

# IMPERIAL EQUITIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended December 31, 2025

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## PRESIDENT'S REPORT FOR Q1 2026

Uncertainty is a constant in business, and navigating unpredictable periods requires discipline, focus, and resilience. Our team of professionals has successfully weathered turbulent cycles marked by high inflation, elevated interest rates, tariff disputes, and geopolitical instability. While I do not underestimate the challenges these forces continue to present, I remain cautiously optimistic.

Part of that optimism comes from the opportunity these pressures create. If they motivate us Canadians to finally address long-standing structural issues—such as reducing interprovincial trade barriers, improving productivity, and developing tidewater facilities capable of moving our products to global markets—we will emerge stronger over the long term. I also continue to value the exceptional business relationships we have built with strong national and international partners. These relationships remain a steady source of stability and opportunity. Finally, I am confident that our Company is as well positioned as any to navigate whatever challenges may lie ahead.

Demand for industrial property across Canada remains robust, particularly in several high-growth markets in Western Canada where our portfolio is concentrated. This strength is reflected in our current occupancy rate of 98.1%. With contract negotiations now underway, we expect occupancy to rise to 99.8% by the end of Q2 2026.

We are also placing a significant focus on acquisitions this year, with several promising opportunities under review. These include fully leased industrial assets with long-term tenants, as well as raw land with strong industrial development potential. I look forward to sharing further updates on these prospective investments in our next reporting cycle.

I am deeply grateful for the continued support and confidence of our Team, our Board, and our Shareholders as we have navigated several cost-intensive quarters. We remain optimistic about the future and energized by the opportunities ahead for our Company.

As always, we look forward to welcoming you to our Annual General Meeting at 2:00 PM on March 12, 2026, via Zoom. You may join the meeting through the following link: <https://bit.ly/IEIAGM2026> We also encourage you to stay connected with Company developments through our newly updated website at [imperialequities.com](https://www.imperialequities.com).

Sincerely,



Sine Chadi, President

## MANAGEMENT'S DISCUSSION AND ANALYSIS AS AT FEBRUARY 12, 2026

The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an explanation of the performance of Imperial Equities Inc. ("Imperial" or "Imperial Equities" or the "Company"). This MD&A should be read in conjunction with the unaudited interim condensed financial statements for the three months ended December 31, 2025 and the related notes, as well as the audited financial statements and MD&A for the years ended September 30, 2025 and 2024.

Unless otherwise noted, all amounts in this MD&A are reported in Canadian dollars, which is the Company's presentation and functional currency. The information contained in this MD&A, including forward-looking statements, is based on information available to management as at February 12, 2026 except as otherwise noted.

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

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

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

## FORWARD-LOOKING INFORMATION

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

Forward-looking statements may involve but are not limited to, comments with respect to our initiatives for 2026 and beyond, future leasing, acquisition and financing plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results or outlook for our operations. By their nature, forward looking statements are subject to numerous risks and uncertainties including those discussed under Risks and Risk Management in this MD&A. Readers are cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be imprecise, and as such, undue reliance should not be place on forward- looking statements.

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

## OUR BUSINESS

Based in Edmonton, Alberta, Imperial Equities is a publicly traded company that invests in and manages industrial, agricultural, and commercial properties in its targeted markets throughout Western Canada. Since operations started in 1998, the Company has increased revenues, and the fair value of its portfolio of investment properties through growth via acquisitions, the construction of build-to-suit projects, proactive maintenance of its properties, and responsive property management to build strong relationships with long-term tenants.

There have been no significant changes to the Company's overall business or strategy during the three months ended December 31, 2025. During Q1 2026 Management focused on leasing the Company's vacant spaces and adjusting the Company's outstanding debt structure to provide room for future growth. This included committing to refinancing two renewing mortgages and completing one new mortgage. The quarter also included completing the Company's year-end audit and continued the onboarding of the new COO who started with the Company in September 2025.

Management and the Board monitor specific key performance indicators in three critical areas of the business: property operations and financing, investment properties, and leasing activities. These key performance indicators remain consistent with those discussed in the MD&A for the year ended September 30, 2025.

## KEY HIGHLIGHTS

Management and the board monitor the performance of the Company using specific key performance indicators which are highlighted below. There were no changes to the number or nature of investment properties held since the year ended September 30, 2025.

### ***Our Operations and Financing***

Income from operations (000's)		
Q1 2026		
	\$ 3,209	
Q1 2025	\$3,331	-3.66%

The decrease in rental revenue is due to changes to buildings within the investment property portfolio, and vacancies. The increased rental revenue generated from the new property acquired in fiscal 2025 only partially offset the reductions in rental revenue resulting from the sale of an investment property in the prior year that was occupied for part of the year. Additionally, there was reduced revenue resulting from the vacancy of a building that was occupied in Q1 and Q2 2025. This building was leased after quarter end.

Operating expense recovery percentage (1)			
<b>Q1 2026</b>			
	<b>82%</b>		
Q1 2025	83%	-1.00%	

Operating expense recovery percentage was consistent compared to the same quarter of the prior year. As recoverable expenses can be incurred at varying times over the year, but recoverable revenues are only adjusted in Q4 of each year, some fluctuations in this percentage are expected during the quarters. The Company targets a recovery percentage of between 80 - 85% on an annual basis.

Funds available for property operations (1)			
<b>Q1 2026</b>			
	<b>\$ 565,374</b>		
Q1 2025	\$ 138,242	308.97%	

Funds available for property operations increased over Q1 of the prior year due to lower interest costs on mortgages, and lower principal repayments on mortgages. Interest costs on mortgages in the current period are lower due to decreased interest rates on mortgages, and lower mortgage balances as the result of the sale of a building in Q4 2025 and repayment of the respective mortgage. The repayment of the mortgage also resulted in lower principal payments during Q1 2026 compared to Q1 2025.

Debt to total assets ratio (1)			
<b>Q1 2026</b>			
	<b>45%</b>		
Q1 2025	47%	-2.00%	

Debt to total assets ratio decreased because of lower mortgage balances at December 31, 2025 compared to December 31, 2024. Regular principal repayments, as well as the settlement of a mortgage on the sale of a property in Q4 2025 contributed to this decrease. Overall, the fair value of the investment properties remained consistent. Additionally, the sale of the investment property completed in Q4 2025 was completed with a vendor-take-back mortgage of \$4,000,000 which is included in the total assets at the end of the current quarter and therefore the balance of total assets did not significantly change as a result of the property sale.

Weighted average interest rates on mortgages			
<b>Q1 2026</b>			
	<b>4.34%</b>		
Q1 2025	4.31%	0.03%	

The weighted average interest rate on mortgages increased slightly at December 31, 2025 compared to December 31, 2024. During fiscal 2025, several mortgages that had been locked in at very low rates in prior years were renewed, increasing the overall rate. This was offset by the decrease in rates on mortgages that had been previously renewed at higher rates in fiscal 2023 and 2024.

## Our Leasing Activities

Gross Leasable Area ("GLA") in square feet			
<b>Q1 2026</b>			The GLA changed compared to the same quarter in the prior year due to the sale of a 50,000 ft <sup>2</sup> building, the addition of a 5,000 ft <sup>2</sup> building, and adjustments to the square footage used in lease agreements for three leases in the period, which resulted in a net increase of 2,946 ft <sup>2</sup> . The total net decrease in GLA was 42,056 ft <sup>2</sup> .
	<b>1,017,545</b>		
Q1 2025	1,059,599	-3.97%	

Changes in leases	Q1 2026	Q1 2025	% change	
Renewals (GLA)	33,395	37,200	-10.23%	The Company completed the renewal of an existing lease at the property in Vegreville, Alberta. New leases were entered into for spaces that were vacant or which had tenants that vacated during the quarter. Included in the 14,427 ft <sup>2</sup> of leases expiring in the next twelve months are two leases in a multi-tenant building. One of these leases was entered into in Q1 2026 and is a short term lease (less than six months).
New leases (GLA)	12,600	-	100.00%	
Leases expiring in twelve months	14,427	103,398	-86.05%	

Building occupancy			
<b>Q1 2026</b>			At December 31, 2025 the Company had one 12,124 ft <sup>2</sup> building that was vacant. This building was leased subsequent to quarter-end. The Company also continued to have 7,119 ft <sup>2</sup> of vacant space in a single tenant building.
	<b>98.1%</b>		
Q1 2025	99.3%	-1.20%	

Average lease term to maturity (years)			
<b>Q1 2026</b>			The average lease term to maturity increased due to the renewal and new leases signed during the quarter. This was offset by decreases in the overall remaining term of existing leases.
	<b>4.63</b>		
Q1 2025	4.61	0.44%	

## FINANCIAL PERFORMANCE

(in thousands)	Three months ended December 31,		
	2025	2024	Variance
<b>Rental revenue</b>	\$ 4,788	\$ 4,908	\$ (120)
Property operating expenses	1,579	1,577	2
<b>Income from operations</b>	<b>3,209</b>	<b>3,331</b>	<b>(122)</b>
Finance costs	1,282	1,312	(30)
Administrative expenses	402	324	78
Finance income	(172)	(115)	(57)
Amortization of deferred leasing	99	104	(5)
Amortization of right-of-use asset	44	45	(1)
Loss on sale of investment properties	-	141	(141)
Valuation net loss (gain) from investment properties	641	(134)	775
<b>Income before income tax</b>	<b>913</b>	<b>1,654</b>	<b>(741)</b>
Income tax expense	184	526	(342)
<b>Net income and comprehensive income</b>	<b>\$ 729</b>	<b>\$ 1,128</b>	<b>\$ (399)</b>
<b>Earnings per share basic and diluted</b>			
(in dollars)	\$ 0.08	\$ 0.12	\$ (0.04)
<b>Dividends per share (in dollars)</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>	<b>\$ -</b>

**Rental revenue** includes minimum rent, which is recorded on a straight-line basis over the terms of the related leases, as well as property tax, insurance, and occupancy cost recovery revenue. Rental revenue also includes adjustments for amortization of tenant inducements.

For the three months ended December 31, 2025 rental revenue decreased by \$119,736 compared to the same period in the prior year. This decrease was primarily due to changes in minimum rent due to changes in the lease portfolio compared to the prior year, primarily from vacancies in the current period, and the sale of a building in Q4 2025 that had rental revenue recorded for the first portion of the prior year. Recovery revenue was consistent between the two periods.

**Income from operations** was \$3,209,895 for the three months ended December 31, 2025 compared to \$3,330,795 for the same period in the prior year. The decrease compared to the prior year is due to decreased rental revenue as noted above.

**Net income** decreased to \$729,240 for Q1 2026 compared to \$1,127,412 for Q1 2025. The decrease is due to a valuation loss on investment properties recorded in the current period, compared to a valuation gain in the same period of the prior year.

### ***Property operating expenses***

	Three months ended December 31,		
	2025	2024	Variance
Property taxes	\$ 853,806	\$ 841,067	\$ 12,739
Insurance	50,949	59,885	(8,936)
Repairs and maintenance	600,362	616,855	(16,493)
Utilities	73,416	59,562	13,854
	<b>\$ 1,578,533</b>	<b>\$ 1,577,369</b>	<b>\$ 1,164</b>

Property operating expenses in Q1 2026 were consistent with Q1 2025. Increases in property taxes and utilities were offset by decreased insurance costs and repairs and maintenance. The increased utilities expenses were due primarily to a colder Q1 2026 compared to the prior year, resulting in higher utilities usage. Property taxes were higher in calendar 2025 compared to calendar 2024 as a result of increases in rates and assessments in particular in the Edmonton region where the Company has a large number of properties located. Repairs and maintenance expenses for the three months ended December 31, 2025 were lower than the same period in the prior year because of fewer large repair projects being undertaken. During Q1 2026 a significant roof replacement on a building was in progress, however this was considered to be capital in nature and was not expensed in repairs and maintenance.

### ***Finance costs***

	Three months ended December 31,		
	2025	2024	Variance
Interest on mortgages	\$ 938,755	\$ 999,420	\$ (60,665)
Interest on bank operating facilities	325,657	285,537	40,120
Interest on lease obligations	1,195	3,013	(1,818)
Amortization of deferred financing fees	-	18,755	(18,755)
Financing fees	16,415	5,000	11,415
	<b>\$ 1,282,022</b>	<b>\$ 1,311,725</b>	<b>\$ (29,703)</b>

Finance costs for the three months ending December 31, 2025 are lower than for Q1 2025 primarily to an overall reduction in outstanding mortgage balances, as well as decreases in interest rates for mortgages that were renewed throughout the previous fiscal year. The increase in interest on bank operating facilities in the current period compared to the same period in the prior year is due to a higher average balance outstanding for the period, which offset the lower interest rate.

## **Administrative expenses**

	Three months ended December 31,		
	2025	2024	Variance
Salaries and benefits	\$ 290,824	\$ 206,359	\$ 84,465
Public company costs	16,729	16,907	(178)
Professional fees	13,728	20,274	(6,546)
Office and other	81,593	80,592	1,001
Bad debts	-	100	(100)
	<b>\$ 402,874</b>	<b>\$ 324,232</b>	<b>\$ 78,642</b>

Administrative expenses increased in Q1 2026 compared to Q1 2025 as a result of increased salaries and benefits expense. Salaries and benefits expense increased due to additional individuals who joined the Company subsequent to Q1 2025, including a new finance administrator and the Chief Operating Officer.

**Amortization of deferred leasing and right-of-use assets** are related to the accounting for deferred leasing costs and right-of-use asset. These amounts decreased as certain deferred leasing costs were fully amortized prior to the current quarter.

**Loss on sale of investment property** is the amounts recognized on the sale of one investment property during Q1 2025, and consists of transaction costs, as the fair value of investment properties does not include any adjustment for transaction costs. There were no property sales during Q1 2026.

**Valuation loss (gain) from investment properties, net** is the result of adjusting the investment properties to fair value at the end of each reporting period. For the three months ended December 31, 2025, the Company recorded a loss on valuation of investment properties compared to a gain for the same period in the prior year. The change in investment property fair value is discussed below in "Investment properties".

## Selected Statement of Financial Position Information

As At (in thousands)	December 31 2025	September 30, 2025	Variance
Investment properties	\$ 227,147	\$ 227,029	\$ 118
Right-of use asset	55	86	(31)
Mortgages and loans receivable	5,837	5,850	(13)
Total non-current assets	233,039	232,965	74
Current portion of mortgage receivable	5,443	5,485	(42)
Current assets	903	2,105	(1,202)
Total current assets	6,346	7,590	(1,244)
Total assets	\$ 239,385	\$ 240,555	\$ (1,170)
Mortgages	\$ 8,102	\$ 19,985	\$ (11,883)
Security deposits	830	821	9
Term loan	199	214	(15)
Lease liability	8	-	8
Deferred taxes	16,096	15,862	234
Total non-current liabilities	25,235	36,882	(11,647)
Current portion of mortgages	77,885	66,332	11,553
Bank operating facilities	22,756	23,265	(509)
Other current liabilities	1,447	2,554	(1,107)
Total current liabilities	102,088	92,151	9,937
Total liabilities	127,323	129,033	(1,710)
Equity	112,062	111,522	540
Total equity and liabilities	\$ 239,385	\$ 240,555	\$ (1,170)

### Investment properties

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

Prior to Q2 2025, the Company's methodology for land held for development that was leased to existing tenants was the direct comparison approach. In Q2 2025, the Company changed the methodology for the valuation of three parcels of land held for development that are leased by existing tenants to include the parcels of land with the related investment properties, which are valued together using the income approach. The total value of the land that was valued using the direct comparison approach during Q1 2025 was \$3,910,710.

Changes in investment properties since the fiscal year-end of September 30, 2025, are detailed below.

	Income producing properties	Held for development	Total investment properties
<b>Balance, October 1, 2025</b>	\$ 224,093,750	\$ 2,935,636	\$ 227,029,386
<i>Additions:</i>			
Property improvements and additions	449,673	-	449,673
Leasing commissions	516,279	-	516,279
Amortization of tenant inducements	(31,714)	-	(31,714)
Amortization of deferred leasing commissions	(98,737)	-	(98,737)
Change in straight-line rental revenue	(77,110)	-	(77,110)
Fair value gains (losses), net	(640,700)	-	(640,700)
<b>Balance, December 31, 2025</b>	<b>\$ 224,211,441</b>	<b>\$ 2,935,636</b>	<b>\$ 227,147,077</b>

The fair value of investment properties increased to \$227,147,077 at December 31, 2025 compared to \$227,029,386 at September 30, 2025. The net increase is a result of the following:

- The Company recorded an increase of \$158,000 on a property located in Edmonton as a result of adjusting net operating income for a reduction in structural allowance taken due to significant roof replacement undertaken in Q4 2025 and Q1 2026 that are expected to reduce future structural expenses.
- Several properties had increased rental revenue because of lease steps ups and renewals with lease rates at higher rates. Where applicable, management reviewed capitalization rates and normalized net operating income if the increases in property value were not supportable. Total net increases for the three months ended December 31, 2025 were \$174,000.
- Increases were offset by a net decrease of \$214,000 related to a property where lease negotiations indicated that the market expectations for net operating income were lower than previously anticipated.

**Mortgages and loans receivable** decreased by \$55,388 between September 30, 2025 and December 31, 2025 for principal payments received. Subsequent to quarter-end, management became aware that the borrower on the Vendor-take-back (“VTB”) mortgage with a balance of \$5,636,055 (September 30, 2025 - \$5,658,179) was in default of its requirements under the terms of the mortgage. Management has been in discussions with the borrower to remedy the defaults and is monitoring the situation closely. Management believes that the security on this mortgage continues to have a value in excess of the outstanding debt, and as such no impairment has been recognized on the balance at quarter-end.

**Right-of-use assets and lease liabilities** have been recorded in accordance with the requirements of IFRS 16 *Leases*. During Q1 2026, the Company terminated an existing vehicle lease and entered into a new vehicle lease. The net change was an increase of \$14,000 in the ROU asset and lease liability. Principal payments on the leases for the 3 months ended December 31, 2025 were \$51,416 (three months ending December 31, 2024 - \$49,599).

**Current assets** include receivables, prepaid expenses and deposits and cash balances with banks. The balance has decreased primarily due to lower prepaid expenses and deposits and lower receivables.

Prepaid expenses decreased due to the timing of property taxes. Property taxes are charged on a calendar year-end basis, and for most of the Company's properties are paid in full in June, and so at December 31 there is no remaining prepaid balance.

Receivables decreased due to the timing of the reconciliation of occupancy costs. Occupancy cost recoveries are reconciled and accrued at September 30. As of December 31, 2025, the majority of these receivables have been collected from tenants decreasing the receivables balance since September 30, 2025.

**Mortgages** including both current and long-term portions and unamortized finance fees have a balance of \$85,986,800 at December 31, 2025 (September 30, 2025 - \$86,316,497). The decrease in mortgages is as a result of paying down mortgages through monthly principal payments. There was one new mortgage advanced in the quarter with a total value of \$1,050,000. One mortgage was renewed during the quarter with a decrease in interest rate from 6.763% to 4.037%. Two mortgages came due during the quarter, and management entered into commitment letters to refinance the mortgages. The additional equity, totalling \$4,260,000 was applied against the outstanding lines of credit when the refinancings were completed subsequent to quarter end.

**Security deposits** increased at December 31, 2025 compared to September 30, 2025 as the result of a new tenant who commenced leasing a property that was vacant at year-end.

**Deferred taxes** are recorded on the difference between the accounting and tax bases of assets and liabilities. The difference between the fair value of investment properties recorded for accounting purposes, and the cost basis used for tax purposes generates the largest deferred tax liability of \$15,124,507 (September 30, 2025 – \$14,966,816). The increase in deferred tax is due the change in fair value of the investment properties.

**Bank operating facilities** at December 31, 2025 have a total balance of \$22,755,861 (September 30, 2025 - \$23,265,456) with two of the Company's major lenders. The decrease in the outstanding balance is due to the proceeds on the new mortgage being applied against the outstanding bank balance during the quarter.

The total **term loan** balance of \$257,746 decreased from the balance of \$271,795 at September 30, 2025 due to monthly repayments.

**Other current liabilities** include payables and accruals, income taxes payable and the current portion of the lease liabilities and term loan. The decrease in other current liabilities at December 31, 2025 compared to September 30, 2025 is due primarily to a decrease of \$842,290 in income taxes payable. During Q1 2026 the Company fully paid its outstanding taxes payable from the fiscal year-ended September 30, 2025. Accounts payable also decreased at December 31, 2025 compared to September 30, 2025 as the balance at September 30, 2025 included approximately \$400,000 in amounts invoiced for a roof replacement project. This increase was offset by an increase in prepaid rent at December 31, 2025 based on the timing of tenant payments of the subsequent month's rent.

## Selected cash flow information

(in thousands)	Three months ended December 31,		
	2025	2024	Variance
Cash provided by operating activities	\$ 3,009	\$ 2,805	\$ 204
Cash used in investing activities	(222)	1,930	(2,152)
Cash used in financing activities	(2,355)	(4,736)	2,381
Increase in cash and cash equivalents	432	(1)	433
Cash and cash equivalents, beginning of period	270	306	(36)
Cash and cash equivalents, end of period	\$ 702	\$ 305	\$ 397

**Cash provided by operating activities** for the three months ended December 31, 2025 increased compared to the same period in the prior year due primarily to increases in working capital due to timing differences for income taxes payable and receivables. This was offset by increased payments for leasing commissions. The Company continues to generate positive cash flows from operations which cover operating expenses, additions to investment properties, and payments on financing.

**Cash provided by (used in) investing activities** for the three months ended December 31, 2025 decreased over the same period in the prior year primarily because Q1 2025 included proceeds from the sale of an investment property.

**Cash provided by (used in) financing activities** increased for the three months ended December 31, 2025 compared to the same period in the prior year due to proceeds from a new mortgage, lower financing costs, and lower mortgage repayments as a result of the lower overall mortgages balance.

At December 31, 2025, there was a **net increase in cash** of \$432,635 for the three month period.

## SUMMARY OF QUARTERLY RESULTS

(in thousands \$)	2026 Q1	2025 Q4	2025 Q3	2025 Q2	2025 Q1	2024 Q4	2024 Q3	2024 Q2
Revenue	4,788	5,165	4,940	4,906	4,908	5,056	4,670	4,846
Total comprehensive income (loss)	729	(39)	1,831	1,946	1,128	889	(1,446)	(2,162)
(in dollars)								
EPS-Basic	0.08	0.00	0.19	0.21	0.12	0.09	(0.15)	(0.23)
EPS-Diluted	0.08	0.00	0.19	0.21	0.12	0.09	(0.15)	(0.23)

The Company is not significantly impacted by seasonality in its operations. Minimum rental revenue is recorded on a straight-line basis over the term of the lease, and property operating recoveries are recorded at estimated amounts throughout the year, with a reconciliation to actual recoveries completed at Q4 each year. As a result, the revenue in Q4 2025 and Q4 2024 increased in comparison to prior quarters, as amounts receivable from tenants over the budgeted recoveries were accrued.

Changes in comprehensive income relate primarily to fluctuations in the net valuation gain (loss) from investment properties and changes in finance costs.

In Q1 through Q3 2025, the Company had reduced finance costs, due to lower bank operating facilities balances, and lower interest rates on its bank operating facilities because of reductions in market rates, as well as reduced rates on mortgages as they renewed.

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

(in thousands \$)	2026 Q1	2025 Q4	2025 Q3	2025 Q2	2025 Q1	2024 Q4	2024 Q3	2024 Q2
Valuation gains (losses) from investment properties, net	<b>(641)</b>	(873)	<b>706</b>	(741)	<b>134</b>	476	115	(3,651)

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

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

In Q2 2025, a loss was recorded on the investment property that was subsequently sold in Q4 2025 to bring the fair value to the sales price. In Q3 2025, the Company completed the acquisition of a new property and recognized a fair value increase over property costs as a result of the expected value from the lease and upgrades to the property. In Q4 2025 the Company recorded additional fair value loss on a property where a lease renewal indicated that the market rate was lower than the current minimum rent. Additionally, in Q4 2025 and Q1 2026 capital projects including building and parking additions were undertaken on various buildings, however the fair value of the related buildings was maintained, which resulted in additional valuation losses recorded in the quarters.

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

## LIQUIDITY AND CAPITAL RESOURCES

There have been no significant changes in the Company's liquidity or capital resources available during the three months ended December 31, 2025.

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

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

	December 31, 2025	September 30, 2025
Available bank credit facilities	\$ 23,500,000	\$ 23,500,000
Bank facilities outstanding	22,755,861	23,265,456
Available credit facilities	\$ 744,139	\$ 234,544

During Q1 2026, the Company entered into a mortgage on a previously unencumbered property for total gross proceeds of \$1,050,000. The net proceeds were applied against the outstanding balance in the bank operating facilities.

Subsequent to quarter end, the Company completed the refinancing of two mortgages and used the additional proceeds of \$4,260,000 to reduce the outstanding bank credit facility balances. The Company expects to utilize funds from operations and from property sales to continue to reduce the outstanding credit facilities balance.

At December 31, 2025, eighteen (September 30, 2025 – sixteen) mortgages are due in the next twelve months with combined principal balances of \$74,618,411 (September 30, 2025 - \$64,646,509) and are shown as current liabilities. Management decided during fiscal 2024 and 2025 to renew mortgages that came due for one year periods in the expectation that interest rates would continue to decline over fiscal 2025. As a result, a significant number of mortgages are renewing over the next twelve months. Management does not anticipate any issues with renewing these mortgages with its lenders and will be assessing the potential refinancing of some of the mortgages to generate additional funds for growth.

Investment properties unencumbered with debt are valued at \$9,062,636 at December 31, 2025 (September 30, 2025 - \$10,711.636). This balance decreased compared to year end as the result of a mortgage being placed on a previously unencumbered property. This mortgage generated \$1,050,000 in proceeds that were applied against the Company's outstanding bank credit facilities.

The debt to total assets ratio of the Company was 45% at December 31, 2025 which is lower than the ratio at September 30, 2025 and lower than the historical average of 50%, providing possible leverage opportunities in the future.

The Company has a contract to complete a roof replacement on one of its buildings, with a total remaining commitment outstanding of approximately \$200,000 at December 31, 2025. The Company anticipates the completion of this project, and payment of the outstanding balance out of cash flows during Q2 or Q3 2026. The Company has no other commitments or project plans which would require significant cash outlays as of the date of the MD&A.

## RELATED PARTY TRANSACTIONS

The below transactions took place at amounts which, in Management's opinion, approximate normal commercial rates and terms and occurred in the normal course of operations. The transactions have been recorded at the exchange amount.

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

**Property management and maintenance fees** for the three months ended December 31, 2025 of \$352,402 (2024 - \$453,692) respectively were paid to Sable Realty & Management Ltd. ("Sable"), a company controlled by Sine Chadi, a director and officer of the Company.

**Acquisition, disposition, and leasing fees** in the aggregate amount of \$169,345 for the three months ended December 31, 2025 (2024 – \$102,180) were paid to North American Realty Corp. ("NARC"), a company controlled by Sine Chadi.

**Vehicle leasing fees** of \$2,250 for the three months ended December 31, 2025 (2024- \$2,250) were paid to North American Mortgage & Leasing Corp., a company controlled by Sine Chadi.

**Leased office space and parking** were paid to Sable in the aggregate amount of \$45,000 for the three months ended December 31, 2025 (2024 - \$45,000).

**Rent collected** from Sable for commercial lease space for the three months ended December 31, 2025 was \$25,633 (2024 – \$25,633). Sable leases a 7,871 ft<sup>2</sup> building in Edmonton, Alberta from the Company.

*Contracts with Sable and NARC have been in place since 1999 with no changes to the terms. They can be viewed on-line at <www.sedar.com>. These contracts and the associated fees and rates are reviewed periodically by the Company’s Board of Directors.*

### **Paid to directors**

Directors’ fees paid to independent directors for attending directors’ meetings during the three months ended December 31, 2025 were \$10,000 (2024- \$10,000).

### **Compensation to Key Management personnel**

Compensation of key management personnel is as follows:

	Salaries and wages	Short-term benefits	Three months ended December 31,	
			2025	2024
Sine Chadi, President & CEO	\$ 75,000	\$ 2,355	\$ 77,355	\$ 77,048
Meghan DeRoo McConnan, CFO	55,000	1,750	56,750	56,750
<b>Total</b>	<b>\$ 130,000</b>	<b>\$ 4,105</b>	<b>\$ 134,105</b>	<b>\$ 133,798</b>

## **PLANNED EXPENDITURES**

The Company has no planned expenditures at the date of the MD&A. There are opportunities to purchase properties currently on the market, which the Company is exploring, however no commitments have been made. The Company continues to look at all opportunities and evaluate the best possible alternatives. Cash needed to fund an acquisition of property will be provided through cash flows from operations, available funds through current bank credit facilities, and securing long-term financing. Related-party financing is available to the Company, generally on a short-term basis.

## **CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES**

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

Certain amendments disclosed in Note 2 of the unaudited interim condensed financial statements for the three months ended December 31, 2025 had an effective date of October 1, 2025 for the Company but did not have a material impact on the interim condensed financial statements or accounting policies for the three months ended December 31, 2025.

## **Future accounting standards**

Standards, amendments, and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective are described in Note 2 of the unaudited interim condensed financial statements for the three months ended December 31, 2025.

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.

## **Critical judgments and accounting estimates**

The preparation of the interim condensed financial statements in accordance with IAS 34 requires the Company to make various estimates and assumptions. Future events may result in significant differences between estimates and actual results.

There has been no significant change in our critical judgements or accounting estimates in Q1 2026 from those described in the MD&A for the year ended September 30, 2025, in the Changes in Accounting Policies and Critical Accounting Estimates section and Note 3 of the September 30, 2025 audited financial statements.

## **OTHER**

### **Risks and Risk Management**

The nature and extent of the Company's significant risks has not changed materially from those described in the Risks and Risk Management section of the MD&A for the year ended September 30, 2025.

### **Financial Instruments and Market Risk**

At December 31, 2025, the nature and extent of the Company's use of financial instruments did not change materially from those described in the Financial Instruments section of the MD&A for the year ended September 30, 2025.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Disclosure controls and procedures**

There have been no material changes to the risks associated with disclosure controls and procedures and internal controls over financial reporting since those described in the Disclosure Controls and Procedures section of the MD&A for the year ended September 30, 2025.

## Outstanding share data

The Company is authorized to issue an unlimited number of common shares. At February 12, 2026 total issued and outstanding shares are 9,451,242, and total outstanding and exercisable stock options are 400,000.

## Dividends

During the three months ended December 31, 2025, the Company declared and paid dividends of \$0.02 per share, totaling \$189,025.

On January 5, 2026, the Company declared a quarterly dividend of \$0.02 per share totalling \$189,025 which was paid on February 6, 2026 to shareholders of record effective January 23, 2026.

## NON-IFRS FINANCIAL MEASURES

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

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

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

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

The calculation is as follows:

	Three months ended December 31,	
	2025	2024
Property tax and insurance recoveries	\$ 873,029	\$ 889,298
Operating expense recoveries	419,669	412,776
Total recoveries	\$ 1,292,698	\$ 1,302,074
Total property operating expenses	\$ 1,578,533	\$ 1,577,369
% of property operating expense recoveries	82%	83%

*Funds available for property improvements and growth:*

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

The calculation is as follows:

	Three months ended December 31,	
	2025	2024
Income from operations	\$ 3,209,895	\$ 3,330,795
Less: interest on financing*	1,264,412	1,289,957
Less: principal payments on mortgages	1,380,109	1,902,596
<b>Funds available for property improvements and growth</b>	<b>\$ 565,374</b>	<b>\$ 138,242</b>

\*interest on financing excludes amortization of deferred finance fees and interest on lease obligations.

*Debt:*

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

As at	December 31, 2025	September 30, 2025	December 31, 2024
<b>Total Assets</b>	<b>\$ 239,384,931</b>	<b>\$ 240,554,628</b>	<b>\$ 239,202,522</b>
Mortgages excluding transaction fees	86,048,764	86,378,868	92,052,949
Bank operating facilities	22,755,861	23,265,456	19,920,323
<b>Debt</b>	<b>\$ 108,804,625</b>	<b>\$ 109,644,324</b>	<b>\$ 111,973,272</b>
<b>Ratio of debt to assets</b>	<b>45%</b>	<b>46%</b>	<b>47%</b>

*Unencumbered properties:*

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