Form 51-102F1
Management Discussion and Analysis
For the year ended October 31, 2010

1. Date of this report: February 25, 2011

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, 2010. This MD&A should be read in conjunction with our Audited Consolidated Financial Statements (the "Financial Statements") and related notes dated October 31, 2010, as well as our Audited Consolidated Financial Statements dated October 31, 2009 and MD&A dated February 21, 2010, 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 Canadian Generally Accepted Accounting Principles ("GAAP")

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 financial information related to the year ended October 31, 2010 and other relevant information available up to the date of this report.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such statements. These factors include general business and economic conditions in Canada, the effects of competition in the markets where we operate, the impact of changes in laws and regulations (including tax laws), successful execution of our strategy, our ability to complete and integrate acquisitions successfully, our ability to attract capital, our ability to attract and retain key employees and executives, the financial position of our customers, our ability to refinance our debts upon maturity and changes in interest rates.

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

2. Overall Performance

Description of Business

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

The Corporation's principal business is providing property management products and services to residential and commercial property owners. During the year ended October 31, 2010 these services were primarily communications related services.

The Corporation has two subsidiary corporations;

DIME Inc. ("DIME") incorporated in Nova Scotia. The Corporation owns 100% of the voting shares and owns 0% of the non-voting, no return redeemable preferred shares, and;

Line4 Communications Inc. ("Line4") incorporated in Nova Scotia in which DIME owns 100% of the voting shares.

Highlights for the Year Ended October 31, 2010

DIME Subsidiary

In January 2009, the Corporation completed the purchase of all of the issued and outstanding shares of the property management services firm DIME, of Halifax, Nova Scotia which included the DIME subsidiary Line4 Communications Inc.

The Corporation commenced operation of the subsidiaries February 1, 2009 with expectations of immediately developing new revenue sources. After operations commenced the Corporation became aware of numerous deficiencies in the subsidiaries which prevented the Corporation from executing its business plan and growth strategy. This along with the economic downturn resulted in the Corporation reporting poorer than expected results for fiscal 2009 and 2010. The deficiencies and the effort required to correct them was reflected in significant reductions to the purchase prices for the subsidiaries as reported in the October 31, 2009 year-end Financial Statements.

In 2010, the Corporation's revenues generated by subsidiaries increased by 147% compared to fiscal 2009. The increase was attributed to increased revenue from sales, support, and service to the customer base and the addition of new customers. This increase was less than anticipated and not enough to make the Corporation profitable in fiscal 2010. Expenses associated with operation of the subsidiaries were in line with those of fiscal 2009, but the carrying costs for the Corporation rose primarily because of the issuance of the Convertible Debenture discussed below and debt service.

Convertible Debenture

In November and December 2009, the Corporation issued a private placement of secured convertible debentures ("Debentures") in the aggregate amount of $600,000. The private placement was originally announced by the Corporation on October 27, 2009. The Debentures bear interest at the rate of fifteen percent (15%) per annum, with interest payable quarterly, and were originally to mature on June 30, 2010. By agreement with the debenture holders the maturity date was extended one year to June 30, 2011. Debenture holders had the option to convert the Debentures into common shares of the Corporation ("Shares") at a conversion rate of $0.10 per Share at any time until the maturity date. The Debentures were secured by the pledge of the common shares of the subsidiary DIME.

A total of $270,000 of the placement was subscribed to by insiders of the Corporation, including the Chief Executive Officer, Chief Financial Officer and two of the Corporation's directors. The funds raised from the private placement were used for repayment of debt, general corporate purposes and the advancement of the development activities of the Corporation.

In February, 2011, the Corporation reached agreements with all convertible debenture holders to transfer all shares of its DIME subsidiary to the debenture holders in satisfaction of the liability and accrued interest due to the debenture holders in accordance with the terms of the original debenture agreements. The transaction will reduce INR's consolidated liabilities from approximately $1,300,000 to $300,000. (See notes 9 and 23 to the Financial Statements)

Digital Signage Networks

Through the DIME subsidiary the Corporation implemented new digital signage systems for communications in facilities owned by several customers including Killam Properties, Bell Aliant, and Pharmasave Atlantic. Revenues from these networks increased substantially over fiscal 2009 but did not reach anticipated levels. In the 3rd and 4th quarters of 2010 the Corporation spent considerable resources soliciting advertisers for a large digital signage network to be deployed in medical facilities and hospitals throughout Eastern Canada. This effort was not successful.

Other Communications Services

Through the Line4 subsidiary the Corporation continued to provide telecommunications services to its customer base but was unable to grow beyond the 2009 level due to lack of cash resources.

Net Loss and Comprehensive Loss

Management reports that in the year ended October 31, 2010, the Corporation reported a net loss and comprehensive loss of $749,349. This represents an increased loss of $135,478 when compared with the results for the 2009 fiscal year when the Corporation reported a loss of $613,871. These results reflect the Corporation's balance sheet adjustments related to the valuation of intangible assets in the acquisition of the DIME and Line4 subsidiaries. The loss includes amortization of $121,412 for customer relationships and intellectual property compared with $114,953 in 2009. The loss also includes $138,175 for accretion of discount on issue of the convertible debentures compared to $nil in 2009. (see notes 4, 7 and 9 to the Financial Statements)

3. Selected Annual Information

	2010 $	**2009 $**	**2008 $**
Revenue	530,552	259,920	3,552
Net Income/Loss Per Share Amount Basic and diluted [(1)]	(749,349) (0.03)	(613,871) (0.03)	(217,437) (0.01)
Total Assets	280,606	419,883	22,029
Loans to related parties	Nil	Nil	Nil
Dividends	Nil	Nil	Nil

[(1)] Since the effect of the exercise of options would have been anti-dilutive.

4. Results of Operations

The following details the Corporation's revenues, cost of sales, and gross margins from continuing operations for the year ended October 31, 2010 with comparable figures for 2008 and 2009:

	2010	2009	2008
Revenue			
Sales & Services	527,080	213,005	Nil
Management Fees	Nil	42,120	Nil
Misc and Interest	3,472	4,795	3,552
Total	530,552	259,920	3,552
Cost of goods sold	331,176	126,912	Nil
Gross Profit	199,376	133,008	3,552

The above figures reflect the fact that the Corporation sold its remaining condominium projects and land assets in Fiscal 2007 and was repositioned through 2008 with no revenue producing activities. Revenue from acquired subsidiaries commenced in Q2 2009. Revenue was derived from digital signage sales and service contracts and telecommunications sales and services.

The following details the Corporation's expenses for the year ended October 31, 2010 with comparative figures for 2008, and 2009:

	2010	2009	2008
Expenses	$	$	$
Advertising	784	15,398	38
Amortization and depreciation	131,143	129,744	Nil
Bad Debts (recovery)	252	(2,063)	Nil
Consulting fees	170,983	166,819	75,000
Accretion of Discount on Issue of Convertible Debentures	138,175	Nil	Nil
Directors Fees	54,000	Nil	Nil
Exchange Listing expenses	18,744	22,966	16,449
Insurance	14,361	21,214	25,472

Interest and bank charges	98,520	21,886	9,171
Interest long term debt	20,939	12,945	Nil
Office	6,207	5,130	3,053
Professional fees	57,611	87,487	46,817
Rent and occupancy	36,017	36,299	10,667
Stock based compensation	Nil	49,300	19,836
Salaries and wages	170,692	148,724	Nil
Telephone	12,807	11,245	3,020
Vehicle and travel	9,910	12,670	10,864

The decrease in advertising reflects one time costs for developing various marketing materials, brochures, and websites for the subsidiaries after acquisition in 2009.

The amortization costs include $121,412 for intangible assets (customer relationships and intellectual property) as detailed in note 7 to the Financial Statements, and $9,731 for equipment assets, mostly computer equipment and furniture as detailed in note 5 to the Financial Statements.

The change in Professional fees and Consulting and management fees is due to several factors:

- The inclusion of 12 months of fees in 2009 versus 9 months in 2008 for services provided by a company controlled by the CEO for his services which increased the cost by $25,000
- The cost for services for a part time CFO in 2009. The Corporation did not employ a CFO during 2008. This increased cost was $50,000.
- The costs for an Information Technology Consulting Company in 2009 for services required by the subsidiaries which increased the cost by $16,819.
- Some of the services related to the fees in 2010 are for services previously supplied by contracted professionals. There was a resulting decrease of $29,876 in 2010 for Professional fees compared to 2009.

The decrease in exchange listing expense was primarily due to the required approval for a new stock option plan implemented in 2009.

The reduction in insurance costs was the result of improvements in insurance coverage for the Officers and Directors insurance and the reduction for elimination of insurance of a company vehicle.

The increase in interest and bank charges was attributed to the interest cost of $86,073 on the convertible debenture. See note 9 to the Financial Statements.

The increase in interest on long term debt is for term loans and loans from officers and directors described in notes 10, 11 and 17 to the Financial Statements.

The expenses for office, rent and occupancy, telephone, vehicle and travel total $64,941which represents no significant change in fiscal 2009 where they totaled $65,344. The 2009 amounts reflect the increased operating costs for the active subsidiaries whereas in 2008 the Corporation was operationally inactive with no revenue.

The increase in salaries and wages expense reflects personnel hired to develop business for the Corporation in 2010.

There was $Nil stock based compensation in 2010 versus $49,300 in 2009. The Corporation accrued Directors fees of $54,000 in 2010 which is unpaid. See note 14 to the Financial Statements.

Summary of Quarterly Results

	2010			
	Oct 31 $	Jul 31 $	Apr 30 $	Jan 31 $
Gross Revenues	81,330	104,036	183,199	161,987
Net Income (Loss)	(143,796)	(199,177)	(209,964)	(196,412)
Capital stock issued	23,537,825	23,537,825	23,537,825	23,537,825
EPS	(0.006)	(0.008)	(0.009)	(0.008)

	2009			
	Oct 31 $	Jul 31 $	Apr 30 $	Jan 31 $
Gross Revenues	59,716	77,563	118,689	3,952
Net Income (Loss)	(276,065)	(161,006)	(114,718)	(62,082)
Capital stock issued	21,830,493	23,871,158	22,969,660	16,943,330
EPS	(0.012)	(0.007)	(0.009)	(0.003)

For all quarters there were either warrants or options outstanding. These options and warrants have not been reflected in the EPS calculation since the effect of the exercise of options and warrants would have been anti-dilutive.

5. Liquidity

At October 31, 2010, the Corporation had $1,274,871 in liabilities, of which $277,225 was due to shareholders and related parties. (See notes 9, 10 and 11 to the Financial Statements). As discussed in section 2 above, subsequent to the year end, the Corporation reached agreements with all convertible debenture holders to transfer all shares of its DIME subsidiary to the debenture holders in satisfaction of the liability and accrued interest due to the debenture holders in accordance with the terms of the original debenture agreements. This transfer will result in a reduction of the Corporation’s liabilities of approximately $1,000,000.

As at October 31, 2010, the Corporation had a significant shareholders' deficiency and working capital deficit and it incurred significant losses in the current and prior fiscal years.

The Corporation's ability to continue as a going concern is dependent upon its ability to raise additional capital, and/or on borrowing from third parties sufficient to meet current and future obligations.

The Corporation minimizes ongoing working capital requirements by requiring that customers pay for recurring services monthly in advance. The Corporation does not carry significant inventory, as necessary inventory can be sourced and installed within a reasonable period from receipt of customer orders.

6. Capital Resources

The Corporation does not have any capital expenditure commitments for 2011.

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

Note 17 to the Financial Statements identifies the following related party transactions:

	2010	**2009**
Interest long term debt to shareholders and and interest bearing shareholder and related party loans - rates from 9%-12%	**$ 4,465**	$ 3,747
Interest on convertible debentures paid to shareholders, officers and directors and companies controlled by them	**39,390**	-
Interest accrued on preferred shares included in long term debt to shareholders	**15,741**	18,559
Consulting fees paid to companies controlled by two shareholders and officers	**162,718**	100,000
Professional fees paid or accrued to companies controlled by shareholders and officers - expensed	**2,715**	61,399
Professional fees paid or accrued to companies controlled by shareholders and officers - allocated to purchase of subsidiary	**-**	41,822
Professional fees paid or accrued to companies controlled by shareholders and officers - allocated to costs of issuing common shares	**-**	30,063
Transactions with INR Capital Incorporated ("INRC"), a company in which the Corporation's subsidiary company has a 20% common shareholding:		
Sales of digital signage systems which are being leased by INRC to a major customer	**251,029**	-

Related party transactions are incurred in the normal course of operations and recorded at the exchange amount, which is the consideration established and agreed to by the parties.

The Corporation has contractual arrangements with companies controlled by the CEO and the CFO to provide their management services for those positions. In addition the Corporation has agreements to repay loans with interest for amounts advanced by a company controlled by a Director and to pay interest on debentures held by related parties.

9. Fourth Quarter

During the fourth quarter of 2010, the Corporation incurred a loss of $143,796. The revenue for the period was $81,330, gross profit $32,233 and the operating expenses totalled $174,405.

10. Proposed Transactions

There are no proposed transactions at the time of this report.

11. Critical Accounting Estimates

Not applicable to a venture issuer.

12. Changes in Accounting Policies including Initial Adoption

See Note 2 to the Financial Statements, there were no changes to Accounting Policies adopted in fiscal 2010:

<u>Future changes in significant accounting policies</u>

The following accounting standards have been issued by the CICA but are not yet effective:

<u>International financial reporting standards</u>

In January 2006, the Canadian Accounting Standards Board announced its decision requiring all publicly accountable entities to report under International Financial Reporting Standards. This decision establishes standards for financial reporting with increased clarity and consistency in the global marketplace. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 and are applicable for the Corporation’s first quarter of fiscal 2012 with retroactive adoption effective with the prior fiscal year.

The Corporation has taken a number of steps to evaluate the potential impact and implement these new standards on the consolidated financial statements including:

- The CFO has attended training courses on IFRS and attended Round Table discussions with other CFOs of public companies.
- A fee estimate of $5,000 has been obtained from a major accounting firm for assistance with Scoping and Planning of the IFRS conversion process.
- The valuation expert who assisted in valuation calculations to allocate the purchase price for subsidiaries purchased in January, 2009 will be available to assist in any additional calculations required under IFRS.
- Scoping and planning activities were performed in July, and August, 2010 and the Corporation purchased a software system to help with the development of IFRS financial statements.

13. Financial Instruments and Other Instruments

The Corporation's financial instruments are cash, accounts receivable, accounts payable and accrued liabilities, amounts due to related parties and long 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.

The fair value of convertible debentures approximates the fair value as the interest rates are consistent with the current rates offered to the Corporation for debt with similar terms.
The fair value of $192,204 due to certain shareholders and related parties are less than carrying value, as the amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value cannot be calculated with any degree of certainty.
The carrying value of long term debt and interest bearing amounts due to shareholders is not materially different from fair value based on the interest rates and maturities in relation to current rates offered to the Corporation for debt with similar terms.

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 is exposed to interest rate price risk through its fixed rate debt and interest rate cash flow risk through its floating interest rate bank indebtedness and credit facilities.

14. Other MD&A Requirements

The Corporation, as a "venture issuer", is not required to prepare an Annual Information Form (AIF) at this time.

Share Capital

Common Shares:
Please refer to Notes 12, 13, and 14 to the audited financial statements for the year ended October 31, 2010 for complete details of the Corporation's capital stock.

	2010		2009	
	Shares	**Amount**	Shares	Amount
Common shares				
Shares outstanding at the beginning of the year	**23,537,825**	**$ 908,082**	16,943,330	$ 745,668
Issued for acquisitions	-	-	2,000,000	130,000
Issued for cash (net of expenses)	-	-	4,499,995	23,427
Issued as finder fees	-	-	39,500	2,765
Issued on exercise of warrants	-	-	55,000	6,222
Shares outstanding at end of quarter/year	**23,537,825**	**$ 908,082**	23,537,825	$ 908,082

At October 31 2010, 1,000,000 shares (2009 - 2,000,000 shares) were subject to escrow agreements.

Warrants

The following is a summary of warrant transactions and warrants outstanding:

	2010 Number	**2010 Exercise Price**	**2010**	2009 Number	2009 Exercise Price	2009
Proceeds from issues to beginning of year	**7,014,495**	**$.10-.14**	**$299,256**	3,850,000	$0.10	$34,070
Issued January 26, 2009 - Expiry date of January 26, 2011	**-**	**-**	**-**	130,000	0.10	7,163
Issued in February and March, 2009 - Expiry dates in February and March, 2011	**-**	**-**	**-**	4,539,495	0.14	258,745
Exercised in May, 2009	**-**	**-**	**-**	(55,000)	0.10	(722)
Expired in September, 2009	**-**	**-**	**-**	(1,450,000)	0.10	-
Expired in March and April, 2010	**(2,345,000)**	**-**	**(33,348)**	-	-	-
Balance, end of year	**4,669,495**	**$.10-.14**	**$ 265,908**	7,014,495	$.10-.14	$ 299,256

The grant date fair value of the warrants issued in January, 2009 was $7,163 based on the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.25%; expected life of two years; expected dividend rate at 0%; and expected volatility of 217%.

The grant date fair value of the warrants issued in February and March, 2009 was $258,745 based on the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.25%; expected life of two years; expected dividend rate at 0%; and expected volatility of 212%.

The following is a summary of common share purchase options outstanding and exercisable:

	Stock Options 2010	**Weighted Average Exercise Price 2010**	**Contributed Surplus Balance 2010**	Stock Options 2009	Weighted Average Exercise Price 2009	**Contributed Surplus Balance** 2009
Beginning of year	**1,869,995**	**$0.10**	**$69,136**	869,995	$0.10	$19,836
Granted	**-**	**-**	**-**	1,000,000	0.10	49,300
Expired	**(869,995)**	**-**	**-**	-	-	-
Balance transferred on expiry of warrants	**-**	**-**	**33,348**	-	-	-
Outstanding at end of year	**1,000,000**	**-**	**$102,484**	1,869,995	$0.10	$69,136
Exercisable at end of year	**1,000,000**	**$0.10**		1,869,995	$0.10	

15. Management's Report on Internal Control over Financial Reporting

Financial Reporting

Management is responsible for certifying the design of the Corporation's internal control over financial reporting ("ICFR") as required by Multilateral Instrument 52-109 - "Certification of Disclosure Issuers' Annual and Interim Filings."

The Corporation's ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian GAAP. ICFR should include those policies and procedures that establish the following:

- Maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of corporate assets
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable Canadian GAAP
- Receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors
- Reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

On behalf of the management of the Corporation.

Gordon Neal	Boyd Hunter
Chief Executive Officer	Chief Financial Officer