



Form 51-102F1

Management Discussion and Analysis

Three and Nine months ended July 31, 2016

1. Date of this report: September 27, 2016

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 nine month period ended July 31, 2016. This MD&A should be read in conjunction with our Condensed Interim Financial Statements dated July 31, 2016, our Audited Financial Statements and related notes dated October 31, 2015, and related MD&A dated February 28, 2016, 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, as well as consulting services to public and private companies.

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 commenced 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.

3. Earnings

Management reports that in the nine month period ended July 31, 2016, the Corporation reported a Net Comprehensive gain of \$297.64

4. Results of Operations

Selected Annual Information

	2015 \$	2014 \$	2013 \$
	IFRS	IFRS	IFRS
Revenue	1,169,204	983,750	309,676
Net Income (Loss)	438,275	703,060	(8,378)
Total Assets	1,777,109	882,871	339,190
Basic and diluted EPS	0.04	0.11	(0.00)

- For the year ended October 31, 2015, net income includes \$366,668 of realized gains on marketable securities.
- During the year ended October 31, 2015 Consulting Revenue increased by \$461,599, Property Management Income decreased by \$248,250 and Administrative Income decreased by 32,694.

Summary of Quarterly Results

	31-July, 2016	30-April, 2016	31-January, 2016	31-October, 2015
	IFRS	IFRS	IFRS	IFRS
Service revenue	177,000	280,550	285,150	190,363
Expenses	(37,447)	(200,689)	(160,359)	(244,793)
Other income(expenses)	(5,486)	108,707	(49,962)	(4,278,671)
Deferred income tax recovery				(123,773)
Net Income (Loss)	134,067	88,568	74,829	(4,456,874)
Wt. Avg. Number of Shares Outstanding	11,928,105	11,621,559	11,141,011	11,141,011
EPS	0.01	0.01	0.01	(0.39)
	31-July, 2015	30-April, 2015	31-January, 2015	31-October, 2014
	IFRS	IFRS	IFRS	IFRS
Service revenue	328,956	514,412	135,473	517,900
Expenses	(162,722)	(171,446)	(244,155)	(203,290)
Other income (expenses)	459,570	4,044,689	(9,628)	(9,487)
Deferred Income Tax Recovery			-	283,918
Net Income (Loss)	625,804	4,387,655	(118,310)	589,041
Wt. Avg. Number of Shares Outstanding	11,048,666	10,862,480	10,328,009	6,414,964
EPS	0.05	(0.41)	(0.01)	0.09

Results for the three month period ended July 31, 2016

Service revenue for the three month period was \$177,000 (July 31, 2015- \$328,956).

During the three month period ended July 31, 2016, the Corporation paid \$Nil (July 31, 2015- \$10,000) in management/consulting fees, \$Nil (July 31, 2015- \$82,500) in rent, \$26,760 (July 31, 2015- \$57,735) in salaries and benefits and \$3,826 (July 31, 2015- \$4,118) for filing fees.

Total expenses decreased by \$125,298 as compared with the same period in 2015. This is mostly attributable to management/consulting, rent and salaries expense.

Results for the nine month period ended July 31, 2016

Service revenue for the nine month period was \$642,700 (July 31, 2015- \$978,841).

During the nine month period ended July 31, 2016, the Corporation paid \$53,800 (July 31, 2015- \$64,875) in management/consulting fees, \$165,000 (July 31, 2015- \$247,500) in rent, \$150,597 (July 31, 2015- \$161,083) in salaries and benefits and \$11,676 (July 31, 2015- \$70,431) for filing fees.

Total expenses decreased by \$179,853 as compared with the same period in 2015. This is mostly attributable to filing fees and rent expenses.

EPS were 0.02 for the period ended July 31, 2016 (July 31, 2015- 0.55)

5. Liquidity

At July 31, 2016, the Corporation had \$13,525 in liabilities (July 31, 2015- \$118,122). In addition, the Corporation had a working capital surplus of \$2,075,056 and at (July 31, 2015- \$5,860,865).

	July 31, 2016	July 31, 2015
Current Assets	\$ 2,088,581	\$ 5,978,987
Current Liabilities	(13,525)	(118,122)
Working Capital	\$ 2,075,056	\$ 5,860,865

The Company had net gain of \$297,464 for the nine month ended July 31, 2016, and net gain of 4,895,127 at July 31, 2015. In addition, it had an accumulated deficit of 313,858 (July 31, 2015- \$3,845,546 retained earnings). 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 2015 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

The following amounts due from related parties, earned from revenues, are included in trade payables due from related parties:

	July 31, 2016	October 31, 2015
	\$	\$
Companies with parties having significant influence over the Company	481,783	349,333

These amounts due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Related party transactions

The Company incurred the following transactions with companies with common directors and companies controlled by relatives of the former CEO and the current CFO:

	July 31, 2016	July 31,,2015
	\$	\$
Management and consulting fees	3,800	35,000
Accounting fees included in professional fees	11,500	12,500
Rent	165,000	247,500
Revenue	597,700	978,841
	778,000	1,261,341

As at July 31, 2016, the Company had \$28,651 (July 31, 2015- \$108,781) loans receivable due from the companies with common directors, common management, or companies with parties containing significant influence over the Company.

On November 21, 2014, the Company acquired of 1,000,000 units of Bard Ventures Ltd. (“Bard”) with common director at \$0.05 per unit for a payment of \$50,000. Each unit consists of one common share in the capital of Bard and one common share pursuant warrant. Each warrant will entitle the Company to purchase one warrant share for a period of 5 years at a price of \$0.05 per share.

9. Critical Accounting Estimates

Not applicable to a venture issuer.

10. Accounting standards issued but not yet applied

IFRS 9“Financial Instruments”

IFRS 9 *Financial Instruments* (“IFRS9”) was issued by the IASB in October 2010 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair

value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective January 1, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

IFRS 15 “Revenue from Contracts with Customers”

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company’s financial statements.

11. 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.

12. Share Capital

Common Shares:

On October 07, 2014 the Company received approval from the Canadian Securities Exchange (“CSE”) to consolidate its shares on the ratio of one new share for three old shares. Prior to consolidation there were 19,244,899 shares outstanding. Post consolidation there were 6,414,966 shares outstanding.

Authorized: Unlimited Common voting shares without nominal or par value
Issued: 16,414,966 Common shares – at July 31, 2016 and report date

Warrants:

On March 14, 2016, the Company authorized and directed to issue DRS Advice for fully paid common shares in the capital of \$40,000 for 800,000 Common Shares at the exercise price of \$0.05 per unit.

On July 25, 2016, the Company authorized and directed to issue DRS Advice for fully paid common shares in the capital of \$210,000 for 4,200,000 Common Shares at the exercise price of \$0.05 per unit.

As the report date, there was no stock warrant outstanding.

Options:

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

13. Financing

On November 20, 2014 the Company completed a non-brokered private placement at \$0.05 per unit and raised a total of \$250,000.00 for working capital purposes from the sale of Units. Each unit consists of one common share in the equity of the Company and one share purchase warrant. A warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.05 per share for a period of five years. No finder's fees were paid for this financing.

14. Marketable Securities

As at July 31, 2016 and October 31, 2015, the Company's marketable securities were comprised of investments in shares and share purchase warrants.

July 31, 2016	Cost	Accumulated fair value adjustment	Fair value
	\$	\$	\$
Common Shares	725,520	(17,945)	707,575
Warrants	8,083	397,166	405,249
	733,603	379,221	1,112,824

October 31, 2015	Cost	Accumulated fair value adjustment	Fair value
	\$	\$	\$
Common Shares	569,759	(52,249)	517,510
Warrants	8,083	401,422	409,505
	577,842	349,173	927,015

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 as it has written off its financial instruments held in a foreign currency during the year ended October 31, 2015.

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, 2016	October 31, 2015
	\$	\$
Loans and receivables:		
Cash and cash equivalents	455,902	305,606
Other receivables	8,182	1,530
Loans receivable from related parties	28,651	31,900
Trade receivables due from related parties	481,783	349,333
FVTPL:		
Marketable securities	1,112,824	927,015
	2,087,342	1,615,384

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

	July 31, 2016	October 31, 2015
	\$	\$
Trade payables	4,302	6,168
Payroll liabilities	3,251	20,329
	7,553	29,653

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, 2016		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash and cash equivalents	455,902	-	-
Trade receivables	-	-	481,783
Marketable securities	707,575	-	405,249

	As at October 31, 2015		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash and cash equivalents	305,606	-	-
Trade receivables	-	-	349,333
Marketable securities	67,160	-	859,855

17. Commitments

The Company has terminated the lease rental agreement, with a company which has parties in common that have significant influence over the Company in May 2016. The Company also has started to end providing management services to existing clients.

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
Yong Hong Hu, CFO
Parmjeet Johal, Director
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