



Form 51-102F1

Management Discussion and Analysis

For the year ended October 31, 2012

1. Date of this report: February 27, 2013

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 year ended October 31, 2012. This MD&A should be read in conjunction with our annual Financial Statements dated October 31, 2012, our Audited Financial Statements and related notes dated October 31, 2011, and MD&A dated February 27, 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, or on the Corporation’s website at 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.

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 year ended October 31, 2012, the company’s activities were concentrated on seeking new business opportunities.

In June 2012 the Company signed two commercial property management contracts to provide comprehensive property and project management for the Fleetwood Shopping Center and A & A Plaza, 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.

Net Earnings and Comprehensive Earnings

Management reports that in the year ended October 31, 2012, the Corporation reported net and comprehensive loss of \$43,177.

3. Subsequent Events

On November 1, 2012 the Company announced that it had entered into eight commercial property management contracts with eight separate real estate holding companies, all located in the province of British Columbia. The Company's intent is to provide comprehensive property and project management services. The Company's services include, but are not limited to, rent collection and other related income, management of any new construction, manage maintain and repair inventory, equipment and materials, and provide proper maintenance and operation of the various properties. The sum of approximately \$168,000.00 (CDN) per annum is anticipated as gross management fees over the term of the contracts

4. Results of Operations

Selected Annual Information

| | 2012 | 2011 | 2010 | 2009 |
|---------------------------------------|----------|---------|-----------|-----------|
| | \$ | \$ | \$ | \$ |
| | IFRS | IFRS | CGAAP | CGAAP |
| Revenue | 28,170 | - | 530,552 | 259,920 |
| Net Income (Loss) | (43,177) | 693,134 | (749,349) | (613,871) |
| Total Assets | 172,899 | 7,077 | 280,606 | 419,883 |
| Basic and diluted EPS ¹ | (0.005) | 0.21 | (0.22) | (0.03) |

¹ 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

| | 31-October, 2012 | 31-July, 2012 | 30-April, 2012 | 31-January, 2012 |
|--------------------------------|-----------------------------|--------------------------|---------------------------|-----------------------------|
| | IFRS | IFRS | IFRS | IFRS |
| Sales | 28,170 | - | - | - |
| Gross Revenue | - | - | - | - |
| Expenses | 37,345 | 23,850 | 22,801 | 2,040 |
| Other income (expenses) | (5,978) | 20,667 | - | - |
| Net Income (Loss) | (15,153) | (3,183) | (22,801) | (2,040) |
| Number of Shares | 9,244,899 | 9,244,899 | 9,244,899 | 3,362,546 |
| EPS | (0.000) | (0.000) | (0.00) | (0.00) |
| | 31-October, 2011 | 31-July, 2011 | April 30, 2011 | January 31, 2011 |
| | IFRS | IFRS | IFRS | IFRS |
| Sales | - | - | - | - |
| Gross Revenue | - | - | - | - |
| Expenses | 49,461 | 19,984 | 61,358 | 37,437 |
| Other income (expenses) | 48,204 | - | 2,138 | 811,032 |
| Net Income (Loss) | (1,257) | (19,984) | (59,220) | 773,595 |
| Number of Shares | 3,362,546 | 3,362,546 | 3,362,546 | 3,362,546 |
| EPS | (0.00) | (0.00) | (0.02) | 0.23 |

Results for the three month period ended October 31, 2012

During the fourth quarter of 2012, the Company was in negotiations aimed at adding additional property management contracts to its portfolio.

During the three month period ended October 31, 2012, the Corporation paid \$6,000 (October 31, 2011 – \$nil) in management fees, \$7,500 (October, 2011 - \$nil) in rent and \$9,020 (October 31, 2011 - \$7,209) in professional fees. Eight thousand of the 2012 professional fees are an audit accrual.

Total expenses decreased by \$12,116 as compared with the same period in 2011.

Other income for the three month period ended October 31, 2012 decreased by \$5,978 and increased (October 31, 2011 - \$48,204).

EPS were \$(0.00) for the period ended October 31, 2012 and (October 31, 2011 - \$(0.00)).

Results for the year ended October 31, 2012

During the year ended October 31, 2012, the Company received 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 and pay down short term liabilities. The Company signed property management contracts having a value of \$78,000 a year.

During the year ended October 31, 2012, the Corporation paid \$27,775 (October 31, 2011 – \$17,260) in filing and transfer fees, \$24,300 (October 31, 2011 - \$1,307) in rent and \$12,692 (October 31, 2011 - \$76,445) in professional fees.

Total expenses decreased by \$82,204 as compared with the same period in 2011.

Sales revenue in 2012 was \$28,170 (2011 - \$nil). Other income for the period ended October 31, 2012 was \$14,689 and (October 31, 2011 - \$861,374).

EPS were \$(0.01) for the period ended October 31, 2012 and (October 31, 2011 - \$0.21).

5. Liquidity

At October 31, 2012, the Corporation had \$17,207 in liabilities (October 31, 2011 – \$308,208). In addition, the Corporation had a working capital surplus of \$155,102 and at (October 31, 2011-\$301,131)).

The Company had net loss of \$43,177 for the year ended October 31, 2012, and net income of \$693,134 at October 31, 2011. In addition, it had an accumulated deficit of \$1,744,286 (October 31 2011 - \$1,701,109). The Corporation's ability to continue as a going concern is dependent upon its ability to raise additional capital, and/or finance operations with revenue derived from new business opportunities.

6. 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.

7. Off-Balance Sheet Arrangements

There are no off-balance sheet financing arrangements.

8. Transactions with Related Parties

As at October 31, 2012, the Company owed \$2,800 (2011 - \$Nil) to and had a receivable of \$12,133 (2011 - \$Nil) from a company controlled by a relative of the CEO, and \$Nil to former directors and officers (2011 - \$283,270).

During the year ended October 31, 2012, the Company assigned debt owing to former directors and officers of \$238,270 to a third party for a note payable of the same amount which bears no interest, is due on demand and unsecured. The note was repaid during the year.

The Company incurred the following transactions with officers, directors or relatives or with companies that are controlled by directors or officers of the Company.

| | October 31, 2012 | October 31, 2011 |
|-------------------|---------------------|---------------------|
| Sales | (10,833) | - |
| Management fees | 9,000 | - |
| Consulting | - | 32,181 |
| Professional fees | 4,692 | - |
| Rent | 22,500 | - |
| Interest | - | 11,799 |
| | \$ 25,359 | \$ 43,980 |

9. Restructuring and Recapitalization

During the year ended October 31, 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. During the year ended October 31, 2012, the Company entered into an agreement to assign certain accounts payable to a third party for a \$45,000 note payable which bears interest at 6% per year, is due on demand and unsecured and a \$5,000 note payable which bears interest at 5% per year is due on demand and unsecured. The Company recorded a gain of \$13,107 on the transaction.

The \$45,000 note was repaid during the year ended October 31, 2012.

- b. 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 \$0.085 per unit to raise gross proceeds of up to \$500,000 dollars. Each unit consisted of one common share in the capital of the company and one share purchase warrant. Each warrant entitles 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 \$0.10 per share.

10. Critical Accounting Estimates

Not applicable to a venture issuer.

11. Accounting standards issued but not yet effective

The Company transitioned to International Financial Reporting Standards (IFRS) as at November 01, 2010.

New standard IFRS 9 “Financial Instruments”

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

New standard IFRS 10 “Consolidated Financial Statements”

This new standard will replace IAS 27 “Consolidated and Separate Financial Statements”, and SIC-12 “Consolidation – Special Purpose Entities”. Concurrent with IFRS 10, the IASB issued IFRS 11 “Joint Ventures”; IFRS 12 “Disclosures of Involvement with Other Entities”; IAS 27 “Separate Financial Statements”, which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 “Investments in Associates and Joint Ventures”, which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013.

New standard IFRS 11 “Joint Arrangements”

This new standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

New standard IFRS 12 “Disclosure of Interests in Other Entities”

This new standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional

disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

New standard IFRS 13 “Fair value measurement”

This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is effect for annual periods beginning on or after January 1, 2013.

New interpretation IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”

This new IFRIC clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

Amendments to IAS 32 “Financial Instruments: Presentation”

These amendments address inconsistencies when applying the offsetting requirements, and are effective for annual periods beginning on or after January 1, 2014.

Financial statement presentation

In June 2011, the IASB and the Financial Accounting Standards Board (“FASB”) issued amendments to standards to align the presentation requirements for other comprehensive income (“OCI”). The IASB issued amendments to IAS 1 “Presentation of Financial Statements” to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for fiscal years beginning on or after July 1, 2012.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

12. 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.

13. Share Capital

Common Shares:

Authorized:

Unlimited Common voting shares without nominal or par value

Issued:

| | | | | |
|-----------|---|----|------------------|------------|
| 9,244,899 | Common shares – at October 31, 2012 and report date | \$ | 1,202,200 | \$ 908,082 |
|-----------|---|----|------------------|------------|

Warrants:

There were 5,882,353 warrants outstanding at year end with a weighted average exercise price of \$0.10 and a weighted average life of 1.58 years. This remained the same at the report date.

Options:

As at October 31, 2012 and the report date, there were nil stock options outstanding.

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.

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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.

Officers and Directors

Sonny Janda, Pres. and Director
Jamie Lewin, CFO
Gurdeep Johal, Director
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