing mortgages.

At September 30, 2024, there was a **net decrease in cash** of \$118,434 (2023 – increase in cash of \$191,453).



# Summary of Consolidated Quarterly Results

(in thousands \$)	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1
<b>REVENUE</b>	<b>5,057</b>	4,670	4,846	4,950	5,226	5,196	4,651	4,664
<b>TOTAL COMPREHENSIVE (LOSS) INCOME</b>	<b>889</b>	(1,446)	(2,162)	(1,542)	1,126	1,289	1,321	3,077
(in dollars)								
<b>EPS-Basic</b>	<b>0.09</b>	(0.15)	(0.23)	(0.16)	0.12	0.14	0.14	0.33
<b>EPS-Diluted</b>	<b>0.09</b>	(0.15)	(0.23)	(0.16)	0.12	0.14	0.14	0.33

The Company is not significantly impacted by seasonality in its operations. Minimum rental revenue is recorded on a straight-line basis over the term of the lease, and property operating recoveries are recorded at estimated amounts throughout the year, with a reconciliation to actual recoveries completed at Q4 each year. As a result, the revenue in Q4 may increase in comparison to prior quarters, as amounts receivable from tenants over the budgeted recoveries are accrued. The decrease in rental revenue in Q2 and Q3 2024 is attributable to vacancies.

Changes in comprehensive income relate primarily to fluctuations in the net valuation gain (loss) from investment properties and increases in finance costs. During fiscal 2024, the Company had increased finance costs due to higher interest rates on bank operating facilities.

The fluctuations in the valuation net gains (losses) from investment properties is summarized below:

(in thousands \$)	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1
<b>Valuation gains (losses) from investment properties, net</b>	<b>475</b>	115	(3,651)	(3,049)	86	(357)	205	2,197

Fluctuations in the net valuation gains (losses) from investment properties quarter over quarter primarily reflect adjustments to the fair value of investment properties related to the completion of new or renewed leases, and completion or progress on redevelopment projects that improve the overall value of the buildings, and the impact of vacancies and market conditions on expected rent.

During Q1 2023, the Company completed two large redevelopment projects with tenants taking occupancy in Q2 2023, as well as renewing 3 leases and signing an amended lease with a tenant to increase square footage. In Q3 2023, the Company recognized a loss in fair value on a property that was vacated, which was offset in part due to a gain on the Fort McMurray expansion as it moved closer to completion.

In Q4 2023, the Company's recorded a gain on the Fort McMurray project which was completed in the quarter, as well as on the CORE distribution building where improvements were substantially completed, and gains for previously vacant space which was leased, which was offset by declines on a building with a lease expiry subsequent to year end, where the new terms were expected to be at a lower lease rate.

In Q1 and Q2 of 2024, losses were recorded on investment properties that were sold, once the sales prices for the properties were established. In addition, further impairment was taken on a property that became vacant in Q2 of 2024, based on lower than expected lease rates in the market in which the property was located in.

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

# Liquidity and Capital Resources

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 and improvements. The Company has not breached any debt covenants and maintains a healthy relationship with its current lenders.

The Company has the following available room under its bank operating facilities:

	September 30, 2024	September 30, 2023
<b>Available bank credit facilities</b>	<b>\$ 23,500,000</b>	\$ 21,500,000
<b>Bank facilities outstanding</b>	<b>21,293,808</b>	19,873,766
<b>Available credit facilities</b>	<b>\$ 2,206,192</b>	\$ 1,626,234



Subsequent to year-end, the Company received net proceeds of \$2,063,000 on the sale of the investment property held for sale at September 30, 2024. These proceeds were applied against the outstanding balance in the bank operating facilities, and generated an additional \$2,000,000 of available credit facility room for future cash requirements.

The Company considers its sources of financing to be mortgages, bank operating facilities, and cash generated from operating activities.

The Company primarily relies on its lenders to finance the majority of the cost of property acquisitions through conventional mortgage financing. Any further cash shortfalls are covered through related-party financing, or operating 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 to grow and to satisfy short-term borrowing needs and obligations.

At September 30, 2024, ten (2023 – seven) mortgages are due in the next twelve months with combined principal balances of \$31,453,668 (2023 - \$22,948,441) and are shown as current liabilities. Three of the mortgages with a total principal balance of \$12,400,370 at September 30, 2024 were renewed subsequent to year-end.

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 payments may change.

Investment properties unencumbered with debt are valued at \$12,870,000 excluding investment property held for sale at September 30, 2024 (September 30, 2023 - \$15,134,346). Overall, the ratio of debt to total assets is 48% at September 30, 2024 (September 30, 2023 - 50%), providing possible leverage opportunities in the future.

During the year ended September 30, 2024, the Company had mortgages coming due on the Fort McMurray expansion project. In the prior year, a mortgage was placed on the new second building for \$7,200,000, and the existing first mortgage on the first building remained in place. Management planned to combine both of these mortgages into a single first charge on the property as a whole when the mortgages came due in the current year. This was completed in August 2024, with a new mortgage of \$17,400,000, which paid out the outstanding balances of \$14,491,827 on the two separate facilities. The excess mortgage financing above the outstanding principal balances was used to repay outstanding bank operating facilities and other unsecured financing.

The purchase agreement for land which was outstanding at the end of the prior year was discontinued, and the deposit of \$100,000 was returned in full during the year. The related build-to-suit project remains on hold, and the Company has no commitments or project plans which would require significant cash outlays as of the date of the MD&A.

# Off-Balance Sheet Arrangements

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



Master Group Building  
Edmonton, AB

## Related Party Transactions

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

— **Property management and maintenance fees** of \$1,662,541 (2023 - \$1,436,959) 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 compensate Sable for the management and maintenance of the Company's properties for a fee of 4% of rents collected by the Company. 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.

— **Acquisition, disposition and leasing fees** in the aggregate of \$829,499 (2023 - \$120,806) were paid to North American Realty Corp. ("NARC"), a company controlled by Sine Chadi. These fees are paid pursuant to a contract with the Company for asset management services. The contract provides for fees to be paid by the Company as follows:

- Leasing fees of 6% of the value of minimum rent on new leases for the first five years, and 3% of the value of minimum rent for years six to ten, to a maximum of ten years;
- Acquisition fees based on 1% of the purchase price of the property; and
- Disposition fees based on 3% of the sale price of the property.

— **Leased office space and parking** were paid to Sable in the aggregate amount of \$180,000 (2023 - \$180,000). Imperial Equities shares its head office space with the Sable head office. There was no change in lease rates in the current year. The lease term expires on February 28, 2026.

— **Rent collected** from Sable for commercial lease space was \$97,651 (2023 - \$94,923). Sable leases a 7,871 ft<sup>2</sup> 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.sedarplus.com](http://www.sedarplus.com)>. These contracts and the associated fees and rates are reviewed 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 to independent directors for attending directors' meetings during the year were \$47,500 (2023- \$45,000). 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

Compensation of key management personnel is as follows:

	Salaries and wages	Stock based compensation	Short-term benefits	Year ended September 30,	
				2024	2023
<b>Sine Chadi, President &amp; CEO</b>	\$ 300,000	\$ 251,600	\$ 7,790	\$ 559,390	\$ 382,372
<b>Meghan DeRoo McConnan, CFO*</b>	211,250	-	8,960	220,210	65,675
<b>Azza Osman, Former CFO**</b>	-	-	-	-	40,341
<b>Total</b>	<b>\$ 511,250</b>	<b>\$ 251,600</b>	<b>\$ 16,750</b>	<b>\$ 779,600</b>	<b>\$ 488,388</b>

\* The CFO joined the Company May 23, 2023 as Interim CFO, and became CFO effective January 1, 2024.

\*\*The former CFO was on leave commencing December 9, 2022, and departed the Company July 6, 2023.

## Unsecured Financing

At September 30, 2024, the Company had unsecured financing outstanding as follow:

	October 1, 2023	Advances	Repayments	September 30, 2024
<b>Jamel Chadi, Shareholder<sup>1</sup></b>	\$ 1,965,000	\$ -	\$ (1,965,000)	\$ -
<b>Sine Chadi, Shareholder<sup>1</sup></b>	1,600,000	200,000	(1,800,000)	-
<b>NAMC<sup>2</sup></b>	-	450,000	(450,000)	-
<b>Total</b>	<b>\$ 3,565,000</b>	<b>\$ 650,000</b>	<b>\$ (4,215,000)</b>	<b>\$ -</b>

1) Loans received from shareholders bear interest at an annual rate of 6%. Total interest expense during the year ended September 30, 2024 was \$127,624 (2023 - \$254,231). Accrued interest on the loans at September 30, 2023 was \$233,755 and was included in payables and accruals.

2) Loans from North American Mortgage Corp. ("NAMC"), a company controlled by the President and shareholder of the Company, bear interest at 6% per annum. Total interest expense for the year ended September 30, 2024 was \$6,738 (2023 - \$27,341).

## Fourth Quarter Results

	Three months ended September 30, 2024	Three months ended September 30, 2023
<b>Rental revenue</b>	<b>\$ 5,056,079</b>	<b>\$ 5,225,825</b>
<b>Income from operations</b>	<b>\$ 3,408,929</b>	<b>\$ 3,591,032</b>
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ (4,261,023)</b>	<b>\$ 1,125,790</b>

For quarter four of 2024, the Company had decreased rental income compared to the same period in the prior year, as a result of a property which had a new lease in place, but at a significantly lower rate, and the disposal of one property which had rental income in Q4 of 2023, but none in Q4 2024. Additionally, in the prior year the Company recorded \$169,600 in revenue from a tenant whose lease ended in the quarter, as compensation for not returning the leased premises to its original state.

Net income and comprehensive income for Q4 2024 compared to Q4 2023 was impacted by increased finance costs, and a valuation loss on investment property in the quarter compared to a gain in the same quarter of the prior year.

## Planned Expenditures

The Company has no planned expenditures at the date of the MD&A. Management is continuing to have preliminary discussions regarding a build-to-suit project for a tenant. In addition, an existing tenant has approached management to discuss the possibility of acquiring a building in a new location and completing a lease of the property. No commitments have been made at the date of this MD&A.

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.



United Rentals Building  
Fort McMurray, AB

## Risks and Risk Management

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. The more significant risks and the action taken to manage them, are as follows:

### Enterprise Risk Management

The Company is impacted by general Canadian and worldwide economic conditions. Inflation and rising interest rates can impact the available income of tenants, and adversely impact the Company's operations. Risks include, but are not limited to, increasing credit risk associated with receivables, limitations on the Company's ability to quickly respond to changes in credit risk, and increased pressure on lease rates within the Company's target market.

There is also increased risk as to the extent of the impact of a possible economic recession on leasing, occupancy, tenant inducements, market rents, and capital expenditures.

The potential impact of this moderate economic uncertainty on the Company's future financial results and valuation of assets is difficult to reliably measure.

Lease rates will likely adjust downward if the demand for comparable lease space decreases, which is expected in any economic downturn. As demand for leased space increases, so does the lease rate. The Company is mindful of these risks, and Management believes that any further leases that are up for renewal in the next twelve months will likely be renewed at the same rates.

Management continues to proactively monitor the economic environment, and the health of tenants to manage the impact of economic risks.

## Tenant and Real Property Risks

All real property investments are subject to elements of risk. The value of the Company's investment properties depend on the credit and financial stability of tenants, and upon the vacancy rates of the properties. In addition, certain expenditures, including property taxes, mortgage payments, insurance costs and other related costs must be paid regardless of whether a property is leased and producing income. Cash available for growth, and payments to shareholders will be adversely affected if a significant number of tenants are unable to meet their obligations under their lease, or if a significant amount of space in the investment properties becomes vacant and cannot be leased on economically viable terms. Upon expiry of any lease, there is no assurance that the lease will be renewed or that the tenant replaced. The terms of any new lease may be less favourable than those of the existing leases. The ability to rent vacant space is affected by many factors including general economic conditions, local real estate markets and availability of similar properties.

Management addresses this risk by ensuring the quality of its tenant base is strong. The Company's real estate portfolio is predominately comprised of large single-tenant industrial buildings that are leased to multi-national and national tenants who are very likely to manage their operations sustainably during any economic turbulence.

## Financing Risks

Market values of the investment properties can decrease if the demand for industrial 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.

The total fair value of the investment properties at September 30, 2024 is \$231,058,342 which includes \$12,870,346 of properties unencumbered with debt. The mortgages and bank operating facilities secured against specific properties total \$115,249,354 or 49% of the value of the Company's 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.

Interest rates on mortgages that are up for renewal are beginning to moderate, but are higher than the rates that are in place on mortgages that were entered into prior to fiscal 2022. 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 terms and fixed rates.

The Company continuously carries out risk assessment activities with all its tenants to assess potential exposure associated with the tenant's performance. Most tenants have been with the Company for many years and the Company conducts due diligence on all prospective tenants. The Company also monitors its cash flows and ensures that there is sufficient cash flow available from operations to pay for carrying costs on properties that might be vacant for periods of time.

The Company's portfolio of properties consists of industrial properties. Consequently, changes in the industrial environment could adversely impact the Company's financial condition. The Company's portfolio of properties is concentrated in Alberta and Western Canada. As a result, there is a risk that a downturn in the region in which the Company operates could have an adverse impact on the Company's financial position.

The Company has one large tenant occupying five properties in five different locations being Edmonton, Nisku, Red Deer, Fort McMurray in Alberta and Fort St. John in British Columbia. The revenue from this tenant now accounts for approximately 21% of the Company's total revenue. This tenant has been assessed to have strong financial performance and management believes that there is very low risk of default.



Coppertone I Building  
Edmonton, AB

## Capitalization Rate Risk

The Company values most of its investment properties using the capitalized net operating income method. Under this method, capitalization rates are applied to net operating income (minimum rent less a vacancy and structural reserve). The key assumptions are the capitalization rates for each specific property and net operating income.

The Company is responsible for the reasonableness of the assumptions and for the accuracy of inputs that are used to determine valuation disclosures. Management selects the capitalization rate for each property that management believes is most appropriate in its judgment. The Company uses available market information, including capitalization rate reports that are publicly available and makes relevant adjustments to our input assumptions. If these input assumptions are not correct, the valuation disclosures may not accurately describe the fair value of the Company's properties.

## Reliance on Key Personnel

The Company depends on the services of certain key personnel. The loss of the services of any key personnel could have an adverse effect on the Company and adversely impact the Company's financial condition.

## Environmental Risk

The Company is subject to various federal, provincial and municipal laws relating to the environment and is increasingly responsible for accounting for its environmental impacts and those of its associated tenants, partners and supply chain. The Company is moving to ensure it can meet its accountability requirements as well as to set goals to ensure its environmental risks are managed, mitigated and its environmental footprint is reduced over time. The Company has set a goal of achieving Net Zero impact in the coming years and is actively taking steps towards this goal through proactive property improvements and working towards more precise measurement of its greenhouse gas emissions.



## 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. The risk to the Company of a cybersecurity breach include the potential loss of data, inability to access key systems, and reputation risks if confidential data is exposed. While the Company is aware it cannot protect against all types of attacks and human error, the Company believes it 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

Automatic software updates to ensure software and operating system currency, and reduce the risks associated with out-of-date, vulnerable software

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.

# Changes in Accounting Policies and Critical Accounting Estimates

## Future Accounting Standards

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.

Amendments to IAS 1 Presentation of Financial Statements provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. The amendments specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months; provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and clarify when a liability is considered settled. These amendments are effective for financial reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company does not expect this amendment to have a material impact on the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants were issued in October 2022 to clarify how conditions that an entity must comply within twelve months after the reporting period affect the classification of a liability. These amendments are effective for financial reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company does not expect this amendment to have an impact on the consolidated financial statements.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, add new disclosures for certain instruments with contractual terms that can change cash flows, and make updates to the disclosure for equity instruments designated at fair value through other comprehensive income. The effective date for these amendments is for annual reporting periods beginning on or after January 1, 2025. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. New key concepts include the structure of the statement of profit or loss, required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. The effective date for this standard is for annual reporting periods beginning on or after January 1, 2027. The Company is currently assessing the impact of this standard on its consolidated financial statements.



# 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) Leases

The Company applied the following judgements that significantly affect the determination of the amount and timing of income from lease contracts:

### Determination of the lease term

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

As a lessor, the Company enters into lease agreements that contain options to terminate or extend the lease. At the commencement date of the lease, the Company determines whether a lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Company considers any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease, and the importance of the underlying asset in the lessee's operations. In most cases, the Company does not identify sufficient evidence to meet the required level of certainty.

### Property lease classification – the Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease terms not constituting a major portion of the economic life of the commercial property, and the present value of minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the significant risks and rewards of ownership of these properties and so accounts for the contracts with tenants as operating leases.

### Treatment of tenant incentives

Payments are sometimes made to, or on behalf of, tenants of our commercial properties when new leases are signed. There is judgement in determining the treatment of these payments. When the payments add future value to the space independent of the lease in place, such costs are capitalized to the investment property. If the costs incurred are specific to the lessee, and do not have stand-alone value, these costs are treated as tenant incentives and amortized on a straight-line basis to revenue over the lease term in accordance with IFRS 16.

## (ii) Revenue from contracts with customers

The Company applies the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

### Determination of performance obligations

In relation to the services provided to tenants of investment property (such as repairs and maintenance and landscaping) as part of the lease agreements into which the Company enters as a lessor, the Company has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same.

Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Company has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsing measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Company.

### Principal versus agent considerations – services to tenants

The Company arranges for certain services provided to tenants that are included in the contract the Company enters into as a lessor, to be provided by third parties. The Company has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Company has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints, and it is primarily responsible for the quality or suitability of the services. In addition, the Company has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Company has concluded that it is the principal in these contracts. In addition, the Company has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.

## Determining the timing of revenue recognition on the sale of property

The Company has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract.

The Company has generally concluded that contracts relating to the sale of investment property are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

## Consideration of significant financing component in a contract

For some contracts involving the sale of property, the Company is entitled to receive an initial deposit. The Company concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Company. The initial deposits are used to protect the Company from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

## (ii) Investment properties

### Additions to investment properties

There is judgment 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 when the directly attributable borrowing costs are included in the carrying value of the development property. Capitalization of expenses, and borrowing costs ceases when the property under development is available for use. This judgment is applied when the property is substantially complete and is sometimes concurrent with occupancy.

### Asset acquisition versus business combinations

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 the acquisition of an asset. The Company accounts for an acquisition as a business combination where an integrated set of activities and assets, including property, is acquired. More specifically, consideration is given to the extent to which substantive processes are acquired (e.g., maintenance, cleaning, security etc.). To date, all acquisitions of investment properties acquired to date by the Company have been determined to be asset acquisitions.

## 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 are described below.

### (i) Valuation of investment properties

The fair value of investment property is determined by management, using recognized valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. The critical estimates and assumptions underlying the valuation of investment properties, and a detailed discussion of valuation methods are set out in Note 4. Significant estimates used in determining the fair value of the investment property under lease valued using the income capitalization method include capitalization rates

and normalized net operating income (which is influenced by the inflation rate, vacancy rates, and standard costs) by individual properties, using property-specific capitalization rates.

Land held for development and certain investment properties under lease are valued with reference to historical and current market comparable values for similar properties. In determining which comparable properties were most comparable to the land held for development and specific investment properties, management considered factors such as the relative location, size, and access of the properties in comparison to the available market values.

### (ii) 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.

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



The Capital Business Park  
Edmonton, AB

## Financial Instruments

The fair value of a financial instrument is the estimated amount that the Company would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

Fair value determination is classified within a three-level hierarchy, based on the observability of significant inputs, as follows:

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

There was no transfer between the levels of fair value hierarchy during the year ended September 30, 2024.

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 short-term and demand nature of those instruments.

Mortgages and loans receivable includes one mortgage that is measured at fair value as it is prepayable without penalty. The fair value of the mortgage at September 30, 2024 is \$1,348,550 (2023 - \$1,439,324). The remaining mortgage receivable and loan receivable are recorded at amortized cost with a total carrying value of \$5,715,718 (2023 - \$nil). The estimated fair value of the mortgage and loan receivable carried at amortized cost at September 30, 2024 is \$5,864,940.

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 at September 30, 2024 is based on a discount rate of 4.95%.

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 September 30, 2024 is \$91,261,000 (September 30, 2023 - \$102,248,000). 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 was 6.49% (September 30, 2023 - 6.84%).

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

## Credit Risk

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The Company is exposed to credit risk primarily on its cash and cash equivalents, tenant receivables, and mortgage and loans receivable. The Company's maximum exposure to credit risk at September 30, 2024 is \$8,069,633 (2023 – \$2,086,320).

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 simplified approach to recognize lifetime expected credit losses ("ECL"). 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 September 30, 2024 the Company has recorded a loss provision of \$325,777 (September 30, 2024 - \$nil) on tenant receivables. The Company identified specific tenant balances that are overdue and the tenants have been unable to remedy the default on a timely basis. The Company considers balances in default if they are over 90 days overdue.

Accounts receivable are written off when there is no reasonable expectation of recovery, based on communication with the tenant. During the year, \$23,844 (September 30, 2023 - \$129,608) of receivables were written off and included in administrative expenses.

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

Credit risk associated with mortgages and loans receivable is mitigated through the Company assessing the creditworthiness of the counterparty prior to entering into a transaction. The mortgage receivables are secured by first mortgages on the related real properties. The Company has assessed that there has been no change in the credit risk on the mortgages and loans receivable in the period, and that the twelve month expected credit losses is \$nil, based on the value of the underlying collateral security on the mortgage receivables, and the creditworthiness and payment history of the counterparties.

## Interest Rate Risk

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The Company's exposure to interest rate risk relates to its short-term floating interest rates on the portion of bank operating facilities that are not fixed rate fixed term. The required cash flow to service the debt will fluctuate because of the changing prime interest rate. The balance of the floating rate portion of the bank operating facilities at September 30, 2024 is \$13,849,355 (September 30, 2023 - \$12,210,110). Under the assumption any balance of the floating rate 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 \$138,493 (September 30, 2023 - \$122,101). The Company minimizes its exposure to interest rate risk to the extent that all mortgages have fixed rates with terms of 1-5 years, and a portion of the bank operating facility is at a fixed rate.



# 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 continues to be 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 by implementing review and approval processes and segregating duties to the extent possible.

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.

## Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. Total issued and outstanding shares at December 11, 2024 is 9,451,242.

The Company has 200,000 stock options outstanding at December 11, 2024.

## Dividends

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.

Subsequent to the year ending September 30, 2024, the Company issued a press release on October 3, 2024 announcing the declaration of a quarterly dividend of \$0.02 per share payable on November 5, 2024 (Q4 2024) to shareholders of record effective October 21, 2024.

## Non-IFRS Financial Measures

Operating expense recoveries, funds available for property improvements and growth, debt, debt to asset ratios and unencumbered properties are not measures recognized by IFRS, and do not have a standardized meaning prescribed by IFRS. Investors are cautioned that these measures should not replace net income or loss (as determined in accordance with IFRS) as an indicator of the Company's performance, of its cash flows from its operating, investing and financing activities or as a measure of its liquidity and cash flows. Furthermore, the Company's method of calculating these measures may differ from the methods used by other issuers. Therefore, the Company's calculation of these measures may not be comparable to similar measure presented by other issuers.

### Operating expense recoveries and percentage of property operating expense recoveries:

Total operating expense recoveries is a non-IFRS financial measure which is calculated below. The percentage of property operating expense recoveries is calculated as the total property operating expenses divided by total operating expense recoveries.

Management believes that this measure is important as it indicates how much of property operating expenses are required to be recovered from other sources of revenue.

	Year ended September 30, 2024	Year ended September 30, 2023
Property tax and insurance recoveries	\$ 3,239,856	\$ 3,125,588
Operating expense recoveries	1,956,867	1,696,644
Total recoveries	\$ 5,196,723	\$ 4,822,232
Total property operating expenses	\$ 6,496,375	\$ 6,111,279
% of property operating expense recoveries	80%	79%

#### Funds available for property improvements and growth:

Funds available for property improvements and future growth is a non-IFRS financial measure and is defined as income from operations, less interest on financing adjusted for interest income, interest on lease liabilities, amortization of deferred financing fees and capitalized interest, and principal repayments on mortgages. Management believes that this measure provides information about the funds available to the Company to use for reinvestment in properties or growth.

The calculation is as follows:

	Year ended September 30, 2024	Year ended September 30, 2023
Income from operations	\$ 13,026,527	\$ 13,625,486
Less: interest on financing*	5,634,031	5,155,714
Less: principal payments on mortgages	6,931,251	7,572,089
Funds available for property improvements and growth	\$ 461,245	\$ 897,683

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

#### Debt:

Debt is a non-IFRS financial measure and is calculated below. The debt to asset ratio is calculated as total assets divided by total debt. Management uses this measure to monitor the Company's current leverage, and the ability to obtain additional financing if needed.

As at	September 30, 2024	September 30, 2023
Total Assets	\$ 242,425,659	\$ 264,034,687
Mortgages excluding transaction fees	93,955,546	107,870,842
Other financing	-	3,565,000
Bank operating facilities	21,293,808	19,873,766
Debt	\$ 115,249,354	\$ 131,309,608
Ratio of debt to assets	48%	50%

#### Unencumbered properties:

Unencumbered properties is a non-IFRS measure and is calculated as the fair value of properties which are not security for mortgages or bank operating facilities. Management uses this measure to evaluate the ability of the Company to obtain additional leverage through the ability to mortgage properties that currently are not security for debt.

# 2024

# Property Portfolio



Central Distribution Building  
Edmonton, AB



**ALS Environmental Laboratory Building**

**9450 - 17 Avenue Edmonton, AB**  
29,450 total ft<sup>2</sup> | 3.78 acres of land



**Brandt Agriculture Building**

**302 Pioneer Trail South Hanna, AB**  
28,891 total ft<sup>2</sup> | 16.5 acres of land



**The Capital Business Park**

**15730/40 – 118 Avenue Edmonton, AB**  
28,411 total ft<sup>2</sup> | 4.10 acres of land



**Central Distribution Building**

**11415 – 120 Street Edmonton, AB**  
101,923 total ft<sup>2</sup> | 3.83 acres of land



**Clear Water Bottling Building**

**7115 Girard Road Edmonton, AB**  
50,000 total ft<sup>2</sup> | 2.0 acres of land



**Coppertone I Building**

**Coppertone Industrial Common**  
**15103 – 121A Avenue Edmonton, AB**  
22,939 total ft<sup>2</sup> | 2.34 acres of land



**Coppertone II Building**

**Coppertone Industrial Common**  
**12015 – 152 Street Edmonton, AB**  
21,000 total ft<sup>2</sup> | 5.13 acres of land



**Coppertone III Building**

**Coppertone Industrial Common**  
**11921 – 152 Street Edmonton, AB**  
12,124 total ft<sup>2</sup> | 1.25 acres of land



**Coppertone IV Building**

**Coppertone Industrial Common**  
**15035 – 121A Avenue Edmonton, AB**  
6,000 total ft<sup>2</sup> | 0.77 acres of land



**Coppertone VII Building**

**Coppertone Industrial Common**  
**12004/40 – 149 Street Edmonton, AB**  
48,776 total ft<sup>2</sup> | 2.82 acres of land



**Coppertone VIII Building**

**Coppertone Industrial Common**  
**12212 – 152 Street Edmonton, AB**  
7,266 total ft<sup>2</sup> | 1.84 acres of land



**Core Distribution Building**

**11311 - 120 Street Edmonton, AB**  
70,660 total ft<sup>2</sup> | 3.37 acres of land



**Day and Ross Crossdock Facility**

**11727 – 178 Street Edmonton, AB**  
22,600 total ft<sup>2</sup> | 4.79 acres of land



**Dynomax Building**

**7501 – 42 Street Leduc, AB**  
41,630 total ft<sup>2</sup> | 3.81 acres of land



**Master Group Building**

**11418 – 120 Street Edmonton, AB**  
25,595 total ft<sup>2</sup> | 1.58 acres of land



**NexSource Power Building**

**77 Queensgate Crescent Red Deer, AB**  
43,556 total ft<sup>2</sup> | 10.0 acres of land



**Rocky Mountain Equipment Building**

**6425 – 55 Avenue Vegreville, AB**  
33,295 total ft<sup>2</sup> | 5.89 acres of land



**Russell Hendrix Building**

**11931 – 145 Street Edmonton, AB**  
71,570 total ft<sup>2</sup> | 2.97 acres of land



**Sable Building**

**8804 Yellowhead Trail Edmonton, AB**  
7,871 total ft<sup>2</sup> | 0.35 acres of land



**Seaboard Canada Building**

**4737 – 97 Street Edmonton, AB**  
75,000 total ft<sup>2</sup> | 6.8 acres of land



**Skyway Canada Building**

**7303 – 36 Street Edmonton, AB**  
24,855 total ft<sup>2</sup> | 2.19 acres of land



**Team Industrial Building**

**2507 – 84 Avenue Edmonton, AB**  
33,500 total ft<sup>2</sup> | 4.0 acres of land



**United Rentals Fort McMurray**

**140 TaigaNova Crescent Fort McMurray, AB**  
26,400 total ft<sup>2</sup> | 5.4 acres of land



**United Rentals Fort Saskatchewan**

**11141 – 89 Avenue Fort Saskatchewan, AB**  
6,000 total ft<sup>2</sup> | 2.3 acres of land



**Universal Rail Building**

**3403 – 74 Avenue Edmonton, AB**  
34,404 total ft<sup>2</sup> | 3.76 acres of land



**Wajax Edmonton**

**17604 – 105 Avenue Edmonton, AB**  
41,054 total ft<sup>2</sup> | 4.67 acres of land



**Wajax Campus Fort McMurray**

**205 & 213 MacAlpine Crescent Fort McMurray AB**  
58,224 total ft<sup>2</sup> | 6.0 acres of land



**Wajax Red Deer**

**123 Queensland Crescent Red Deer, AB**  
34,811 total ft<sup>2</sup> | 4.72 acres of land



**Wajax Fort St. John**

**10135 Finning Front Fort St. John, BC**  
21,140 total ft<sup>2</sup> | 4.62 acres of land



**Wajax Nisku**

**1403 – 5th Street Nisku, AB**  
37,200 total ft<sup>2</sup> | 2.82 acres of land



**2.24 Acres**

**15003 – 121A Avenue, Edmonton, AB**



**1.70 Acres**

**3503 – 74 Avenue, Edmonton, AB**



**1.71 Acres**

**7335 – 36 Street, Edmonton, AB**



**1.49 Acres**

**3603 – 73 Avenue, Edmonton, AB**



**2.12 Acres**

**#53 Queensgate Crescent, Red Deer, AB**

# 2024

# Financial Statements

Consolidated Financial Statements for the years  
ended September 30, 2024 and 2023

Core Distribution Building  
Edmonton, AB



December 18, 2024  
Edmonton, Alberta

## INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of Imperial Equities Inc.

### Opinion

We have audited the consolidated financial statements of Imperial Equities Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at September 30, 2024 and 2023, and the consolidated statements of income (loss) and comprehensive income (loss) and changes in equity for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2024 and 2023, and the consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

### Valuation of Investment Properties

We refer to the financial statement summary of significant accounting policies on investment properties recorded at fair value and related disclosure in Note 4.

At September 30, 2024, the Company held investment properties which are stated at a fair value of \$231,058,342, which represents 95% of total assets. The investment properties, located in Canada, were considered a key audit matter due to the key inputs used in the valuation techniques and the sensitivity of assumptions. These key inputs including capitalization rates are dependent on the class of each investment property and the prevailing market conditions.

To address the risk for material misstatement on the investment properties, our audit procedures included, amongst other procedures:

- Reviewing management's process, control and methodology around valuation;

(continues)

## Independent Auditor's Report to the Shareholders of Imperial Equities Inc. *(continued)*

- Assessing the competence, capability and objectivity of management's internal valuations team by considering the qualifications and expertise of the individuals involved in the preparation and review of the valuations;
- Evaluating the appropriateness of the valuation methodology and value source information used by management to calculate the fair value of the investment properties;
- Performing look-back procedures to assess the accuracy of management's historical fair value estimates through comparison to transactions to dispose of interests in investment properties completed by the Company during the year;
- Physical property verification;
- Engaging an expert in valuation to act as an auditor's expert in evaluating managements analysis;
- Evaluating the significant assumptions used in the calculations and performing a recalculation of the fair value of the investment properties at September 30, 2024; and
- Evaluating the adequacy and reasonableness of the disclosure included in the consolidated financial statements related to the fair value of the investment properties to assess appropriateness and conformity with IFRS.

### **Other Information**

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

*(continues)*

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstance, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*(continues)*

Independent Auditor's Report to the Shareholders of Imperial Equities Inc. *(continued)*

The engagement partner on the audit resulting in this independent auditor's report is Jane Davidson, CPA, CA.

*Kingston Ross Pasmak LLP*  
**Kingston Ross Pasmak LLP**  
Chartered Professional Accountants

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

	Notes	September 30, 2024	September 30, 2023
<b>Assets</b>			
Investment properties	4	\$ 231,058,342	\$ 260,517,019
Right-of-use assets	10	263,737	362,598
Mortgages and loans receivable	5	5,586,514	-
<b>Total non-current assets</b>		<b>236,908,593</b>	260,879,617
Current portion of mortgages and loans receivable	5	1,477,754	1,439,324
Receivables	6	406,496	237,344
Prepaid expenses and deposits	7	1,126,799	1,053,951
Cash		306,017	424,451
<b>Total current assets</b>		<b>3,317,066</b>	3,155,070
Investment property held for sale	4	2,200,000	-
<b>Total Assets</b>		<b>\$ 242,425,659</b>	\$ 264,034,687
<b>Liabilities</b>			
Mortgages	8	\$ 58,401,654	\$ 78,886,257
Security deposits		795,430	745,791
Lease liabilities	10	98,141	245,776
Deferred taxes	13	16,664,623	16,721,444
<b>Total non-current liabilities</b>		<b>75,959,848</b>	96,599,268
Other financing	21	-	3,565,000
Income taxes payable		1,271,158	439,588
Current portion of lease liabilities	10	199,174	163,419
Current portion of mortgages	8	35,459,869	28,851,657
Bank operating facilities	9	21,293,808	19,873,766
Payables and accruals	11	1,079,659	2,614,324
<b>Total current liabilities</b>		<b>59,303,668</b>	55,507,754
<b>Total Liabilities</b>		<b>135,263,516</b>	152,107,022
<b>Equity</b>			
Issued share capital	15	5,947,346	5,947,346
Contributed surplus	15	251,600	-
Retained earnings		100,963,197	105,980,319
<b>Total Equity</b>		<b>107,162,143</b>	111,927,665
<b>Total Equity and Liabilities</b>		<b>\$ 242,425,659</b>	\$ 264,034,687

*Post-reporting date events (Note 22)*

*Signed "Sine Chadi", Director*

*Signed "Kevin Lynch", Director*

*See accompanying notes to the consolidated financial statements.*

**IMPERIAL EQUITIES INC.**

**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

**Years ended September 30,**

	Notes	2024	2023
Rental revenue	17, 21	\$ 19,522,902	\$ 19,736,765
Property operating expenses	21	6,496,375	6,111,279
<b>Income from operations</b>		<b>13,026,527</b>	13,625,486
Finance costs	12,21	5,567,066	5,105,986
Administrative expenses	21	1,648,586	1,449,663
Share based compensation	15	251,600	-
Amortization of deferred leasing costs	4	396,727	483,042
Amortization of right-of-use assets	10	154,430	150,041
Loss on sale of investment properties	4	1,505,981	-
Valuation loss (gain) from investment properties, net	4	6,110,040	(2,131,024)
<b>Income (loss) before income tax</b>		<b>(2,607,903)</b>	8,567,778
Income tax expense	13	1,653,120	1,754,848
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ (4,261,023)</b>	\$ 6,812,930
<b>Earnings (loss) per share basic and diluted</b>	16	<b>\$ (0.45)</b>	\$ 0.72

*See accompanying notes to the consolidated financial statements.*

**IMPERIAL EQUITIES INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<b>Number of shares</b>	<b>Capital stock</b>	<b>Contributed surplus</b>	<b>Retained earnings</b>	<b>Total</b>
Balance, October 1, 2022	9,451,242	\$ 5,947,346	\$ -	\$ 99,923,488	\$ <b>105,870,834</b>
Dividends paid (Note 15)	-	-	-	(756,099)	<b>(756,099)</b>
Net income and comprehensive income	-	-	-	6,812,930	<b>6,812,930</b>
Balance, September 30, 2023	9,451,242	5,947,346	-	105,980,319	<b>111,927,665</b>
Dividends paid (Note 15)	-	-	-	(756,099)	<b>(756,099)</b>
Share based compensation (Note 15)	-	-	251,600	-	<b>251,600</b>
Net loss and comprehensive loss	-	-	-	(4,261,023)	<b>(4,261,023)</b>
Balance, September 30, 2024	9,451,242	\$ 5,947,346	\$ 251,600	\$ 100,963,197	\$ <b>107,162,143</b>

*See accompanying notes to the consolidated financial statements.*

**IMPERIAL EQUITIES INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended September 30,

	Notes	2024	2023
<b>Operating activities</b>			
Net income (loss)		\$ (4,261,023)	\$ 6,812,930
Finance costs	12	5,567,066	5,105,986
Items not affecting cash:			
Share based compensation	15	251,600	-
Amortization of right-of-use assets	10	154,430	150,041
Amortization of tenant inducements	4	149,782	57,256
Amortization of deferred leasing costs	4	396,727	483,042
Loss on sale of investment properties	4	1,505,981	-
Valuation loss (gain) on investment properties, net	4	6,110,040	(2,131,024)
Straight-line rental revenue		219,301	(46,266)
Deferred income taxes	13	(56,821)	1,310,523
Leasing commissions		(397,722)	(405,558)
Net change in operating working capital	14	203,369	(66,195)
<b>Cash provided by operating activities</b>		<b>9,842,730</b>	<b>11,270,735</b>
<b>Investing activities</b>			
Improvements and additions to investment properties		(329,451)	(5,078,087)
Payments from mortgages and loans receivable		262,797	32,992
Advances on mortgages and loans receivable		(46,000)	-
Net cash proceeds on sale of investment properties		4,439,205	-
Change in investing payables and accruals		(878,258)	(1,484,296)
<b>Cash provided by (used in) investing activities</b>		<b>3,448,293</b>	<b>(6,529,391)</b>
<b>Financing activities</b>			
Proceeds from new mortgages		17,400,000	7,200,000
Repayment of mortgages on maturity		(14,900,898)	-
Repayment of mortgages through principal instalments		(6,931,251)	(7,572,089)
Fees associated with new or renewed mortgages		(64,440)	(21,600)
Advances from other financing		650,000	3,285,000
Repayment of other financing		(4,215,000)	(2,720,000)
Lease payments		(167,449)	(155,543)
Interest paid		(5,844,362)	(4,799,918)
Dividends paid		(756,099)	(756,099)
Net advances from bank operating facilities		1,420,042	990,358
<b>Cash used in financing activities</b>		<b>(13,409,457)</b>	<b>(4,549,891)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(118,434)</b>	<b>191,453</b>
Cash and cash equivalents, beginning of year		424,451	232,998
<b>Cash and cash equivalents, end of year</b>		<b>\$ 306,017</b>	<b>\$ 424,451</b>

Supplemental cash flow information (Note 14)

*See accompanying notes to the consolidated financial statements.*

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 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 is an industrial landlord, and its operations consist of the acquisition, development, and redevelopment of industrial, agricultural, and commercial properties primarily in Edmonton, throughout Alberta and in British Columbia. 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”.

The consolidated financial statements for the year ended September 30, 2024 were authorized for issue by the Board of Directors on December 11, 2024.

#### 2. Material accounting policies

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies adopted in these consolidated financial statements are based on IFRS Accounting Standards effective as at September 30, 2024 and have been consistently applied to all years presented, unless stated otherwise

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

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. The wholly owned subsidiaries are all entities over which the Company has control. All significant intercompany balances and transactions have been eliminated. Effective September 30, 2024, the Company dissolved its wholly owned subsidiaries of 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. Subsidiaries are fully consolidated from the date control commences and deconsolidated from the date control ceases.

##### (b) Investment properties

The Company considers its income producing properties and land held for development to be investment properties under IAS 40 *Investment Property*, and has chosen the fair value model to account for investment properties in its consolidated annual financial statements. Investment properties are comprised of acquired commercial properties, developed commercial properties, and properties under development or re-development, which are held to earn rental income or for capital appreciation or both.

##### *Investment properties*

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

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 2. Material accounting policies (cont'd)

##### (b) Investment properties (cont'd)

Additions to investment properties are expenditures incurred for the expansion and/or improvement of the existing investment properties that increase the revenue generating ability of the properties and are considered revenue enhancing capital expenditures. The Company considered ongoing capital expenditures to include the following:

- Property capital: Major expenditures such as roof replacements or construction of new buildings which are significant items of improvement are capitalized. All other repair and maintenance costs are expensed when incurred.
- Direct leasing costs: these include direct third-party brokerage fees incurred with the successful negotiation of a lease and are deferred and amortized over the life of the lease.
- Tenant incentives: amounts expended to meet the Company's lease obligations are characterized as either tenant improvements or tenant inducements. An expenditure is determined to be a tenant improvement when it primarily benefits and/or is owned by the Company. In such circumstances the Company considers it has acquired an asset, and it is recorded as an addition to income producing properties. Tenant inducements are amortized on a straight line-basis over the term of the lease as a reduction of revenue.

For the purposes of these consolidated financial statements, in order to avoid double counting, the investment property fair values reported include the balance of straight-line rent receivable, unamortized balance of tenant incentives, and unamortized balance of leasing commissions.

Investment properties are derecognized when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the investment property is recognized in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Company considers the effects of variable consideration, the existence of a significant financing component, non-cash consideration and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15 *Revenue from contracts with customers*.

Transfers are made to (or from) investment property only when there is evidence of a change in use (such as commencement of development, or inception of an operating lease to another party). For a transfer out of investment properties, the deemed cost for subsequent accounting is the fair value at the date of the change in use. For a transfer into investment properties, the difference between the fair value of the property at the date of transfer and its previous carrying amount is recognized in profit or loss at the date of transfer.

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

Refer to the section "Non-current assets held for sale" for the accounting for investment property classified as held for sale.

##### *Investment properties under development*

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

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 2. Material accounting policies (cont'd)

##### (c) Property acquisitions and business combinations

When a property is acquired, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of judgement is set out in Note 3. Where such acquisitions are not determined to be an acquisition of a business, they are not treated as business combinations, but as asset acquisitions where the costs to acquire the assets and liabilities are allocated between the identifiable assets or liabilities based on their relative values at the acquisition date.

In accordance with IFRS 3 – Business Combinations (“IFRS 3”), the acquisition of an asset or group of assets is recorded as a business combination if the assets acquired, and the liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest), or generating other income from ordinary activities. Building and other asset acquisitions, which meet the above definition of a business, are recorded as business combinations and the acquisition method of accounting for these transactions is applied. There are no acquisitions that meet the definition of a business in the current or prior years.

##### (d) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of investment properties that necessarily take a substantial period of time to get ready for their intended use or sale are capitalized as a part of the cost of the asset. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale, are complete.

##### (e) Non-current assets held for sale

The Company classifies non-current assets (principally investment properties), and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment properties measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell.

Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. Investment properties held for sale continue to be measured at fair value. Assets and liabilities classified as held for sale are presented separately in the statement of financial position. Investment properties held for sale are derecognized when they have been disposed of. The difference between the disposal proceeds, net of transaction costs, and the carrying amount of the asset is recognized in net income (loss) in the period of derecognition.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset, and the sale is expected to be completed within one year from the date of the classification. The sale of one or a group of investment properties by the Company will generally be presented as current assets held for sale and not discontinued operations.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 2. Material accounting policies (cont'd)

##### (f) Leases

###### *The Company as a Lessor*

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

###### *The Company as a Lessee*

The Company assesses whether a contract is, or contains, a lease at the inception of the contract.

The Company recognizes a right-of-use asset and a corresponding lease liability for all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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

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

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

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

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 2. Material accounting policies (cont'd)

##### (f) Leases (cont'd)

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

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

##### (g) Revenue recognition

###### *Rental revenue*

The Company earns revenue from acting as a lessor in operating leases. Rental revenue arising from operating leases on investment property is recognized on a straight-line basis over the lease term and is included in revenue in the consolidated statement of income (loss) due to its operating nature, except for contingent rental revenue which is recognized when it arises. A straight-line rent receivable, which is included in the carrying amount of investment properties, is recorded for the difference between the rental revenue recorded and the contractual amount received. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as deferred leasing costs and expensed over the lease term on the same basis as lease income.

Tenant incentives are inducements given to prospective tenants to move into the properties or to existing tenants to extend the lease term. Tenant incentives for lessees to enter into lease agreements are deducted from lease payments. Accordingly, tenant incentives are spread evenly over the lease term, even if the payment is not made on such basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at inception of the lease, the Company is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or compensate for damages to property are recognized in the consolidated statement of income (loss) when the right to receive them arises.

The Company receives rental revenue from recoveries of property taxes and insurance. As these recoveries do not involve a transfer of services, they are not a separate component of the lease, and they have been grouped with rental revenue as a lease component. Recoveries of property taxes and insurance are recognized into income on a straight-line basis, based on estimated costs until actual costs are known at which time they are adjusted to recognize the recovery of the actual cost. Some of the Company's leases allow the tenant to pay property taxes directly to the municipality. When the tenant chooses this option, the Company does not recognize any revenue recovery or expense related to those property taxes.

###### *Revenue from services to tenants (operating expense recoveries)*

For investment property held primarily to earn rental revenue, the Company is a lessor in lease agreements that fall within the Scope of IFRS 16 *Leases*. These agreements include certain services offered to tenants including maintenance services (such as security, buildings and grounds maintenance, and snow removal). The consideration charged to tenants for these services includes fees charged based on a percentage of the rental revenue and reimbursement of certain expenses incurred. These services are specified in the lease agreements. The Company has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15 *Revenue from contracts with customers*.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 2. Material accounting policies (cont'd)

##### g) Revenue recognition (cont'd)

The Company allocates the consideration in the contract to the separate lease, and revenue (non-lease) components on a relative stand-alone selling price basis.

Operating expense recoveries represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Company. The Company applies the time elapsed method to measure progress and recognizes revenue over time for services in the period in which they are rendered. The consideration charged to tenants for these services is based on a percentage of rental revenue. The variable consideration only relates to the non-lease component and is allocated to each distinct period of services as it meets the variable consideration allocation exception criteria.

The Company arranges for third parties to provide certain of these services to its tenants. The Company concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Company records revenue on a gross basis.

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

##### h) Income tax

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

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

Deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that it is no longer probable that they can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

##### i) Share-based payments

Employees, including senior executives of the Company receive remuneration in the form of stock options, whereby employees render services as consideration for equity instruments.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 2. Material accounting policies (cont'd)

##### (i) Share-based payments (cont'd)

The cost of stock options is determined by the fair value at the date of grant, using the Black-Scholes Option Pricing Model. The cost is recognized in administrative expenses, together with a corresponding increase in contributed surplus over the period in which the service conditions are met (vesting period). Contributed surplus related to stock options that expire unexercised is reclassified to retained earnings and remains within the equity section of the consolidated statement of financial position.

When options are exercised, proceeds, net of any directly attributable transactions costs, and together with the related contributed surplus, are credited to share capital. Options cannot be net exercised, or cash settled, and vest immediately.

##### (j) Fair value measurements

The Company measures one of its mortgage receivables and its investment properties at fair value at the end of each reporting period.

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

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

The Company must be able to access the principal or the most advantageous market at the measurement date.

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

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

All assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 2. Material accounting policies (cont'd)

##### (k) Financial instruments

###### *Recognition and derecognition*

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flow from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled, or expires.

###### *Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

- Amortized cost;
- Fair value through profit or loss (FVTPL); or
- Fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- The entity's business model for managing the financial asset, and
- The contractual cash flow characteristics of the financial asset.

All revenue and expenses related to financial assets that are recognized in profit or loss are recognized within finance costs, except for impairment of trade receivables which is recognized within administration expense.

###### *Subsequent measurement of financial assets*

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect the contractual cash flows, and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effective discounting is immaterial. As the Company's financial assets of receivables, mortgage receivable and loans receivable (except as noted below) and cash meet these conditions, they are subsequently measured at amortized cost.

The Company's mortgage and loans receivable includes one mortgage receivable which is classified as FVTPL. The Company does not have any financial assets categorized as FVOCI.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 2. Material accounting policies (cont'd)

##### (k) Financial instruments (cont'd)

###### *Impairment of financial assets*

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets held at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or any other credit enhancements that are integral to the contractual terms.

For rent and other trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track the changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company considers historical credit loss experience, adjusted for forward-looking factors specific to the debtors, and the economic environment.

The Company considers a financial asset in default when the contractual payments are 90 days past due. However, in certain circumstances, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

###### *Classification and measurement of financial liabilities*

The Company's financial liabilities include payables and accruals, bank operating facilities, other financing, and mortgages. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs.

The Company does not have any financial liabilities designated at FVTPL, or any derivative financial instruments.

##### (l) Cash and cash equivalents

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

##### (m) Changes in accounting standards and disclosures

###### **New and amended standards adopted**

The following amendments became effective on January 1, 2023, and did not have a material impact on the Company's consolidated financial statements:

- 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 aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### (m) Changes in accounting standards and disclosures (cont'd)

##### New and amended standards adopted (cont'd)

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors has been revised to define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty.” The amendments also emphasize that a change in an accounting estimate that results from new information or development is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes are an input or measurement technique that are not the result of an error correction.
- 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.

##### 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.

IAS 1 *Presentation of Financial Statements* has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in January 2020. The amendments provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. The amendments specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months; provide that management’s expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and clarify when a liability is considered settled. These amendments are effective for financial reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company does not expect this amendment to have a material impact on the consolidated financial statements.

Amendments to IAS 1 *Presentation of Financial Statements – Non-current Liabilities with Covenants* were issued in October 2022 to clarify how conditions that an entity must comply within twelve months after the reporting period affect the classification of a liability. These amendments are effective for financial reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company does not expect this amendment to have an impact on the consolidated financial statements.

Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosure* clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, add new disclosures for certain instruments with contractual terms that can change cash flows, and make updates to the disclosure for equity instruments designated at fair value through other comprehensive income. The effective date for these amendments is for annual reporting periods beginning on or after January 1, 2025. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

IFRS 18 *Presentation and Disclosure in Financial Statements* is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. New key concepts include the structure of the statement of profit or loss, required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. The effective date for this standard is for annual reporting periods beginning on or after January 1, 2027. The Company is currently assessing the impact of this standard on its consolidated financial statements.

**3. Significant accounting judgements, estimates and assumptions**

**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) Leases**

The Company applied the following judgements that significantly affect the determination of the amount and timing of income from lease contracts:

*Determination of the lease term*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

As a lessor, the Company enters into lease agreements that contain options to terminate or extend the lease. At the commencement date of the lease, the Company determines whether a lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Company considers any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease, and the importance of the underlying asset in the lessee's operations. In most cases, the Company does not identify sufficient evidence to meet the required level of certainty.

*Property lease classification – the Company as lessor*

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease terms not constituting a major portion of the economic life of the commercial property, and the present value of minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the significant risks and rewards of ownership of these properties and so accounts for the contracts with tenants as operating leases.

*Treatment of tenant incentives*

Payments are sometimes made to, or on behalf of, tenants when new leases are signed. There is judgement in determining the treatment of these payments. When the payments add future value to the space independent of the lease in place, such costs are capitalized to the investment property. If the costs incurred are specific to the lessee, and do not have stand-alone value, these costs are treated as tenant incentives and amortized on a straight-line basis to revenue over the lease term in accordance with IFRS 16 *Leases*.

**(ii) Revenue from contracts with customers**

The Company applies the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

*Determination of performance obligations*

In relation to the services provided to tenants of investment property (such as repairs and maintenance and landscaping) as part of the lease agreements into which the Company enters as a lessor, the Company has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same.

3. Significant accounting judgements, estimates and assumptions (cont'd)

Critical judgments in applying accounting policies (cont'd)

(ii) Revenue from contracts with customers (cont'd)

Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Company has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consume the benefits provided by the Company.

*Principal versus agent considerations – services to tenants*

The Company arranges for certain services provided to tenants included in the contract the Company enters into as a lessor, to be provided by third parties. The Company has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them.

In making this determination, the Company has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints, and it is primarily responsible for the quality or suitability of the services. In addition, the Company has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Company has concluded that it is the principal in these contracts. In addition, the Company has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.

*Determining the timing of revenue recognition on the sale of property*

The Company evaluates the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract. The Company has generally concluded that contracts relating to the sale of investment property are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

*Consideration of significant financing component in a contract*

For some contracts involving the sale of property, the Company is entitled to receive an initial deposit. The Company concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Company. The initial deposits are used to protect the Company from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

(iii) Investment properties

*Additions to investment properties*

There is judgment 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 when the directly attributable borrowing costs are included in the carrying value of the development property. Capitalization of expenses, and borrowing costs ceases when the property under development is available for use. This judgment is applied when the property is substantially complete and is sometimes concurrent with occupancy.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 3. Significant accounting judgements, estimates and assumptions (cont'd)

##### Critical judgments in applying accounting policies (cont'd)

###### (iii) Investment properties (cont'd)

###### *Asset acquisition versus business combinations*

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 the acquisition of an asset. The Company accounts for an acquisition as a business combination where an integrated set of activities and assets, including property, is acquired. More specifically, consideration is given to the extent to which substantive processes are acquired (e.g. maintenance, cleaning, security etc.). To date, all acquisitions of investment properties acquired to date by the Company have been determined to be asset acquisitions.

##### 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 are described below.

###### (i) Valuation of investment properties

The fair value of investment property is determined by management, using recognized valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. The critical estimates and assumptions underlying the valuation of investment properties, and a detailed discussion of valuation methods are set out in Note 4. Significant estimates used in determining the fair value of the investment property under lease valued using the income capitalization method include capitalization rates and normalized net operating income (which is influenced by the inflation rate, vacancy rates, and standard costs) by individual properties, using property-specific capitalization rates.

Land held for development and certain investment properties under lease are valued with reference to historical and current market comparable values for similar properties. In determining which comparable properties were most comparable to the land held for development and specific investment properties, management considered factors such as the relative location, size, and access of the properties in comparison to the available market values.

###### (ii) 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.

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

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 4. Investment properties

	Income producing properties	Properties under development	Held for development	Total investment properties
Balance, October 1, 2022	\$ 235,674,148	\$ 5,520,242	\$ 12,401,992	\$ 253,596,382
Reclassification of land held for development	(1,000,000)	-	1,000,000	-
<i>Additions:</i>				
Property improvements and additions	627,706	3,947,441	-	4,575,147
Capitalized property taxes and other	-	-	179,748	179,748
Tenant inducements	323,192	-	-	323,192
Leasing commissions	405,558	-	-	405,558
Reclassification of properties under development to income producing properties	11,008,986	(11,008,986)	-	-
Amortization of tenant inducements	(257,256)	-	-	(257,256)
Amortization of deferred leasing commissions	(483,042)	-	-	(483,042)
Change in straight-line rental revenue	46,266	-	-	46,266
Fair value gains (losses), net	1,193,825	1,541,303	(604,104)	2,131,024
Balance, September 30, 2023	247,539,383	-	12,977,636	260,517,019
<i>Additions:</i>				
Property improvements and additions	219,057	-	-	219,057
Capitalized property taxes and other	-	-	110,394	110,394
Leasing commissions	397,722	-	-	397,722
Amortization of tenant inducements	(149,782)	-	-	(149,782)
Amortization of deferred leasing commissions	(396,727)	-	-	(396,727)
Change in straight-line rental revenue	(219,301)	-	-	(219,301)
Disposals	(13,790,000)	-	(7,320,000)	(21,110,000)
Fair value gains (losses), net	(5,477,646)	-	(632,394)	(6,110,040)
<b>Total investment property</b>	<b>\$ 228,122,706</b>	<b>\$ -</b>	<b>\$ 5,135,636</b>	<b>\$ 233,258,342</b>
Less: classified as held for sale	-	-	(2,200,000)	(2,200,000)
<b>Balance, September 30, 2024</b>	<b>\$ 228,122,706</b>	<b>\$ -</b>	<b>\$ 2,935,636</b>	<b>\$ 231,058,342</b>

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

	September 30, 2024	September 30, 2023
Straight-line rent receivable	\$ 1,790,039	\$ 2,009,340
Tenant inducements	516,524	666,306
Leasing commissions	1,796,717	1,795,722
	<b>\$ 4,103,280</b>	<b>\$ 4,471,368</b>

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 4. Investment properties (cont'd)

The balance of tenant inducements is as follows:

	September 30, 2024	September 30, 2023
Tenant inducements	\$ 865,277	\$ 865,277
Amortization	(348,753)	(198,971)
Balance, end of year	\$ 516,524	\$ 666,306

The balance of deferred leasing costs is as follows:

	September 30, 2024	September 30, 2023
Deferred leasing costs	\$ 3,951,242	\$ 3,553,520
Amortization	(2,154,525)	(1,757,798)
Balance, end of year	\$ 1,796,717	\$ 1,795,722

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

#### Property dispositions

Disposition date	Property type	Region	Sale price	Fair value of investment property	Transaction costs	Gain (loss) on sale
May 1, 2024	Land held for development	Edmonton	\$ 820,000	\$ 820,000	\$ 53,086	\$ (53,086)
May 7, 2024	Income producing property	Edmonton	13,790,000	13,790,000	838,597	(838,587)
May 28, 2024	Land held for development	Strathcona County	6,315,006	6,500,000	429,313	(614,308)
			\$20,925,006	\$21,110,000	\$1,320,996	\$(1,505,981)

Consideration for the sale of the land held for development in Strathcona County included a vendor-take-back ("VTB") mortgage (Note 5) of \$5,681,670. The VTB was determined to represent a significant financing component under IFRS 15 and as a result the consideration on the sale was adjusted to reflect the time value of money using a discount rate of 6.10%, resulting in an adjustment to the purchase price of \$184,994.

Consideration of the sale of the income producing property included the assumption of a mortgage with a balance of \$9,483,147 at the sale date.

Prior to each of the sales, the related properties were adjusted to fair values based on the sales prices, resulting in a total loss of \$2,343,855 being included in the valuation gain (loss) on investment properties, net. The operating results of disposed properties are included up to the date of disposition.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 4. Investment properties (cont'd)

##### Investment properties held for sale:

Balance, beginning of year	\$	-
Transfer from investment properties		23,310,000
Dispositions		(21,110,000)
Balance, end of year	\$	2,200,000

At year-end the Company has one property, consisting of land held for development, classified as held for sale. Conditions were removed on the sale prior to September 30, 2024, and the sale closed subsequent to year-end for total gross proceeds of \$2,200,000. The valuation loss on investment properties for the year ended September 30, 2024 includes a loss of \$50,000 for the adjustment to fair value.

##### Valuation methodology and processes

The Company values all of its investment properties at each reporting period using valuations prepared internally by management. The management team includes individuals who are knowledgeable about valuation methodology and the real estate markets in which the Company operates. Valuations are reviewed and approved by the CEO and discussed with the Audit Committee on a quarterly basis. Management uses assumptions and market information obtained from publicly available industry information, and informal discussions with external appraisers, and industry professionals. Management uses inputs received from external appraisers during the year for appraisals required for financing purposes as additional sources of information when recording property-specific attributes however does not rely on these appraisals for financial reporting purposes. Each property is considered a separate asset class based on its unique nature, characteristics, and risks. For all investment properties measured at fair value, the current use of the property is considered the highest and best use. For each property, the latest valuation is also compared to the valuation in the preceding quarters as well as the valuations of the two preceding annual periods.

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 including assessment of market conditions, the investment properties are classified as Level 3 assets in the fair value hierarchy.

To determine fair value, the Company first considers whether it can use current prices in an active market for a similar property in the same location and condition. The Company has concluded that there is insufficient market evidence to which to base investment property valuation using this approach and has therefore determined to use the income capitalization method to arrive at the fair value of the investment properties, with the exception of land held for development, as noted below. Capitalization rates are based on other current market indicators for similar properties. Sale prices are used for property slated for disposition or classified as held for sale per their corresponding agreements of purchase and sale when this price represents fair value at the reporting date.

Current regulatory and macroeconomic developments, including the interest rate and inflationary environment have impacted overall market activity, resulting in limited reliable market metrics. As such, the fair values of the Company's investment properties are subject to significant change and such changes may be material.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 4. Investment properties (cont'd)

For all income producing properties (2023 – all income producing properties with the exception of two properties), the property is valued using the income capitalization method, where a property's fair value is based on the normalized net operating income generated by the property, which is divided by the capitalization (discount) rate. The Company determines the forecasted normalized net operating income using a one-year income forecast for each property based on current in-place leases adjusted for market-based assumptions such as the likelihood of future renewals and occupancy, vacancy rates, and structural reserves. 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 in determining the appropriate capitalization rates.

Land held for development (2023 - Land held for development and two income producing properties) is valued based on sale data of comparable properties within the market area. Management considers various factors that would impact the comparable properties values including size, location, access, and availability of similar properties.

For the year ended September 30, 2024, management also completed discounted cash flow ("DCF") analysis on all the income producing investment properties, which validated the range of fair values determined using the income capitalization approach.

The fair value of two of the income producing properties was previously determined based on the direct comparison approach. The Company believes the income capitalization approach provides better information about the fair value of the properties and has therefore decided to change the valuation method. This change in valuation method is applied prospectively as it is a change in estimate. Other than described above, there were no other changes in valuation techniques during the year.

# IMPERIAL EQUITIES INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

### 4. Investment properties (cont'd)

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

Income producing property	Fair value 2024	Fair value 2023	Valuation technique	Key unobservable inputs	Range 2024	Weighted average 2024	Range 2023	Weighted average 2023
Single tenant - Edmonton region	\$114,160,000	\$121,229,092	Income capitalization	Vacancy loss percentage	1.00 - 2.00%	1.66%	1.00 - 2.00%	1.79%
				Structural reserve percentage	0.50 - 2.00%	1.45%	0.50 - 2.00%	1.41%
				Net operating income		\$492,623		\$557,248
				Capitalization rates	4.50 - 7.00%	5.91%	6.00 - 7.00%	6.07%
Single Tenant - Fort McMurray	\$46,234,000	\$46,630,254	Income capitalization	Vacancy loss percentage	1.00%	1.00%	1.00%	1.00%
				Structural reserve percentage	0.50%	0.50%	0.50%	0.50%
				Net operating income		\$1,590,960		\$1,598,422
				Capitalization rates	6.50 - 6.75%	6.60%	6.50 - 6.75%	6.60%
Single Tenant - Red Deer	\$18,820,000	\$26,059,058	Income capitalization	Vacancy loss percentage	1.00-2.00%	1.47%	1.00-2.00%	1.62%
				Structural reserve percentage	0.50-1.00%	0.77%	0.50-1.00%	0.69%
				Net operating income		\$592,801		\$892,203
				Capitalization rates	6.10-6.50%	6.29%	6.10-6.65%	6.38%
Single tenant - Rural Alberta and BC	\$18,352,000	\$18,121,821	Income capitalization	Vacancy loss percentage	1.00-2.00%	1.36%	1.00-2.00%	1.35%
				Structural reserve percentage	0.50-2.00%	1.34%	0.50-2.00%	1.33%
				Net operating income		\$396,161		\$396,891
				Capitalization rates	6.75 -8.00%	7.31%	6.75 -8.50%	7.40%
Multi-tenant - Edmonton	\$26,646,000	\$26,547,157	Income capitalization	Vacancy loss percentage	1.00-2.00%	1.47%	1.00-2.00%	1.48%
				Structural reserve percentage	1.00-2.00%	1.85%	1.00-2.00%	1.85%
				Net operating income		\$541,192		\$538,055
				Capitalization rates	5.50-6.80%	6.07%	5.50-6.80%	6.07%
Single tenant - Edmonton	\$-	\$5,041,295	Direct comparison	Fair value per square foot	-	-	\$180-300	\$252.13
Land held for development - Edmonton	\$5,680,710	\$16,570,710	Direct comparison	Price per acre	\$745,000-845,000	\$797,000	\$745,000-845,000	\$797,000
Land held for development - Red Deer	\$848,000	\$-	Direct comparison	Price per acre	\$400,000	\$400,000	\$400,000	\$400,000
Land held for development - Rural Alberta	\$317,632	\$317,632	Direct comparison	Price per acre	\$6,428	\$6,428	\$6,428	\$6,428
	<u>\$231,058,342</u>	<u>\$260,517,019</u>						

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 4. Investment properties (cont'd)

##### Fair value sensitivity

The following table summarize the fair value sensitivity for the Company's income producing properties which are most sensitive to changes in capitalization rate, and normalized net operating income:

Rate sensitivity	Capitalization rate			Normalized net operating income			
	Weighted average cap rate	Fair value	Change in fair value	Sensitivity	Normalized NOI	Fair value	Change in fair value
(0.50)%	5.88%	\$ 243,261,859	\$ 19,049,859	\$(500,000)	\$ 13,815,651	\$216,380,991	\$(7,831,009)
(0.25)%	6.13%	\$ 233,348,783	\$ 9,136,783	\$(250,000)	\$ 14,065,651	\$220,296,495	\$(3,915,505)
0.00%	6.38%	\$ 224,212,000	\$ -	\$ -	\$ 14,315,651	\$224,212,000	\$ -
0.25%	6.63%	\$ 215,763,760	\$ (8,448,240)	\$ 250,000	\$ 14,565,651	\$228,127,505	\$ 3,915,505
0.50%	6.88%	\$ 207,929,056	\$(16,282,944)	\$ 500,000	\$ 14,815,651	\$232,043,009	\$ 7,831,009

#### 5. Mortgages and loans receivable

	September 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.	\$ 44,850	\$ -
Mortgage receivable, bearing interest at 8.0% (2023 - 4.5%) per annum, repayable in monthly blended payments of principal and interest of \$10,303 (2023 - \$8,164), with a maturity date of July 31, 2025 (2023 - July 31, 2024). Secured by a first mortgage charge against land and building (Note 5 (i)).	1,348,550	1,439,324
Mortgage receivable, with a stated interest rate of 5% per annum and an effective interest rate of 6.10% 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 5(ii)).	5,670,868	-
	<b>7,064,268</b>	1,439,324
Less current portion	<b>(1,477,754)</b>	(1,439,324)
Long-term portion	\$ <b>5,586,514</b>	\$ -

- i) 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. During the year ended September 30, 2024 the Company entered into a mortgage amending agreement on the VTB. The VTB can be prepaid in whole or in part without penalty and is carried at fair value.
- ii) On May 27, 2024 the Company entered into a VTB mortgage agreement on the sale of an investment property (Note 4). The VTB had a face value of \$5,866,664 and a fair value of \$5,681,670 based on an effective interest rate of 6.10% at the date of sale. Finance income on the VTB will be recognized at the effective interest rate over the term of the mortgage receivable and included in interest income in finance costs on the statement of income (loss).

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 6. Receivables

	September 30, 2024	September 30, 2023
Receivables from tenants	\$ 699,348	\$ 222,545
Interest receivables	32,925	5,348
Other receivables	-	9,451
Allowance for doubtful accounts	(325,777)	-
Balance, end of year	\$ 406,496	\$ 237,344

Tenant receivables at September 30, 2024 and 2023, include occupancy costs which are reconciled at each year-end and subsequently collected after year-end.

#### 7. Prepaid expenses and deposits

	September 30, 2024	September 30, 2023
Prepaid operating expenses	\$ 1,126,799	\$ 926,932
Security deposits with municipalities	-	27,019
Deposit held in trust	-	100,000
Total	\$ 1,126,799	\$ 1,053,951

Prepaid operating expenses include prepaid insurance and property taxes. The deposit held in trust was a refundable deposit for a purchase of land that was discontinued in the current year and refunded to the Company.

IMPERIAL EQUITIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

8. Mortgages

Maturity Date	Monthly blended principal and interest payments		September 30, 2024	September 30, 2023
	\$	Rate	\$	\$
October 1, 2023	-	-	-	11,229
*** November 1, 2026	-	-	-	9,898,484
** October 1, 2025	-	-	-	7,200,000
** August 1, 2024	-	-	-	7,899,062
November 1, 2024	63,681	3.555%	6,520,161	7,044,169
December 1, 2024	33,003	6.073%	2,572,333	2,806,416
December 1, 2024	29,985	6.073%	2,337,107	2,549,785
February 1, 2025	35,507	3.420%	3,733,862	4,027,712
February 1, 2025	47,279	3.310%	3,729,623	4,166,544
February 1, 2025	17,662	5.720%	1,416,856	1,544,751
April 1, 2025	27,830	5.290%	2,896,350	3,073,687
April 1, 2025	34,847	2.310%	3,924,998	4,248,881
July 1, 2025	25,203	5.990%		
* (2023 - July 1, 2024)	(2023 - 22,084)	(2023 - 6.91%)	1,249,673	1,430,709
August 1, 2025	27,279	2.837%	3,072,706	3,309,756
October 1, 2025	53,312	7.02%		
* (2023 - October 1, 2023)	(2023 - 46,776)	(2023- 4.090%)	4,305,259	4,639,139
November 1, 2025	35,967	6.640%		
* (2023 - November 1, 2023)	(2023- 32,438)	(2023-4.330%)	2,968,684	3,202,558
December 1, 2025	43,161	6.763%		
* (2023 - December 1, 2023)	(2023 - 39,285)	(2023 -4.648%)	3,568,158	3,846,275
January 1, 2026	23,512	5.930%		
* (2023 - January 1, 2024)	(2023 - 22,298)	(2023 - 4.30%)	1,489,864	1,682,599
January 1, 2026	18,660	5.930%		
* (2023 - January 1, 2024)	(2023 - 17,696)	(2023-4.300%)	1,182,432	1,335,396
April 1, 2026	33,136	6.010%		
* (2023 - April 1, 2024)	(2023 - 26,788)	(2023 - 2.110%)	3,324,875	3,551,844
April 1, 2026	23,715	2.675%	1,952,328	2,181,648
July 1, 2026	76,219	2.710%	9,258,283	9,913,807
July 1, 2026	39,884	2.710%	4,844,689	5,187,713
** September 1, 2026	100,705	4.950%	17,400,000	-
October 1, 2026	65,250	2.940%	7,963,235	8,504,926
June 11, 2029	42,759	3.480%	4,244,073	4,613,754
<i>Total mortgages</i>			93,955,546	107,870,842
<i>Less: current portion of principal payments</i>			(35,459,869)	(28,851,657)
<i>Less: Balance of unamortized finance fees</i>			(94,023)	(132,928)
			58,401,654	78,886,257

\* Mortgages renewed during the twelve months ended September 30, 2024

\*\* Two existing mortgages were combined into a new mortgage during the year ended September 30, 2024

\*\*\* Mortgage was assumed by purchaser of related investment property (Note 4).

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

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 9. Bank operating facilities

	September 30, 2024	September 30, 2023
LOC with a limit of \$15,500,000	\$ 13,799,145	\$ 15,104,227
LOC with a limit of \$8,000,000	7,494,663	4,769,539
Bank operating facilities	\$ 21,293,808	\$ 19,873,766

The Company has two credit facilities set out as follows:

1) One operating Line of Credit (“LOC”) with a limit of \$15,500,000

This LOC is used to assist with property acquisitions and general operations. The facility is comprised of a fixed rate fixed term (“FRFT”) component of \$8,000,000 and a revolving component. The FRFT component is reset annually to the principal balance at the time of renewal. At September 30, 2024, the FRFT component was set at a maximum of \$7,518,340 (September 30, 2023 – \$7,735,103), and bears interest at 3.36% per annum with an original three-year term ending February 1, 2025. The balance of the FRFT component at September 30, 2024 is \$7,444,453 (2023 - \$7,663,656).

The remaining balance of the facility to a maximum of \$7,981,660 (September 30, 2023 - \$7,764,898) is revolving, and bears interest at prime plus 1% per annum. The balance of the revolving component at September 30, 2024 was \$6,354,692 (2023 - \$7,440,571). The LOC is secured by specific revenue-producing properties with combined fair values of \$46,880,000 (September 30, 2023 - \$37,157,449). Prime rate at September 30, 2024 was 6.45% (September 30, 2023 – 7.2%).

The specific covenants related to this facility remained the same as at September 30, 2023. The lender may, on demand, require immediate payment of all amounts outstanding or accrued in connection with the facility as a whole.

Specific covenants of this credit facility include the following:

- Minimum Occupancy Level: The Company is required to have a minimum of 90% occupancy of the secured buildings. Should a secured property fall below the Minimum Occupancy level, a 6-month grace period will commence subject to a reduced Loan to Value Test of 50%, and the existing Debt Service Test.
- Debt Service Coverage Ratio (“DSCR”): The DSCR is calculated as the net operating income divided by the debt service. The debt service is defined as the annual principal and interest payments based on a 25-year amortization and an interest rate that is the greater of 4.5% or the Government of Canada Benchmark Bond Yields plus 225 basis points. The net operating income is defined as 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”): The LTV must be maintained at less than 70%. The LTV is defined as the total debt on the secured properties divided by the current market value of the secured properties.

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; 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 1<sup>st</sup> mortgage and 60% for the secured properties over which the Lender holds a 2<sup>nd</sup> mortgage, less the prior debt on the properties. For these secured properties, the loan to value is set at 70%, unchanged from the prior year.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 9. Bank operating facilities (cont'd)

The Company was in compliance with all of the covenants as at September 30, 2024 and 2023. During the year ended September 30, 2024 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 determined that the 6-month grace period to remedy the violation commenced March 1, 2024 and ended September 30, 2024. As part of an amendment to the agreement in June 2024, the properties securing the LOC were modified and the vacant property was removed, putting the Company back in compliance with the covenant.

- 2) A second operating LOC with a limit of \$8,000,000 (September 30, 2023 – a limit of \$6,000,000).

This credit facility bears interest at prime plus 0.95% per annum and is secured by specific revenue-producing properties with combined fair values at September 30, 2024, of \$33,429,000 (September 30, 2023 - \$32,209,073).

In June 2024, the Company completed an amending agreement to increase the available balance on the LOC from \$6,000,000 to \$8,000,000.

On March 24, 2023, the Company entered into an agreement for a \$2,000,000 temporary increase in the operating line of credit, creating a new limit of \$8,000,000. On June 22, 2023, an additional temporary increase of \$2,000,000 was approved increasing the credit limit to \$10,000,000. The temporary agreements included a general security agreement covering a first position on all present and after acquired property and were extended to September 21, 2023 at which time, the Company received funding on a new mortgage. In accordance with the terms of the agreements, the proceeds of the new mortgage were used to reduce the outstanding balance on the line of credit. Additionally, at the expiration date of the extensions, the security agreement was discharged and the limit on the LOC reverted back to \$6,000,000 at September 30, 2023.

There are no specific covenants or margin formulas for this line of credit.

#### 10. Leases

##### *The Company as a lessee*

The Company's lease liability and right-of-use assets relate to the Company's office lease and the lease of two vehicles (2023 – office lease). The Company has no short- term leases or leases of low value assets.

Below is the carrying amount of the right-of-use asset recognized and the movements during the year:

	September 30, 2024			September 30,
	Office	Vehicles	Total	2023
Balance, beginning of year	\$ 362,598	\$ -	\$ 362,598	\$ 512,639
Additions	-	55,569	55,569	-
Amortization	(150,040)	(4,390)	(154,430)	(150,041)
Balance, end of year	\$ 212,558	\$ 51,179	\$ 263,737	\$ 362,598

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 10. Leases (cont'd)

Below are the carrying amounts of the lease liability and the movements during the year:

	September 30, 2024	September 30, 2023
Balance, beginning of year	\$ 409,195	\$ 564,738
Additions of assets under lease	55,569	-
Lease payments	(184,788)	(180,000)
Accretion of interest	17,339	24,457
Total	297,315	409,195
Less: Current portion	(199,174)	(163,419)
Long-term portion	\$ 98,141	\$ 245,776

The remaining lease term for the office asset is 17 months and includes an option to extend the lease. There are no variable lease payments linked to an index and no termination options or options to purchase. The average remaining lease term for the vehicles is 21 months. There are no variable lease payments linked to an index. One vehicle lease includes an option to purchase, and an option to terminate the lease early with payment of a termination penalty, which have not been included in the lease liability as are not reasonably certain to be exercised.

Future lease payments are as follows:

	Within 1 year	1-2 years	2-3 years	Total
<b>September 30, 2024</b>				
Lease payments	\$ 210,446	\$ 99,908	\$ -	\$ 310,354
Finance charges	(11,272)	(1,767)	-	(13,039)
Net present values	\$ 199,174	\$ 98,141	\$ -	\$ 297,315
<b>September 30, 2023</b>				
Lease payments	\$ 180,000	\$ 180,000	\$ 75,000	\$ 435,000
Finance charges	(16,581)	(8,305)	(919)	(25,805)
Net present values	\$ 163,419	\$ 171,695	\$ 74,081	\$ 409,195

#### *The Company as a lessor*

The Company has entered into leases on its investment properties. Refer to Note 17 for further information.

#### 11. Payables and accruals

	September 30, 2024	September 30, 2023
Trade payables	\$ 132,328	\$ 1,372,406
Accrued liabilities	267,196	343,627
Accrued loan interest	349,742	542,731
Current portion of tenant security deposits	86,755	57,344
Prepaid rent	243,638	298,216
Total	\$ 1,079,659	\$ 2,614,324

Trade payables include commissions payable on acquisitions and leasing fees, as well amounts payable for progress billings relating to properties under development. Accrued liabilities include occupancy costs due to tenants, accruals for work done but not yet billed on investment properties, and accrued vacation balances. Prepaid rents from tenants relate to rents due on the first of the following month, and the balance represents rents paid in advance which are recognized in revenue over the applicable months.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 12. Finance costs

The components of finance costs are as follows:

	Year ended September 30	
	2024	2023
Interest on mortgages	\$ 4,072,134	\$ 3,541,154
Interest on bank operating facilities	1,362,538	1,205,258
Interest on other unsecured financing	134,363	281,830
Interest on lease obligations	17,339	24,457
Amortization of deferred financing fees	103,345	89,682
Finance fees	64,996	31,286
Interest income	(187,649)	(67,681)
<b>Total</b>	<b>\$ 5,567,066</b>	<b>\$ 5,105,986</b>

#### 13. Income taxes

##### a) Provision for income taxes

Components of income tax expense (recovery)

	Year ended September 30	
	2024	2023
Current tax expense	\$ 1,707,729	\$ 439,590
Prior period adjustments	2,212	4,735
Deferred tax (recovery) expense	(56,821)	1,310,523
	<b>\$ 1,653,120</b>	<b>\$ 1,754,848</b>

The actual income tax provision differs from the expected amount calculated by applying Canadian combined federal and provincial corporate tax rates to income before tax of 23.00%. These differences result from the following:

	Year ended September 30	
	2024	2023
Income (loss) before income taxes	\$ (2,607,903)	\$ 8,567,778
Expected income tax (recovery) expense at 23.00%	(599,818)	1,970,589
Increase (decrease) resulting from:		
Non-taxable items	(406,848)	(217,383)
Tax rate differentials and tax rate changes	2,657,574	7,107
Prior period adjustments	2,212	(4,965)
Other	-	(500)
	<b>\$ 1,653,120</b>	<b>\$ 1,754,848</b>

Effective June 25, 2024, the inclusion rate for capital gains increased from one-half to two-thirds, which impacted the tax rate differential and tax rate changes in the above reconciliation.

**IMPERIAL EQUITIES INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended September 30, 2024 and 2023**

**13. Income taxes (cont'd)**

**b) Deferred taxes**

	September 30, 2024	September 30, 2023
Deferred tax assets are attributable to the following:		
Lease liability	\$ 68,383	\$ 94,115
Mortgages receivable	38,769	-
Finance fees	4,571	-
Capital losses	109,849	-
Non-capital losses	126,465	-
Total deferred tax assets	348,037	94,115
Offset of deferred tax liabilities	(348,037)	(94,115)
Net deferred tax assets	\$ -	\$ -
Deferred tax liabilities are attributable to the following:		
Straight-line rent receivable	\$ 411,709	\$ 462,148
Investment properties	16,127,047	15,842,858
Finance fees	-	3,479
Deferred leasing	413,245	413,016
Right-of-use-asset	60,659	83,398
Capital gain reserve	-	10,660
Total deferred tax liabilities	17,012,660	16,815,559
Offset of deferred tax assets	(348,037)	(94,115)
Net deferred tax liabilities	\$ 16,664,623	\$ 16,721,444

At September 30, 2023, \$30,273,649 related to investments in certain subsidiaries was not recognized because it was not probable that the temporary difference will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized. Effective September 30, 2024 these subsidiaries were dissolved.

**14. Supplemental consolidated cash flow information**

	Year ended September 30,	
	2024	2023
<b>Change in operating working capital:</b>		
Receivables	\$ (169,152)	\$ 197,194
Prepaid expenses and deposits	(72,848)	(127,201)
Security deposits	49,639	(17,485)
Payables and accruals	(435,840)	327,788
Income taxes payable	831,570	(446,491)
Net change in operating working capital	\$ 203,369	\$ (66,195)
Interest paid	\$ 5,779,363	\$ 5,921,775
Income taxes paid	\$ (783,936)	\$ 890,816

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 14. Supplemental consolidated cash flow information (cont'd)

	Year ended September 30,	
	2024	2023
<b>Non-cash transactions:</b>		
Tenant inducement payable reversed	\$ -	\$ 200,000
Acquisition of lease asset	\$ 55,669	\$ -
Assumption of a mortgage (Note 4)	\$ 9,483,147	\$ -
Mortgage receivable on a sale (Note 5 (ii))	\$ 5,681,670	\$ -

#### 15. Equity

##### Common shares

The Company has unlimited authorized common share capital. There have been no changes to issued share capital in the current or prior year.

##### Dividends

Holders of common shares are entitled to receive dividends when declared by the Company's Board of Directors. During the year ended September 30, 2024, the Company paid dividends of \$0.08 per share for a total of \$756,099 (2023 - \$0.08 per share for a total of \$756,099).

##### Share based payments

The Company has a Directors', Management, Employees' and Consultants' Stock Option Plan (the "Plan"). Under the Plan, the Board of Directors may designate which directors, management and key employees of the Company are to be granted options. The number of Common Shares reserved for issuance at any time pursuant to the Plan is 1,800,000.

During the year, the Company issued 200,000 stock options to an employee which vested immediately. The Company recorded share-based compensation expense of \$251,600 (2023 - \$nil) in the consolidated statements of income (loss).

##### Stock options

	Number	Weighted average exercise price
Outstanding at October 1, 2023	-	\$ -
Granted during the year	200,000	\$ 4.00
Outstanding at September 30, 2024	200,000	\$ 4.00
Exercisable at September 30	200,000	\$ 4.00

The weighted average contractual life for the share options outstanding at September 30, 2024 is 4.91 years.

The following table lists the inputs to the Black-Scholes option pricing model used to determine the fair value at grant date:

Dividend yield	2.00%
Expected volatility	38.08%
Risk-free interest rate	2.95%
Exercise price	\$ 4.00
Weighted average fair value at the measurement date	\$ 1.258

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 15. Equity (cont'd)

The expected life of the stock options is based on historical data, and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

#### 16. Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the net income (loss) and comprehensive income (loss) for the year attributable to shareholders by the weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by dividing the net income (loss) and comprehensive income (loss) for the year attributable to shareholders by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of dilutive potential common shares into common shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2024	2023
Net income (loss) and comprehensive income (loss) attributable to shareholders	\$ (4,261,023)	\$ 6,812,930
Weighted average number of shares – basic and diluted	9,451,242	9,451,242
Basic and diluted earnings per share	\$ (0.45)	\$ 0.72

The impact of the 200,000 stock options that are exercisable at September 30, 2024 was anti-dilutive and therefore the stock options were excluded in the calculation of diluted earnings per share. As there were no dilutive instruments outstanding at September 30, 2023, basic and diluted earnings per share were identical.

#### 17. 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. Rental revenue includes the following:

	Year ended September 30,	
	2024	2023
Rental revenue, contractual amount	\$ 14,695,062	\$ 14,708,303
Property tax and insurance recoveries	3,239,856	3,125,588
Amortization of tenant inducements	(149,782)	(57,256)
Straight-line rental revenue	(219,301)	46,266
Total lease income	17,565,835	17,822,901
Operating expense recoveries	1,956,867	1,696,644
Other	200	217,220
Total rental revenue	\$ 19,522,902	\$ 19,736,765

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 17. Rental revenue (cont'd)

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

	2024	2023
One year	\$ 14,629,174	\$ 14,075,725
One to two years	13,215,268	12,711,787
Two to three years	11,888,187	11,404,436
Three to four years	9,787,901	10,217,969
Four to five years	7,113,062	8,688,244
Thereafter	28,266,188	34,448,835
Total	\$ 84,899,780	\$ 91,546,996

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

#### 18. Guarantees, contingencies, and commitments

- a) In the normal course of operations, the Company and its subsidiaries execute agreements that provide for indemnification and guarantees to third parties, such as engagement letters with advisors and consultants, and service agreements. The Company has also agreed to indemnify its directors and certain of its officers and employees in accordance with the Company's bylaws. Certain agreements do not contain any limits on the Company's liability and, therefore, it is not possible to estimate the Company's potential liability under these indemnities, and as such, no provision has been included in these financial statements. Further, the Company maintains insurance policies that may provide coverage against certain claims under these indemnities.
- b) The Company maintains insurance on its properties. The all-risk property insurance includes replacement cost and rental value coverage (including coverage for the perils of flood and earthquake).
- c) The Company has contracts in place with related parties to provide property management and asset management. Both contracts have been in place since 1999 and have been renewed on an annual basis with no changes to the terms. Further information can be found in the Related Party Transactions in Note 21.
- d) During the prior year, the Company entered into a purchase agreement to acquire land for a total purchase price of \$8,000,000. The agreement required an initial deposit of \$100,000 which was refundable under certain conditions. During the year ended September 30, 2024, the Company discontinued the purchase, and the deposit was refunded in full.

#### 19. Capital risk management

The Company defines capital that it manages as the aggregate of its equity. 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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended September 30, 2024 and 2023.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 19. Capital risk management (cont'd)

The Company monitors capital primarily using a loan to value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio. The Company policy is to keep the average loan to value ratio below 70%.

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, maintain high occupancy levels, and ensure compliance with any debt covenants. The Company is only subject to debt covenants on its bank operating facilities and is in compliance with its covenants at September 30, 2024.

	September 30, 2024	September 30, 2023
Investment properties	\$ 231,058,342	\$ 260,517,019
Mortgages	93,861,523	107,737,914
Bank operating facilities	21,293,808	19,873,766
Other financing	-	3,565,000
Total Loans	\$ 115,155,331	\$ 131,176,680
Loan to value ratio	50%	50%

#### 20. Financial instruments

	September 30, 2024	September 30, 2023
<b>Financial assets</b>		
Cash and cash equivalents	\$ 306,017	\$ 424,451
Receivables	406,496	237,344
Mortgages and loans receivable	7,064,268	1,439,324
	<b>7,776,781</b>	<b>2,101,119</b>
<b>Financial liabilities</b>		
Bank operating facilities	\$ 21,293,808	\$ 19,873,766
Payables and accruals	1,079,659	2,614,324
Other financing	-	3,565,000
Lease liability	297,315	409,195
Security deposits	795,430	745,791
Mortgages	93,861,523	107,737,914
	<b>\$ 117,327,735</b>	<b>\$ 134,945,990</b>

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 short term and demand nature of those instruments.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 20. Financial instruments (cont'd)

Mortgages and loans receivable includes one mortgage that is measured at fair value as it is prepayable without penalty. The fair value of the mortgage at September 30, 2024 is \$1,348,550 (2023 - \$1,439,324). The remaining mortgage receivable and loan receivable are recorded at amortized cost with a total carrying value of \$5,715,718 (2023 - \$nil). The estimated fair value of the mortgage and loan receivable carried at amortized cost at September 30, 2024 is \$5,864,940.

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 at September 30, 2024 is based on a discount rate of 4.95%.

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 September 30, 2024 is \$91,261,000 (September 30, 2023 - \$102,248,000). 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 was 6.49% (September 30, 2023 - 6.84%).

The Company's activities expose it to risks arising from financial instruments including credit risk, interest rate risk, and liquidity risk. 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 primarily on its cash and cash equivalents, tenant receivables, and mortgage and loans receivable. The Company's maximum exposure to credit risk at September 30, 2024 is \$8,069,633 (2023 - \$2,086,320).

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 simplified approach to recognize lifetime expected credit losses ("ECL"). 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 September 30, 2024 the Company recorded a loss provision of \$325,777 (September 30, 2023 - \$nil) on tenant receivables. The Company identified specific tenant balances that are overdue, and the tenants have been unable to remedy the default on a timely basis. The Company considers balances in default if they are over 90 days overdue.

Accounts receivable are written off when there is no reasonable expectation of recovery, based on communication with the tenant. During the year, \$23,844 (September 30, 2023 - \$129,608) of receivables were written off and included in administrative expenses.

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

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 20. Financial instruments (cont'd)

Credit risk associated with mortgages and loans receivable is mitigated through the Company assessing the creditworthiness of the counterparty prior to entering into a transaction. The mortgage receivables are secured by first mortgages on the related real properties. The Company has assessed that there has been no change in the credit risk on the mortgages and loans receivable in the period, and that the twelve month expected credit losses is \$nil, based on the value of the underlying collateral security on the mortgage receivables, and the creditworthiness and payment history of the counterparties.

The Company's continuity for the allowance for doubtful accounts is as follows:

Opening balance, October 1, 2023	\$	-
Loss provision recognized in income (loss) during the year		<u>325,777</u>
Ending balance, September 30, 2024	\$	<u>325,777</u>

#### Interest rate risk

The Company's exposure to interest rate risk relates to its short-term floating interest rates on the portion of bank operating facilities that are not fixed rate fixed term. The required cash flow to service the debt will fluctuate because of the changing prime interest rate. The balance of the floating rate portion of the bank operating facilities at September 30, 2024 is \$13,849,355 (September 30, 2023 - \$12,210,110). Under the assumption any balance of the floating rate 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 \$138,493 (September 30, 2023 - \$122,101). The Company minimizes its exposure to interest rate risk to the extent that all mortgages have fixed rates with terms of 1-5 years, and a portion of the bank operating facility is at a fixed rate (Note 9).

#### 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 year, the Company renewed seven mortgages. Three mortgages were renewed for a further 1-3 years at fixed rates. The Company also entered into a new mortgage with proceeds of \$17,400,000 which was used to pay out the balances of two existing mortgages totaling \$14,900,898.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 20. Financial instruments (cont'd)

##### Contractual obligations at September 30, 2024

	1 year	2-3 years	3-4 years	4-5 Years	5-6 years	Thereafter	Total
Gross mortgage payments	\$ 38,648,017	\$ 49,908,417	\$ 7,360,988	\$ 513,106	\$ 2,740,266	\$ -	\$ 99,170,794
Payables and accruals	1,079,659	-	-	-	-	-	1,079,659
Gross lease liability payments	210,446	99,908	-	-	-	-	310,354
Security deposits	-	-	114,406	113,410	40,000	527,614	795,430
	39,938,122	50,008,325	7,475,394	626,516	2,780,266	527,614	101,356,237
Operating facilities	21,293,808	-	-	-	-	-	21,293,808
	\$ 61,231,930	\$ 50,008,325	\$ 7,475,394	\$ 626,516	\$ 2,780,266	\$ 527,614	\$ 122,650,045

##### Contractual obligations at September 30, 2023

	1 year	2-3 years	3-4 years	4-5 Years	5-6 years	Thereafter	Total
Gross mortgage payments	\$ 32,644,681	\$ 36,039,265	\$ 27,995,503	\$ 15,399,435	\$ 513,106	\$ 2,759,105	\$ 115,351,095
Payables and accruals	2,614,324	-	-	-	-	-	2,614,324
Gross lease liability payments	180,000	180,000	75,000	-	-	-	435,000
Security deposits	57,344	25,445	-	75,816	116,914	527,614	803,133
	35,496,349	36,244,710	28,070,503	15,475,251	630,020	3,286,719	119,203,552
Other financing	3,565,000	-	-	-	-	-	3,565,000
Operating facilities	19,873,766	-	-	-	-	-	19,873,766
	\$ 58,935,115	\$ 36,244,710	\$ 28,070,503	\$ 15,475,251	\$ 630,020	\$ 3,286,719	\$ 142,642,318

#### 21. Related party transactions

The following are the related party transactions of the Company.

##### a) Management agreements

Sable Realty & Management Ltd. ("Sable") provides property management services to the Company. Sable is controlled by the President and CEO of the Company. Transactions with Sable include payment of a property management fee calculated as 4% of gross rents paid plus a flat fee for ground maintenance on certain properties and payment of property maintenance fees for labour, travel, and equipment usage. Project fees may also be charged by Sable to the Company for large scale tenant improvements, which are negotiated on a project-by-project basis.

North American Realty Corp. ("NARC") provides asset management services to the Company and is also controlled by the President and CEO of the Company. Transactions with NARC include leasing, acquisition, and disposition fees.

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 21. Related party transactions (cont'd)

Transactions with related parties are as follows:

	Financial statement category	Year ended September 30,	
		2024	2023
Property management and maintenance fees paid to Sable	Statement of income (loss) – Property operating expenses	\$ 1,662,541	\$ 1,436,959
Disposition fees paid to NARC	Statement of income (loss)– Loss on sale of investment properties	633,300	-
Leasing fees paid to NARC	Statement of financial position – deferred leasing costs (investment properties)	196,199	120,806
Vehicle lease payments paid to NAML	Statement of financial position – lease liabilities	19,200	27,300
<b>Total payments</b>		<b>\$ 2,511,240</b>	<b>\$ 1,585,065</b>

At September 30, 2024 the Company has \$31,424 in outstanding payables to Sable (2023 – \$35,023) to Sable.

#### b) Other related party transactions

- i) Payments made to (received from) Sable Realty & Management Ltd. in the normal course of business are as follows:

	Financial statement category	Year ended September 30,	
		2024	2023
Leased office space and parking	Statement of financial position – lease liabilities	\$ 180,000	\$ 180,000
Rent at Sable Centre	Statement of income (loss) – rental revenue	(97,651)	(94,923)
<b>Net payments for the period</b>		<b>\$ 82,349</b>	<b>\$ 85,077</b>

- 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 year were \$47,500 (2023 – \$45,000).
- iii) Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The amount disclosed in the table are recognized as an expense during the year. There were no other transactions with key management personnel.

	Year ended September 30,	
	2024	2023
Salaries and wages	\$ 511,250	\$ 475,657
Stock based compensation	251,600	-
Short-term employee benefits	16,749	12,731
<b>Total</b>	<b>\$ 779,599</b>	<b>\$ 488,388</b>

## IMPERIAL EQUITIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2024 and 2023

#### 21. Related party transactions (cont'd)

iv) Other financing, unsecured

Related Parties	October 1, 2023	Advances	Repayments	September 30, 2024
Jamel Chadi, Shareholder <sup>1</sup>	\$ 1,965,000	\$ -	\$ (1,965,000)	\$ -
Sine Chadi, Shareholder <sup>1</sup>	1,600,000	200,000	(1,800,000)	-
NAMC <sup>2</sup>	-	450,000	(450,000)	-
<b>Total</b>	<b>\$ 3,565,000</b>	<b>\$ 650,000</b>	<b>\$ (4,215,000)</b>	<b>\$ -</b>

Related Parties	October 1, 2022	Advances	Repayments	September 30, 2023
Jamel Chadi, Shareholder <sup>1</sup>	\$ 1,200,000	\$ 1,350,000	\$ (585,000)	\$ 1,965,000
Sine Chadi, Shareholder <sup>1</sup>	750,000	1,050,000	(200,000)	1,600,000
NAMC <sup>2</sup>	350,000	885,000	(1,235,000)	-
Diane Buchanan, Shareholder <sup>1</sup>	700,000	-	(700,000)	-
<b>Total</b>	<b>\$ 3,000,000</b>	<b>\$ 3,285,000</b>	<b>\$ (2,720,000)</b>	<b>\$ 3,565,000</b>

- Loans received from shareholders bears interest at an annual rate of 6%. Total interest expense during the year ended September 30, 2024 was \$127,624 (2023 - \$254,231). Accrued interest on the loans at September 30, 2023 was \$233,755 and was included in payables and accruals.
- Loans from North American Mortgage Corp. ("NAMC"), a company controlled by the President and shareholder of the Company, bear interest at 6% per annum. Total interest expense for the year ended September 30, 2024 was \$6,738 (2023 - \$27,341).

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

#### 22. Post-reporting date events

Effective October 1, 2024, the Company amalgamated with its wholly owned subsidiary IEPL.

On October 3, 2024, the Company declared a quarterly dividend of \$0.02 per share totalling \$189,025 which was paid on November 5, 2024 to shareholders of record effective October 21, 2024.

On October 15, 2024, the Company closed the sale of the property that was disclosed as "held for sale" at September 30, 2024 for total net proceeds of \$2,063,800.



IMPERIAL  
EQUITIES  
INC.

2151 Rice Howard Place | 10060 Jasper Ave  
Edmonton AB T5J 3R8

Tel: 780-424-7227  
Fax: 780-425-6379

[askus@imperialequities.com](mailto:askus@imperialequities.com)  
[www.imperialequities.com](http://www.imperialequities.com)

TSX Venture Exchange  
Trading Symbol: IEI