INNOVATIVE PROPERTIES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED JANUARY 31, 2014

(UNAUDITED and EXPRESSED IN CANADIAN DOLLARS)

NOTICE TO THE READER

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 condensed interim 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 Chartered Professional Accountants of Canada 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)

	Note	January 31, 2014	October 31, 2013
ASSETS		$	$
Current assets			
Cash and cash equivalents	4	198,710	268,926
Trade receivables	9	140,435	53,000
Short Term Loan		2,819	-
		341,964	321,926
Non-current assets			
Equipment	6	14,488	17,264
TOTAL ASSETS		**356,453**	**339,190**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	5	27,466	39,066
Due to related parties	9	-	2,200
GST payable		2,037	610
TOTAL LIABILIITES		29,503	41,876
SHAREHOLDERS' EQUITY			
Share capital		1,508,082	1,508,082
Reserves		541,896	541,896
Deficit		(1,723,028)	(1,752,664)
TOTAL EQUITY		326,950	297,314
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**356,453**	**339,190**

Nature of operations and going concern (Note 1)

Approved for issuance by the Board of Directors on March 24, 2014:

"Eugene Beukman"	*"Sonny Janda"*
Director	Director

The accompanying notes are an integral part of the financial statements

Innovative Properties Inc.
Condensed interim statements of comprehensive loss
For the three months ended January 31, 2014 and 2013
(Unaudited & Expressed in Canadian dollars)

	Note	January 31, 2014	January 31, 2013
		$	$
Revenue	9	137,550	63,000
Expenses			
Advertising		1,045	-
Amortization	6	4,372	-
Bank charges		94	56
Fees and licenses		-	-
Filing and transfer agent fees		3,164	11,014
Insurance		2,788	-
Interest expense		-	63
Management fees	9	-	3,000
Maintenance		2,702	-
Office		15,523	3,183
Professional fees	9	12,335	2,000
Rent	9	7,500	7,500
Salaries		49,665	14,141
Vehicle		5,200	-
		104,388	41,106
Other items			
Other income		75	10
Comprehensive income		33,237	21,904
Loss per share - Basic and Diluted		(0.00)	(0.00)
Weighted average number of shares outstanding		12,970,926	8,231,759

The accompanying notes are an integral part of the financial statements

Innovative Properties Inc.
Condensed interim statement of changes in equity
For the three months ended January 31, 2014 and 2013
(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 loss		-	-	-	-	-	21,904	21,904
Balance, January 31, 2013		**9,244,899**	**1,408,082**	**102,484**	**265,908**	**123,504**	**(1,722,382)**	**177,596**
Balance, October 31, 2012		**19,244,899**	**1,508,082**	**102,484**	**315,908**	**123,504**	**(1,752,664)**	**293,000**
Comprehensive income		-	-	-	-	-	33,237	33,237
Balance, January 31, 2014		**19,244,899**	**1,508,082**	**102,484**	**315,908**	**123,504**	**(1,719,428)**	**326,950**

The accompanying notes are an integral part of the financial statements

Innovative Properties Inc.
Condensed interim statements of cash flows
For the three months ended January 31, 2014 and 2013
(Unaudited & Expressed in Canadian dollars)

	January 31, 2014	**January 31, 2013**
	$	$
Operating activities		
Net loss	33,237	21,903
Adjustments for non-cash items:		
Amortization	4,372	149
Gain on debt settlement	-	-
Interest	-	63
Changes in non-cash working capital items:		
Accounts receivable	(87,435)	(18,147)
Loans receivable	(2,819)	(5,861)
Trade payables and accrued liabilities	(15,201)	8,809
Due to related parties	(2,200)	2,800
HST recoverable (payable)	1,427	5,355
Net cash provided by (used in) operating activities	(68,619)	15,071
Investing activities		
Acquisition of equipment	(1,597)	(2,700)
Net cash flows used in investing activities	(1,597)	(2,700)
Financing activities		
Issuance of shares for cash	-	-
Proceeds received from loans issued	-	-
Repayment of loans	-	-
Net cash flows from financing activities	-	-
Increase in cash and cash equivalents	(70,216)	12,371
Cash and cash equivalents, beginning	268,926	134,702
Cash and cash equivalents, ending	198,710	147,073

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 January 31, 2014, the Company is just 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.

	January 31, 2014 $	October 31, 2013 $
Working capital	312,461	280,050

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 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, 2013.

These condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" 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, 2013.

These financial statements were approved and authorized by the Board of Directors on March 24, 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 their fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates 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.

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 using 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.

Share-based payments

The Company operates an employee stock option plan. 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 the Black–Scholes Option 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 net loss by the weighted average number of common shares issued and outstanding during the reporting period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income / (loss) except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted he end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Amortization

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, which consists of office equipment and computer software. The amortization rate applicable to computer equipment and computer software is 30% and 100%, respectively.

Accounting standards issued by not yet applied

At the date of authorization of these financial statements, the following standards, amendments and interpretations have not been early adopted and are not expected to have a material effect on the Company's future results and financial position:

3. IFRS 9 "Financial Instruments";
4. IFRS 10 "Consolidated Financial Statements";
5. IFRS 11 "Joint Arrangements";
6. IFRS 12 "Disclosure of Interests in Other Entities";
7. IFRS 13 "Fair value measurement"; and
8. Amendments to IAS 27 "Separate Financial Statements", IAS 28 "Investments in Associates and Joint Ventures" and IAS 32 "Financial Instruments: Presentation"

4. Cash and cash equivalents

	January 31, 2014	**October 31, 2013**
	$	$
Cash at bank	188,710	258,926
Guaranteed investment certificates	10,000	10,000
	198,710	268,926

5. Trade payables and accrued liabilities

	January 31, 2014	**October 31, 2013**
	$	$
Trade payables	20,363	20,534
Accrued liabilities	9,140	18,532
	29,503	39,066

(Expressed in Canadian dollars)

6. Equipment

	Computer equipment	Computer software	Total
	$	$	$
Cost:			
At October 31, 2012	630	-	630
Additions	-	33,701	33,701
At October 31, 2013	630	33,701	34,331
Additions	1,596		
At January 31, 2014	2,226	33,701	34,331
Depreciation:			
At October 31, 2012	40	-	40
Charge for the period	217	16,810	17,027
At October 31, 2013	257	16,810	17,067
Change for the period	159	4,213	4,372
At January 31, 2014	416	21,023	21,439
Net book value:			
At October 31, 2013	373	16,891	17,264
At January 31, 2014	1,810	12,678	14,488

7. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At January 31, 2014 there were 19,244,899 common shares outstanding (October 31, 2013 – 19,244,899).

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. The fair value of the warrants issued was $50,000.

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.

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

(Expressed in Canadian dollars)

7. Share capital (continued)

position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

There were no options outstanding as at January 31, 2014 and October 31, 2013.

Warrants

	January 31, 2014		October 31, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Warrants outstanding, beginning	15,882,353	0.09	5,882,353	0.10
Warrants issued	-	-	10,000,000	0.08
Warrants outstanding, ending	15,882,353	0.09	15,882,353	0.09

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 debentures issued in 2010.

9. Related party transactions

As at January 31, 2014, the Company owed $nil (October 31, 2013 - $2,200) to a relative of the CEO.

As at January 31, 2014, the company was due $140,435 (October 31, 2013 -$53,000) 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:

	January 31, 2014	January 31, 2013
	$	$
Management fees	-	3,000
Rent	7,500	7,500
Revenue	137,550	63,000
	145,050	73,500

(Expressed in Canadian dollars)

Key management personnel compensation

	January 31, 2014	**January 31, 2013**
	$	$
Short-term employee benefits – professional fees	1,335	1,485

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

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 held in bank accounts and its trade receivables. 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.

Liquidity risk

(Expressed in Canadian dollars)

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:

	January 31, 2014	**October 31, 2013**
	$	$
Cash and equivalents	198,710	268,926
Loans and receivables:		
Trade receivables	140,435	53,000
Loans receivable	2,819	
	341,964	321,926

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

	January 31, 2014	**October 31, 2013**
	$	$
Trade payables	29,503	39,066
Due to related parties	-	2,200
	29,503	41,266

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:

12. Financial risk management (continued)

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 January 31, 2014		
	Level 1	Level 2	Level 3
	$	$	$
Cash and cash equivalents	198,710	-	-
Trade receivables	-	-	140,435

	As at October 30, 2013		
	Level 1	Level 2	Level 3
	$	$	$
Cash and cash equivalents	268,926	-	-
Trade receivables	-	-	53,000