

**INNOVATIVE PROPERTIES INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED JANUARY 31, 2018 AND 2017

(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – *Interim Financial Reporting*.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

**INNOVATIVE PROPERTIES INC.**  
**INTERIM STATEMENTS OF FINANCIAL POSITION**  
*(Unaudited, in Canadian dollars)*

As at

|   | Note | January 31<br>2018 | October 31<br>2017 |
|---|------|--------------------|--------------------|
| <b>ASSETS</b>   |      |                    |                    |
| <b>Current Assets</b>                                 |      |                    |                    |
| Cash and cash equivalents                             | 3    | \$ 475,836         | \$ 292,023         |
| Marketable securities                                 | 4    | 274,726            | 740,184            |
| GST receivables                                       |      | 27,536             | 20,705             |
| Due from related parties                              | 6    | 8,589              | 6,368              |
| Deposit   | 7    | -                  | 380,000            |
|   |      | 786,687            | 1,439,280          |
| <b>Non-Current Assets</b>                             |      |                    |                    |
| Equipment   |      | 183                | 425                |
| <b>TOTAL ASSETS</b>                                   |      | \$ 786,870         | \$ 1,439,705       |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>           |      |                    |                    |
| <b>Current Liabilities</b>                            |      |                    |                    |
| Accounts payable                                      | 8    | \$ 28,153          | \$ 385,055         |
| Subscription payable                                  | 12   | 220,000            | -                  |
| <b>TOTAL LIABILITIES</b>                              |      | 248,153            | 385,055            |
| <b>SHAREHOLDERS' EQUITY</b>                           |      |                    |                    |
| Share capital   | 9    | 2,008,082          | 2,008,082          |
| Reserves  | 10   | 570,313            | 570,313            |
| Deficit   |      | (2,039,678)        | (1,523,745)        |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                     |      | 538,717            | 1,054,650          |
| <b>TOTAL LIABILITIES AND<br/>SHAREHOLDERS' EQUITY</b> |      | \$ 786,870         | \$ 1,439,705       |

Nature of operations 1  
Subsequent events 13

On behalf of the Board

"Sonny Janda"  
Director

"Kevin Ma"  
Director

*The accompanying notes are an integral part of these financial statements.*

**INNOVATIVE PROPERTIES INC.****INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)***(Unaudited, in Canadian dollars)*

For the Three-Month Periods Ended January 31,

|   | Note | 2018         | 2017       |
|---|------|--------------|------------|
| <b>Revenue</b>  |      | \$ -         | \$ 1,000   |
| <b>Expenses</b>   |      |              |            |
| Advertising and promotion                                   |      | 300          | -          |
| Amortization  |      | 242          | 95         |
| Bad debts   |      | -            | (630)      |
| Bank charges and interests                                  |      | 102          | 99         |
| Filing and transfer agent fees                              |      | 7,140        | 1,160      |
| Management and consulting fees                              |      | 169,625      | 4,500      |
| Office and miscellaneous                                    |      | 436          | 884        |
| Professional fees   |      | 169,235      | 5,500      |
| Rent  | 6    | 4,500        | 4,500      |
|   |      | 351,580      | 16,108     |
| <b>Other Items</b>  |      |              |            |
| Change in fair value of marketable securities               | 4    | (388,851)    | 596,290    |
| Gain (loss) on sale of marketable securities                | 4    | 184,488      | -          |
| Recovery of loan receivable                                 | 5    | 40,000       | -          |
| Interests and other income                                  |      | 10           | 5,018      |
|   |      | (164,353)    | 601,308    |
| <b>Net and comprehensive income (loss) for the period</b>   |      | \$ (515,933) | \$ 586,200 |
| <b>Basic and diluted earnings (loss) per share</b>          |      | \$ (0.03)    | \$ 0.04    |
| <b>Weighted Average Number of Common Shares Outstanding</b> |      | 16,414,966   | 13,048,957 |

*The accompanying notes are an integral part of these financial statements.*

**INNOVATIVE PROPERTIES INC.****INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY***(Unaudited, in Canadian dollars)*

|                              | Issued Common Shares |              | Reserves         |                  |               | Deficit        | Total        |
|------------------------------|----------------------|--------------|------------------|------------------|---------------|----------------|--------------|
|                              | Number of Shares     | Amount       | Options Reserves | Warrant Reserves | Loan Reserves |                |              |
| Balance at October 31, 2016  | 16,414,966           | \$ 2,008,082 | \$ 102,484       | \$ 315,908       | \$ 123,504    | \$ (1,215,511) | \$ 1,334,467 |
| Net and comprehensive income | -                    | -            | -                | -                | -             | 586,200        | 586,200      |
| Balance at January 31, 2017  | 16,414,966           | 2,008,082    | 102,484          | 315,908          | 123,504       | (629,311)      | 1,920,667    |
| Stock-based compensation     | -                    | -            | 28,417           | -                | -             | -              | 28,417       |
| Net and comprehensive income | -                    | -            | -                | -                | -             | (894,434)      | (894,434)    |
| Balance at October 31, 2017  | 16,414,966           | 2,008,082    | 130,901          | 315,908          | 123,504       | (1,523,745)    | 1,054,650    |
| Net and comprehensive income | -                    | -            | -                | -                | -             | (515,933)      | (515,933)    |
| Balance at January 31, 2018  | 16,414,966           | \$ 2,008,082 | \$ 130,901       | \$ 315,908       | \$ 123,504    | \$ (2,039,678) | \$ 538,717   |

*The accompanying notes are an integral part of these financial statements.*

**INNOVATIVE PROPERTIES INC.****INTERIM STATEMENTS OF CASHFLOWS***(Unaudited, in Canadian dollars)*

For the Three-Month Periods ended January 31,

|  | 2018              | 2017              |
|--|-------------------|-------------------|
| <b>Operating Activities</b>                                      |                   |                   |
| Net income (loss) for the period                                 | \$ (515,933)      | \$ 586,200        |
| Adjustment for non-cash items                                    |                   |                   |
| Amortization   | 242               | 95                |
| Change in fair value of marketable securities                    | 388,851           | -                 |
| Loss (gain) on sale of marketable securities                     | (184,488)         | -                 |
| Changes in non-cash working capital items                        |                   |                   |
| GST receivable   | (6,831)           | (770)             |
| Due from related parties   | (2,221)           | (1,718)           |
| Accounts payable   | (356,902)         | (53,641)          |
| <b>Net cash flow provided by (used in) operating activities</b>  | <b>(677,282)</b>  | <b>530,166</b>    |
| <b>Investing Activities</b>                                      |                   |                   |
| Proceeds from sale of marketable securities                      | 261,095           | -                 |
| Deposit  | 380,000           | -                 |
| <b>Net cash flow provided by (used in) investing activities</b>  | <b>641,095</b>    | <b>-</b>          |
| <b>Financing Activities</b>                                      |                   |                   |
| Advance received for private placement subscription              | 220,000           | -                 |
| Loan repayment from related parties                              | -                 | 53                |
| <b>Net cash flows provided by (used in) financing activities</b> | <b>220,000</b>    | <b>53</b>         |
| Change in cash during the period                                 | 183,813           | 530,219           |
| Cash, beginning of period  | 292,023           | 453,463           |
| <b>Cash, end of period</b>                                       | <b>\$ 475,836</b> | <b>\$ 983,682</b> |

*The accompanying notes are an integral part of these financial statements.*

**INNOVATIVE PROPERTIES INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
January 31, 2018  
*(Unaudited, in Canadian dollars)*

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**1. Nature and Continuance of Operations**

Innovative Properties Inc. (the “Company”) was incorporated under the Business Corporations Act of British Columbia on October 31, 2002. Subsequent to October 31, 2017, the Company agreed to acquire all of the issued and outstanding common shares of Modular Block Mining Inc. (“Modular”), an arms-length private company that designs and develops application software. The Company has discontinued providing administrative services as it is no longer feasible. The Company’s shares trade on the Canadian Securities Exchange (“CSE”) under the symbol “INR”.

These condensed interim financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at January 31, 2018, the Company is not able to finance its day-to-day activities through operations and incurs losses. The continuing operations of the Company are dependent upon its ability to identify a viable business opportunity and to attain profitable operations and generate funds therefrom. This indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs with loans from directors and companies controlled by directors and or private placement of common shares. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

The records office of the Company are located at 1055 W. Georgia Street, Suite 1500 PO Box 11117, Vancouver, BC V6E 4N.

**2. Basis of Preparation and Significant Accounting Policies**

***Statement of Compliance***

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting* and should be read in conjunction with the annual financial statements for the year ended October 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed interim financial statements for the three-month period ended January 31, 2018 were reviewed and authorized for issue by the Board of Directors on March 29, 2018.

**INNOVATIVE PROPERTIES INC.**  
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**2. Basis of Preparation and Significant Accounting Standards (Continued)**

***Basis of Preparation***

These condensed interim financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments measured at fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

***Significant Estimates and Assumptions***

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future periods include the recoverability and measurement of deferred tax assets, the valuation of marketable securities, the recoverability of trade receivables and impairment considerations for loans receivable.

***Significant Judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether the collection of revenue is reasonably assured.

**3. Cash and Cash Equivalents**

|                                    | January 31, 2017 | October 31, 2017 |
|------------------------------------|------------------|------------------|
| Cash held in bank accounts         | \$ 475,836       | \$ 281,943       |
| Guaranteed investment certificates | -                | 10,080           |
|                                    | \$ 475,836       | \$ 292,023       |



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**4. Marketable Securities**

The fair value of the Company's investments in common and share-purchase warrants are as follows:

|                                 | January 31, 2018 | October 31, 2017 |
|---------------------------------|------------------|------------------|
| <b><i>Common Shares</i></b>     |                  |                  |
| Fair value, beginning of period | \$ 725,851       | \$ 635,942       |
| Additions                       | -                | -                |
| Dispositions                    | (76,607)         | (332,977)        |
| Change in fair value            | (400,674)        | 422,886          |
| Fair value, end of period       | \$ 248,570       | \$ 725,851       |

|                                 | January 31, 2018  | October 31, 2017  |
|---------------------------------|-------------------|-------------------|
| <b><i>Warrants</i></b>          |                   |                   |
| Fair value, beginning of period | \$ 14,333         | \$ 221,106        |
| Dispositions                    | -                 | (212,186)         |
| Change in fair value            | 11,823            | 5,413             |
| Fair value, end of period       | \$ 26,156         | \$ 14,333         |
| <b>Total</b>                    | <b>\$ 274,726</b> | <b>\$ 740,184</b> |

During the period ended January 31, 2018, the Company realized a gain of \$184,488 (January 31, 2017 - \$nil) with respect to its dispositions of marketable securities.

The fair value of the warrants was determined using the Black-Scholes option pricing model using the following weighted-average assumptions:

|                           | January 31, 2018 | October 31, 2017 |
|---------------------------|------------------|------------------|
| Expected life of warrants | 2.06 years       | 2.31 years       |
| Annualized volatility     | 140%             | 173%             |
| Risk-free interest rate   | 1.8%             | 1.3%             |
| Dividend rate             | 0.0%             | 0.0%             |

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**5. Loan Receivable**

In November 2016, the Company loaned \$50,000 to an arm's length party at an interest rate of 5% per annum. As at October 31, 2017, the Company had accrued interest income in the amount of \$1,856 on this loan. As at October 31, 2017, the Company determined that this loan had become unrecoverable and thus recorded a write-off of \$51,856 in its Statement of Comprehensive Loss for the year ended October 31, 2017.

During the three-month period ended January 31, 2018, the Company recorded a loan recovery of \$40,000 (October 31, 2017 - \$nil).

**6. Related Party Transactions**

***Related Party Transactions***

All transactions with related parties have occurred in the normal course of operations. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

|                                | January 31, 2018 | January 31, 2017 |
|--------------------------------|------------------|------------------|
| Management and consulting fees | \$ -             | \$ 4,500         |
| Professional fees              | -                | 5,500            |
| Rent                           | 4,500            | 4,500            |
|                                | \$ 4,500         | \$ 14,500        |

***Related Party Balances***

At January 31, 2018, the Company had balances receivable in the amount of \$8,589 (October 31, 2017 - \$6,368) from companies with directors in common.

On March 8, 2017, the Company agreed with a related party to offset an account payable of \$94,500 and an account receivable \$109,036 and further, agreed to settle these amounts for consideration of \$10,000. In respect of its collectability, the receivable had been previously provided for in its entirety. Thus, the Company recorded a gain on settlement of financial instruments in the amount of \$104,500 in the statement of comprehensive loss for the year ended October 31, 2017.

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**7. Deposit**

On October 23, 2017, the Company advanced \$380,000 to a related company for the purpose of participating in a debenture financing. During the three-month period ended January 31, 2018, the Company determined to withdraw its participation and the funds were returned to the Company.

**8. Trade Payables and Accrued Liabilities**

|                     | January 31, 2017 | October 31, 2017 |
|---------------------|------------------|------------------|
| Accounts payable    | \$ 12,932        | \$ 244,055       |
| Accrued liabilities | 15,222           | 141,000          |
|                     | \$ 28,154        | \$ 385,055       |

**9. Share Capital**

***Authorized Share Capital***

Unlimited number of common shares without par value.

***Stock Options***

The Company has a stock option plan whereby the Company may from time to time in accordance with the Exchange requirements grant to directors, officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 20% of the Company's common shares issued and outstanding at the time of granting stock options. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities position.

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**9. Share Capital (Continued)**

A continuity of the Company's stock options is as follows:

|  | Number of Options | Weighted Average<br>Exercise Price |
|--|-------------------|------------------------------------|
| Balance at October 31, 2016                      | -                 | \$ -                               |
| Granted  | 600,000           | 0.10                               |
| Cancelled  | (600,000)         | 0.10                               |
| Balance at October 31, 2017 and January 31, 2018 | -                 | \$ -                               |

During the year ended October 31, 2017, the Company granted and subsequently cancelled 600,000 fully vested share purchase options to officers and directors. The Company recorded stock-based compensation having a fair value of \$28,417 in connection with the share-based awards using the Black-Scholes option pricing model with the following assumptions:

|                         |         |
|-------------------------|---------|
| Risk-free interest rate | 1.11%   |
| Dividend yield          | 0.00%   |
| Expected volatility     | 184.85% |
| Expected life           | 5 years |

***Warrants***

There was no warrant outstanding as at January 31, 2018 and October 31, 2017.

**10. Reserves**

***Option reserve***

The option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded will remain in the account.

***Warrant reserve***

The warrant reserve records the fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded will remain in the account.

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**11. Option agreement with Chimata Gold Corp.**

On August 31, 2016, the Company entered into an option agreement with Chimata Gold Corp. (“Chimata”), a related party, wherein Chimata would earn 100% interests in the Company’s Maggie claims located in British Columbia, Canada. Chimata will earn its interests by:

- (i) Cash payment of \$5,000 upon execution of the agreement. The Company has recognized this amount as revenue when received on December 1, 2016.
- (ii) Cash payment of \$50,000 on or before April 30, 2017. The Company has yet to receive this amount.
- (iii) Incurring work costs of \$50,000 on or before the end of December 31, 2016; and
- (iv) Incurring further work costs of \$50,000 before April 30, 2017.

As at October 31, 2017, the option agreement lapsed and the Company no longer held the mining claims.

**12. Subsequent Events**

In January 2018, the Company executed a binding letter of intent (“LOI”) with Modular Block Mining Inc. (“Modular”) whereby the Company will acquire 100% of the issued and outstanding securities of Modular in exchange for 68,500,000 common shares of the Company along with the issuance of 15,000,000 Performance Warrants that vest on completion of certain milestones. As a condition of the agreement, the Company agreed to undertake a financing to raise a minimum of \$4,000,000 and up to \$12,000,000 via the issuance of equity units at a price of \$0.40 per unit.

In February 2018, the Company closed its first tranche of financing via the issuance of 6,746,118 units at a price of \$0.40 per unit for gross proceeds of \$2,698,447. Each unit consists of one common share and one-half share-purchase warrant. Each whole warrant entitles the holder to acquire an additional share at a price of \$0.75 until August 14, 2019. Prior to the end of the three-month period ended January 31, 2018, the Company received \$220,000 from parties interested in partaking in the equity financing.

Also in February 2018, the Company provided a loan of \$1,600,000 to Modular. This loan is non-interest bearing, non-convertible, secured by a general security agreement and payable on demand after it has been outstanding for 90 days.

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**12. Subsequent Events (Continued)**

In March 2018, the Company closed its second and third tranches of financing via the issuance of 4,437,781 units at a price of \$0.40 per unit for gross proceeds of \$1,775,112. Each unit consists of one common share and one-half share-purchase warrant. Each whole warrant entitles the holder to acquire an additional share at a price of \$0.75 for 18 months following date of issuance. In addition, the Company paid an aggregate of \$211,519 in cash commission to eligible finders; furthermore, 528,796 broker's warrants were issued to eligible finders to purchase up to 528,796 common shares for 18 months following the date of issuance.

In March 2018, the Company provided another loan of \$2,400,000 to Modular. This loan is non-interest bearing, non-convertible, secured by a general security agreement and payable on demand.