



IMPERIAL EQUITIES INC.

Q1 2026 Interim Condensed Financial Statements

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(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	December 31, 2025 (Unaudited)	September 30, 2025 (Audited)
Assets			
Investment properties	3,13	\$ 227,147,077	\$ 227,029,386
Right-of-use assets		54,851	85,912
Mortgages and loans receivable	4	5,837,131	5,850,315
Total non-current assets		233,039,059	232,965,613
Current portion of mortgages and loans receivable	4	5,442,617	5,484,821
Receivables		70,229	764,839
Prepaid expenses and deposits		130,271	1,069,235
Cash		702,755	270,120
Total current assets		6,345,872	7,589,015
Total Assets		\$ 239,384,931	\$ 240,554,628
Liabilities			
Mortgages	5	\$ 8,101,871	\$ 19,984,779
Security deposits		830,040	820,876
Term loan		199,479	214,086
Lease liabilities	13	8,031	-
Deferred taxes	8	16,096,337	15,861,581
Total non-current liabilities		25,235,758	36,881,322
Income taxes payable		123,474	965,764
Current portion of lease liabilities	13	52,045	98,141
Current portion of mortgages	5	77,884,929	66,331,718
Current portion of term loan		58,267	57,709
Bank operating facilities	6	22,755,861	23,265,456
Payables and accruals		1,212,574	1,432,710
Total current liabilities		102,087,150	92,151,498
Total Liabilities		127,322,908	129,032,820
Equity			
Issued share capital		5,947,346	5,947,346
Contributed surplus		501,200	501,200
Retained earnings		105,613,477	105,073,262
Total Equity		112,062,023	111,521,808
Total Equity and Liabilities		\$ 239,384,931	\$ 240,554,628

Post-reporting date events (Note 14)

Signed "Sine Chadi", Director

Signed "Kevin Lynch", Director

See accompanying notes to the financial statements.

IMPERIAL EQUITIES INC.

INTERIM CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (Unaudited)

	Notes	Three months ended December 31,	
		2025	2024
Rental revenue	9,13	\$ 4,788,428	\$ 4,908,164
Property operating expenses	13	1,578,533	1,577,369
Income from operations		3,209,895	3,330,795
Finance costs	10	1,282,022	1,311,725
Administration expenses		402,874	324,232
Finance income		(172,313)	(114,817)
Amortization of deferred leasing		98,737	104,103
Amortization of right-of-use asset		44,177	44,457
Loss on the sale of investment property	13	-	141,202
Valuation loss (gain) on investment properties, net		640,700	(133,648)
Income before income tax		913,698	1,653,541
Income tax expense	8	184,458	526,129
Net income and comprehensive income		\$ 729,240	\$ 1,127,412
Weighted average number of shares outstanding - basic & diluted		9,451,242	9,451,242
Earnings (loss) per share basic and diluted		\$ 0.08	\$ 0.12

See accompanying notes to the 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, 2024	9,451,242	\$ 5,947,346	\$ 251,600	\$ 100,963,197	\$ 107,162,143
Dividends paid	-	-	-	(756,099)	(756,099)
Share based compensation	-	-	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
Dividends paid	-	-	-	(189,025)	(189,025)
Net income and comprehensive income	-	-	-	729,240	729,240
Balance, December 31, 2025	9,451,242	\$ 5,947,346	\$ 501,200	\$ 105,613,477	\$ 112,062,023

See accompanying notes to the financial statements.

IMPERIAL EQUITIES INC.
INTERIM CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

		Three months ended December 31,	
	Notes	2025	2024
Operating activities			
Net income from operations		\$ 729,240	\$ 1,127,412
Finance costs		1,282,022	1,311,725
Finance income		(172,313)	(114,817)
Leasing commissions		(516,279)	(36,180)
Items not affecting cash:			
Amortization of right-of-use asset		44,177	44,457
Amortization of tenant inducements		31,714	31,714
Amortization of deferred leasing commissions		98,737	104,103
Loss on sale of investment properties		-	141,202
Valuation loss (gain) on investment properties		640,700	(133,648)
Straight-line rental revenue		77,110	48,036
Deferred income taxes	8	234,756	371,561
Net change in operating working capital	11	559,489	(90,474)
Cash provided by operating activities		3,009,353	2,805,091
Investing activities			
Proceeds on sale of investment properties		-	2,058,798
(Additions) recoveries to investment properties		(449,673)	8,975
Advances on loans and mortgages receivable		-	(272,757)
Principal received on mortgages and loans receivable		77,930	20,527
Interest received on mortgages and loans receivable		149,771	114,862
Cash provided by (used in) investing activities		(221,972)	1,930,405
Financing activities			
Proceeds from new mortgages		1,050,000	-
Repayment of mortgages		(1,380,109)	(1,902,596)
Fees associated with new or renewed mortgages		(16,003)	(10,993)
Repayment of term loan		(14,049)	-
Finance costs paid		(1,244,549)	(1,209,943)
Principal repayments on lease liability		(51,416)	(49,599)
Dividends paid		(189,025)	(189,025)
Net advances from bank operating facilities		(509,595)	(1,373,485)
Cash used in financing activities		(2,354,746)	(4,735,641)
Decrease in cash and cash equivalents		432,635	(145)
Cash and cash equivalents, beginning of period		270,120	306,017
Cash and cash equivalents, end of period		\$ 702,755	\$ 305,872

Supplemental cash flow information (Note 11)

See accompanying notes to the financial statements.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

1. 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 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. The Company’s common shares trade on the TSX Venture Exchange (TSXV) under the symbol “IEI”.

2. Statement of compliance and basis of presentation

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 February 12, 2026.

Basis of presentation

These interim condensed financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended September 30, 2025, except as explained below, and should be read in conjunction with the Company’s annual September 30, 2025 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 months ended December 31, 2025, and are presented in Canadian dollars, which is the functional currency 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, 2025 audited financial statements.

New and amended standards adopted

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. These amendments did not have a material effect on the interim condensed financial statements.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

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

New and amended standards not yet adopted

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, September 30, 2025	\$ 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 losses, net	(640,700)	-	(640,700)
Balance, December 31, 2025	\$ 224,211,441	\$ 2,935,636	\$ 227,147,077

Valuation methodology and processes

There have been no changes to the valuation methodology and processes used by the Company since in the year ended September 30, 2025.

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

Valuation technique – Direct Comparison

At December 31, 2025

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

At September 30, 2025

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

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

3. Investment properties (cont'd)

Valuation technique – Income capitalization

At December 31, 2025

		Single tenant - Edmonton region	Single tenant - Alberta urban, outside Edmonton	Single tenant - Rural Alberta and B.C.	Multi tenant - Edmonton
	Range	Weighted Average			
Vacancy loss percentage	1.00%-2.00%	1.78%	1.14%	1.43%	1.46%
Structural reserve percentage	0.50%-2.00%	1.31%	0.58%	1.41%	1.86%
Net operating income		\$ 513,426	\$ 1,268,554	\$ 372,469	\$ 562,572
Capitalization rate	4.50%-8.00%	6.19%	6.50%	7.30%	6.08%
Fair value (total)		\$ 113,410,442	\$ 62,936,000	\$ 20,450,000	\$ 27,415,000

At September 30, 2025

		Single tenant - Edmonton region	Single tenant - Alberta urban, outside Edmonton	Single tenant - Rural Alberta and B.C.	Multi tenant - Edmonton
	Range	Weighted Average			
Vacancy loss percentage	1.00%-2.00%	1.78%	1.14%	1.42%	1.46%
Structural reserve percentage	0.50%-2.00%	1.45%	0.58%	1.41%	1.86%
Net operating income		\$ 511,426	\$ 1,268,554	\$ 370,772	\$ 562,781
Capitalization rate	4.50%-8.00%	6.19%	6.50%	7.29%	6.08%
Fair value (total)		\$ 113,470,750	\$ 62,936,000	\$ 20,264,000	\$ 27,423,000

A balance of \$254,558 (September 30, 2025 - \$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 presentation.

Fair value sensitivity

The following table summarize the fair value sensitivity at December 31, 2025 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)%	5.87%	\$ 243,322,656	\$ 19,111,215	\$(500,000)	\$ 13,733,190	\$216,357,165	\$(7,854,276)
(0.25)%	6.12%	\$ 233,376,447	\$ 9,165,006	\$(250,000)	\$ 14,023,190	\$220,284,303	\$(3,927,138)
0.00%	6.37%	\$ 224,211,441	\$ -	\$ -	\$ 14,273,190	\$224,211,441	\$ -
0.25%	6.62%	\$ 215,739,080	\$ (8,472,361)	\$ 250,000	\$ 14,523,190	\$228,138,580	\$3,927,139
0.50%	6.87%	\$ 207,883,701	\$(16,327,740)	\$ 500,000	\$ 14,773,190	\$232,065,719	\$7,854,278

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

4. Mortgages and loans receivable

	December 31, 2025	September 30, 2025
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.	\$ 40,344	\$ 41,272
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.	254,558	259,250
Mortgage receivable, bearing interest at 8.00% per annum, repayable in monthly blended payments of principal and interest of \$10,303, due on demand (2025 – maturity date of October 31, 2025). Secured by a first mortgage charge against land and building (Note 4 (i)).	1,325,626	1,330,392
Mortgage receivable, bearing interest at 5.0% per annum, with monthly blended payments of principal and interest of \$34,315, and a maturity date of May 28, 2027. Secured by a first mortgage charge against land (Note 4(ii)).	5,636,055	5,658,179
Mortgage receivable, bearing interest at 5.00% per annum, with monthly blended payments of principal and interest of \$23,519, and a maturity date of Sep 1, 2026, at which time any outstanding balance is repayable in full. Secured by a first mortgage charge against land and building.	4,023,165	4,046,043
	11,279,748	11,335,136
Less current portion	(5,442,617)	(5,484,821)
Long-term portion	\$ 5,837,131	\$ 5,850,315

- i) During the quarter ended December 31, 2025, the maturity date was extended to December 31, 2025. Subsequent to December 31, 2025, the mortgage receivable became due on demand. The mortgage receivable can be prepaid in whole or in part without penalty and is carried at fair value.
- ii) Subsequent to December 31, 2025, the Company became aware that the mortgagor had defaulted on certain terms of the mortgage. The Company has entered into discussions with the mortgagor regarding remedying the defaults and is monitoring the situation. The security on the mortgage was assessed to have a value in excess of the outstanding debt, and as such no impairment has been recognized on this balance at December 31, 2025.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

5. Mortgages

Maturity Date	Monthly blended principal and interest payments	Rate	December 31,	September
			2025	30, 2025
	\$		\$	\$
** October 1, 2025	53,312	7.020%	3,921,839	3,952,361
** November 1, 2025	35,967	6.640%	2,681,962	2,724,272
January 1, 2026	23,512	5.930%	1,237,783	1,289,683
January 1, 2026	18,660	5.930%	982,368	1,023,558
February 1, 2026	27,167	4.300%	3,462,622	3,506,915
February 1, 2026	26,677	4.300%	3,400,099	3,443,592
February 1, 2026	16,761	4.300%	1,240,220	1,277,026
April 1, 2026	26,460	4.270%	2,653,896	2,704,835
April 1, 2026	28,047	4.270%	3,612,072	3,657,669
April 1, 2026	33,136	6.010%	3,065,695	3,119,077
April 1, 2026	23,715	2.675%	1,656,973	1,716,831
July 1, 2026	76,219	2.710%	8,413,669	8,584,873
July 1, 2026	39,884	2.710%	4,402,718	4,492,306
August 1, 2026	21,295	4.188%	2,803,485	2,838,030
September 1, 2026	100,705	4.950%	16,942,175	17,035,993
October 1, 2026	65,250	2.940%	7,263,505	7,405,500
November 1, 2026	39,621	4.663%	5,990,322	6,039,642
December 1, 2026	31,349	4.669%	2,245,960	2,313,521
December 1, 2026	28,482	4.669%	2,040,579	2,101,962
December 1, 2026	39,063	4.037%		
* (2025 - December 1, 2025)	(2025 - 43,161)	(2025 - 6.763%)	3,204,270	3,279,488
January 1, 2028	6,466	4.222%	1,050,000	-
June 11, 2029	42,759	3.480%	3,776,552	3,871,737
<i>Total mortgages</i>			86,048,764	86,378,871
<i>Less: current portion of principal payments</i>			(77,884,929)	(66,331,718)
<i>Less: Balance of unamortized finance fees</i>			(61,964)	(62,374)
			8,101,871	19,984,779
Weighted average rate			4.34%	4.44%

* Mortgages renewed during the three months ended December 31, 2025. References to the comparative period of 2025 are the balances and terms at September 30, 2025.

** During the quarter, the Company entered into commitment letters to refinance these mortgages. Both refinancings were completed subsequent to quarter end. The net additional funds from refinancing totalling \$4,260,000 were applied against the outstanding lines of credit.

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 months ended December 31, 2025

6. Bank operating facilities

	December 31, 2025	September 30, 2025
LOC with a limit of \$15,500,000	\$ 14,887,266	\$ 15,376,917
LOC with a limit of \$8,000,000	7,868,595	7,888,539
Bank operating facilities	\$ 22,755,861	\$ 23,265,456

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, 2025.

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 was subject to a reduced LTV of 50%, and the DCSR requirements remain unchanged. The grace period expired October 31, 2025 resulting in the LTV on the specific property being reduced to 0%, with the DSCR requirements remaining unchanged. At December 31, 2025 the Company remained in compliance with the LTV and DSCR requirements, and the availability of the facility remained unchanged. Subsequent to quarter end, the property was leased and the Company returned to compliance with the minimum 90% occupancy requirement.

7. Equity

Dividends

Holders of common shares are entitled to receive dividends when declared by the Company's Board of Directors. During the quarter ended December 31, 2025, the Company paid dividends of \$0.02 per share for a total of \$189,025 (Quarter ended December 31, 2024 - \$0.02 per share for a total of \$189,025).

Stock options

	Number	Weighted average exercise price
Outstanding at September 30, 2025 and December 31, 2025	400,000	\$ 3.93
Exercisable at September 30, 2025 and December 31, 2025	400,000	\$ 3.93

The weighted average contractual life for the share options outstanding at December 31, 2025 is 4.15 years (September 30, 2025 - 4.41 years).

Earnings per share

The impact of the 400,000 stock options that are exercisable at December 31, 2025 and 200,000 stock options exercisable at December 31, 2024 was anti-dilutive and therefore the stock options were excluded in the calculation of diluted earnings per share in both periods.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

8. Income taxes

a) Provision for income taxes

Components of income tax expense (recovery)

	Three months ended December 31,	
	2025	2024
Current tax expense	\$ 123,474	\$ 184,687
Prior period adjustments	(173,772)	(30,119)
Deferred tax expense	234,756	371,561
	<u>\$ 184,458</u>	<u>\$ 526,129</u>

b) Deferred taxes

	December 31, 2025	September 30, 2025
Deferred tax assets are attributable to the following:		
Lease liabilities	\$ 73,099	\$ 85,085
Finance fees	8,475	7,244
Capital losses	-	51,628
Total deferred tax assets	81,574	143,957
Offset of deferred tax liabilities	(81,574)	(143,957)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

Deferred tax liabilities are attributable to the following:

Straight-line rent receivable	\$ 338,455	\$ 356,191
Investment properties	15,124,507	14,966,816
Mortgages receivable	33,874	30,324
Deferred leasing	488,388	392,353
Right-of-use-assets	12,616	19,760
Capital gain reserve	180,071	240,094
Total deferred tax liabilities	16,177,911	16,005,538
Offset of deferred tax assets	(81,574)	(143,957)
Net deferred tax liabilities	<u>\$ 16,096,337</u>	<u>\$ 15,861,581</u>

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

9. 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:

	Three months ended December 31,	
	2025	2024
Rental revenue, contractual amount	\$ 3,604,554	\$ 3,685,840
Property tax and insurance recoveries	873,029	889,298
Amortization of tenant inducements	(31,714)	(31,714)
Straight-line rental revenue	(77,110)	(48,036)
Total lease income	4,368,759	4,495,388
Operating expense recoveries	419,669	412,776
Total rental revenue	\$ 4,788,428	\$ 4,908,164

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

	2025	2024
One year	\$ 14,080,019	\$ 14,465,694
One to two years	13,098,104	12,711,460
Two to three years	10,989,247	11,290,047
Three to four years	8,771,391	9,004,400
Four to five years	7,553,051	6,769,843
Thereafter	26,862,551	29,392,461
	\$ 81,354,363	\$ 83,633,905

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.

10. Finance costs

The components of finance costs are as follows:

	Three months ended December 31,	
	2025	2024
Interest on mortgages	\$ 938,755	\$ 999,420
Interest on bank operating facilities	325,657	285,537
Interest on lease obligations	1,195	3,013
Amortization of deferred financing fees	16,415	18,755
Finance fees	-	5,000
Total	\$ 1,282,022	\$ 1,311,725

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

11. Supplemental cash flow information

	Three months ended December 31,	
	2025	2024
Change in operating working capital:		
Receivables	\$ 694,610	\$ 219,903
Prepaid expenses and deposits	938,964	987,817
Security deposits	9,164	-
Payables and accruals	(240,959)	(251,433)
Income taxes payable	(842,290)	(1,046,761)
Net change in operating working capital	\$ 559,489	\$ (90,474)
Interest paid	\$ 1,244,784	\$ 1,209,941
Income taxes paid	\$ 791,992	\$ 1,201,423

Non-cash transactions:

	Three months ended December 31,	
	2025	2024
Acquisition of lease asset	\$ 17,025	\$ -
Disposition of a lease asset	\$ (3,909)	\$ -

12. Fair value of financial instruments

	December 31,	September 30,
	2025	2025
Financial assets		
Cash and cash equivalents	\$ 702,755	\$ 270,120
Receivables	70,229	764,839
Mortgages and loans receivable	11,279,748	11,335,136
	12,052,732	12,370,095
Financial liabilities		
Bank operating facilities	\$ 22,755,861	\$ 23,265,456
Payables and accruals	1,212,574	1,432,710
Lease liability	60,076	98,141
Security deposits	830,040	820,876
Term loan	257,746	271,795
Mortgages	85,986,800	86,316,497
	\$ 111,103,097	\$ 112,205,475

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 short term and demand nature of those instruments.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 2025

12. Financial instruments (cont'd)

Mortgages and loans receivable include two mortgages that are measured at fair value as they are prepayable without penalty. The fair value of the mortgages at December 31, 2025 totals \$5,375,945 (September 30, 2025 - \$5,376,435). The remaining mortgage and loan receivables are recorded at amortized cost with a total carrying value of \$5,932,915 (September 30, 2025 - \$5,885,152). The estimated fair value of the mortgage and loan receivables carried at amortized cost at December 31, 2025 is \$6,134,000 (September 30, 2025 - \$6,184,000).

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 December 31, 2025 September 30, 2025 is based on a discount rate of 3.98% (September 30, 2025 – 4.26%).

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 December 31, 2025 is \$83,865,000 (September 30, 2025 - \$86,391,000). The estimated fair value of the term loan at December 31, 2025 is \$253,000 (September 30, 2025 - \$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% (September 30, 2025 – 6.09%).

13. Related party transactions

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.

There have been no changes to the nature of related party transactions since the year ended September 30, 2025. Transactions with related parties during the period are summarized below:

a) Management agreements

		Three months ending December 31,	
	Financial statement category	2025	2024
Property management and maintenance fees paid to Sable	Property operating expenses (Statement of income)	\$ 352,402	\$ 453,692
Disposition fees paid to NARC	Loss on sale of investment properties (Statement of income)	-	66,000
Leasing fees paid to NARC	Investment properties (Statement of financial position)	169,345	36,180
Vehicle lease payments paid to NAML	Lease liabilities (Statement of financial position)	2,250	2,250
		\$ 523,997	\$ 558,122

At December 31, 2025 the Company has \$18,427 in outstanding payables to Sable (September 30, 2025 – \$31,198) to Sable.

IMPERIAL EQUITIES INC.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three months ended December 31, 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 for the period are as follows:

	Three months ending December 31,	
	2025	2024
Leased office space and parking	\$ 45,000	\$ 45,000
Rent at Sable Centre	(25,633)	(25,633)
Net payments for the period	\$ 19,367	\$ 19,367

- 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 months ended December 31, 2025 were \$10,000 (December 31, 2024 – \$10,000).

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

	Three months ending December 31,	
	2025	2024
Salaries and wages	\$ 130,000	\$ 130,000
Short-term employee benefits	4,105	3,798
Total	\$ 134,105	\$ 133,798

14. Post-reporting date events

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.