



Form 51-102F1

Management Discussion and Analysis

For the three and nine months ended July 31, 2014 and 2013

1. Date of this report: September 17, 2014

The following Management Discussion and Analysis (“MD&A”) has been prepared by management and is provided to enable readers to assess Innovative’s results of operations and financial condition for the three and nine month periods ended July 31, 2014. This MD&A should be read in conjunction with our Condensed Interim Financial Statements dated July 31, 2014, our Audited Financial Statements and related notes dated October 31, 2013, and related MD&A dated February 28, 2013, 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 International Financial Reporting Standards (“IFRS”).

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 other relevant information available up to the date of this report.

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. The Corporation disposed of its operating subsidiaries during 2011. During the year ended October 31, 2012, the company’s activities were concentrated on seeking new business opportunities.

In June 2012 the Company signed two commercial property management contracts to provide comprehensive property and project management for the Fleetwood Shopping Center and A & A Plaza, both located in Surrey, British Columbia. The contracts commenced immediately and on a pro-rata fee basis.

The Company would collect all rents and other income related items on behalf of the landlords in a managerial capacity and further provide project management services for all development, redevelopment or construction related projects on the Properties. The Company has negotiated an annual fee amounting to a minimum of Seventy Eight Thousand (\$78,000.00 CAD) Dollars per year for the term of the contracts.

On November 1, 2012 the Company announced that it had entered into eight commercial property management contracts with eight separate real estate holding companies. The sum of approximately \$168,000.00 (CDN) per annum is anticipated as gross management fees over the term of the contracts

3. Earnings

Management reports that in the nine month period ended July 31, 2014, the Corporation reported a Net Comprehensive Income of \$223,199.

4. Results of Operations

Selected Annual Information

	2013	2012	2011	2010
	\$	\$	\$	\$
	IFRS	IFRS	IFRS	CGAAP
Revenue	309,676	28,170	-	530,552
Net Income (Loss)	(8,378)	(43,177)	693,134	(749,349)
Total Assets	339,190	172,899	7,077	280,606
Basic and diluted EPS ¹	(0.00)	(0.01)	0.21	(0.22)

¹ Exercise of options would be anti-dilutive

- On September 17, 2013 the Company completed a private placement of 10,000,000 units at \$0.015 per unit for gross proceeds of \$150,000.
- During the year ended October 31, 2011 the Company divested itself of its subsidiary Dime Inc. and realized a gain on disposal of \$861,374.

Summary of Quarterly Results

	31-July, 2014	30-April, 2014	31-January, 2013	31-October, 2013
	IFRS	IFRS	IFRS	IFRS
Service revenue	234,800	93,500	137,550	63,309
Expenses	155,448	92,387	92,387	56,493
Other income (expenses)	-	-	75	-
Net Income (Loss)	1,430	1,430	33,237	(44,476)
Wt. Avg. Number of Shares Outstanding EPS	16,744,899	15,491,474	12,970,926	10,450,378
	0.00	0.00	0.00	(0.00)

	31-July, 2013	30-April, 2013	31-January, 2013	31-October, 2012
	IFRS	IFRS	IFRS	IFRS
Service revenue	107,585	63,000	75,782	28,170
Expenses	92,387	76,787	92,387	22,801
Other income (expenses)	-	-	-	-
Net Income (Loss)	15,198	21,904	(1,004)	(3,183)
Wt. Avg. Number of Shares				
Outstanding	9,244,899	9,244,899	9,244,899	9,244,899
EPS	0.00	0.00	(0.00)	(0.00)

Results for the three month period ended July 31, 2014

Service revenue for the third quarter was \$234,800 (July 31, 2013 - \$107,585).

During the three month period ended July 31, 2014, the Corporation paid \$11,000 (July 31, 2013 - \$nil) in management fees, \$82,500 (July 31, 2013 - \$7,500) in rent, \$35,305 (July 31, 2013 - \$44,304) in salaries and benefits and \$(410) (July 31, 2013 - \$1,335) for filing fees.

Total expenses increased by \$78,661 as compared with the same period in 2013. This is mostly attributable to rent expense.

EPS were \$0.00 for the period ended July 31, 2014 (July 31, 2013 - \$0.00).

Results for the nine month period ended July 31, 2014

Service revenue for the nine month period was \$465,850 (July 31, 2013 - \$246,368).

During the nine month period ended July 31, 2014, the Corporation paid \$18,500 (July 31, 2013 - \$18,000) in management fees, \$97,500 (July 31, 2013 - \$22,500) in rent, \$127,083 (July 31, 2013 - \$99,824) in salaries and benefits and \$10,344 (July 31, 2013 - \$16,811) for filing fees.

Total expenses increased by \$12,735 as compared with the same period in 2013. This is mostly attributable to office, professional fees, rent and salary expense.

EPS were \$0.00 for the period ended July 31, 2014 and (July 31, 2013 - \$0.00).

Accounts Receivables Breakout

Nine months ended	July 31, 2014	October 31, 2013
Current	43,927	29,719
1 to 30 days overdue	32,078	12,023
31 to 60 days overdue	35,040	4,918
61+ days overdue	162,946	17,580
Allowance for doubtful accounts	(13,864)	(13,864)
	\$ 260,128	\$ 53,000

Service Revenue Breakout

Nine months ended	July 31, 2014	July 31, 2013
	\$	\$
Property management fees	236,150	184,500
Accounting fees	10,200	10,500
Consulting fees	183,500	46,000
Administration fees	36,000	2,818
	465,850	243,868

5. Liquidity

At July 31, 2014, the Corporation had \$19,015 in liabilities (October 31, 2013 – \$41,876). In addition, the Corporation had a working capital surplus of \$312,461 and at (October 31, 2012 - \$280,050).

	April 2014	October 2013
Current Assets	\$ 420,127	\$ 321,926
Current Liabilities	(19,015)	(41,876)
Working Capital	\$ 401,112	\$ 280,050

The Company had net revenue of \$115,643 for the nine month period ended July 31, 2014, and net revenue of 35,914 at July 31, 2013. In addition, it had an accumulated deficit of \$1,643,122 (October 31 2013 - \$1,752,664). The Corporation's ability to continue as a going concern is dependent upon its ability to finance operations with revenue derived from new business opportunities.

6. Capital Resources

The Corporation does not have any capital expenditure commitments for 2014 beyond an office lease.

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

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

As at July 31, 2014, the Company was due \$260,128 (October 31, 2013 - \$53,000) of trade receivables from companies controlled by a relatives of the former Chief Executive Officer, Sonny Janda and \$52,819 (October 31, 2013 - \$nil) short term loans from companies having a common Chief Financial Officer, Jamie Lewin.

The Company incurred the following transactions with officers, directors or relatives or with companies that are controlled by directors or former officers of the Company.

	July 31, 2014	July 31, 2013
	\$	\$
Management fees	18,500	18,000
Rent	97,500	22,500
Revenue	465,850	246,368
	\$ 581,850	\$ 286,868

Key management personnel compensation

	July 31, 2014	July 31, 2013
	\$	\$
Professional fees	3,465	3,105

9. Gain on debt settlement

During the year ended October 31, 2012, the Company entered into an agreement to assign certain accounts payable to a third party for a \$45,000 note payable which bears interest at 6% per year, is due on demand and unsecured and a \$5,000 note payable which bears interest at 5% per year, is due on demand and unsecured. The Company recorded a gain of \$13,104 on the transaction.

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

10. Critical Accounting Estimates

Not applicable to a venture issuer.

11. Accounting standards issued but not yet applied

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

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

- a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
- b) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
- c) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
- d) IFRS 12 Disclosure of Interest in Other Entities;

- e) IFRS 13 Fair Value Measurement; and
- f) IAS 1 Presentation of Financial Statements (Amendments regarding Presentation of Items of Other Comprehensive Income).

12. Financial Instruments and Other Instruments

The Corporation's financial instruments are cash, accounts receivable, and accounts payable and accrued liabilities, and short 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.

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.

13. Share Capital

Common Shares:

Authorized:

Unlimited Common voting shares without nominal or par value

Issued:

19,244,899 Common shares – at July 31, 2014 and report date \$1,508,082

Warrants:

There were 10,000,000 warrants outstanding at the report date with a weighted average exercise price of \$0.08 and a weighted average life of 18 months.

Options:

As the report date, there were nil stock options outstanding.

14. Financing

On September 17, 2013 the Company completed a private placement of 10,000,000 units at \$0.015 per unit for gross proceeds of \$150,000. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.05 for a period of one year from

the issuance date and at \$0.10 for a period of one year subsequently. The fair value of the warrants issued was \$50,000.

On March 12, 2012 the Company issued 5,882,353 units at \$0.085 per unit. Each unit consists of one common share and one share purchase warrant exercisable at \$0.10 for a period of two years from the issuance date. The fair value of the warrants issued was \$Nil.

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

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52- 109"). In particular, the Company's certifying officers are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company are certifying officers to design and implement on a cost effective basis.

16. Financial risk management and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and its trade receivables. Cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

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

	July 31, 2014	October 31, 2013
	\$	\$
Cash and equivalents	104,315	268,926
Loans and receivables:		
Trade receivables	260,128	53,000
Short term loans	55,684	
	<u>420,127</u>	<u>321,926</u>

16. Financial risk management (continued)

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

	July 31, 2014	October 31, 2012
	\$	\$
Trade payables & accruals	8,039	39,066
Due to related parties	-	2,200
Payroll liabilities	7,242	
GST payable	4,114	610
	19,015	41,876

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

	As at July 31, 2014		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash and cash equivalents	104,315	-	-
Trade receivables	-	-	260,128

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

17. Subsequent Events

On September 2, 2014 the Company announced that it had received final approval to list its common shares on the Canadian Securities Exchange ("CSE"). The Company's common shares will commence trading on the CSE effective September 3, 2014, under the symbol "INR". It received consent from the Toronto Venture Stock Exchange to voluntarily delist its shares effective upon the close of markets September 5, 2014.

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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.

Officers and Directors

Gurpreet Gill, President and Director
Jamie Lewin, CFO
Gurdeep Johal, Director
Eugene Beukman, Director

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