



# **INNOVATIVE PROPERTIES INC.**

## **Notice of Annual General Meeting of Shareholders and Management Information Circular**

Meeting Date: Monday, May 9, 2011 at 10:00 a.m. (ADT)

At the Offices of:  
McInnes Cooper  
1300-1969 Upper Water Street  
Halifax, Nova Scotia

INNOVATIVE PROPERTIES INC.  
24-260 Brownlow Avenue  
Dartmouth, Nova Scotia B3B 1V9

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**Meeting**") of the shareholders ("**Shareholders**") of Innovative Properties Inc. ("**Corporation**") will be held at the offices of McInnes Cooper, Suite 1300, 1969 Upper Water Street, Halifax, Nova Scotia on **Monday, May 9, 2011, at 10:00 am (ADT)** for the following purposes:

- (a) at the Meeting, Shareholders will receive and consider the financial statements of the Corporation for the year ended October 31, 2010, together with the Report of the Auditor thereon. No vote by Shareholders with respect thereon is required or proposed to be taken;
- (b) to elect directors of the Corporation for the forthcoming year;
- (c) to appoint the Auditor of the Corporation for the forthcoming year and to authorize the directors to fix the Auditor's remuneration; and
- (d) to transact such further and other business as may properly come before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the management information circular ("**Circular**") accompanying and forming part of this Notice of Meeting ("**Notice**").

Only Shareholders of record at the close of business on **Monday, April 4, 2011**, are entitled to receive the Notice and, except as noted in the Circular, to vote at the Meeting.

To assure your representation at the Meeting as a **Registered Shareholder**, please complete, sign, date and return the enclosed proxy, whether or not you plan to personally attend the Meeting. Sending your proxy will not prevent you from voting in person at the Meeting. All proxies completed by Registered Shareholders must be received by the Corporation's transfer agent, Computershare Investor Services Inc., not later than **Thursday, May 5, 2011 at 10:00 am (ADT)**. A Registered Shareholder must return the completed proxy to Computershare Investor Securities Inc. as follows:

- (a) by **mail** in the enclosed envelope; or
- (b) by the **Internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

**Non-Registered Shareholders** whose shares are registered in the name of an intermediary should carefully follow voting instructions provided by the intermediary. A more detailed description on returning proxies by Non-Registered Shareholders can be found on page 2 of the attached Management Information Circular.

**DATED** at Halifax, in the Halifax Regional Municipality, Nova Scotia, this 8<sup>th</sup> day of April, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

"Signed" Robert J. Bell  
Robert J. Bell, Secretary

**INNOVATIVE PROPERTIES INC.**  
24-260 Brownlow Ave  
Dartmouth, Nova Scotia B3B 1V9

**MANAGEMENT INFORMATION CIRCULAR**

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**INNOVATIVE PROPERTIES INC.**  
**MANAGEMENT INFORMATION CIRCULAR**  
(As at April 4, 2011, except as indicated)

**INFORMATION REGARDING ORGANIZATION AND CONDUCT OF MEETING**

**THIS MANAGEMENT INFORMATION CIRCULAR ("CIRCULAR") IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY OR ON BEHALF OF THE MANAGEMENT OF INNOVATIVE PROPERTIES INC. ("Corporation")** for use at the Annual General Meeting of the shareholders ("**Shareholders**") of the Corporation to be held at the offices of McInnes Cooper, Suite 1300, 1969 Upper Water Street, Halifax, Nova Scotia on Monday, May 9, 2011, at 10:00 am (ADT), or at any adjournment thereof ("**Meeting**"), for the purposes set forth in the accompanying notice of meeting ("**Notice of Meeting**").

**Solicitation of Proxies**

Solicitation of proxies will be primarily by mail, but may also be by telephone or other means of communication by the directors, officers, employees or agents of the Corporation at nominal cost. All costs of solicitation will be paid by the Corporation. The Corporation will also pay the fees and costs of intermediaries for their services in transmitting proxy-related material in accordance with National Instrument 54-101, *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**").

**Appointment and Revocation of Proxies**

**General**

Shareholders may be "**Registered Shareholders**" or "**Non-Registered Shareholders**". If common shares of the Corporation ("**Common Shares**") are registered in the name of an intermediary and not registered in the Shareholder's name, they are said to be owned by a "Non-Registered Shareholder". An intermediary is usually a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates. The instructions provided below set forth the different procedures for voting Common Shares at the Meeting to be followed by Registered Shareholders and Non-Registered Shareholders.

The persons named in the enclosed instrument appointing proxy are officers and directors of the Corporation. **Each Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act for him at the Meeting other than the persons designated in the enclosed form of proxy.** Shareholders who have given a proxy also have the right to revoke it insofar as it has not been exercised. The right to appoint an alternate proxyholder and the right to revoke a proxy may be exercised by following the procedures set out below under "*Registered Shareholders*" or "*Non-Registered Shareholders*", as applicable.

If any Shareholder receives more than one proxy or voting instruction form, it is because that Shareholder's shares are registered in more than one form. In such cases, Shareholders should sign and submit all proxies or voting instruction forms received by them in accordance with the instructions provided.

**Registered Shareholders**

Registered Shareholders have two methods by which they can vote their Common Shares at the Meeting, namely in person or by proxy. To assure representation at the Meeting, Registered Shareholders are encouraged to return the proxy included with this Circular. Sending in a proxy will not prevent a Registered Shareholder from voting in person at the Meeting. The Shareholder's vote will be taken and counted at the Meeting. Registered Shareholders who do not plan to attend the Meeting or do not wish to vote in person can vote by proxy.

Proxies must be received by the Corporation's transfer agent, **Computershare Investor Services Inc.**, not later than Thursday, May 5, 2011, at 10:00 am (ADT). A Registered Shareholder must return the completed proxy to Computershare Investor Services Inc., as follows:

- (a) by **mail** in the enclosed envelope; or

- (b) by the **Internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

To exercise the right to appoint a person or company to attend and act for a Registered Shareholder at the Meeting, such Shareholder must strike out the names of the persons designated on the enclosed instrument appointing proxy and insert the name of the alternate appointee in the blank space provided for that purpose.

To exercise the right to revoke a proxy, in addition to any other manner permitted by law, a Shareholder who has given a proxy may revoke it by instrument in writing, executed by the Shareholder or his attorney authorized in writing, or if the Shareholder is a corporation, by a duly authorized officer or attorney thereof, and deposited: (i) with Computershare Investor Services Inc., 100 University Ave., 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1 so as to arrive not later than 10:00 a.m. (ADT) on Thursday, May 5, 2011 or on the second business day preceding the date of any adjournment of the Meeting; (ii) with the chairman of the Meeting on the date of the Meeting, or at any adjournment thereof, and upon either of such deposits the proxy is revoked; or (iii) in any other manner permitted by law.

### **Non-Registered Shareholders**

Non-Registered Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Corporation are referred to as "**NOBOs**". Non-Registered Shareholders who have objected to their intermediary disclosing the ownership information about themselves to the Corporation are referred to as "**OBOs**".

In accordance with the requirements of NI 54-101, the Corporation is sending the Notice of Meeting, this Circular, either the voting instructions form ("**VIF**") or the form of proxy, as applicable (collectively, the "**Meeting Materials**") directly to the NOBOs and, indirectly, through intermediaries to the OBOs.

#### *Meeting Materials Received by OBOs from Intermediaries*

The Corporation has distributed copies of the Meeting Materials to intermediaries for distribution to OBOs. Intermediaries are required to deliver these materials to all OBOs of the Corporation who have not waived their rights to receive these materials, and to seek instructions as to how to vote the Common Shares. Often, intermediaries will use a service company (such as Broadridge Financial Solutions, Inc.) to forward the Meeting Materials to OBOs.

OBOs who receive Meeting Materials will typically be given the ability to provide voting instructions in one of two ways:

- (a) Usually, an OBO will be given a VIF which must be completed and signed by the OBO in accordance with the instructions provided by the intermediary. In this case, the mechanisms described above for Registered Shareholders cannot be used and the instructions provided by the intermediary must be followed.
- (b) Occasionally, however, an OBO may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of Common Shares owned by the OBO but is otherwise not completed. This form of proxy does not need to be signed by the OBO but must be completed by the OBO and returned to Computershare Investor Services Inc. in the manner described above for Registered Shareholders.

The purpose of these procedures is to allow OBOs to direct the proxy voting of the Common Shares that they own but that are not registered in their name. Should an OBO who receives either a form of proxy or a VIF wish to attend and vote at the Meeting in person (or have another person attend and vote on their behalf), the OBO should strike out the persons named in the form of proxy as the proxy holder and insert the OBO's (or such other person's) name in the blank space provided or, in the case of a VIF, follow the corresponding instructions provided by the intermediary. **In either case, OBOs who received Meeting Materials from their intermediary should carefully follow the instructions provided by the intermediary.**

To exercise the right to revoke a proxy, an OBO who has completed a proxy (or a VIF, as applicable) should carefully follow the instructions provided by the intermediary.

Proxies returned by intermediaries as "non-votes" because the intermediary has not received instructions from the OBO with respect to the voting of certain shares or, under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those shares on one or more of the matters that come before the Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Common Shares represented by such "non-votes" will, however, be counted in determining whether there is a quorum.

#### *Meeting Materials Received by NOBOs from the Corporation*

As permitted under NI 54-101, the Corporation has used a NOBO list to send the Meeting Materials directly to the NOBOs whose names appear on that list. If you are a NOBO and the Corporation's transfer agent, Computershare Investor Services Inc., has sent these materials directly to you, your name and address and information about your holdings of Common Shares of the Corporation have been obtained from the intermediary holding such shares on your behalf in accordance with applicable securities regulatory requirements.

As a result, any NOBO of the Corporation can expect to receive a scannable VIF from Computershare. Please complete and return the VIF to Computershare in the envelope provided. Computershare will tabulate the results of the VIFs received from the Corporation's NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIF's received by Computershare.

By choosing to send these materials to you directly, the Corporation (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. The intermediary holding Common Shares on your behalf has appointed you as the proxyholder of such shares, and therefore you can provide your voting instructions by completing the proxy included with this Circular in the same way as a Registered Shareholder. Please refer to the information under the heading "*Registered Shareholders*" for a description of the procedure to return a proxy, your right to appoint another person or company to attend the meeting, and your right to revoke the proxy.

Although a Non-Registered Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker, a Non-Registered Shareholder may attend the Meeting as proxyholder for the Registered Shareholder and vote the Common Shares in that capacity. Non-Registered Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the Registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.

#### **Exercise of Proxies**

Where a choice is specified, the Common Shares represented by proxy will be voted for, withheld from voting or voted against, as directed, on any poll or ballot that may be called. **Where no choice is specified, the proxy will confer discretionary authority and will be voted in favour of all matters referred to on the form of proxy. The proxy also confers discretionary authority to vote for, withhold from voting, or vote against amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting.**

Management has no present knowledge of any amendments or variations to matters identified in the Notice of Meeting or any business that will be presented at the Meeting other than that referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, it is the intention of the person named in the enclosed instrument appointing proxy to vote in accordance with the recommendations of the Management of the Corporation.

### **Voting Shares and Principal Holders**

The authorized capital of the Corporation consists of an unlimited number of Common Shares, without nominal or par value, of which 23,537,825 are issued and outstanding as of the date hereof.

The board of directors of the Corporation (the "**Board**") has fixed the record date for the Meeting as the close of business on Monday, April 4, 2011 ("**Record Date**"). Shareholders as of the close of business on the Record Date will be entitled to vote at the Meeting. Shareholders entitled to vote shall have one vote each on a show of hands and one vote per Common Share on a poll. If a person acquires ownership of Common Shares after the Record Date such person may, not later than ten days before the Meeting, establish the right to vote by: (i) providing evidence satisfactory to the Board of his or her ownership of the Common Shares and of the person from whom such Common Shares were purchased and (ii) requesting that his or her name be placed on the voting list. Such materials should be sent to the Corporation, Attention: Gordon Neal, 24-260 Brownlow Avenue, Dartmouth, Nova Scotia B3J 3T2

A quorum of Shareholders will be present at the meeting if a holder or holders of not less than 5% of the Common Shares entitled to vote at a meeting of Shareholders are present in person or by proxy.

To the knowledge of the directors and officers of the Corporation, the following are the only persons or companies that beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the outstanding Common Shares:

<b>Name &amp; Address</b>	<b>Designation of Class</b>	<b>Number of Securities</b>	<b>Percentage of Class</b>
Robert J. Bell 38 Hazelhurst Street Dartmouth, NS B2Y 3N2	Common	2,689,380	11.21%

Notes:

- (1) Based on public filings with securities regulatory authorities in Canada on SEDAR.
- (2) Calculated on the basis of 23,537,835 outstanding Common Shares on April 4, 2011.

### **FINANCIAL STATEMENTS**

The financial statements of the Corporation, the Auditor's Report thereon and management's discussion and analysis for the fiscal year ended October 31, 2010, will be presented to the Shareholders at the Meeting.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED ON**

None of the directors or executive officers of the Corporation, nor any associate of the foregoing, has any material interest, direct or indirect, by way of beneficial ownership of securities of the Corporation or otherwise in the matters to be acted upon at the meeting other than the election of directors.

### **ELECTION OF DIRECTORS**

The Board of Directors presently consists of five (5) directors. The persons named in the list which follows are the current directors of the Corporation and are, in the opinion of management, well qualified to direct the Corporation's activities for the ensuing year. They have all confirmed their willingness to serve as directors, if elected. The term of office of each director elected will be until the next annual meeting of the Shareholders or until the position is otherwise vacated in accordance with the by-laws of the Corporation or within the provisions of the *Canada Business Corporations Act* ("CBCA").

**Unless the proxy specifically instructs the proxyholder to withhold such vote, Common Shares represented by the proxies hereby solicited shall be voted for the election of the nominees whose names are set forth below.** Management does not contemplate that any of these proposed nominees will be unable to serve as a director of the Corporation, but if that should occur for any reason prior to the Meeting, the persons designated in the enclosed instrument appointing proxy will have the right to use their discretion in voting for a properly qualified substitute.



**Greater than 50% of the votes cast by Shareholders present in person or by proxy are required to elect the directors.**

<b>Name, Province or State and Country of Residence</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Current Position(s) with the Corporation</b>	<b>Common Shares of the Corporation Owned, Controlled or Directed<sup>(1)</sup></b>
Robert J. Bell <sup>2</sup> Nova Scotia, Canada	Director and Chairman, Bell Enterprises Limited	October 31, 2002	Secretary and Director	2,689,380
Ronald Smith <sup>3</sup> Nova Scotia, Canada	Corporate Director	March 16, 2009	Chairman of the Board and Director	51,000
Dr. George Findlay <sup>2</sup> New Brunswick, Canada	Retired Dentist	April 3, 2008	Director	649,856
William E. Crandell <sup>2</sup> Nova Scotia, Canada	President, Target Consulting Group Inc.  Financial advisor, Praxes Emergency Medical Specialists	October 31, 2002	Director	1,734,761
Gordon Neal Nova Scotia, Canada	President and Chief Executive Officer, Corporation	NA	President and Chief Executive Officer	2,280,643

Notes:

- (1) The information as to shareholdings was provided as of March 11, 2010. These figures do not include Common Shares that may be acquired on the exercise of any warrants or stock options held, but include all shares owned either directly, indirectly or under the control of the director.
- (2) Messrs. Bell, Findlay (Chair) and Crandell are members of the Audit Committee.
- (3) Mr. Smith is a member of the Human Resources and Compensation Committee.

**Robert J. Bell** has been a secretary and director of the Corporation since October 2002. He is a director and chairman of Bell Enterprises Limited (real estate holdings).

**Ronald Smith**, FCA, has been a director of the Corporation since March 2009. Mr. Smith is a member of the Canada Pension Plan Investment Board, past chair of Acadia University Board of Governors and director of Gammon Gold Inc. (TSX-GAM, NSYE-GRS) and Andor Mining Inc. (TSX-V). He obtained his ICD Certified Director designation in 2004. He was the Senior Vice President and CFO of Emera Inc. and previous to that the CFO of Aliant Telecom Inc.

**Dr. George Findlay** has been a director of the Corporation since April 2008. He practiced general dentistry until 2006. In 2007, Dr. Findlay graduated with an MBA and obtained a prospector's license. Dr. Findlay acts as a director of Silver Spruce Resources Inc. ("**SSRI**") (TSX-SSE) and is the past chair of SSRI's Audit Committee and the chair of SSRI's Governance Committee.

**William E. Crandell** has been a director of the Corporation since October 2002. He is the President of Target Consulting Group Inc. Mr. Crandell was the Chief Financial Officer of the Corporation from 2006 to 2008. Mr. Crandell is a financial advisor of Praxes Emergency Medical Specialists.

**Gordon Neal** has been the President and Chief Executive Officer of the Corporation since September, 2008. Before joining the Corporation, he developed several of his own companies in Canada and the United States, and continues to have ownership interests in several companies he founded. Prior to that he held management and executive positions with the Irving Group and the Atlantic Corporation Limited Group Limited. He has business development and international marketing experience in many diverse industries.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

None of the directors or officers of the Corporation is, or has been within the ten (10) years prior to the date hereof, a director or executive officer of any corporation (including the Corporation) that, while such person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under Canadian securities legislation for a period of more than thirty (30) consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the corporation being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation for a period of more than thirty (30) consecutive days; or (iii) within one (1) year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

## **EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### **Named Executive**

Applicable securities regulations require that the Corporation give details of the compensation paid to the Corporation's "Named Executives" who are defined as follows:

- (a) the chief executive officer;
- (b) the chief financial officer;
- (c) each of the three (3) most highly compensated executive officers, or the three (3) most highly compensated individuals acting in a similar capacity, other than the chief executive officer and chief financial officer, at the end of the most recently completed financial year whose compensation was, individually, more than \$150,000 for that financial year; and
- (d) any individual who would be a named executive officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year.

As at October 31, 2010, the end of the most recently completed financial year of the Corporation, the Corporation had two named executive officers; namely, the president and chief executive officer ("**CEO**") and the chief financial officer ("**CFO**") (collectively, the "**Named Executives**"). No Named Executive or any other officer or employee of the Corporation earned more than \$150,000 during the financial year ended October 31, 2010.

#### **Role of Compensation Committee**

The Corporation's human resources and compensation committee (the "**Compensation Committee**") has been assigned the responsibility of reviewing the remuneration package for the CEO, the CFO and other senior executives and to recommend changes, if any, to the Board. In making its recommendations, the Compensation Committee considers each individual's performance as well as the remuneration and incentives paid to senior executives of comparable companies. The Compensation Committee also seeks the views of the CEO when reviewing compensation for other executive officers because of his day-to-day involvement with these officers. It is also the responsibility of the Compensation Committee to review any proposals concerning the Corporation's incentive stock option plan ("**Plan**") or any other equity compensation plans, including grant proposals for approval by the Board.

The members of the Compensation Committee are Stewart McInnes and Ronald Smith, both of whom are independent directors, applying the definition set out in Section 1.4 of National Instrument 52-110, *Audit Committees*.

## **Currency**

All references to "\$" or "dollars" set forth in this Circular are in Canadian dollars, except where otherwise indicated.

## **Objectives of the Corporation's Compensation Program**

The general objectives of the Corporation's compensation strategy are:

- (a) to compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long term Shareholder value;
- (b) to align management's interests with the long term interests of Shareholders;
- (c) to provide a compensation package that is commensurate with other comparable property management companies to enable the Corporation to attract and retain talent; and
- (d) to ensure that the total compensation package is designed in a manner that takes into account the Corporation's present stage of development and its available financial resources.

The Corporation's compensation packages have been designed to provide a blend of non-cash stock option component and a reasonable salary and benefits component based on industry comparable with companies at similar levels of development.

Salaries for the CEO, the CFO and other senior executives are determined by evaluating the responsibilities inherent in the position held, and the individual's experience and past performance, as well as by reference to the competitive marketplace for management talent at other comparable companies. Following the end of each year, the Compensation Committee reviews actual performance of the Corporation and the employee for such year.

## **Overview of Elements of Compensation**

The Corporation's executive compensation program is comprised of 3 components: (1) base salary; (2) a stock option plan; (3) and benefits. Each element of compensation is described in more detail below.

### *Base Salary*

Salaries of the Named Executives are based on a comparison with competitive positions, taking into account the size and sector, as well as the level of activity, of the group. Individual circumstances are also taken into consideration including the scope of a Named Executive's position, the Named Executive's relevant competencies or experience and retention risk. The financial performance of the Corporation is also a factor as is the individual performance of the Named Executive. The annual salary for the CEO and the CFO is reviewed by the Compensation Committee each year in consultation with the CEO and the CFO. Following the annual review, the Compensation Committee makes a recommendation to the Board regarding appropriate salary adjustment for the CEO and the CFO.

Base salaries for Named Executives may be adjusted as appropriate, based on recommendations of the Compensation Committee, as the case may be, performance of the Named Executive, performance of the Corporation, general change in market salary levels or market conditions, generally.

### *Non-Cash Option-Based Awards*

The strategic use of incentive stock options is a cornerstone of the Corporation's compensation plan. The purpose of the Plan is to encourage common stock ownership in the Corporation by directors, officers, key employees (including part-time) and consultants of the Corporation or any affiliate of the management and profitable growth of its business and to advance interests of the Corporation by providing additional incentive for superior performance by such persons and to enable the Corporation to attract and maintain valued directors, officers and employees by granting options to purchase Common Shares on the terms and conditions set forth in the Plan. The Plan is an important tool for attracting, motivating and retaining qualified employees, which is critical to the Corporation's success.

All grants of stock options to the Named Executives are reviewed and approved by the Compensation Committee and the Board. The process is initiated by management recommending a grant of option-based awards to the Compensation Committee. The Compensation Committee reviews these recommendations and, if they are approved, recommends them to the Board. In evaluating option grants to the Named Executives, the Compensation Committee and the Board evaluate a number of factors including, but not limited to: (i) the number of options already held by such Named Executive; (ii) a fair balance between the number of options held by the Named Executive concerned and the other executives of the Corporation, in light of their responsibilities and objectives; and (iii) the value of the options as a component in the Named Executive's overall compensation package.

*Benefits*

Gordon Neal participates in a corporate benefits program, including extended medical, dental, long-term disability and group life insurance coverage in line with organizations of a similar size.

**Summary Compensation Table**

The following table sets forth information regarding compensation paid to the Named Executives for the Corporation's most recently completed financial year in accordance with the new Form 51-102F6. For information related to the Corporation's prior two (2) years, refer to the Corporation's proxy circulars for such years, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total Compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Gordon Neal, President and Chief Executive Officer	2009	100,000	Nil	6,163 <sup>(1)</sup>	Nil	Nil	Nil	Nil	106,163
	2010	89,332	Nil	Nil	Nil	Nil	Nil	Nil	89,332
Boyd Hunter, Chief Financial Officer	2009	50,000	Nil	6,163 <sup>(1)</sup>	Nil	Nil	Nil	Nil	56,163
	2010	36,000	Nil	Nil	Nil	Nil	Nil	Nil	36,000

Note:

(1) The fair value of these options at the grant date was determined using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0.5%; risk-free interest rate of .5%; expected life of five years; and expected volatility 230%.

**Incentive Plan Awards**

**Outstanding Option-Based Awards and Share-Based Awards**

The following table presents details of all outstanding option-based awards and share-based awards to the Named Executives as at October 31, 2010. The value of unexercised in-the-money options at financial year end is the difference between the fair market value of the Common Shares on October 31, 2010, which was [\$0.030] and the exercise price of the options.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Gordon Neal President and Chief Executive Officer	125,000 <sup>(2)</sup>	0.10	Jun 25, 2014	Nil	Nil	Nil
Boyd Hunter Chief Financial Officer	125,000 <sup>(2)</sup>	0.10	Jun 25, 2014	Nil	Nil	Nil

Notes:

- (1) The value of unexercised in-the-money options is the difference between the 2010 year-end closing price on the TSXV for Common Shares which was \$0.030 and the exercise price of the Options.
- (2) In June 2009, the Corporation granted 125,000 stock options to each of the Named Executives. The exercise price for the options is \$0.10 and they expire on June 25, 2014. The fair value of these options at the grant date was determined using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.5%; expected life of five years; and expected volatility 230%.

### Incentive Plan Awards – Value Vested or Earned During the Last Financial Year

The table below presents the value of all incentive plan awards vested or earned by Named Executives during the financial year ended October 31, 2010:

Name	Option-based awards - value vested during the year (\$)	Share-based awards-value vested during the year (\$)	Non-equity incentive plan compensation - value earned during the year (\$)
Gordon Neal President and Chief Executive Officer	Nil	Nil	Nil
Boyd Hunter Chief Financial Officer	Nil	Nil	Nil

### Incentive Stock Option Plan

#### Introduction

At the annual and special general meeting of Shareholders held on May 11, 2009, the Shareholders adopted a new incentive stock option plan (the "**Plan**"). The Plan is a fixed plan.

The purpose of the Plan is to encourage common stock ownership in the Corporation by directors, officers, key employees and consultants of the Corporation and to advance the interests of the Corporation by providing additional incentive for superior performance by such persons and to enable the Corporation to attract and retain valued directors, officers and employees by granting options to purchase Common Shares. The Plan has been drafted to comply with the policies of the TSX Venture Exchange (the "**TSX-V**"). The following information is intended as a brief description of the Plan, and is qualified in its entirety by reference to the Plan itself, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### The Plan

The number of Common Shares reserved for issuance under the Plan at any given moment in time cannot exceed twenty percent (20%) of the issued and outstanding Common Shares (equates to 4,707,565 as of the Record Date), and the number of Common Shares under option at any given time cannot exceed the number of Common Shares then reserved for issuance pursuant to the Plan.

No options shall be issued pursuant to the Plan where such options, together with all of the Corporation's other share compensation arrangements, could result at any time in:

- (a) the number of shares reserved for issuance pursuant to arrangements granted to insiders exceeding 10% of the outstanding issue;
- (b) the issuance to any individual, within a 12-month period, of a number of shares exceeding 5% of the outstanding issue, unless the requisite disinterested shareholder approval is granted;
- (c) the issuance to any one consultant, within 12-month period, of a number of shares exceeding 2% of the issued shares of the Corporation;
- (d) the issuance to an employee, within any 12-month period, conducting investor relations activities of a number of shares exceeding 2% of the issued shares of the Issuer; and
- (e) the issuance to any one consultant performing investor relations activities, within a 12-month period, where more than a  $\frac{1}{4}$  of the options will vest in a three-month period.

Unless otherwise specified by the Board at the time an option is granted under the Plan:

- (a) the number of Common Shares subject to an option shall be determined from time to time by the Board;
- (b) the option price of any Common Shares in respect of which an option may be granted under the Plan shall be not less than the fair market value of the shares at the time the Option is granted;
- (c) the full purchase price of the Common Shares purchased under the option shall be paid in cash upon the exercise thereof. A holder of an option has none of the rights of a stockholder until the shares are issued to him. All Common Shares issued pursuant to the exercise of options granted or deemed to be granted under the Plan will be so issued as fully paid and non-accessible Common Shares;
- (d) options may be granted under this Plan exercisable over a period not exceeding ten (10) years. Each option is subject to earlier termination as provided in subparagraph (f) below;
- (e) the exercise of any option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Common Shares with respect to which the option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Common Shares with respect to which the option is exercised. An option may be exercised in full or in part during any year of the term of the option;
- (f) any option granted pursuant to the Plan, to the extent not validly exercised, and save as otherwise expressly provided in the Plan, will terminate on the earlier of the following dates:
  - (i) the date of expiration specified in the stock option agreement, being not more than ten (10) years after the date the option was granted;
  - (ii) the date which is the first day on which the optionee is not an employee, director, officer or consultant of the Corporation except as provided in subparagraph (iii);
  - (iii) six (6) months after the date of the optionee's death during which period the option may be exercised only by the optionee's legal representative or the person or persons to whom the deceased optionee's rights under the options shall pass by will or the applicable laws of descent and distribution, and only to the extent the optionee would have been entitled to exercise it at the time of his death; and
- (g) no option shall be transferable by the optionee other than by will or the laws of descent and distribution and shall be exercisable during his lifetime only by him.

### **Director Compensation**

The table below sets forth amounts of compensation recorded for members of the Board for the financial year ended October 31, 2010. None of the Fees were paid and on April 6, 2011, the Directors agreed to waive their entitlement to director fees for the 2010 fiscal year and to suspend the payment of directors' fees until the financial position of the Corporation improves. Accordingly, the Fees were reversed in the fiscal quarter ending January 31, 2011.

<b>Name</b>	<b>Fees Earned (\$)</b>	<b>Share-based awards (\$)</b>	<b>Option-based awards (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Robert J. Bell	8,000		Nil	Nil	Nil	Nil	8,000
Ronald Smith	14,000		Nil	Nil	Nil	Nil	14,000
Dr. George Findlay	12,000		Nil	Nil	Nil	Nil	12,000
William E. Crandell	8,000		Nil	Nil	Nil	Nil	8,000
Stewart McInnes	12,000		Nil	Nil	Nil	Nil	12,000

### **Outstanding Share-Based Awards and Option-Based Awards**

The following table presents details of all outstanding option-based awards and outstanding unvested share-based awards to members of the Board as at October 31, 2010:

<b>Name</b>	<b>Option-based Awards</b>				<b>Share-based Awards</b>	
	<b>Number of securities underlying unexercised options (#)</b>	<b>Option exercise price (\$)</b>	<b>Option expiration date</b>	<b>Value of unexercised in-the-money options (\$)<sup>(2)</sup></b>	<b>Number of shares or units of shares that have not vested (#)</b>	<b>Market or payout value of share-based awards that have not vested (\$)</b>
Robert J. Bell	125,000 <sup>(1)</sup>	0.10	Jun 25, 2014	Nil	Nil	Nil
Ronald Smith <sup>(4)</sup>	125,000 <sup>(1)</sup>	0.10	Jun 25, 2014	Nil	Nil	Nil
Dr. George Findlay	125,000 <sup>(1)</sup>	0.10 0.10	Jun 25, 2014	Nil	Nil	Nil
William E. Crandall	125,000 <sup>(1)</sup>	0.10	Jun 25, 2014			
Stewart McInnes	125,000 <sup>(2)</sup>	0.10	Jun 25, 2014	Nil	Nil	Nil

Notes:

- (1) In June 2009, the Corporation granted 125,000 stock options to each of the directors. The options are to purchase common shares at the price of \$0.10 and expire on June 25, 2014. The fair value of these options at the grant date was determined using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%; risk-free interest rate of .5%; expected life of five years; and expected volatility of 230%.
- (2) The value of unexercised in-the-money options at financial year end is the difference between the fair market value of the Common Shares on October 31, 2010, which was \$0.030, and the exercise price of the options.

### **Incentive Plan Award – Value Vested or Earned During the Year**

The table below presents the value of all incentive plan awards vested or earned by members of the Board during the year ended October 31, 2010:

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation- Value earned during the year (\$)
Robert J. Bell	Nil	Nil	Nil
Ronald Smith	Nil	Nil	Nil
Dr. George Findlay	Nil	Nil	Nil
William E. Crandall	Nil	Nil	Nil
Stewart McInnes	Nil	Nil	Nil

Note:

- (1) All options vested at the time of grant and the exercise price was at or above the market price on the grant date. Hence none of the directors would have received any value if the options had been exercised on the grant date.

#### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation has acquired liability insurance for its directors and officers to insure them from claims against them for certain of their acts, errors or omissions as such as well as insurance for the Corporation to insure it against any loss arising out of any liability to indemnify a director or officer. The insurance is in effect until June 30, 2011, at an annual premium of \$15,500 paid by the Corporation. The insurance provides coverage of up to \$1,000,000 with a \$25,000 deductible applicable to the Corporation in the event it is required to indemnify a director or officer.

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Corporation's Incentive Stock Option Plan ("Plan") is the sole equity compensation plan adopted by the Corporation. The following table sets out information as of October 31, 2010 with regard to outstanding options exercisable into Common Shares under the Plan as well as outstanding warrants exercisable into Common Shares under individual compensation arrangements.

Plan Category	Number of securities to be issued upon exercise of outstanding options and warrants (a)	Weighted-average exercise price of outstanding options and warrants (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a)) (c)
Stock Option Plan (approved by Shareholders)	1,000,000	\$0.10	3,707,565 <sup>(1)</sup>
Individual Equity Compensation <sup>(2)</sup> (not approved by Shareholders)	4,669,495	\$0.139	0
<b>Total</b>	<b>5,669,495</b>	<b>\$0.132</b>	<b>3,707,565</b>

Note:

- (1) This number equals 20% of the total issued and outstanding common shares reported under column (a) above.  
(2) The Corporation issued an aggregate of 4,669,495 warrants to purchase Common Shares, 130,000 of which were exercisable at \$0.10 until January 2011, 2,896,500 of which were exercisable at \$0.14 until February 28, 2011 and 1,642,995 were exercisable at \$0.14 until March 12, 2011. As of April 4, 2011, all of these warrants are now expired without having been exercised.

#### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former directors, executive officers or employees of the Corporation, or associates or affiliates of any of these persons, have been indebted to the Corporation or its subsidiaries as of April 4, 2011, other than "Routine Indebtedness" as that term is defined in applicable securities legislation.



## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

None of the directors, executive officers or principal shareholders of the Corporation, or any associates or affiliates of any of the foregoing, had any material interest, direct or indirect, in any transaction since the beginning of the last completed financial year of the Corporation or in any proposed transaction which, in either case, has materially affected or would materially affect the Corporation and its subsidiaries except for the following:

Directors and officers held \$270,000 of \$600,000 of convertible debentures (the "**Debentures**") issued by the Corporation in November 2009. On February 21, 2011 the Corporation and its wholly-owned Subsidiary DIME Inc. ("**DIME**") announced that in accordance with the terms and conditions of the Debentures and the securing granted to the holders of the Debentures (the "**Debentureholders**") 100% of the common shares of DIME ("**DIME Shares**") were transferred by the Corporation to the Debentureholders.. The DIME Shares had been pledged by INR to the Debentureholders and were transferred to the Debentureholders in full satisfaction of the principal and accrued interest due under the Debentures.

## APPOINTMENT OF AUDITOR

The Auditor of the Corporation since May 11, 2006, has been Grant Thornton LLP, Chartered Accountants, Suite 1100, 2000 Barrington Street, Halifax, NS, B3J 3K1. Management recommends the re-appointment of Grant Thornton, LLP. The Shareholders will be asked at the Meeting to vote for the appointment of Grant Thornton, LLP as Auditor of the Corporation until the next annual meeting of Shareholders of the Corporation, at a remuneration to be fixed by the Board.

**It is intended that all proxies received will be voted in favour of the appointment of Grant Thornton, LLP as Auditor of the Corporation, unless a proxy contains instructions to withhold the same from voting. Greater than 50% of the votes of Shareholders present in person or by proxy are required to appoint the Auditor of the Corporation.**

## AUDIT COMMITTEE

### Audit Committee Charter

The Corporation must, pursuant to the provisions of National Instrument 52-110, *Audit Committees* ("**NI 52-110**"), have a written charter which sets out the duties and responsibilities of its audit committee.

The charter of the Corporation's audit committee (the "**Audit Committee**") is attached to this Circular as Schedule "A".

### Composition of Audit Committee & Relevant Education and Experience

#### Composition

The Audit Committee is comprised of three (3) directors, Dr. George Findlay (Chair), William E. Crandell and Robert J. Bell. Mr. Findlay and Mr. Bell are considered "independent", as defined in NI 52-110. Mr. Crandell is not considered independent as he is the former CFO of the Corporation. All of the Audit Committee members are "financially literate", as defined in NI 52-110.

#### Relevant Education and Experience

Dr. Findlay, Mr. Crandell and Mr. Bell are each experienced in complementary ways in financial presentation and public company financial considerations.

Dr. Findlay holds an MBA from the University of Liverpool. He completed the Public Companies Director's Course at Simon Fraser University. He is also a director and former chair of the audit committee of Silver Spruce Resources Inc. ("**SSRI**") and the present chair of SSRI's governance committee.

Mr. Crandell holds an MBA with a concentration in finance, is a Certified Management Consultant, and has been consulting to businesses for over 35 years. He is the former CFO of the Corporation and has served as a director of the Corporation since October 31, 2002. He is the former president and chairman of Performance Property Capital Inc. and a past director and current financial advisor of Praxes Emergency Medical Specialists.

Mr. Bell has industry specific experience. He is the Chairman and director of Bell Enterprises Inc., a director of the Corporation, and a former director of Harbour Construction Limited. He has over 45 years experience in operating businesses. As part of running the businesses, Mr. Bell demonstrated a solid understanding of accounting principles, an ability to assess the general applicability of accounting principles, and a breadth of knowledge and experience in preparing and auditing financials.

### **Audit Committee Oversight**

At no time since the commencement of the Corporation's last two (2) financial years was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### **Reliance on Certain Exemptions**

The Corporation is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Corporation, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations).

At no time since the commencement of the Corporation's last two (2) financial years has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52- 110.

### **Pre-Approval Policies and Procedures**

The Audit Committee will pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor, however the Audit Committee has not adopted specific policies and procedures for such approval.

### **External Auditor Service Fees (By Category)**

The aggregate fees billed by the Corporation's external auditors in each of the last two (2) financial years for audit fees are as follows:

<b>Financial year ending</b>	<b>Audit fees</b>	<b>Audit related fees</b>	<b>Tax fees</b>	<b>All other fees</b>
October 31, 2009	\$31000	Nil	Nil	Nil
October 31, 2010	\$59,951 <sup>(1)</sup>	Nil	Nil	Nil

Note:

(1) Amount invoiced is disclosed. The Corporation has requested that a discount be applied to the invoice.

## **CORPORATE GOVERNANCE**

The Corporation is required to include in its Circular disclosure of its corporate governance practices in accordance with National Instrument 58-101, *Disclosure of Corporate Governance Practices* ("NI 58-101"). NI 58-101 has been adopted by the securities commissions or similar regulatory authorities across Canada ("**Canadian Securities Administrators**").

The Board endorses the efforts of the Canadian Securities Administrators in continuing the evolution of good corporate governance practices. The Board is committed to adhering to the highest standards in all aspects of its activities.

The corporate governance practices described below are subject to change as the Corporation evolves. Some of its practices are representative of its junior size; however, the Corporation has undertaken to periodically monitor and refine such practices as the size and scope of its operations increase. The Board shall remain sensitive to corporate

governance issues and shall continuously seek to set up the necessary measures, control mechanisms and structures to ensure an effective discharge of its responsibilities without creating additional undue overhead costs.

### **Board of Directors**

The Board currently consists of five (5) directors: William E. Crandell, Robert J. Bell, Stewart McInnes, George Findlay and Ronald Smith. All of the directors, except for William E. Crandell and Robert Bell, are independent directors as defined in NI 52-110.

During the financial year ended October 31, 2010, the Board either formally convened or passed resolutions in writing with the consent of all the directors ten (10) times. All directors were present either in person, telephone or by approving the resolutions. It is the Board's general policy to convene formal board meetings periodically on an *ad hoc* basis during the year on an as needed basis to review and discuss the Corporation's business activities, to consider and, if thought fit, to approve matters presented to the Board for approval, and to provide necessary guidance to management. In addition, management informally provides updates to the Board at least once per quarter between formal Board meetings. When required, with the consent of all of the directors of the Corporation, the Board will also pass resolutions in lieu of holding a formal meeting. In general, management consults with the Board when deemed appropriate to keep the Board informed regarding the Corporation's affairs.

The Board facilitates the exercise of independent supervision over management through these various meetings. At present, the Board has the Audit and the Compensation Committee. When necessary, the Board will strike a special committee of independent directors to deal with matters requiring independence. The composition of the board of directors is such that the independent directors have significant experience in business affairs. As a result, these board members are able to provide significant and valuable independent supervision over management.

The Board delegates certain responsibilities to management, including the responsibilities to meet defined corporate objectives, implement approved strategic and operating plans, carry on the Corporation's business in the ordinary course, manage the Corporation's cash flow, evaluate new business opportunities, recruit staff and comply with applicable regulatory requirements. The Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

### **Directorships**

The following directors of the Corporation are currently serving as directors of other reporting issuers:

<b>Director of the reporting issuer</b>	<b>Reporting Issuer</b>	<b>Positions held other than as a director with the reporting issuer</b>	<b>Market traded on</b>
George Findlay	Silver Spruce Resources Inc.	None	TSX-V
Ronald Smith	Gammon Gold Inc. Andor Mining Inc.	Director Director	TSX and NYSE TSX-V

### **Orientation and Continuing Education**

At present, the Corporation does not provide a formal orientation and education program for new directors. Prior to joining the Board, potential Board members are encouraged to meet with management and to educate themselves regarding management of the Corporation's affairs. After joining the Board, management and the chairman of the Board provide orientation to the new director both at the outset and on an ongoing and as-needed basis. The Corporation currently has no specific policy regarding continuing education for directors, although requests for education are encouraged, and are dealt with on an *ad hoc* basis.

### **Ethical Business Conduct**

The Board supports ethical business practices. The primary step taken by the Corporation to encourage and promote a culture of ethical business conduct is to conduct appropriate due diligence on proposed directors, and to ensure that

proposed directors are of the highest ethical standards. The Board is in the process of adopting a new written code of business conduct and corporate governance.

### **Nomination of Directors**

The Board does not have a formal process for identifying new candidates for Board nomination. When required, the board will collaborate with management to identify potential candidates and to consider their appropriateness for membership in the Board.

### **Compensation**

Compensation for board members is considered by the Compensation Committee which recommends to the Board for approval. The remuneration of executive officers and directors is in accordance with industry norms and with reference to each individual director's level of involvement with the Corporation.

The Board and the Compensation Committee also administer the Plan, including any option grants to directors and officers. The Compensation Committee consists of Stewart McInnes (Chair) and Ronald Smith.

### **Other Board Committees**

The Corporation presently does not have any standing committees other than the Audit Committee and the Compensation Committee.

### **Assessments**

At present, the Board does not have a formal process for assessing the effectiveness of the Board, its committees, and the effectiveness of individual directors. These matters are dealt with on a case by case basis at the board level. The Board believes that the size of the Corporation facilitates informal discussion and evaluation of the Board, its committees and its members.

## **PROPOSALS BY SHAREHOLDERS**

Pursuant to the CBCA, resolutions intended to be presented by Shareholders for action at the next annual meeting must comply with the provisions of the Act and be deposited at the Corporation's head office not later than Friday, January 8, 2012 in order to be included in the management information circular relating to the next annual meeting.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Corporation's audited comparative financial statements and management's discussion and analysis for its most recently completed financial year. Shareholders may obtain a copy of any of the Corporation's audited comparative financial statements and management's discussion and analysis contacting Boyd Hunter, Chief Financial Officer of the Corporation at 24-260 Brownlow Avenue, Dartmouth, Nova Scotia, B3B 1V9, Tel (902) 463-2639.

## **OTHER BUSINESS**

Management is not aware of any matters to come before the Meeting other than those set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

**APPROVAL OF CIRCULAR**

The undersigned hereby certifies that the directors of the Company have approved the contents and the sending of this Circular. A copy of this Circular has been sent to each director of the Corporation, each shareholder whose proxy is solicited and the auditors of the Corporation.

BY ORDER OF THE BOARD OF DIRECTORS, this 8<sup>th</sup> day of April, 2011.

*Signed "Robert J. Bell"*

\_\_\_\_\_  
Robert J. Bell, Secretary

## **SCHEDULE "A"**

### **INNOVATIVE PROPERTIES INC.**

#### **Audit Committee Charter**

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#### **PURPOSE**

To assist the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

#### **AUTHORITY**

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- (a) Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- (b) Resolve any disagreements between management and the auditor regarding financial reporting.
- (c) Pre-approve all auditing and non-audit accounting services.
- (d) Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- (e) Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
- (f) Meet with company officers, external auditors, or outside counsel, as necessary.

#### **COMPOSITION**

The audit committee will consist of at least three and no more than six members of the board of directors. The board or its nominating committee will appoint committee members and the committee chair.

The majority of the committee members will be independent and all member will be financially literate. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation.

#### **MEETINGS**

The audit committee will meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

## **RESPONSIBILITIES**

The committee will carry out the following responsibilities:

### Financial Statements

- (a) Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- (b) Review with management and the external auditors the results of the audit, including any difficulties encountered.
- (c) Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- (d) Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- (e) Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing principles and standards.
- (f) Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- (g) Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

### Internal Control

- (a) Consider the effectiveness of the company's internal control system, including information technology security and control.
- (b) Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

### External Audit

- (a) Review the external auditors' proposed audit scope and approach, including coordination of audit.
- (b) Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- (c) Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- (d) On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

### Compliance

- (a) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- (b) Review the findings of any examinations by regulatory agencies, and any auditor observations.
- (c) Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- (d) Obtain regular updates from management and company legal counsel regarding compliance matters.

### Reporting Responsibilities

- (a) Regularly report to the board of directors about committee activities, issues, and related recommendations.
- (b) Provide an open avenue of communication between the audit committee, external auditors, and the board of directors.
- (c) Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- (d) Review any other reports the company issues that relate to committee responsibilities.

### Other Responsibilities

- (a) Perform other activities related to this charter as requested by the board of directors.
- (b) Institute and oversee special investigations as needed.
- (c) Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- (d) Confirm annually that all responsibilities outlined in this charter have been carried out.
- (e) Evaluate the committee's and individual members' performance on a regular basis.