INNOVATIVE PROPERTIES INC

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
JULY 31, 2013

(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

NOTICE TO READERS

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 accomplished by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Stands for the preparation of the interim condensed financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

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

Innovative Properties Inc.
Condensed interim statements of financial position
(Unaudited - Expressed in Canadian dollars)

	Notes	July 31, 2013	October 31, 2012
ASSETS		$	$
Current assets			
Cash and equivalents	4	138,837	134,702
Term deposit		10,000	-
Trade receivables	5	43,630	32,252
Prepaid items		8,460	-
HST receivable		-	5,355
		200,927	172,309
Non-current assets			
Equipment	7	2,103	590
TOTAL ASSETS		**203,030**	**172,899**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	6	11,424	8,960
Due to related parties	10	-	2,800
Loans payable	11	-	5,447
		11,424	17,207
Non-current liabilities			
Long Term Debt	12	-	-
TOTAL LIABILIITES		-	17,207
SHAREHOLDERS' EQUITY			
Share capital	8	1,408,082	1,408,082
Reserves	9	491,896	491,896
Deficit		(1,708,372)	(1,744,286)
TOTAL EQUITY		191,606	155,692
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**203,030**	**172,899**

Nature of operations and going concern (Note 1)

The accompanying notes are an integral part of the financial statements

Approved for issuance by the Board of Directors on September 23, 2013:

"Eugene Beukman"
Director

"Sonny Janda"
Director

Innovative Properties Inc.
Condensed interim statements of comprehensive income/(loss)
For the three and nine months ended July 31, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

	Note	Three Months Ended		Nine Months Ended	
		July 31, 2013	**July 31, 2012 $**	**July 31, 2013**	**July 31, 2012 $**
Revenue					
Service revenue	10, 13	75,782	-	246,368	-
Expenses					
Advertising		-	2,500	880	3,070
Amortization		396	-	1,187	-
Convention		1,215	-	3,504	-
Bank charges & Int.		120	15	254	241
Filing & Transfer		1,355	7,734	16,811	20,877
Insurance		-	-	-	1,120
Interest on debt		-	-	(447)	551
Management fees	10	-	3,000	18,000	3,000
Maintenance		9,563	-	14,838	
Office and misc.		4,359	494	12,563	1,160
Professional fees		7,975	2,607	20,550	3,672
Rent	10	7,500	7,500	22,500	15,000
Salaries		44,304	-	99,824	-
		76,787	23,850	210,464	48,691
Other items					
Other income		-	-	10	-
Gain on debt settlement		-	13,104	-	13,104
		-	13,104	10	13,104
Comprehensive income (loss)		(1,004)	(10,746)	35,914	(35,587)
Earnings (Loss) per share - Basic and Diluted		$ 0.00	$ (0.002)	$ 0.004	$ (0.007)
Weighted average number of shares outstanding		9,244,899	5,321,369	9,244,899	5,321,369

The accompanying notes are an integral part of the financial statements

Innovative Properties Inc.
Condensed interim statement of changes in equity
For the nine months ended July 31, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

		Share capital		Reserves				
	Note	Number of shares	Amount	Option reserve	Warrant reserve	Loan reserve	Deficit	Total
			$	$	$	$	$	$
Balance, October 31, 2012		**9,244,899**	**1,408,082**	**102,484**	**265,908**	**123,504**	**(1,744,286)**	**155,692**
Comprehensive income		-	-	-	-	-	35,914	35,914
Other		-	-	-	-	-	-	-
Balance, July 31, 2013		**9,244,899**	**1,408,082**	**102,484**	**265,908**	**123,504**	**(1,708,372)**	**191,606**

		Share capital		Reserves					
	Note	Number of shares	Amount	Option reserve	Warrant reserve	Loan reserve	Subscriptions receivable	Deficit	Total
			$	$	$	$	$	$	$
Balance, October 31, 2011		**3,362,546**	**908,082**	**102,484**	**265,908**	**123,504**	-	**(1,701,109)**	**(301,131)**
Comprehensive loss		-	-	-	-	-	-	(35,587)	(35,587)
Private placement issued for cash		5,882,353	500,000	-	-	-	-	-	500,000
Balance, July 31, 2012		**9,244,899**	**1,408,082**	**102,484**	**265,908**	**123,504**	**-**	**(1,736,696)**	**163,28)**

The accompanying notes are an integral part of the financial statements

Innovative Properties Inc.
Condensed interim statements of cash flow
For the three and nine months ended July 31, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	July 31, 2013	July 31, 2012	July 31, 2013	July 31, 2012
		$		$
Operating activities				
Gain (Loss) before income taxes	(1,004)	(10,746)	35,914	(35,587)
Adjustments for non-cash items:				
Amortization	396	-	1,187	-
Interest	-	-	10	-
Changes in non-cash working capital items:				
Accounts receivable	27,759	-	(11,378)	(9,107)
Prepaid items	(60)	-	(8,460)	-
Trade payables and accrued liabilities	(6,486)	(22,469)	2,464	(72,519)
HST recoverable	-	(1,145)	5,355	(1,643)
Net cash provided by (used in) operating activities	20,605	(34,360)	25,092	118,856
Investing activities				
Equipment purchases	-	(1,418)	(2,710)	(1,418)
Net cash flows used in investing activities	-	(1,418)	(2,710)	(1,418)
Financing activities				
Net sale of shares for cash	-	-	-	500,000
Subscriptions receivable	-	111,111	-	-
Payments to related parties	-	-	(2,800)	(223,612)
Short term loans	-	-	(5,447)	-
Net cash flows from financing activities	-	111,111	(8,247)	276,388
Increase in cash	20,605	75,333	14,135	156,114
Cash, beginning	128,232	83,854	134,702	3,073
Cash and equivalents, ending	148,837	159,187	148,837	159,187
Cash and equivalents:				
Cash	138,837	159,187	138,837	159,187
Term deposit	10,000	-	10,000	-

The accompanying notes are an integral part of the financial statements

1. Nature and continuance of operations

Innovative Properties Inc. (the "Company") was incorporated under the Canada Business Corporations Act on October 31, 2002. The Company's principal activity is the management of commercial real estate. Its shares are traded on the TSX Venture Exchange (the "Exchange") under the symbol "INR".

The head office, principal address and records office of the Company are located at 8338 – 120th Street, Surrey, British Columbia, Canada, V3W 3N4.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at July 31, 2013, the Company has started to finance day to day activities through revenue generated from its commercial property management contracts. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from to meet current and future obligations.

Management intends to finance operations over the next twelve months with revenue obtained from its commercial property management agreements. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. Statement of compliance

These condensed interim financial statements have been prepared using the same accounting policies and methods of computation as were applied in our most recent audited annual financial statements for the year ended October 31, 2012.

These condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim financial statements do not include all of the information required of a full annual financial report and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the most recent audited annual financial statements of the Company for the year ended October 31, 2012.

These financial statements were approved and authorized by the Board of Directors on September 23, 2013.

3. Basis of preparation and significant accounting standards

Basis of preparation

These financial statements have been prepared, in Canadian dollars, on an accrual basis and are based on historical costs, except for financial instruments measured at their fair value. The 2013 Q3 condensed interim financial statements follow the same significant accounting policies set out in note 3 to the Company's annual financial statements for the year ended October 31 30, 2012. The Company has not adopted new accounting standards since then.

3. Basis of preparation and significant accounting standards (continued)

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification of financial instruments.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified

Accounting standards issued but not yet effective

<u>New standard IFRS 11 "Joint Arrangements"</u>

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.

<u>New standard IFRS 12 "Disclosure of Interests in Other Entities"</u>

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.

<u>New standard IFRS 13 "Fair value measurement"</u>

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.

(Unaudited - Expressed in Canadian dollars)

3. Basis of preparation and significant accounting standards (continued)

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.

4. Cash

	July 31, 2013	October 31, 2012
	$	$
Bank - operations	109,137	134,684
Bank - service	29,700	18
Term deposit (1 yr. @ 0.75%)	10,000	-
	148,837	134,702

5. Receivables and prepaid

	July 31, 2013	October 31, 2012
	$	$
Service receivable	43,630	32,252
HST receivable	-	5,355
Prepaid items (rent)	8,460	-
	52,090	37,607

Service Receivable ageing: Current - $25,841; 31 to 60 days - $5,204; 61 to 90 days - $12,585; Total $43,630

6. Payables, accruals and other taxes

	July 31, 2013	October 31, 2012
	$	$
Trade payables	8,288	8,960
Due to related parties	-	2,800
Payroll withholding tax payable	886	-
HST payable	2,250	-
Loans payable	-	5,447
	11,425	17,207

(Unaudited - Expressed in Canadian dollars)

7. Equipment

Computers	**2013**	**Computers**	**2012**
Balance, October 31, 2012	630	Balance October 31, 2011	-
Purchases	2,700	Purchases	630
Disposals	-	Disposals	-
Balance, July 31, 2013	3,330	Balance, October 31, 2012	630
Accumulated depreciation		**Accumulated depreciation**	
Balance, October 31, 2012	40	Balance, October 31, 2011	-
Additions	1,187	Additions	40
Balance, July 31, 2013	1,227	Balance, January 31, 2012	40
Net Book Value		**Net Book Value**	
Balance, October 31, 2012	590	Balance, October 31, 2011	-
Balance, July 31, 2013	2,103	Balance, October 31, 2012	590

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the year ended October 31, 2012, the Company effected a consolidation of the issued and outstanding common stock on a one-for-seven basis. Accordingly, these financial statements have been retroactively restated to reflect the share consolidation.

At July 31, 2013 there were 9,244,899 issued and fully paid common shares outstanding (October 31, 2012 – 9,244,899).

Private placements

On March 12, 2012 the Company issued 5,882,353 units at $0.085 per unit. Each unit consists of one common share and one share purchase warrant exercisable at $0.10 for a period of two years from the issuance date. The fair value of the warrants issued was $Nil based on the residual method.

Stock options

The Company has adopted a stock option plan whereby the Company may from time to time in accordance with the Exchange requirements grant to directors, officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 20% of the Company’s common shares issued and outstanding at the time of granting stock options.

Options may be exercised no later than 90 days following cessation of the optionee’s position with the Company or 30 days following cessation of an optionee conducting investor relations activities’ position.

There were no options outstanding as at July 31, 2013.

(Unaudited - Expressed in Canadian dollars)

Warrants

As at July 31, 2013, the Company had 5,882,353 (October 31, 2012 – 5,882,353) warrants outstanding and exercisable at $0.10. They expire March 12, 2014.

9. Reserves

Option reserve

The option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded will remain in the account.

	July 31, 2013	October 31, 2012
Balance at beginning of year/period	102,484	102,484
Value of options granted	-	-
Exercise of options	-	-
Expiry of options	-	-
Balance at end of year/period	102,484	102,484

Warrant reserve

The warrant reserve records the fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded will remain in the account.

	July 31, 2013	October 31, 2012
Balance at beginning of year	265,908	265,908
Value of warrants granted	-	-
Exercise of warrants	-	-
Expiry of warrants	-	-
Balance at end of year	265,908	265,908

Loan reserve

Recorded in the loan reserve is the equity portion of convertible debentures issued in 2010.

10. Related party transactions

As at July 31, 2013, the Company owed $nil (October 31, 2012 - $2,800) to and had a receivable of $nil (October 31, 2012 - $12,133) from a company controlled by a relative of the Chief Executive Officer (“CEO”).

During the period ended July 31, 2013, the Company incurred management fees of $37,440 (July 31, 2012 - $3,000) to a relative of the CEO, rent expense of $22,500 (July 31, 2012 - $15,000) and sales of $246,368 (July 31, 2012 - $nil) to companies controlled by a relative of the CEO, professional fees of $2,430 (July 31, 2012 - $2,445) to the Chief Financial Officer.

(Unaudited - Expressed in Canadian dollars)

11. Note payable

During the year ended October 31, 2012, the Company entered into an agreement for a $5,000 note payable which bore interest at 5% per year, was due on demand and unsecured.

The $5,000 note was repaid during the period ended April 30, 2013 without interest.

12. Long term debt

	July 31, 2013 $	October 31, 2012 $
Preferred shares of Dime, 12% interest, unsecured	-	-
Long-term debt, 8% interest, unsecured, due November 10, 2012	-	-
Long-term debt, 12% interest, unsecured, due August 13, 2013	-	-
Total	-	-
Current portion	-	-
Long-term portion	-	-

13. Service revenue

The Company has four categories of Service revenue.

Service Revenue	**July 31, 2013** $	**July 31, 2012** $
Property management fees	184,500	-
Accounting fees recovery	10,500	-
Consulting fees	46,000	-
Administration fees	5,368	-
	246,368	-

14. Income Tax

The Company has non-capital losses of approximately $1,470,000. The expiration of these losses will occur as follows:

Year	Amount $
2014	213,695
2026	448,494
2028	203,357
2029	227,033
2030	305,421
2031	72,000
Total	1,470,000

15. Financial risk management and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and its accounts receivable. Cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. As accounts receivable consists of revenue receivable from two customers there is a concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Revenue risk

The company relies heavily on a relationship with a related party group for its service revenue. If this relationship was to terminate or become partially impaired, the Company would experience a sharp drop in its revenue similar to a company that loses one main client.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

(Unaudited - Expressed in Canadian dollars)

14. Financial risk management (continued)

	July 31, 2013	October 31, 2012
	$	$
Cash and equivalents	148,837	134,702
Loans and receivables:		
Trade receivables	43,630	32,252
HST/GST receivable	-	5,355
Prepaid items	8,460	-
	200,927	172,309

Financial liabilities included in the statement of financial position are as follows:

	July 31, 2013	October 31, 2012
	$	$
Trade payables and accruals	11,424	8,960
Due to related parties	-	2,800
Loans payable	-	5,447
	11,424	17,207

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

				As at July 31, 2013
		Level 1	Level 2	Level 3
Cash and cash equivalents		148,837	-	-
	$	148,837	-	-

				As at October 30, 2012
		Level 1	Level 2	Level 3
Cash and cash equivalents		134,702	-	-
	$	134,702	-	-

15. Subsequent Events

On September 17, 2013 the Company announced that a private placement had been conditionally approved by the TSX Venture Exchange for 10,000,000 Units raising total funds of $150,000.

Proceeds from the financing will be specifically used for the following items:
- TSXV, audit and shareholder meeting costs: $ 18,550
- Management software program: 37,056
- Excluded Amount (payable to related party(s)): 50,000
- Administrative and general overhead costs: 50,000

There will be no finder's fees paid for this financing and; there will be no payments made in excess of the above allowable "Excluded Amount" to any related parties.

This financing is subject to and being relied upon by the TSX Venture Exchange's temporary relief measures bulletin issued December 12, 2012 and subsequently updated on April 12, 2013.

This financing is subject to TSX Venture Exchange final approval.