



Form 51-102F1

## Management Discussion and Analysis

For the three and six month periods ended April 30, 2012

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### **1. Date of this report: June 16, 2012**

The following Management Discussion and Analysis (“MD&A”) has been prepared by the management and is provided to enable readers to assess Innovative’s results of operations and financial condition for the three and six month periods ended April 30, 2012. This MD&A should be read in conjunction with our Interim Financial Statements dated April 30, 2012 our Audited Financial Statements and related notes dated October 31, 2011, and MD&A dated February 25, 2011, and is based on known risks and uncertainties. The terms “Innovative,” the “Corporation,” “we,” “us,” and “our” in the following MD&A refer to Innovative Properties Inc. All amounts, unless noted otherwise, are in Canadian dollars and are based on financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”).

The Financial Statements, along with additional information on the Corporation, are available on SEDAR at [www.sedar.com](http://www.sedar.com), or on the Corporation’s website at [www.innovativeproperties.com](http://www.innovativeproperties.com). The Board of Directors of the Corporation under recommendation of the Audit Committee has approved the contents of this MD&A, and this report covers other relevant information available up to the date of this report.

### **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute “forward-looking statements.” The use of any of the words “anticipate,” “continue,” “estimate,” “expect,” “may,” “will,” “project,” “should,” “believe,” “intend,” “plan,” and similar expressions are intended to identify forward looking statements. These statements involve known and unknown risks, uncertainties, and other factors outside of management’s control that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct; such forward-looking statements are based solely on information available up to the date of this MD&A. The Corporation assumes no responsibility for the accuracy and completeness of the forward-looking statements and does not undertake any obligations to publicly revise these forward-looking statements to reflect subsequent events or circumstances, unless required to do so by Securities Regulators.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise the possibility that predictions, forecasts, projections and other forward looking statements will not be achieved. We caution readers not to place undue reliance on

these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such statements. These factors include general business and economic conditions in Canada, the effects of competition in the markets where we operate, the impact of changes in laws and regulations (including tax laws), successful execution of our strategy, our ability to complete and integrate acquisitions successfully, our ability to attract capital, our ability to attract and retain key employees and executives, the financial position of our customers, our ability to refinance our debts upon maturity and changes in interest rates.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Corporation, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

## 2. Overall Performance

### *Description of Business*

Innovative Properties Inc. (the “Corporation”) was formed by amalgamation under the *Canada Business Corporations Act* on October 31, 2002. The amalgamated entity was named “Innovative Properties Inc.” and its common shares became listed and posted for trading on the TSX Venture Exchange under the symbol “INR”.

The Corporation’s principal business is providing property management products and services to residential and commercial property owners. The Corporation disposed of its operating subsidiaries during 2011. During the three month period ended April 30, 2012, the company’s activities were concentrated on seeking new business opportunities and investors.

### *Net Earnings and Comprehensive Earnings*

Management reports that in the six month period ended April 31, 2012, the Corporation reported net and comprehensive loss of \$24,841.

## 3. Results of Operations

### Selected Annual Information

	2011	2010	2009	2008
	\$	\$	\$	\$
	IFRS	IFRS	CGAAP	CGAAP
Revenue	-	530,552	259,920	3,552
Net Income (Loss)	693,134	(749,349)	(613,871)	(217,437)
Total Assets	7,077	280,606	419,883	22,029
Basic and diluted EPS <sup>1</sup>	0.03	(0.03)	(0.03)	(0.01)

<sup>1</sup> Exercise of options would be anti-dilutive

During the year ended October 31, 2011 the Company divested itself of its subsidiary Dime Inc and realized a gain on disposal of \$861,374.

## Summary of Quarterly Results

	<b>30-April, 2012</b>	<b>31-Jan, 2012</b>	<b>31-Oct, 2011</b>	<b>31-Jul, 2011</b>
	IFRS	IFRS	IFRS	IFRS
<b>Sales</b>	-	-	-	-
<b>Gross Profit</b>	-	-	-	-
<b>Expenses</b>	22,801	49,461	2,040	49,461
<b>Other income (expenses)</b>	-	-	48,204	-
<b>Net Earnings</b>	(22,801)	(1,257)	(2,040)	(1,257)
<b>Capital Stock (restated)</b>	9,244,899	3,362,546	3,362,546	3,362,546
<b>EPS</b>	(0.005)	(0.00)	(0.00)	(0.01)
	<b>April 30, 2011</b>	<b>January 31, 2011</b>	<b>October 31, 2010</b>	<b>July 31, 2010</b>
	IFRS	IFRS	IFRS	IFRS
<b>Gross Revenue</b>	-	-	81,330	104,036
<b>Net Income (Loss)</b>	(59,220)	773,595	(143,796)	(199,177)
<b>Capital Stock (restated)</b>	3,362,546	3,362,546	3,362,546	3,362,546
<b>EPS</b>	(0.003)	0.23	(0.04)	(0.06)

## Second Quarter Results

During the second quarter of 2012, the Company was relatively inactive; however, it did receive approval from the TSX-V for a \$500,000 private placement and used \$283,270 of this to repay a third party who had helped consolidate related party debts of \$223,612 and \$50,000 of short term liabilities. The shares from the financing are subject to a trading hold until July 13, 2012.

Total expenses decreased by \$38,557 as compared with the same period in 2011.

Other income for the period ended April 30, 2012 was \$Nil and (April 2011 - \$2,138).

EPS were \$(0.005) for the period ended April 30, 2012 and (April 30, 2011 - \$(0.03)).

In addition, the Company was looking for new business opportunities during the quarter.

#### **4. Liquidity**

At April 30, 2012, the Corporation had \$34,546 in liabilities (2011 – \$314,440). In addition, the Corporation had a working capital surplus of \$62,917 and at (April 30, 2011- \$(285,682)).

The Company had net loss of \$22,801 for the three month period ended April 30, 2012, had an accumulated deficit of \$1,725,950, and has had recurring losses since inception. The Corporation's ability to continue as a going concern is dependent upon its ability to raise additional capital, and/or on borrowing from third parties sufficient to meet current and future obligations.

Corporation management is actively pursuing investment capital to finance operations until a new business opportunity can be undertaken.

#### **5. Capital Resources**

The Corporation does not have any capital expenditure commitments for 2012.

The Corporation anticipates that any acquisitions will be financed by a combination of the issuance of common shares and some form of subordinated debt.

#### **6. Off-Balance Sheet Arrangements**

There are no off-balance sheet financing arrangements.

#### **7. Transactions with Related Parties**

As at April 30, 2012, there was \$Nil (April 2011 - \$223,612) owing to directors, or companies controlled by directors. During the three month period ended April 30, 2012, the Corporation paid \$6,039 (April 2011 – \$9,928) in filing fees, \$7,500 (April 2011 - \$Nil) in rent and \$1,065 (April 2011 - \$27,830) in professional fees.

#### **8. Restructuring and Recapitalization**

During the six month period ending April 30, 2012 the Company has been involved in restructuring and recapitalization activities, designed to reduce the Corporation's debt burden and strengthen its balance sheet.

- a. The common shares of Innovative were consolidated on a 7:1 basis such that the 23,537,825 Common Shares issued and outstanding were consolidated to 3,362,546 Common Shares.
- b. Innovative borrowed \$50,000.00 for working capital purposes and the proceeds were used to satisfy outstanding current liabilities.

- c. A loan of \$273,612 from a third party allowed the Company to consolidate related party loans and working capital loan into one.
  
- d. On March 12, 2012 TSX-V approved a non-brokered private placement, consisting of up to five million eight hundred and eighty two thousand three hundred and fifty-three (5,882,353) units at a purchase price of eight and a half (8.5) cents per unit (post-consolidation) to raise gross proceeds of up to five hundred thousand (\$500,000) dollars. Each unit would consist of one common share in the capital of the company and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share in the capital of the company for a period of two years at a purchase price of ten (10) cents per share (post-consolidation).

## **9. Critical Accounting Estimates**

Not applicable to a venture issuer.

## **10. Changes in Accounting Policies including Initial Adoption**

### Future changes in significant accounting policies

#### Business Combination:

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replace CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time. The Company believes there are no material impacts on adoption of these accounting standards.

#### International Financial Reporting Standards (IFRS):

The Company transitioned to International Financial Reporting Standards as at November 1, 2010 and has prepared an IFRS Statement of financial position beginning for November 1, 2011 with two comparative periods.

## **11. Financial Instruments and Other Instruments**

The Corporation’s financial instruments are cash, accounts receivable, and accounts payable and accrued liabilities, and short term debt.

The Corporation's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates fair value due to the immediate or short term maturity of these instruments.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation may be exposed to interest rate price risk through fixed rate debt and interest rate cash flow risk through floating interest rate bank indebtedness and credit facilities.

## 12. Share Capital

Common Shares:

Authorized:				
	Unlimited	Common voting shares without nominal or par value		
			<b>2012</b>	2011
<hr/>				
Issued:				
	9,244,899	Common shares - April 30, 2012	\$ 1,249,258	\$ 908,082
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Warrants:

There were 5,882,353 warrants outstanding and issued during the three months ending April 30, 2012 and at June 16<sup>th</sup>, 2012.

Options:

As at April 30, 2012, there were nil stock options outstanding

	Number	Amount \$
Balance, October 31, 2011	1,000,000	49,300
Balance, January 31, 2012	1,000,000	49,300
Expired	(1,000,000)	(49,300)
Balance, June 16, 2012	-	-

## 13. Subsequent Events

- The Company held its Annual General Meeting on May 4th in Surrey, British Columbia. Sonny Janda was appointed President and CEO. Jamie Lewin was appointed the CFO. The following were elected to the Board as Directors for the next year: Sonny Janda, Gurdeep Johal and Eugene Beukman.
- On June 19, 2012, Innovative Properties Inc. announced that the Company has

signed two commercial property management contracts to provide comprehensive property and project management for the Fleetwood Shopping Center and A & A Plaza (the “Properties”), both located in Surrey, British Columbia. The contracts will commence immediately and on a pro-rata fee basis.

The Company will collect all rents and other income related items on behalf of the landlords in a managerial capacity and further provide project management services for all development, redevelopment or construction related projects on the Properties. The Company has negotiated an annual fee amounting to a minimum of Seventy Eight Thousand (\$78,000.00 CAD) Dollars per year for the term of the contracts.

#### **14. Management’s Report on Internal Control over Financial Reporting**

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings (“NI 52- 109”). In particular, the Company’s certifying officers are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company’s generally accepted accounting principles.

The Company’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company are certifying officers to design and implement on a cost effective basis.

#### **15. Directors and Officers**

Sonny Janda, Pres. and Director

Jamie Lewin, CFO

Gurdeep Johal, Director

Eugene Beukman, Director

Contact:

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