INNOVATIVE PROPERTIES

# Form 51-102F1
# Management Discussion and Analysis
## For the quarter ended January 31, 2011

### 1. Date of this report: March 30, 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 quarter ended January 31, 2011. This MD&A should be read in conjunction with our Unaudited Financial Statements and related notes dated January 31, 2011, 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 25, 2011, and is based on known risks and uncertainties. The terms "Innovative," the "Corporation," "we," "us," and "our" in the following MD&A refer to Innovative Properties Inc. All amounts, unless noted otherwise, are in Canadian dollars and are based on financial statements prepared in accordance with 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 quarter ended January 31, 2011 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 quarter ended January 31, 2011, a majority of debenture holders had signed agreements to accept shares of the Corporation's subsidiary companies in satisfaction of the liability and accrued interest due to the debenture holders in accordance with the terms of the original debenture agreements. All of the agreements were completed and formally approved by the Board of Directors in February.

## Highlights for the Quarter ended January 31, 2011

### *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. 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.

As a result, the Corporation was unable to attain sufficient scale and profitability from its subsidiary companies to enable it to sustain the costs of a public company and repay or convert debentures to equity which led to the transfer of shares of the subsidiaries to the debenture holders during the quarter.

### *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.

As discussed above, 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 has reduced INR's consolidated liabilities from $1,274,871 to $237,526. (See note 4 to the Financial Statements for details of the disposal)

### *Net Earnings and Comprehensive Earnings*

Management reports that in the quarter ended January 31, 2011, the Corporation reported net earnings and comprehensive earnings of $773,595.

The gain on disposition of the subsidiaries was $1,094,875.

The company wrote down a receivable from one of the former subsidiaries by $283,843.

## 3. Results of Operations

The following details the Corporation's revenues, cost of sales, and gross margins from operations for the quarter ended January 31, 2010 with comparable figures for the first quarter of 2009:

| | Q1-2011 | Q1-2010 |
|---|---|---|
| | | |
| **Revenue** | | |
| Sales & Services | Nil | 161,366 |
| Management Fees | Nil | Nil |
| Misc and Interest | Nil | 621 |
| Total | Nil | 161,987 |
| **Cost of goods sold** | Nil | 106,938 |
| **Gross Profit** | Nil | 55,049 |

The above figures reflect that the Corporation ceased consolidating subsidiaries during the quarter when it lost the ability to obtain future economic benefits from resources of the enterprises or remain exposed to the related risks. Revenue during Q1-2010 was derived from digital signage sales and service contracts and telecommunications sales and services.

The following details the Corporation's expenses for the quarter ended January 31, 2011:

| | Q1-2011 | Q1-2010 |
|---|---|---|
| **Expenses** | | $ |
| Advertising | Nil | Nil |
| Amortization and depreciation | Nil | 78,459 |
| Bad Debts (recovery) | Nil | (242) |
| Consulting & Management fees | 14,681 | 45,717 |
| Directors Fees | -54,000 | 13,500 |
| Exchange Listing costs | 1,881 | 2,846 |
| Insurance | 3,876 | 1,427 |
| Interest and bank charges | 22,959 | 21,330 |
| Interest on long term debt | 613 | 5,223 |
| Office | 550 | 1,204 |
| Professional fees | 43,838 | 30,123 |
| Rent and lease | 1,307 | 7,168 |
| Salaries and benefits | 405 | 35,908 |
| Telephone | 1,090 | 3,573 |
| Vehicles and travel | Nil | 2,736 |

The directors waived their entitlement to director fees for the 2010 fiscal year resulting in an expense recovery during the quarter.

Consulting and management fees were scaled back upon disposition of subsidiaries.

Professional fees reflect an audit fee for the 2010 that was $28,000 higher than budgeted/accrued at October 31, 2010.

The balance of the expenses reflect reduced activities upon disposal of subsidiaries.

Summary of Quarterly Results

| | 2011 | | | |
|---|---|---|---|---|
| | **31-Oct** | **31-Jul** | **30-Apr** | **31-Jan** |
| **Sales** | | | | Nil |
| **Gross Profit** | | | | Nil |
| **Expenses** | | | | 37,437 |
| **Other income (expenses)** | | | | 811,032 |
| **Net Earnings** | | | | 773,595 |
| **Capital Stock Issued** | | | | 23,537,825 |
| **EPS** | | | | 0.0329 |

| | 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.

## 4. Liquidity

At January 31, 2011, the Corporation had $237,526 in liabilities, of which $112,638 was due to shareholders and related parties. (See note 6 to the Financial Statements).

As at January 31, 2011, 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.

Corporation management is actively pursuing investment capital to finance operations until a new business opportunity can be undertaken.

Subsequent to the end of the quarter, directors and officers advanced $80,000 to the Corporation to finance payment of audit fees and annual meeting costs. The advances bear interest at 10% per annum and the Corporation has agreed to provide security for these advances.

## 5. 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.

## 6. Off-Balance Sheet Arrangements

There are no off-balance sheet financing arrangements.

## 7. Transactions with Related Parties

Note 12 to the Financial Statements identifies the following related party transactions:

| | **1st Quarter 2011** | **12 months 2010** |
|---|---|---|
| Interest long term debt to shareholders and interest bearing shareholder and related party loans - rates from 9%-12% | **$ -** | $ 4,465 |
| Interest on convertible debentures paid to shareholders, officers and directors and companies controlled by them | **10,125** | 39,390 |
| Interest accrued on preferred shares included in long term debt to | **-** | 15,741 |

| | | |
|---|---|---|
| shareholders | | |
| Consulting fees paid to companies controlled by two shareholders and officers | **14,681** | 162,718 |
| Professional fees paid or accrued to companies controlled by shareholders and officers - expensed | **-** | 2,715 |
| Transactions with INR Capital Incorporated ("INRC"), a company in which the Corporation's subsidiary company had 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.

## 8. Proposed Transactions

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

## 9. Critical Accounting Estimates

Not applicable to a venture issuer.

## 10. Changes in Accounting Policies including Initial Adoption

See Note 2 to the Financial Statements, there were no changes to Accounting Policies adopted in fiscal 2011:

Future changes in significant accounting policies

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

International financial reporting standards

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.

## 11. 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 $112,638 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.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation may be exposed to interest rate price risk through fixed rate debt and interest rate cash flow risk through floating interest rate bank indebtedness and credit facilities.

## 12. Other MD&A Requirements

Not applicable

## Share Capital

### Common Shares:

Please refer to Notes 8, 9, and 10 to the audited financial statements for the quarter ended January 31, 2011 for complete details of the Corporation's capital stock.

Authorized:
Unlimited Common voting shares without nominal or par value

| | | 2011 | 2010 |
|---|---|---|---|
| Issued: | | | |
| 23,537,825 | Common shares | $ **908,082** | $ 908,082 |

**Warrants**

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

| | 2011 Number | 2011 Exercise Price | 2011 | 2010 Number | 2010 Exercise Price | 2010 |
|---|---|---|---|---|---|---|
| Proceeds from issues to beginning of year | **4,669,495** | **$.10-.14** | **$265,908** | 7,014,495 | $0.10 | $299,256 |
| Expired in March and April, 2010 | | | | -2,345,000 | - | (33,348) |
| Balance, end of year | **4,669,495** | **$.10-.14** | **$ 265,908** | 4,669,495 | $.10-.14 | $265,908 |

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 2010 | Weighted Average Exercise Price 2010 | Contributed Surplus Balance 2010 |
|---|---|---|---|---|---|---|
| Beginning of year | **1,000,000** | **$ 0.10** | **$102,484** | 1,869,995 | $0.10 | $69,136 |
| Expired | | **-** | **-** | -869,995 | - | - |
| Balance transferred on expiry of warrants | **-** | **-** | | | - | 33,348 |
| Outstanding at end of year | **1,000,000** | **-** | **$102,484** | 1,000,000 | $0.10 | $102,484 |
| Exercisable at end of year | **1,000,000** | **$ 0.10** | | 1,869,995 | $0.10 | |

## 13. 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

Chief Executive Officer

Boyd Hunter

A. Boyd Hunter

Chief Financial Officer