

IMPERIAL EQUITIES INC.

Q3 2025 Interim Condensed Financial Statements

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

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

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

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

	Notes	June 30, 2025 (Unaudited)	September 30, 2024 (Audited Consolidated - Note 2)
Assets			
Investment properties	3	\$ 227,359,288	\$ 231,058,342
Right-of-use assets		130,368	263,737
Mortgages and loans receivable	4	5,877,939	5,586,514
Total non-current assets		233,367,595	236,908,593
Current portion of mortgages and loans receivable	4	1,422,352	1,477,754
Receivables		133,477	406,496
Prepaid expenses and deposits		1,932,725	1,126,799
Cash		311,488	306,017
Total current assets		3,800,042	3,317,066
Investment property held for sale	3	5,000,000	2,200,000
Total Assets		\$ 242,167,637	\$ 242,425,659
Liabilities			
Mortgages	5	\$ 49,453,356	\$ 58,401,654
Security deposits		815,965	795,430
Term loan	6	228,779	-
Lease liabilities	13	3,542	98,141
Deferred taxes	8	15,944,780	16,664,623
Total non-current liabilities		66,446,422	75,959,848
Income taxes payable		374,969	1,271,158
Current portion of lease liabilities		144,590	199,174
Current portion of mortgages	5	39,404,079	35,459,869
Current portion of term loan	6	57,007	-
Bank operating facilities	6	23,237,230	21,293,808
Payables and accruals		1,003,594	1,079,659
Total current liabilities		64,221,469	59,303,668
Total Liabilities		130,667,891	135,263,516
Equity			
Issued share capital		5,947,346	5,947,346
Contributed surplus		251,600	251,600
Retained earnings		105,300,800	100,963,197
Total Equity		111,499,746	107,162,143
Total Equity and Liabilities		\$ 242,167,637	\$ 242,425,659

Signed "Sine Chadi", Director

Signed "Kevin Lynch", Director

See accompanying notes to the interim condensed financial statements.

IMPERIAL EQUITIES INC.

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

(Unaudited)

	Notes	Three months ended June 30,		Nine months ended June 30,	
		2025	2024	2025	2024
Rental revenue	10, 13	\$ 4,940,175	\$ 4,670,354	\$ 14,754,403	\$14,466,823
Property operating expenses	13	1,680,583	1,727,638	4,796,691	4,849,225
Income from operations		3,259,592	2,942,716	9,957,712	9,617,598
Finance costs	11	1,170,271	1,396,070	3,558,368	4,271,631
Administration expenses		359,680	281,088	1,282,569	912,235
Amortization of deferred leasing costs		116,778	101,313	337,973	291,048
Amortization of right-of-use assets		44,457	37,510	133,369	112,530
Loss on the sale of investment properties	3	-	1,484,940	141,202	1,484,940
Valuation (gain) loss from investment properties, net	3	(705,599)	(114,985)	(98,556)	6,586,071
Income (loss) before income tax		2,274,005	(243,220)	4,602,787	(4,040,857)
Income tax expense (recovery)	8	442,925	1,202,397	(301,891)	1,109,120
Net income (loss) and comprehensive income (loss)		\$ 1,831,080	\$(1,445,617)	\$ 4,904,678	\$(5,149,977)
Weighted average number of shares outstanding - basic & diluted		9,451,242	9,451,242	9,451,242	9,451,242
Earnings (loss) per share - basic and diluted		\$ 0.19	\$ (0.15)	\$ 0.52	\$ (0.54)

See accompanying notes to the interim condensed financial statements.

IMPERIAL EQUITIES INC.**INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY**

(Unaudited)

	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	-	-	-	(567,075)	(567,075)
Net income and comprehensive income	-	-	-	4,904,678	4,904,678
Balance, June 30 2025	9,451,242	\$ 5,947,346	\$ 251,600	\$ 105,300,800	\$ 111,499,746

See accompanying notes to the interim condensed financial statements.

IMPERIAL EQUITIES INC.

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	Notes	Three months ended June 30,		Nine months ended June 30,	
		2025	2024	2025	2024
Operating activities					
Net income (loss) from operations		\$ 1,831,080	\$ (1,445,617)	\$ 4,904,678	\$ (5,149,977)
Finance costs		1,170,271	1,396,070	3,558,368	4,271,631
Leasing commissions		(181,026)	(6,183)	(346,550)	(148,460)
Items not affecting cash:					
Amortization of right-of-use asset		44,457	37,510	133,369	112,530
Amortization of tenant inducements		31,714	38,591	95,141	115,775
Amortization of deferred leasing costs		116,778	101,313	337,973	291,048
Loss on sale of investment properties		-	1,484,940	141,202	1,484,940
Valuation (gain) loss on investment properties		(705,599)	(114,985)	(98,556)	6,586,071
Straight-line rental revenue		63,697	50,235	170,635	165,039
Deferred income taxes	8	530,647	(157,342)	(719,843)	(472,280)
Net change in operating working capital	9	(2,571,965)	(1,648,684)	(1,562,901)	(160,201)
Cash provided by operating activities		330,054	(264,152)	6,613,516	7,096,116
Investing activities					
Proceeds on sale of investment properties		-	4,460,247	2,058,798	4,460,247
Additions to investment properties		(1,368,567)	(204,972)	(1,459,589)	(210,798)
Advances on mortgages and loans receivable		-	(46,000)	(272,757)	(46,000)
Proceeds from mortgage and loans receivable		145,371	79,197	391,814	96,251
Change in payables and accruals for investing		(2,504)	-	(7,041)	(905,836)
Cash provided by (used in) investing activities		(1,225,700)	4,288,472	711,225	3,393,864
Financing activities					
Repayment of mortgages		(1,529,448)	(1,900,965)	(5,036,713)	(5,791,460)
Fees associated with new or renewed mortgages		-	(5,374)	(19,493)	(14,604)
Advances from other financing		-	-	-	650,000
Repayment of other financing		-	(2,215,000)	-	(3,515,000)
Advances from term loan		-	-	310,013	-
Repayment of term loan		(13,821)	-	(24,227)	-
Finance costs paid		(1,304,412)	(1,627,057)	(3,776,014)	(4,309,512)
Principal repayments on lease liabilities		(49,857)	(40,855)	(149,183)	(122,565)
Dividends paid		(189,025)	(189,025)	(567,075)	(567,075)
Net advances from bank operating facilities		3,881,568	1,721,862	1,943,422	2,997,154
Cash provided by (used in) financing activities		795,005	(4,256,414)	(7,319,270)	(10,673,062)
Decrease in cash and cash equivalents		(100,641)	(232,094)	5,471	(183,082)
Cash and cash equivalents, beginning of period		412,129	473,463	306,017	424,451
Cash and cash equivalents, end of period		\$ 311,488	\$ 241,369	\$ 311,488	\$ 241,369

Supplemental cash flow information (Note 9)

See accompanying notes to the interim condensed financial statements.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2025

1. General information and nature of operations

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

2. Statement of compliance and basis of preparation

Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and note disclosures normally included in the annual financial statements have been omitted or condensed.

The Board of Directors authorized these interim condensed financial statements for issue on August 13, 2025.

Basis of preparation

These interim condensed financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended September 30, 2024, except as explained below, and should be read in conjunction with the Company’s annual September 30, 2024 consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB.

The interim condensed statements are for the three and nine months ended June 30, 2025, and are presented in Canadian dollars, which is the functional currency of the Company.

On October 1, 2024, the Company amalgamated with its sole wholly owned subsidiary, Imperial Equities Properties Ltd. (“IEPL”). The Company is a continuation of the previously consolidated reporting entity. As such the comparative figures presented in these interim condensed financial statements are those of the previously presented interim condensed consolidated financial statements and the annual consolidated financial statements of the Company.

Use of estimates judgments and assumptions

The preparation of these interim condensed financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. The significant judgments made by management when applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company’s annual September 30, 2024 audited consolidated financial statements.

New and amended standards adopted

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

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2025

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

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

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 is currently assessing the impact of these amendments on its financial statements.

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

3. Investment properties

	Income producing properties	Held for development	Total investment properties
Balance, October 1, 2024	\$ 228,122,706	\$ 2,935,636	\$ 231,058,342
<i>Additions:</i>			
Property improvements and additions	1,398,598	60,991	1,459,589
Leasing commissions	346,550	-	346,550
Amortization of tenant inducements	(95,141)	-	(95,141)
Amortization of deferred leasing costs	(337,973)	-	(337,973)
Change in straight-line rental revenue	(170,635)	-	(170,635)
Fair value gains (losses), net	159,547	(60,991)	98,556
Total investment property	\$ 229,423,652	\$ 2,935,636	\$ 232,359,288
Less: classified as held for sale	(5,000,000)	-	(5,000,000)
Balance, June 30, 2025	\$ 224,423,652	\$ 2,935,636	\$ 227,359,288

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2025

3. Investment properties (cont'd)

Property dispositions

On October 15, 2024 the Company sold 3 acres of land held for development that was classified as investment property held for sale at September 30, 2024, for gross sale proceeds of \$2,200,000. The Company incurred transaction costs of \$141,202 and recorded a loss on sale of \$141,202. During the year ended September 30, 2024, the property was adjusted to fair value based on the sale price, resulting in a loss of \$50,000 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 property held for sale

At June 30, 2025 the Company had one income producing property classified as held for sale. Conditions on the sale were removed during the quarter, and the sale is expected to close prior to September 30, 2025 with total gross proceeds of \$5,000,000. The valuation loss on investment properties for the nine months ended June 30, 2025 includes \$500,000 loss as the fair value was adjusted to the expected purchase price in the prior quarter.

Valuation methodology and processes

During the prior quarter ended March 31, 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. At March 31, 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 nine months ended June 30, 2025 is a fair value loss of \$15,647 related to the reclassification of the land for valuation purposes.

The Company has made no other changes to its valuation methodology and processes since the year-ended September 30, 2024.

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

At June 30, 2025

Land held for development - Weighted average price per acre		
Edmonton	Red Deer	Rural Alberta
\$ 790,000	\$ 400,000	\$ 6,428

At September 30, 2024

Land held for development - Weighted average price per acre		
Edmonton	Red Deer	Rural Alberta
\$ 797,000	\$ 400,000	\$ 6,428

At June 30, 2025

		Edmonton and area - Single tenant	Edmonton region - Multi tenant	Fort McMurray - Single Tenant	Red Deer - Single Tenant	Rural Alberta and B.C. - Single tenant
	Range	Weighted Average				
Vacancy loss percentage	1.00%-2.00%	1.78%	1.46%	1.00%	1.47%	1.42%
Structural reserve percentage	0.50%-2.00%	1.45%	1.85%	0.50%	0.77%	1.40%
Net operating income		\$ 510,817	\$ 557,569	\$ 1,567,569	\$ 592,801	\$ 370,287
Capitalization rate	4.50%-8.00%	6.19%	6.08%	6.59%	6.29%	7.29%
		Total				
Fair value		\$ 113,326,652	\$ 27,241,000	\$ 44,854,000	\$ 18,820,000	\$ 20,182,000

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2025

3. Investment properties (cont'd)

At September 30, 2024

		Edmonton and area - Single tenant	Edmonton region - Multi tenant	Fort McMurray - Single Tenant	Red Deer - Single Tenant	Rural Alberta and B.C. - Single tenant
	Range	Weighted Average				
Vacancy loss percentage	1.00 - 2.00%	1.66%	1.47%	1.00%	1.47%	1.36%
Structural reserve percentage	0.50 - 2.00%	1.45%	1.85%	0.50%	0.77%	1.34%
Net operating income		\$ 492,623	\$ 541,192	\$ 1,590,960	\$ 592,801	\$ 396,161
Capitalization rate	4.50 - 8.00%	5.91%	6.07%	6.60%	6.29%	7.31%
		Total				
Fair value		\$ 114,160,000	\$ 26,646,000	\$ 46,234,000	\$ 18,820,000	\$ 18,352,000

Fair value sensitivity

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

Capitalization rate				Normalized net operating income			
Rate sensitivity	Weighted average cap rate	Fair value	Change in fair value	Sensitivity	Normalized NOI	Fair value	Change in fair value
(0.50)%	5.86%	\$243,603,795	\$ 19,180,143	\$(500,000)	\$ 13,784,596	\$216,558,815	\$(7,864,837)
(0.25)%	6.11%	\$233,621,164	\$ 9,197,512	\$(250,000)	\$ 14,034,596	\$220,491,233	\$(3,932,419)
0.00%	6.36%	\$224,423,652	\$ -	\$ -	\$ 14,284,596	\$224,423,652	\$ -
0.25%	6.61%	\$215,922,138	\$ (8,501,514)	\$ 250,000	\$ 14,534,596	\$228,356,069	\$ 3,932,417
0.50%	6.86%	\$208,040,502	\$(16,383,150)	\$ 500,000	\$ 14,784,596	\$232,288,487	\$ 7,864,835

4. Mortgages and loans receivable

	June 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 1, 2028, at which time any outstanding balance is repayable in full.	\$ 42,184	\$ 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.	263,848	-
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 July 31, 2025. Secured by a first mortgage charge against land and building.	1,335,067	1,348,550
Mortgage receivable, bearing interest at 5.0% per annum with an effective interest rate of 6.01% per annum, with monthly blended payments of principal and interest of \$34,315, and a maturity date of May 28, 2027. Secured by a first mortgage charge against land.	5,659,192	5,670,868
	7,300,291	7,064,268
Less current portion	(1,422,352)	(1,477,754)
Long-term portion	\$ 5,877,939	\$ 5,586,514

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2025

5. Mortgages

Maturity Date	Monthly blended principal and interest payments		Rate	June 30,	September 30,
	\$			2025	2024
July 1, 2025	25,203		5.990%	1,074,884	1,249,673
August 1, 2025	27,279		2.837%	2,890,485	3,072,706
October 1, 2025	53,312		7.020%	4,042,882	4,305,259
November 1, 2025	35,967		6.640%	2,786,880	2,968,684
December 1, 2025	43,161		6.763%	3,353,465	3,568,158
January 1, 2026	23,512		5.930%	1,340,830	1,489,864
January 1, 2026	18,660		5.930%	1,064,151	1,182,432
February 1, 2026	27,167		4.300%		
* (2024 - February 1, 2025)	(2024 - 35,507)	(2024 - 3.420%)		3,550,740	3,733,862
February 1, 2026	26,677		4.300%		
* (2024- February 1, 2025)	(2024- 47,279)	(2024 - 3.310%)		3,486,626	3,729,623
February 1, 2026	16,761		4.300%		
* (2024 - February 1, 2025)	(2024 - 17,662)	(2024 - 5.720%)		1,313,443	1,416,856
April 1, 2026	26,460		4.27%		
* (2024 - April 1, 2025)	(2024- 27,830)	(2024 - 5.290%)		2,755,238	2,896,350
April 1, 2026	28,047		4.27%		
* (2024 -April 1, 2025)	(2024- 34,847)	(2024 - 2.310%)		3,702,787	3,924,998
April 1, 2026	33,136		6.010%	3,171,675	3,324,875
April 1, 2026	23,715		2.675%	1,776,293	1,952,328
July 1, 2026	76,219		2.710%	8,754,929	9,258,283
July 1, 2026	39,884		2.710%	4,581,293	4,844,689
September 1, 2026	100,705		4.950%	17,128,670	17,400,000
October 1, 2026	65,250		2.940%	7,546,464	7,963,235
November 1, 2026	39,621		4.663%		
* (2024 - November 1, 2024)	(2024 - 63,681)	(2024 - 3.555%)		6,088,398	6,520,161
December 1, 2026	31,349		4.669%		
* (2024 - December 1, 2024)	(2024 - 33,003)	(2024 - 6.073%)		2,380,308	2,572,333
December 1, 2026	28,482		4.669%		
* (2024 - December 1, 2024)	(2024 - 29,985)	(2024 - 6.073%)		2,162,642	2,337,107
June 11, 2029	42,759		3.480%	3,965,750	4,244,070
<i>Total mortgages</i>				88,918,833	93,955,546
<i>Less: current portion of principal payments</i>				(39,404,079)	(35,459,869)
<i>Less: Balance of unamortized finance fees</i>				(61,398)	(94,023)
				49,453,356	58,401,654
Weighted average rate				4.41%	3.73%

* Mortgages renewed during the nine months ended June 30, 2025.

** References to the comparative period 2024 are to the balances at 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 INTERIM CONDENSED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2025

6. Bank operating facilities

	June 30, 2025	September 30, 2024
LOC with a limit of \$15,500,000	\$ 15,488,032	\$ 13,799,145
LOC with a limit of \$8,000,000	7,749,198	7,494,663
Bank operating facilities	\$ 23,237,230	\$ 21,293,808

There have been no changes to the terms of the bank operating facilities which consist of lines of credit ("LOC") since the year ended September 30, 2024.

On May 1, 2025 the Company was in violation of a covenant on the LOC with a limit of \$15,500,000 as one of the properties securing the line of credit became vacant, falling under the required 90% occupancy rate. Under the terms of the LOC, a 6 month grace period commenced, wherein the property is subject to a reduced Loan to Value Test ("LTV") of 50%, and the existing Debt Service Coverage Ratio ("DCSR"). At June 30, 2025 the Company is in compliance with the LTV and DSCR calculations as amended by the grace period, which expires October 31, 2025.

On February 1, 2025, the fixed rate fixed term ("FRFT") component of the LOC with a limit of \$15,500,000 matured, and the balance was rolled into the revolving credit facility bearing interest at prime plus 1% per annum. The balance of the FRFT component was \$7,444,453 at September 30, 2024 and \$7,350,934 at maturity.

Term loan

Included in the Company's available credit facilities is a \$1,000,000 revolving lease line of credit by way of lease agreements. During the prior quarter ended March 31, 2025, the Company entered into a sale-leaseback agreement for \$310,013 for certain leasehold improvements included in one of its buildings. The lease has a five-year term commencing February 6, 2025, with monthly payments of \$5,837, 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* and as such the lease will be treated as a financial liability under IFRS 9 *Financial Instruments*. The financial liability has an effective interest rate of 4.956%. The balance of the term loan at June 30, 2025 was \$285,786.

7. Equity

Stock options

	Number	Weighted average exercise price
Outstanding at October 1, 2024	200,000	\$ 4.00
Granted during the period	-	-
Outstanding at June 30, 2025	200,000	\$ 4.00
Exercisable at June 30, 2025	200,000	\$ 4.00

The weighted average contractual life for the stock options outstanding at June 30, 2025 is 4.16 years (September 30, 2024 – 4.91 years).

Earnings per share

The impact of the 200,000 stock options that are outstanding and exercisable at June 30, 2025 and September 30, 2024 is anti-dilutive and therefore the stock options were excluded from the calculation of diluted earnings per share.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2025

8. Income taxes

a) Provision for income taxes

Components of income tax expense (recovery)

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Current tax expense	\$ (84,837)	\$ 1,359,739	\$ 450,956	\$ 1,581,400
Prior period adjustments	(2,885)	-	(33,004)	-
Deferred tax expense	530,647	(157,342)	(719,843)	(472,280)
	<u>\$ 442,925</u>	<u>\$ 1,202,397</u>	<u>\$ (301,891)</u>	<u>\$ 1,109,120</u>

b) Deferred taxes

During fiscal 2024, the Government of Canada announced an increased in the capital gains inclusion rate from $\frac{1}{2}$ to $\frac{2}{3}$ starting on June 25, 2024. 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 $\frac{1}{2}$, with no increase effective for gains after June 25, 2024. As a result, the Company's calculation of deferred taxes was adjusted to decrease the expected deferred tax on investment properties, and capital losses. The impact of this adjustment was a recovery of approximately \$1,515,000 included in deferred tax expense for the nine months ended June 30, 2025.

	June 30, 2025	September 30, 2024
Deferred tax assets are attributable to the following:		
Lease liabilities	\$ 99,801	\$ 68,383
Mortgages and loans receivable	-	38,769
Finance fees	10,388	4,571
Capital losses	18,158	109,849
Non-capital losses	-	126,465
Total deferred tax assets	128,347	348,037
Offset of deferred tax liabilities	(128,347)	(348,037)
Net deferred tax assets	\$ -	\$ -

Deferred tax liabilities are attributable to the following:

Straight-line rent receivable	\$ 372,463	\$ 411,709
Investment properties	15,227,352	16,127,047
Mortgages and loans receivable	28,109	-
Deferred leasing	415,218	413,245
Right-of-use-asset	29,985	60,659
Total deferred tax liabilities	16,073,127	17,012,660
Offset of deferred tax assets	(128,347)	(348,037)
Net deferred tax liabilities	\$ 15,944,780	\$ 16,664,623

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2025

9. Supplemental cash flow information

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Change in operating working capital:				
Receivables	\$ (80,468)	\$ 26,382	\$ 273,019	\$ (210,446)
Prepaid expenses and deposits	(1,708,893)	(1,763,764)	(805,926)	(783,658)
Payables and accruals	(694,882)	(526,249)	(133,805)	(307,909)
Contract liabilities	-	(300,000)	-	-
Income taxes payable	(87,722)	914,947	(896,189)	1,141,812
Net change in operating working capital	\$ (2,571,965)	\$ (1,648,684)	\$ (1,562,901)	\$ (160,201)
Interest paid	\$ 1,304,412	\$ 1,564,761	\$ 3,776,018	\$ 4,279,080
Income taxes paid	\$ (351,106)	\$ 449,687	\$ 808,561	\$ 486,837

10. Rental revenue

The Company leases its commercial properties under operating leases with current terms ranging between 1 and 14 years. Some leases have options to extend for further five-year terms and several leases are month to month. Rental revenue includes the following:

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Rental revenue, contractual amount	\$ 3,610,500	\$ 3,555,995	\$ 10,990,644	\$ 11,089,753
Property tax and insurance recoveries	854,339	800,334	2,632,936	2,403,223
Amortization of tenant inducements	(31,714)	(38,591)	(95,141)	(115,775)
Straight-line rental revenue	(63,698)	(50,235)	(170,635)	(165,039)
Other	157,970	200	157,970	200
Lease income	4,527,397	4,267,703	13,515,774	13,212,362
Operating expense recoveries	412,778	402,651	1,238,629	1,254,461
Total rental revenue	\$ 4,940,175	\$ 4,670,354	\$ 14,754,403	\$ 14,466,823

Future contracted minimum rent receivable from non-cancellable tenant operating leases at June 30 is as follows:

	2025	2024
One year	\$ 13,867,855	\$ 13,768,967
One to two years	12,694,058	12,755,886
Two to three years	10,911,718	11,253,117
Three to four years	8,519,805	9,384,335
Four to five years	6,965,977	7,052,220
Thereafter	27,132,969	29,791,538
	\$ 80,092,382	\$ 84,006,063

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

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2025

11. Finance costs

The components of finance costs are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Interest on mortgages	\$ 976,482	\$ 997,555	\$ 2,952,869	\$ 3,039,735
Interest on bank operating facilities	295,423	341,045	862,773	1,059,394
Interest on other unsecured financing	-	29,775	-	129,237
Interest on lease obligations	2,754	4,145	8,651	12,435
Amortization of deferred financing fees	15,674	37,317	52,118	76,461
Finance fees	25,000	35,476	30,000	35,476
Interest income	(145,062)	(49,243)	(348,043)	(81,107)
Total	\$ 1,170,271	\$ 1,396,070	\$ 3,558,368	\$ 4,271,631

12. Fair value of financial instruments

The carrying value of financial instruments is as follows:

	June 30, 2025	September 30, 2024
Financial assets		
Cash and cash equivalents	\$ 311,488	\$ 306,017
Receivables	133,477	406,496
Mortgages and loans receivable	7,300,291	7,064,268
	7,745,256	7,776,781
Financial liabilities		
Bank operating facilities	\$ 23,237,230	\$ 21,293,808
Payables and accruals	1,003,594	1,079,659
Lease liability	148,132	297,315
Security deposits	815,965	795,430
Term loan	285,786	-
Mortgages	88,857,435	93,861,523
	\$ 114,348,142	\$ 117,327,735

Measurement of fair value

The carrying value of cash and cash equivalents, receivables, bank operating facilities, payables and accruals, and security deposits approximate their fair value because of the near-term maturity of those instruments. The carrying value of the term loan approximates its fair value as the effective interest rate approximates market rates at June 30, 2025.

Mortgages and loans receivable include one mortgage that is measured at fair value as it is prepayable without penalty. The fair value of the mortgage at June 30, 2025 is – \$1,335,067 (September 30, 2024 - \$1,348,550). The remaining mortgages and loans receivable are recorded at amortized cost with a total carrying value of \$5,965,224 (September 30, 2024 - \$5,715,718). The estimated fair value of the mortgages and loans receivable carried at amortized cost at June 30, 2025, is \$6,184,000 (September 30, 2024- \$5,865,000).

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 June 30, 2025 is based on a weighted average discount rate of 4.31% (September 30, 2024 - 4.95%).

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2025

12. Fair value of financial instruments (cont'd)

The fair value of mortgages payable is a level 2 measurement and is based on discounted future cash flows using rates that reflect observable current market rates for similar investments with similar terms and conditions. The estimated fair value of mortgages payable at June 30, 2025, is \$87,247,000 (September 30, 2024 - \$91,261,000). These estimates are subjective as current interest rates are selected from a range of potentially acceptable rates and accordingly, other fair value estimates are possible. The interest rate used for this calculation was 6.09% (September 30, 2024 – 6.49%).

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

	June 30, 2025	September 30, 2024
Balance, beginning of period	\$ 325,777	\$ -
Loss provision recognized in income (loss) during the period	244,710	325,777
Amount written off in the period as uncollectible	(509,259)	-
Balance, end of period	\$ 61,228	\$ 325,777

13. Related party transactions

a) Management agreements

Sable Realty & Management Ltd. ("Sable"), a company controlled by the President and CEO of the Company, provides property management services to the Company. North American Realty Corp. ("NARC"), which is controlled by the President and CEO of the Company, provides asset management services to the Company. North American Mortgage and Leasing Corp. ("NAML") provides vehicles under lease to the Company

Transactions with related parties during the period are summarized below:

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Property management and maintenance fees paid to Sable	\$ 438,542	\$ 424,766	\$ 1,295,213	\$ 1,165,614
Acquisition fees paid to NARC	8,000	-	66,290	-
Disposition fees paid to NARC	-	-	66,000	-
Leasing fees paid to NARC	122,734	639,483	288,260	692,870
Vehicle lease payments paid to NAML	2,250	4,800	6,750	14,400
Total payments	\$ 571,526	\$ 1,069,049	\$ 1,722,513	\$ 1,872,884

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

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three and nine months ended June 30, 2025

13. Related party transactions (cont'd)

b) Other related party transactions

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

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Leased office space and parking	\$ 45,000	\$ 45,000	\$ 135,000	\$ 135,000
Rent at Sable Centre	(25,633)	(23,731)	(76,899)	(71,192)
Net payments for the period	\$ 19,367	\$ 21,269	\$ 58,101	\$ 63,808

- 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 three and nine months ended June 30, 2025 were \$7,500 and \$35,000 (2024 – \$10,000 and \$37,500).

- 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.

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Salaries and wages	\$ 130,000	\$ 130,000	\$ 390,000	\$ 381,250
Short-term employee benefits	3,798	4,293	11,393	13,073
Total	\$ 133,798	\$ 134,293	\$ 401,394	\$ 394,323

14. Post-reporting date events

On July 2, 2025, the Company declared a quarterly dividend of \$0.02 per share totalling \$189,025 which was paid on August 1, 2025 to shareholders of record effective July 18, 2025.

Subsequent to quarter end, the Company agreed to extend the maturity date of the mortgage receivable coming due on July 31, 2025 to August 31, 2025.