INNOVATIVE PROPERTIES INC.

FINANCIAL STATEMENTS

OCTOBER 31, 2013

(EXPRESSED IN CANADIAN DOLLARS)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Innovative Properties Inc.

We have audited the accompanying financial statements of Innovative Properties Inc., which comprise the statements of financial position as at October 31, 2013 and 2012, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Innovative Properties Inc. as at October 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Innovative Properties Inc.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
February 28, 2014

Innovative Properties Inc.
Statements of financial position
(Expressed in Canadian dollars)

	Note	October 31, 2013	October 31, 2012
ASSETS		$	$
Current assets			
Cash and cash equivalents	4	268,926	134,702
Trade receivables	9	53,000	32,252
HST receivable		-	5,355
		321,926	172,309
Non-current assets			
Equipment	6	17,264	590
		339,190	**172,899**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	5	39,066	8,960
Due to related parties	9	2,200	2,800
GST payable		610	-
Loan payable	10	-	5,447
		41,876	17,207
SHAREHOLDERS' EQUITY			
Share capital	7	1,508,082	1,408,082
Reserves	8	541,896	491,896
Deficit		(1,752,664)	(1,744,286)
		297,314	155,692
		339,190	**172,899**

Nature of operations and going concern (Note 1)

Approved for issuance by the Board of Directors on February 28, 2014:

"Eugene Beukman"
Director

"Sonny Janda"
Director

Innovative Properties Inc.
Statements of comprehensive loss
(Expressed in Canadian dollars)

	Note	October 31, 2013	October 31, 2012
		$	$
Revenue	9	309,676	28,170
Expenses			
Advertising		2,941	3,070
Amortization	6	17,027	40
Bad debt		10,150	-
Bank charges		327	484
Fees and licenses		-	352
Filing and transfer agent fees		17,724	27,775
Insurance		-	4,468
Interest expense		-	1,011
Management fees	9	18,000	9,000
Maintenance		30,350	-
Office		21,844	2,844
Professional fees	9	25,090	12,692
Rent	9	30,000	24,300
Salaries		144,601	-
		318,054	86,036
Other items			
Other income		-	1,585
Gain on debt settlement	10	-	13,104
		-	14,689
Comprehensive loss		(8,378)	(43,177)
Loss per share - Basic and Diluted		(0.00)	(0.01)
Weighted average number of shares outstanding		10,450,378	7,117,583

The accompanying notes are an integral part of the financial statements

Innovative Properties Inc.
Statement of changes in equity
(Expressed in Canadian dollars)

		Share capital		Reserves				
	Note	**Number of shares**	**Amount**	**Option reserve**	**Warrant reserve**	**Loan reserve**	**Deficit**	**Total**
			$	$	$	$	$	$
Balance, October 31, 2011		**3,362,546**	**908,082**	**102,484**	**265,908**	**123,504**	**(1,701,109)**	**(301,131)**
Comprehensive loss		-	-	-	-	-	(43,177)	(43,177)
Shares issued for cash	7	5,882,353	500,000	-	-	-	-	500,000
Balance, October 31, 2012		**9,244,899**	**1,408,082**	**102,484**	**265,908**	**123,504**	**(1,744,286)**	**155,692**
Comprehensive income		-	-	-	-	-	(8,378)	(8,378)
Shares issued for cash	7	10,000,000	150,000	-	-	-		150,000
Fair value of warrants	7	-	(50,000)	-	50,000	-		-
Balance, October 31, 2013		**19,244,899**	**1,508,082**	**102,484**	**315,908**	**123,504**	**(1,752,664)**	**297,314**

Innovative Properties Inc.
Statements of cash flows
(Expressed in Canadian dollars)

	October 31, 2013	October 31, 2012
	$	$
Operating activities		
Net loss	(8,378)	(43,177)
Adjustments for non-cash items:		
Amortization	17,027	40
Gain on debt settlement	-	(13,104)
Interest	-	192
Changes in non-cash working capital items:		
Trade receivables	(20,748)	(32,252)
Trade payables and accrued liabilities	30,106	(62,277)
Due to related parties	(600)	(220,812)
HST recoverable (payable)	5,965	(1,351)
Net cash provided by (used in) operating activities	23,372	(372,741)
Investing activities		
Acquisition of equipment	(33,701)	(630)
Net cash flows used in investing activities	(33,701)	(630)
Financing activities		
Issuance of shares for cash	150,000	500,000
Proceeds received from loans issued	-	5,000
Repayment of loans	(5,447)	-
Net cash flows from financing activities	144,553	505,000
Increase in cash and cash equivalents	134,224	131,629
Cash and cash equivalents, beginning	134,702	3,073
Cash and cash equivalents, ending	268,926	134,702

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 October 31, 2013, the Company is not able to finance its day to day activities with income 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 generated from its commercial property management agreements and/or private placement of common shares. 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 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were approved and authorized by the Board of Directors on February 28, 2014.

3. Basis of preparation and significant accounting standards

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

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 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.

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

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Revenue recognition

Revenue consists of service revenue generated from the management of commercial properties. Revenue is recognized when persuasive evidence of an arrangement exists, the amount is fixed or determinable and collection is reasonably assured.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The Company's equipment consists of computer equipment and computer software. The amortization rate applicable to computer equipment and to computer software is 30% and 100%, respectively.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, no value is assigned to the warrants.

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

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. The Company does not have any derivative financial assets and liabilities.

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

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Accounting standards issued by not yet applied

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2013 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these financial statements, is not expected to have a material effect on the Company's future results and financial position:

a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
b) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
c) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
d) IFRS 12 Disclosure of Interest in Other Entities;
e) IFRS 13 Fair Value Measurement; and
f) IAS 1 Presentation of Financial Statements (Amendments regarding Presentation of Items of Other Comprehensive Income).

(Expressed in Canadian dollars)

4. Cash and cash equivalents

	October 31, 2013	October 31, 2012
	$	$
Cash at bank	258,926	134,702
Guaranteed investment certificates	10,000	-
	268,926	134,702

5. Trade payables and accrued liabilities

	October 31, 2013	October 31, 2012
	$	$
Trade payables	20,534	-
Accrued liabilities	18,532	8,960
	39,066	8,960

6. Equipment

	Computer equipment	Computer software	Total
	$	$	$
Cost:			
At October 31, 2011	-	-	-
Additions	630	-	630
At October 31, 2012	630	-	630
Additions	-	33,701	33,701
At October 31, 2013	630	33,701	34,331
Depreciation:			
At October 31, 2011	-	-	-
Charge for the year	40	-	40
At October 31, 2012	40	-	40
Charge for the year	217	16,810	17,027
At October 31, 2013	257	16,810	17,067
Net book value:			
At October 31, 2012	590	-	590
At October 31, 2013	373	16,891	17,264

7. Share capital

Authorized share capital

Unlimited number of common shares without par value.

(Expressed in Canadian dollars)

7. Share capital (continued)

Private placements

On September 17, 2013, the Company completed a private placement of 10,000,000 units at $0.015 per unit for gross proceeds of $150,000. Each unit consists of one common share and one common share purchase warrant exercisable at $0.05 for a period of one year from the issuance date and at $0.10 for a period of one year subsequently. Fair value of $50,000 allocated to the warrants.

On March 12, 2012, the Company issued 5,882,353 units at $0.085 per unit for gross proceeds of $500,000. 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. No fair value was allocated to the warrants.

Stock options

The Company has 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 October 31, 2013 and 2012.

Warrants

	October 31, 2013		October 31, 2012	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		$
Warrants outstanding, beginning	5,882,353	0.10	-	-
Warrants issued	10,000,000	0.08	5,882,353	0.10
Warrants outstanding, ending	15,882,353	0.09	5,882,353	0.10

8. 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.

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.

Loan reserve

Recorded in the loan reserve is the equity portion of convertible loan instruments.

(Expressed in Canadian dollars)

9. Related party transactions

As at October 31, 2013, the Company owed $Nil (2012 - $2,800) to a company controlled by a relative of the Chief Executive Officer ("CEO") and $2,200 (2012 - $Nil) to a relative of the CEO. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

As at October 31, 2013, $48,072 (2012 -$12,133) of trade receivables is due from companies with common directors and companies controlled by relatives of the CEO.

The Company incurred the following transactions with companies with common directors and companies controlled by relatives of the CEO:

	October 31, 2013	**October 31, 2012**
	$	$
Management fees	18,000	9,000
Rent	30,000	22,500
	48,000	31,500
Revenue	295,139	10,833

Key management personnel compensation

	October 31, 2013	**October 31, 2012**
	$	$
Short-term employee benefits – professional fees	3,780	3,780

10. Gain on debt settlement

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 $13,104 on the transaction.

The $45,000 note was repaid during the year ended October 31, 2012. The $5,000 note was repaid during the year ended October 31, 2013.

11. Income Tax

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	October 31, 2013	**October 31, 2012**
	$	$
Net loss	(8,378)	(43,177)
Statutory tax rate	25%	26%
Expected income tax recovery	(2,095)	(11,226)
Non-deductible items and other permanent differences	-	(3,407)
Effect of change in tax rates	-	86,866
Change in valuation allowance	2,095	(72,233)
Total income tax recovery	-	-

(Expressed in Canadian dollars)

11. Income Tax (continued)

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	October 31, 2013	**October 31, 2012**
	$	$
Deferred income tax assets:		
Non-capital loss carry-forward	367,996	367,564
Share issuance costs	735	3,109
Cumulative eligible capital	2,466	2,684
Equipment	4,568	312
Total deferred income tax assets	375,764	373,669
Less: Valuation allowance	(375,764)	(373,669)
Net deferred income tax assets	-	-

The Company has non-capital losses of approximately $1,472,000. 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
2032	2,000
Total	1,472,000

12. 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 and cash equivalents held in bank accounts and its trade receivables. Cash and cash equivalents is held at 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.

(Expressed in Canadian dollars)

12. Financial risk management and capital management (continued)

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.

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's exposure to interest rate risk is minimal.

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:

	October 31, 2013	October 31, 2012
	$	$
Cash and equivalents	268,926	134,702
Loans and receivables:		
Trade receivables	53,000	32,252
	321,926	166,954

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

	October 31, 2013	October 31, 2012
	$	$
Trade payables	20,534	-
Due to related parties	2,200	2,800
Loans payable	-	5,447
	22,734	8,247

12. Financial risk management (continued)

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 October 31, 2013		
	Level 1	Level 2	Level 3
	$	$	$
Cash and cash equivalents	268,926	-	-
Trade receivables	-	-	53,000

	As at October 30, 2012		
	Level 1	Level 2	Level 3
	$	$	$
Cash and cash equivalents	134,702	-	-
Trade receivables	-	-	32,252