



IMPERIAL EQUITIES INC.

Financial Statements for the years ended
September 30, 2025 and 2024



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December 12, 2025
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Imperial Equities Inc.

Opinion

We have audited the financial statements of Imperial Equities Inc. (the Company), which comprise the statements of financial position as at September 30, 2025 and 2024, and the statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2025 and 2024, and the financial performance and 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 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 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 our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our 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, 2025, the Company held investment properties which are stated at a fair value of \$227,029,386, which represents 94% 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;

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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 management's analysis;
- Evaluating the significant assumptions used in the calculations and performing a recalculation of the fair value of the investment properties at September 30, 2025; 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 financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

In preparing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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.

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.
STATEMENTS OF FINANCIAL POSITION

	Notes	September 30, 2025	September 30, 2024
Assets			
Investment properties	4, 21	\$ 227,029,386	\$ 231,058,342
Right-of-use assets	10	85,912	263,737
Mortgages and loans receivable	6	5,850,315	5,586,514
Total non-current assets		232,965,613	236,908,593
Current portion of mortgages and loans receivable	6	5,484,821	1,477,754
Receivables	5	764,839	406,496
Prepaid expenses and deposits		1,069,235	1,126,799
Cash		270,120	306,017
Total current assets		7,589,015	3,317,066
Investment property held for sale	4	-	2,200,000
Total Assets		\$ 240,554,628	\$ 242,425,659
Liabilities			
Mortgages	7	\$ 19,984,779	\$ 58,401,654
Security deposits		820,876	795,430
Term loan	8	214,086	-
Lease liabilities	10,21	-	98,141
Deferred taxes	12	15,861,581	16,664,623
Total non-current liabilities		36,881,322	75,959,848
Income taxes payable		965,764	1,271,158
Current portion of lease liabilities	10,21	98,141	199,174
Current portion of mortgages	7	66,331,718	35,459,869
Current portion of term loan	8	57,709	-
Bank operating facilities	9	23,265,456	21,293,808
Payables and accruals	11	1,432,710	1,079,659
Total current liabilities		92,151,498	59,303,668
Total Liabilities		129,032,820	135,263,516
Equity			
Issued share capital	13	5,947,346	5,947,346
Contributed surplus	13	501,200	251,600
Retained earnings		105,073,262	100,963,197
Total Equity		111,521,808	107,162,143
Total Equity and Liabilities		\$ 240,554,628	\$ 242,425,659

Post-reporting date events (Note 22)

Signed "Sine Chadi", Director

Signed "Kevin Lynch", Director

See accompanying notes to the financial statements.

IMPERIAL EQUITIES INC.

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

Years ended September 30,

	Notes	2025	2024
Rental revenue	14, 21	\$ 19,919,142	\$ 19,522,902
Property operating expenses	21	6,435,109	6,496,375
Income from operations		13,484,033	13,026,527
Finance costs	15,21	4,760,888	5,567,066
Administrative expenses		1,760,226	1,648,586
Share based compensation	13	249,600	251,600
Amortization of deferred leasing costs	4	446,140	396,727
Amortization of right-of-use assets	10	177,825	154,430
Loss on sale of investment properties	4,21	297,417	1,505,981
Valuation loss from investment properties, net	4	773,585	6,110,040
Income (loss) before income tax		5,018,352	(2,607,903)
Income tax expense	12	152,188	1,653,120
Net income (loss) and comprehensive income (loss)		\$ 4,866,164	\$ (4,261,023)
Earnings (loss) per share - basic and diluted	16	\$ 0.51	\$ (0.45)

See accompanying notes to the financial statements.

IMPERIAL EQUITIES INC.
STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Capital stock	Contributed surplus	Retained earnings	Total
Balance, October 1, 2023	9,451,242	\$ 5,947,346	\$ -	\$ 105,980,319	\$ 111,927,665
Dividends paid	-	-	-	(756,099)	(756,099)
Share based compensation	-	-	251,600	-	251,600
Net loss and comprehensive loss	-	-	-	(4,261,023)	(4,261,023)
Balance, September 30, 2024	9,451,242	5,947,346	251,600	100,963,197	107,162,143
Dividends paid (Note 13)	-	-	-	(756,099)	(756,099)
Share based compensation (Note 13)	-	-	249,600	-	249,600
Net income and comprehensive income	-	-	-	4,866,164	4,866,164
Balance, September 30, 2025	9,451,242	\$ 5,947,346	\$ 501,200	\$ 105,073,262	\$ 111,521,808

See accompanying notes to the financial statements.

IMPERIAL EQUITIES INC.

STATEMENTS OF CASH FLOWS

Years ended September 30,

	Notes	2025	2024
Operating activities			
Net income (loss)		\$ 4,866,164	\$ (4,261,023)
Finance costs	15	4,760,888	5,567,066
Items not affecting cash:			
Share based compensation	13	249,600	251,600
Amortization of right-of-use assets	10	177,825	154,430
Amortization of tenant inducements	4	126,854	149,782
Amortization of deferred leasing costs	4	446,140	396,727
Loss on sale of investment properties	4	297,417	1,505,981
Valuation loss on investment properties, net	4	773,585	6,110,040
Straight-line rental revenue	4	241,383	219,301
Deferred income taxes	12	(803,042)	(56,821)
Leasing commissions		(355,306)	(397,722)
Net change in operating working capital	17	(195,145)	203,369
Cash provided by operating activities		10,586,363	9,842,730
Investing activities			
Improvements and additions to investment properties		(2,203,700)	(329,451)
Payments from mortgages and loans receivable		502,885	262,797
Advances on mortgages and loans receivable		(272,757)	(46,000)
Net cash proceeds on sale of investment properties		2,856,540	4,439,205
Change in investing payables and accruals		16,859	(878,258)
Cash provided by investing activities		899,827	3,448,293
Financing activities			
Proceeds from new mortgages		-	17,400,000
Repayment of mortgages on maturity		(1,245,662)	(14,900,898)
Repayment of mortgages through principal instalments		(6,331,013)	(6,931,251)
Fees associated with new or renewed mortgages		(37,872)	(64,440)
Advances from term loan		310,013	-
Repayments on term loan		(38,218)	-
Advances from other financing		-	650,000
Repayment of other financing		-	(4,215,000)
Lease payments		(199,174)	(167,449)
Interest paid		(5,195,710)	(5,844,362)
Dividends paid	13	(756,099)	(756,099)
Net advances from bank operating facilities		1,971,648	1,420,042
Cash used in financing activities		(11,522,087)	(13,409,457)
Decrease in cash and cash equivalents		(35,897)	(118,434)
Cash and cash equivalents, beginning of year		306,017	424,451
Cash and cash equivalents, end of year		\$ 270,120	\$ 306,017

Supplemental cash flow information (Note 17)

See accompanying notes to the financial statements.

IMPERIAL EQUITIES INC.

NOTES TO THE FINANCIAL STATEMENTS

Years ended September 30, 2025 and 2024

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 financial statements for the year ended September 30, 2025 were authorized for issue by the Board of Directors on December 10, 2025.

2. Material accounting policy information

(a) Statement of compliance and the basis of presentation

The 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 financial statements are based on IFRS Accounting Standards effective as at September 30, 2025 and have been consistently applied to all years presented, unless stated otherwise

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

Effective September 30, 2024, the Company dissolved its inactive 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. On October 1, 2024, the Company amalgamated with its sole wholly owned subsidiary, Imperial Equities Properties Ltd. (“IEPL”). Subsidiaries were fully consolidated from the date control commenced and deconsolidated from the date control ceased.

Effective October 1, 2025, the Company no longer has any subsidiaries under its control. The comparative figures presented in these financial statements are those of the previously presented annual consolidated financial statements of the Company.

(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 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.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

2. Material accounting policy information (cont'd)

(b) Investment properties (cont'd)

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 statements of income and comprehensive income in the period in which they arise.

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 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.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

2. Material accounting policy information (cont'd)

(b) Investment properties (cont'd)

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). Properties under development are transferred to income producing properties at their fair value upon practical completion. The Company considers practical completion to have occurred when the property is available for occupancy.

(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.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

2. Material accounting policy information (cont'd)

(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.

(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. To make this assessment, the Company considers certain indicators including whether the lease is for the major part of the economic life of the asset or the present value of lease payments is substantially all the fair value of the underlying asset. 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 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.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

2. Material accounting policy information (cont'd)

(f) Leases (cont'd)

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.

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 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.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

2. Material accounting policy information (cont'd)

(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 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. The Company commences revenue recognition based on a number of factors. In most cases, revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the later of the lease commencement date, or when the Company is required to make additions to the leased property in the form of tenant improvements, upon substantial completion of such additions. 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 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 FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

2. Material accounting policy information (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.

IMPERIAL EQUITIES INC.

NOTES TO THE FINANCIAL STATEMENTS

Years ended September 30, 2025 and 2024

2. Material accounting policy information (cont'd)

(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.

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 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 two 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.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

2. Material accounting policy information (cont'd)

(k) Financial instruments

For assets and liabilities that are recognized in the 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.

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.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

2. Material accounting policy information (cont'd)

(k) Financial instruments (cont'd)

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, mortgages 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 two mortgages receivable classified as FVTPL as they do not meet the criteria of contractual cash flows of solely payments of principal and interest on the principal amount outstanding. The Company does not have any financial assets categorized as FVOCI.

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, term loan, 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.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

2. Material accounting policy information (cont'd)

(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 for the Company on October 1, 2024 and did not have a material impact on the Company's financial statements:

- 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.
- 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.

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.

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 does not expect these amendments to have a material impact on its financial statements.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

2. Material accounting policy information (cont'd)

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

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 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 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.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

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

Critical judgments in applying accounting policies (cont'd)

(i) Leases (cont'd)

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.

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.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

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)

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.

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 by the Company have been determined to be asset acquisitions.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

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

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 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 is 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, 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 FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

4. Investment properties

	Income producing properties	Held for development	Total investment properties
Balance, October 1, 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 losses, net	(5,477,646)	(632,394)	(6,110,040)
Less: classified as held for sale	-	(2,200,000)	(2,200,000)
Balance, September 30, 2024	228,122,706	2,935,636	231,058,342
<i>Additions:</i>			
Property improvements and additions	2,136,959	-	2,136,959
Capitalized property taxes and other	-	66,741	66,741
Leasing commissions	355,306	-	355,306
Amortization of tenant inducements	(126,854)	-	(126,854)
Amortization of deferred leasing commissions	(446,140)	-	(446,140)
Change in straight-line rental revenue	(241,383)	-	(241,383)
Disposals	(5,000,000)	-	(5,000,000)
Fair value losses, net	(706,844)	(66,741)	(773,585)
Balance, September 30, 2025	\$ 224,093,750	\$ 2,935,636	\$ 227,029,386

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

	September 30, 2025	September 30, 2024
Straight-line rent receivable	\$ 1,548,656	\$ 1,790,039
Tenant inducements	389,670	516,524
Leasing commissions	1,705,883	1,796,717
	\$ 3,644,209	\$ 4,103,280

Straight-line rent receivable, tenant inducements and leasing commissions are amortized over the terms of the respective leases.

The balance of tenant inducements is as follows:

	September 30, 2025	September 30, 2024
Tenant inducements	\$ 865,277	\$ 865,277
Amortization	(475,607)	(348,753)
Balance, end of year	\$ 389,670	\$ 516,524

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

4. Investment properties (cont'd)

The balance of deferred leasing costs is as follows:

	September 30, 2025	September 30, 2024
Deferred leasing costs	\$ 4,306,548	\$ 3,951,242
Amortization	(2,600,665)	(2,154,525)
Balance, end of year	\$ 1,705,883	\$ 1,796,717

Property dispositions

September 30, 2025

Disposition date	Property type	Region	Sale price	Fair value of investment property	Transaction costs	Loss on sale
October 15, 2024	Land held for development	Edmonton	\$ 2,200,000	\$ 2,200,000	\$ 141,201	\$(141,201)
September 5, 2025	Income producing property ¹	Edmonton	5,000,000	5,000,000	156,216	(156,216)
			\$7,200,000	\$7,200,000	\$297,417	\$(297,417)

¹ Consideration on the sale of the income producing property included cash proceeds of \$1,000,000 and a vendor-take-back ("VTB") mortgage (Note 6) of \$4,046,043.

Prior to each of the sales, the related properties were adjusted to fair value based on the sales prices, resulting in a total loss of \$536,000 being included in the valuation loss on investment properties, net. The operating results of disposed properties are included up to the date of disposition.

September 30, 2024

Disposition date	Property type	Region	Sale price	Fair value of investment property	Transaction costs	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 ²	Edmonton	13,790,000	13,790,000	838,597	(838,587)
May 28, 2024	Land held for development ³	Strathcona County	6,315,006	6,500,000	429,313	(614,308)
			\$20,925,006	\$21,110,000	\$1,320,996	\$(1,505,981)

² Consideration on the sale of the income producing property included the assumption of a mortgage with a balance of \$9,483,147 at the sale date.

³ Consideration for the sale of the land held for development in Strathcona County included a vendor-take-back ("VTB") mortgage (Note 6) 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.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

4. Investment properties (cont'd)

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.

Investment properties held for sale:

	September 30, 2025	September 30, 2024
Balance, beginning of year	\$ 2,200,000	\$ -
Transfer from investment properties	5,000,000	23,310,000
Dispositions	(7,200,000)	(21,110,000)
Balance, end of year	\$ -	\$ 2,200,000

At September 30, 2025 the Company has no properties held for sale. The land held for development, classified as held for sale at September 30, 2024, was sold on October 15, 2024 for total gross proceeds of \$2,200,000.

Valuation methodology and processes

The Company values all of its investment properties at each reporting period using valuations prepared internally by management. On a quarterly basis, the valuation team reviews and updates, as deemed necessary, the valuation models to reflect current market data. 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.

IMPERIAL EQUITIES INC.

NOTES TO THE FINANCIAL STATEMENTS

Years ended September 30, 2025 and 2024

4. Investment properties (cont'd)

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.

For all income producing 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 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 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.

During the year ended September 30, 2025, the Company reviewed its valuation methodology for three parcels of land held for development that were leased to two existing tenants. At September 30, 2024, these parcels of land were valued using the direct comparison approach. For the year ended September 30, 2025 management determined that it would be more appropriate to reclassify the parcels of land to be valued with the related investment property that is leased by the same tenant instead of valuing the vacant land separately. This adjustment to the unit of account for the purposes of the fair value calculation resulted in the vacant land being valued with the related investment property using the income capitalization approach. The total value of the leased land valued using the direct comparison approach at September 30, 2024 was \$3,910,710. Included in the fair value gain (loss) for the year ended September 30, 2025 is a fair value loss of \$15,647 related to the reclassification of the land for valuation purposes.

For the fiscal year ended September 30, 2024, the fair value of two of the income producing properties was previously determined based on the direct comparison approach. The Company assessed that the income capitalization approach provides better information about the fair value of the properties and therefore decided to change the valuation method.

These changes in valuation method were applied prospectively as they were changes in estimates. Other than described above, there were no other changes in valuation techniques during the years ended September 30, 2025 and 2024.

For the years ended September 30, 2025 and September 30, 2024, management 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.

IMPERIAL EQUITIES INC.
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4. Investment properties (cont'd)

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

Valuation Technique - Income capitalization							
Income producing property	Total fair value 2025	Total fair value 2024	Key unobservable inputs	Range 2025	Weighted average 2025	Range 2024	Weighted average 2024
Single tenant - Edmonton region	\$113,730,000	\$114,160,000	Vacancy loss percentage	1.00% - 2.00%	1.77%	1.00% - 2.00%	1.78%
			Structural reserve percentage	0.50% - 2.00%	1.44%	0.50% - 2.00%	1.45%
			Net operating income		\$ 510,260		\$ 492,623
			Capitalization rates	4.50% - 7.00%	6.18%	4.50% - 7.00%	6.24%
Single Tenant - Alberta urban outside Edmonton	\$ 62,936,000	\$ 65,054,000	Vacancy loss percentage	1.00% - 2.00%	1.14%	1.00% - 2.00%	1.14%
			Structural reserve percentage	0.50% - 1.00%	0.58%	0.50% - 1.00%	0.58%
			Net operating income		\$1,268,554		\$1,302,194
			Capitalization rates	6.10% - 6.75%	6.50%	6.10% - 6.75%	6.51%
Single tenant - Rural Alberta and BC	\$ 20,264,000	\$ 18,352,000	Vacancy loss percentage	1.00% - 2.00%	1.42%	1.00% - 2.00%	1.36%
			Structural reserve percentage	0.50% - 2.00%	1.41%	0.50% - 2.00%	1.34%
			Net operating income		\$ 370,772		\$ 396,161
			Capitalization rates	6.75% - 8.00%	7.29%	6.75% - 8.00%	7.31%
Multi-tenant - Edmonton	\$ 27,423,000	\$ 26,646,000	Vacancy loss percentage	1.00% - 2.00%	1.46%	1.00% - 2.00%	1.47%
			Structural reserve percentage	1.00% - 2.00%	1.86%	1.00% - 2.00%	1.85%
			Net operating income		\$ 562,781		\$ 541,192
			Capitalization rates	5.50% - 6.80%	6.08%	5.50% - 6.80%	6.07%
	<u>\$224,353,000</u>	<u>\$224,212,000</u>					

A balance of \$259,250 is included with the carrying value of a specific property for the purposes of the valuation calculation, however, is classified separately as a mortgage receivable for financial statement disclosure purposes.

Valuation technique - Direct Comparison							
Income producing property	Total fair value 2025	Total fair value 2024	Key unobservable inputs	Range 2025	Weighted average 2025	Range 2024	Weighted average 2024
Land held for development - Edmonton	\$ 1,770,000	\$ 5,680,710	Price per acre	\$ 790,000	\$ 790,000	\$745,000 - \$845,000	\$ 797,000
Land held for development - Red Deer	\$ 848,000	\$ 848,000	Price per acre	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Land held for development - Rural Alberta	\$ 317,636	\$ 317,632	Price per acre	\$ 6,428	\$ 6,428	\$ 6,428	\$ 6,428
	<u>\$ 2,935,636</u>	<u>\$ 6,846,342</u>					

IMPERIAL EQUITIES INC.
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Years ended September 30, 2025 and 2024

4. Investment properties (cont'd)

Fair value sensitivity

The following table summarize the fair value sensitivity at September 30, 2025 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)%	5.86%	\$ 243,506,868	\$ 19,153,868	\$(500,000)	\$ 13,761,218	\$216,487,157	\$(7,865,483)
(0.25)%	6.11%	\$ 233,537,861	\$ 9,184,861	\$(250,000)	\$ 14,011,218	\$220,420,078	\$(3,932,922)
0.00%	6.36%	\$ 224,353,000	\$ -	\$ -	\$ 14,261,218	\$224,353,000	\$ -
0.25%	6.61%	\$ 215,863,267	\$ (8,489,733)	\$ 250,000	\$ 14,511,218	\$228,285,922	\$3,932,922
0.50%	6.86%	\$ 207,992,626	\$(16,360,374)	\$ 500,000	\$ 14,761,218	\$232,218,843	\$7,865,843

5. Receivables

	September 30, 2025	September 30, 2024
Receivables from tenants	\$ 778,627	\$ 699,348
Interest receivables	49,784	32,925
Allowance for doubtful accounts	(63,572)	(325,777)
Balance, end of year	\$ 764,839	\$ 406,496

Tenant receivables at September 30, 2025 and 2024, include occupancy costs which are reconciled at each year-end and subsequently collected after year-end.

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6. Mortgages and loans receivable

	September 30, 2025	September 30, 2024
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 31, 2028, at which time any outstanding balance is repayable in full.	\$ 41,272	\$ 44,850
Loan receivable from a tenant, bearing interest at 8.5% per annum, repayable in equal monthly payments of principal and interest of \$3,358, with payments commencing January 1, 2025 and a maturity date of December 31, 2034.	259,250	-
Mortgage receivable, bearing interest at 8.0% per annum, repayable in monthly blended payments of principal and interest of \$10,303, with a maturity date of October 31, 2025 (2024 - July 31, 2025). Secured by a first mortgage charge against land and building (Note 6 (i)).	1,330,392	1,348,550
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 27, 2027. Secured by a first mortgage charge against land (Note 6 (ii)).	5,658,179	5,670,868
Mortgage receivable, with a stated and effective interest rate of 5.00% per annum, with monthly blended payments of principal and interest of \$23,519, and a maturity date of September 1, 2026. Secured by a first mortgage charge against land and building (Note 6 (iii)).	4,046,043	-
	11,335,136	7,064,268
Less current portion	(5,484,821)	(1,477,754)
Long-term portion	\$ 5,850,315	\$ 5,586,514

- 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 changing the interest rate, payments and extending the maturity date to July 31, 2025. During the year ended September 30, 2025, the VTB’s maturity date was extended to October 31, 2025 and subsequent to year-end the maturity was extended to December 31, 2025. The VTB can be prepaid in whole or in part without penalty and is carried at fair value.
- ii) On May 28, 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).
- iii) On Sep 5, 2025 the Company entered into a VTB mortgage agreement on the sale of an investment property (Note 4). The VTB had a face value of \$4,046,043 which approximated its fair value. The VTB can be prepaid in whole or in part without penalty and is carried at fair value.

IMPERIAL EQUITIES INC.

NOTES TO THE FINANCIAL STATEMENTS

Years ended September 30, 2025 and 2024

7. Mortgages

Maturity Date	Monthly blended principal and interest payments	Rate	September 30, 2025	September 30, 2024
October 1, 2025	\$ 53,312	7.020%	\$ 3,952,361	\$ 4,305,259
November 1, 2025	35,967	6.640%	2,724,272	2,968,684
December 1, 2025	43,161	6.763%	3,279,488	3,568,158
January 1, 2026	23,512	5.930%	1,289,683	1,489,864
January 1, 2026	18,660	5.930%	1,023,558	1,182,432
* February 1, 2026 (2024 - February 1, 2025)	27,167 (2024 -35,507)	4.300% (2024 - 3.420%)	3,506,915	3,733,862
* February 1, 2026 (2024- February 1, 2025)	26,677 (2024 - 47,279)	4.300% (2024 - 3.310%)	3,443,592	3,729,623
* February 1, 2026 (2024 - February 1, 2025)	16,761 (2024 - 17,662)	4.300% (2024 - 5.720%)	1,277,026	1,416,856
* April 1, 2026 (2024 - April 1, 2025)	26,460 (2024 - 27,830)	4.27% (2024 - 5.29%)	2,704,835	2,896,350
* April 1, 2026 (2024 - April 1, 2025)	28,047 (2024 - 34,847)	4.27% (2024 - 2.310%)	3,657,669	3,924,998
April 1, 2026	33,136	6.010%	3,119,077	3,324,875
April 1, 2026	23,715	2.675%	1,716,831	1,952,328
* July 1, 2026 (2024 - July 1, 2025)	24,982 (2024 - 25,203)	5.450% (2024 - 5.990%)	-	1,249,673
July 1, 2026	76,219	2.710%	8,584,873	9,258,283
July 1, 2026	39,884	2.710%	4,492,306	4,844,689
* August 1, 2026 (2024 - August 1, 2025)	21,295 (2024 - 27,279)	4.188% (2024 - 2.837%)	2,838,030	3,072,706
** September 1, 2026	100,705	4.950%	17,035,993	17,400,000
October 1, 2026	65,250	2.940%	7,405,500	7,963,235
* November 1, 2026 (2024 - November 1, 2024)	39,621 (2024 - 63,681)	4.663% (2024 - 3.555%)	6,039,642	6,520,161
* December 1, 2026 (2024 - December 1, 2024)	31,349 (2024 - 33,003)	4.669% (2024 - 6.073%)	2,313,521	2,572,333
* December 1, 2026 (2024 - December 1, 2024)	28,482 (2024 - 29,985)	4.669% (2024 - 6.073%)	2,101,962	2,337,107
June 11, 2029	42,759	3.480%	3,871,737	4,244,070
<i>Total mortgages</i>			86,378,871	93,955,546
<i>Less: current portion of principal payments</i>			(66,331,718)	(35,459,869)
<i>Less: Balance of unamortized finance fees</i>			(62,374)	(94,023)
			\$ 19,984,779	\$ 58,401,654
Weighted average rate			4.44%	4.30%

* Mortgages renewed during the twelve months ended September 30, 2025.

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

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 FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

8. Term loan

	September 30, 2025	September 30, 2024
Term loan, with an effective interest rate of 5.146% repayable in monthly payments of \$5,837, matures February 6, 2030. Secured by related leasehold improvements.	\$ 271,795	\$ -
Less current portion	(57,709)	-
Long-term portion	\$ 214,086	\$ -

Included in the Company's available credit facilities (Note 9) is a \$1,000,000 revolving lease line of credit. This facility provides the Company with the ability to finance certain eligible expenditures with leases. During the year, the Company entered into a sale-leaseback agreement for \$310,013 for certain leasehold improvements included in one of its buildings. The agreement has a five-year term commencing February 6, 2025, and an option to purchase the leaseholds for \$1 at the conclusion of the lease. Management determined that the transfer of the asset did not meet the criteria to be considered a sale under IFRS 15 *Revenue from contracts with customers* and as such the lease is treated as a financial liability under IFRS 9 *Financial Instruments*.

9. Bank operating facilities

	September 30, 2025	September 30, 2024
LOC with a limit of \$15,500,000	\$ 15,376,917	\$ 13,799,145
LOC with a limit of \$8,000,000	7,888,539	7,494,663
Bank operating facilities	\$ 23,265,456	\$ 21,293,808

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. At September 30, 2025, the facility consists of a revolving line of credit. At September 30, 2024, the facility had both a revolving component and a fixed rate fixed term ("FRFT") component of \$8,000,000. On February 1, 2025, the fixed rate fixed term ("FRFT") component matured, and the balance was rolled into the revolving credit facility. The balance of the FRFT component was \$7,350,934 at maturity and \$7,444,453 at September 30, 2024.

The facility bears interest at prime plus 1% per annum and is secured by specific revenue-producing properties with combined fair values of \$49,903,000 (2024 - \$46,880,000). Prime rate at September 30, 2025 was 4.70% (2024 - 6.45%).

The specific covenants related to this facility remained the same as at September 30, 2024. The lender may, on demand, require immediate payment of all amounts outstanding or accrued in connection with the facility as a whole.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

9. Bank operating facilities (cont'd)

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 5.7% 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 1st mortgage and 70% 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.

Starting May 1, 2025, 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 one of the buildings securing the LOC. Under the terms of the LOC, a 6 month grace period commenced, wherein the property is subject to a reduced LTV of 50%, and the DCSR requirements remain unchanged. At September 30, 2025 the Company is in compliance with the LTV and DSCR calculations as amended under the requirements of the grace period, which expires October 31, 2025. Subsequent to year-end, the grace period expired, and the LTV was reduced to 0%, with the DSCR requirements remaining unchanged. The Company remained in compliance with the LTV and DSCR requirements, and the availability of the facility remained unchanged.

2) A second operating LOC with a limit of \$8,000,000

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, 2025, of \$28,444,000 (2024 - \$33,429,000).

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

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

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. The Company has no short- term leases or leases of low value assets.

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

	September 30, 2025			September 30, 2024	
	Office	Vehicles	Total	Total	
Balance, beginning of year	\$ 212,558	\$ 51,179	\$ 263,737	\$	362,598
Additions	-	-	-		55,569
Amortization	(150,040)	(27,785)	(177,825)		(154,430)
Balance, end of year	\$ 62,518	\$ 23,394	\$ 85,912	\$	263,737

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

	September 30, 2025	September 30, 2024	
Balance, beginning of year	\$ 297,315	\$	409,195
Additions of assets under lease	-		55,569
Lease payments	(210,446)		(184,788)
Accretion of interest	11,272		17,339
Total	98,141		297,315
Less: Current portion	(98,141)		(199,174)
Long-term portion	\$ -	\$	98,141

The remaining lease term for the office asset is 5 months and includes an option to extend the lease. There is 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 9 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
September 30, 2025				
Lease payments	\$ 99,908	\$ -	\$ -	\$ 99,908
Finance charges	(1,767)	-	-	(1,767)
Net present values	\$ 98,141	\$ -	\$ -	\$ 98,141
September 30, 2024				
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

The Company as a lessor

The Company has entered into leases on its investment properties. Refer to Note 14 for further information.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
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11. Payables and accruals

	September 30, 2025	September 30, 2024
Trade payables	\$ 632,605	\$ 132,328
Accrued liabilities	155,106	267,196
Accrued loan interest	317,211	349,742
Current portion of tenant security deposits	-	86,755
Prepaid rent	327,788	243,638
Total	\$ 1,432,710	\$ 1,079,659

Trade payables include payables for property operating expenses, additions to investment properties, and commissions payable on acquisitions and leasing fees. 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.

12. Income taxes

a) Provision for income taxes

Components of income tax expense (recovery)

	Year-ended September 30,	
	2025	2024
Current tax expense	\$ 988,263	\$ 1,707,729
Prior period adjustments	(33,033)	2,212
Deferred tax recovery	(803,042)	(56,821)
	\$ 152,188	\$ 1,653,120

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

	Year-ended September 30,	
	2025	2024
Income before income taxes	\$ 5,018,352	\$ (2,607,903)
Expected income tax expense at 23.00% (2024 - 23.00%)	1,154,221	(599,818)
Increase (decrease) resulting from:		
Non-taxable items	(209,739)	(406,848)
Prior period adjustments	58,678	2,212
Non-capital loss carrybacks	70,096	-
Tax rate differentials and tax rate changes	(925,147)	2,657,574
Other	4,079	-
	\$ 152,188	\$ 1,653,120

IMPERIAL EQUITIES INC.
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12. Income taxes (cont'd)

During the year ended September 30, 2024, the Government of Canada announced an increase in the capital gains inclusion rate from $\frac{1}{2}$ to $\frac{2}{3}$ starting June 25, 2025. The calculation of deferred taxes as at September 30, 2024 reflects this increased capital gains rate. On March 21, 2025 the Government of Canada announced the cancellation of the previously announced increase, and that the capital gains inclusion rate would remain at $\frac{1}{2}$. As a result, the Company's calculation of deferred taxes at September 30, 2025 reflects the decrease the expected deferred tax on investment properties, and capital losses. The impact of the change in rates was a recovery of approximately \$1,515,000 included in deferred tax expense for the year ended September 30, 2025.

b) Deferred taxes	September 30, 2025	September 30, 2024
Deferred tax assets are attributable to the following:		
Lease liabilities	\$ 85,085	\$ 68,383
Mortgages receivable	-	38,769
Finance fees	7,244	4,571
Capital losses	51,628	109,849
Non-capital losses	-	126,465
Total deferred tax assets	143,957	348,037
Offset of deferred tax liabilities	(143,957)	(348,037)
Net deferred tax assets	\$ -	\$ -
Deferred tax liabilities are attributable to the following:		
Straight-line rent receivable	\$ 356,191	\$ 411,709
Investment properties	14,966,816	16,127,047
Mortgages receivable	30,324	-
Deferred leasing	392,353	413,245
Right-of-use-assets	19,760	60,659
Capital gain reserve	240,094	-
Total deferred tax liabilities	16,005,538	17,012,660
Offset of deferred tax assets	(143,957)	(348,037)
Net deferred tax liabilities	\$ 15,861,581	\$ 16,664,623

13. Equity

Common shares

The Company has unlimited authorized common share capital with no par value. 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, 2025, the Company paid dividends of \$0.08 per share for a total of \$756,099 (2024 - \$0.08 per share for a total of \$756,099).

IMPERIAL EQUITIES INC.
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13. Equity (cont'd)

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 (2024 – 200,000) stock options to an employee which vested immediately. The Company recorded share-based compensation expense of \$249,600 (2024- \$251,600) in the 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
Granted during the year	200,000	\$	3.85
Outstanding at September 30, 2025	400,000	\$	3.93
Exercisable at September 30, 2025	400,000	\$	3.93

The weighted average contractual life for the share options outstanding at September 30, 2025 is 4.41 years (2024 - 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:

Date granted	August 15, 2025	August 26, 2024
Dividend yield	2.00%	2.00%
Expected volatility	39.67%	38.08%
Risk-free interest rate	2.95%	2.95%
Exercise price	\$ 3.850	\$ 4.000
Weighted average fair values at the measurement date	\$ 1.248	\$ 1.258

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.

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14. Rental revenue

The Company leases its commercial properties under operating leases with current terms ranging between 1 and 13 years. Some leases have options to extend for further five-year terms. Two leases have early termination clauses under specific circumstances. Rental revenue includes the following:

	Year-ended September 30,	
	2025	2024
Rental revenue, contractual amount	\$ 14,564,286	\$ 14,695,062
Property tax and insurance recoveries	3,467,461	3,239,856
Amortization of tenant inducements	(126,854)	(149,782)
Straight-line rental revenue	(241,383)	(219,301)
Total lease income	17,663,510	17,565,835
Operating expense recoveries	2,105,184	1,956,867
Other	150,448	200
Total rental revenue	\$ 19,919,142	\$ 19,522,902

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

	2025	2024
One year	\$ 14,109,973	\$ 14,629,174
One to two years	13,505,536	13,215,268
Two to three years	11,724,810	11,888,187
Three to four years	9,070,081	9,787,901
Four to five years	7,866,345	7,113,062
Thereafter	28,559,276	28,266,188
	\$ 84,836,021	\$ 84,899,780

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.

15. Finance costs

The components of finance costs are as follows:

	Year ended September 30,	
	2025	2024
Interest on mortgages	\$ 3,916,669	\$ 4,072,134
Interest on bank operating facilities	1,205,244	1,362,538
Interest on other unsecured financing	-	134,363
Interest on lease obligations	11,272	17,339
Amortization of deferred financing fees	69,521	103,345
Finance fees	30,000	64,996
Interest income	(471,818)	(187,649)
Total	\$ 4,760,888	\$ 5,567,066

IMPERIAL EQUITIES INC.
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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:

	Year-ended September 30,	
	2025	2024
Net income (loss) and comprehensive income (loss) attributable to shareholders	\$ 4,866,164	\$ (4,261,023)
Weighted average number of shares – basic and diluted	9,451,242	9,451,242
Basic and diluted earnings (loss) per share	\$ 0.51	\$ (0.45)

The impact of the 400,000 stock options that are exercisable at September 30, 2025 (2024 – 200,000) 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, 2025 and 2024, basic and diluted earnings per share were identical.

17. Supplemental cash flow information

	Year-ended September 30,	
	2025	2024
<i>Change in operating working capital:</i>		
Receivables	\$ (358,343)	\$ (169,152)
Prepaid expenses and deposits	57,564	(72,848)
Security deposits	25,446	49,639
Payables and accruals	385,582	(435,840)
Income taxes payable	(305,394)	831,570
Net change in operating working capital	\$ (195,145)	\$ 203,369
Interest paid	\$ 5,195,710	\$ 5,779,363
Income taxes paid	\$ 1,280,229	\$ (783,936)

Non-cash transactions:

	Year-ended September 30,	
	2025	2024
Acquisition of lease asset	\$ -	\$ 55,669
Assumption of a mortgage (Note 4)	\$ -	\$ 9,483,147
Mortgage receivable on sale of investment property (Note 4 and 6)	\$ 4,046,043	\$ 5,681,670

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

18. Guarantees, contingencies, and commitments

- a) In the normal course of operations, the Company and its subsidiaries execute agreements that provide for indemnification and guarantees to third parties, such as engagement letters with advisors and consultants, and service agreements. The Company has also agreed to indemnify its directors and certain of its officers and employees in accordance with the Company's bylaws. Certain agreements do not contain any limits on the Company's liability and, therefore, it is not possible to estimate the Company's potential liability under these indemnities, and as such, no provision has been included in these financial statements. Further, the Company maintains insurance policies that may provide coverage against certain claims under these indemnities.
- b) The Company maintains insurance on its properties. The all-risk property insurance includes replacement cost and rental value coverage (including coverage for the perils of flood and earthquake).
- c) The Company has contracts in place with related parties to provide property management and asset management. Both contracts have been in place since 1999 and have been renewed on an annual basis with no changes to the terms. Further information can be found in the Related Party Transactions in Note 21.

19. Capital risk management

The Company defines capital that it manages as the aggregate of its equity. 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, 2025 and 2024.

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 one of its bank operating facilities and is in compliance with those covenants at September 30, 2025.

	September 30, 2025	September 30, 2024
Investment properties	\$ 227,029,386	\$ 231,058,342
Mortgages	86,316,497	93,861,523
Term loan	271,795	-
Bank operating facilities	23,265,456	21,293,808
Total Loans	\$ 109,853,748	\$ 115,155,331
Loan to value ratio	48%	50%

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
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20. Financial instruments

	September 30, 2025	September 30, 2024
Financial assets		
Cash and cash equivalents	\$ 270,120	\$ 306,017
Receivables	764,839	406,496
Mortgages and loans receivable	11,335,136	7,064,268
	12,370,095	7,776,781
Financial liabilities		
Bank operating facilities	\$ 23,265,456	\$ 21,293,808
Payables and accruals	1,432,710	1,079,659
Lease liability	98,141	297,315
Security deposits	820,876	795,430
Term loan	271,795	-
Mortgages	86,316,497	93,861,523
	\$ 112,205,475	\$ 117,327,735

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 two mortgages (2024 – one mortgage) that are measured at fair value as they are prepayable without penalty. The fair value of the mortgages at September 30, 2025 is \$5,376,435 (2024 - \$1,348,550). The remaining mortgage and loan receivables are recorded at amortized cost with a total carrying value of \$5,885,152 (2024 - \$5,715,718). The estimated fair value of the mortgage and loan receivables carried at amortized cost at September 30, 2025 is \$6,184,000 (2024 - \$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, 2025 is based on a discount rate of 4.26% (2024 – 4.95%).

The fair value of mortgages payable and term loan 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, 2025 is \$86,391,000 (2024 - \$91,261,000). The estimated fair value of the term loan at September 30, 2025 is \$266,000. 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 these calculations was 6.09% (2024 – 6.49%).

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.

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
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20. Financial instruments (cont'd)

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, 2025 is \$12,383,883 (2024 – \$8,069,633).

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, 2025 the Company recorded a loss provision of \$63,572 (2024 - \$325,777) 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 or counterparty. During the year, \$514,360 (2024- \$23,844) of receivables were written off. Of this amount \$252,155 (2024 - \$349,621) was not previously allowed for and was 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.

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

	September 30, 2025	September 30, 2024
Opening balance	\$ 325,777	\$ -
Loss provision recognized in income during the year	252,155	349,621
Amount written off in the period as uncollectible	(514,360)	(23,844)
Closing balance	\$ 63,572	\$ 325,777

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, 2025 is \$23,265,456 (2024 - \$13,849,355).

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

20. Financial instruments (cont'd)

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 \$232,655 (2024 - \$138,494). The Company minimizes its exposure to interest rate risk to the extent that all mortgages have fixed rates with terms of 1-5 years.

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company's objective related to liquidity risk is to effectively manage cash flows to minimize the exposure that the Company will not be able to meet its obligations associated with financial liabilities. The Company actively monitors its financing obligations and cash and cash equivalents to ensure that it has enough available funds to meet current and foreseeable future financial requirements at a reasonable cost. Management manages its liquidity risk with the use of the lines of credit available to the Company as well as short-term financing from related parties and private parties. Management estimates that cash flows from operating activities will provide enough cash requirements to cover normal operating and budgeted expenditures.

During the current year, the Company renewed ten (2024 - seven) mortgages. Subsequent to year-end, the Company entered into commitments to refinance two mortgages that were maturing and confirmed the renewal of a third mortgage that matured in the period. The Company also completed a letter of commitment for a new mortgage on a property for \$1,050,000 in proceeds.

Contractual obligations at September 30, 2025

	1 year	2-3 years	3-4 years	4-5 years	5-6 years	Thereafter	Total
Gross mortgage payments	\$ 68,935,057	\$ 17,179,884	\$ 513,106	\$ 2,740,266	\$ -	\$ -	\$ 89,368,313
Term loan	70,044	70,044	70,044	70,044	23,349	-	303,525
Payables and accruals	1,432,710	-	-	-	-	-	1,432,710
Gross lease liability payments	99,908	-	-	-	-	-	99,908
Security deposits	-	101,706	38,410	115,000	152,297	413,463	820,876
	70,537,719	17,351,634	621,560	2,925,310	175,646	413,463	92,025,332
Operating facilities	23,265,456	-	-	-	-	-	23,265,456
	\$ 93,803,175	\$ 17,351,634	\$ 621,560	\$ 2,925,310	\$ 175,646	\$ 413,463	\$ 115,290,788

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

IMPERIAL EQUITIES INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended September 30, 2025 and 2024

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. Rent is paid to Sable for the lease of office space by the Company.

North American Realty Corp. (“NARC”) provides asset management services to the Company. Transactions with NARC include leasing, acquisition, and disposition fees. North American Mortgage and Leasing Corp. (“NAML”) provides vehicle lease services to the Company. Transactions with NARC include lease payments. Both NARC and NAML are controlled by the President and CEO of the Company

Transactions with related parties are as follows:

		Year ended September 30,	
Financial Statement category		2025	2024
Property management and maintenance fees paid to Sable	Property operating expenses (Statement of income)	\$ 1,536,200	\$ 1,482,541
Acquisition fees paid to NARC	Investment properties (Statement of financial position)	66,290	-
Disposition fees paid to NARC	Loss on sale of investment properties (Statement of income)	216,000	633,300
Leasing fees paid to NARC	Investment properties – leasing commissions (Statement of financial position)	297,016	196,199
Vehicle lease payments paid to NAML	Lease liabilities (Statement of financial position)	9,000	19,200
Total payments		\$ 2,321,503	\$ 2,511,240

At September 30, 2025 the Company has \$31,198 in outstanding payables to Sable (2024 – \$31,424) to Sable.

b) *Other related party transactions*

- i) Payments made to (received from) Sable Realty & Management Ltd. in the normal course of business for the year ended September 30 are as follows:

		2025	2024
Financial Statement category			
Leased office space and parking	Lease liabilities (Statement of financial position)	\$ 180,000	\$ 180,000
Rent at Sable Centre	Rental revenue (Statement of income)	(98,960)	(97,651)
Net payments for the period		\$ 81,040	\$ 82,349

IMPERIAL EQUITIES INC.
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Years ended September 30, 2025 and 2024

21. Related party transactions (cont'd)

- 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 \$45,000 (2024 – \$47,500).
- iii) Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The 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,	
	2025	2024
Salaries and wages	\$ 520,000	\$ 511,250
Stock based compensation (Note 13)	249,600	251,600
Short-term employee benefits	15,191	16,749
Total	\$ 784,791	\$ 779,599

- iv) Other financing, unsecured

There were no advances or payments of other financing for the year ended September 30, 2025. The continuity for the year ended September 30, 2024 is as follows:

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

- 1) 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.
- 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.

All related party financing was unsecured with no specified dates of repayment and therefore was 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

On October 2, 2025, the Company declared a quarterly dividend of \$0.02 per share totalling \$189,025 which was paid on November 7, 2025 to shareholders of record effective October 24, 2025.