

**INNOVATIVE PROPERTIES INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE AND NINE MONTHS ENDED JULY 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	July 31 2018	October 31 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	\$ 261,004	\$ 292,023
Marketable securities	4	25,158	740,184
GST receivables		56,587	20,705
Loan receivables	5	4,000,000	-
Due from related parties	6	8,589	6,368
Deposit	7	-	380,000
		4,351,338	1,439,280
<b>Non-Current Assets</b>			
Equipment		9	425
<b>TOTAL ASSETS</b>		\$ 4,351,347	\$ 1,439,705
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable	8	\$ 36,708	\$ 385,055
Commission payable		116,699	-
<b>TOTAL LIABILITIES</b>		153,407	385,055
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	4,347,843	2,008,082
Reserves	10	2,492,593	570,313
Deficit		(2,642,496)	(1,523,745)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		4,197,940	1,054,650
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		\$ 4,351,347	\$ 1,439,705

Nature of operations 1

On behalf of the Board

\_\_\_\_\_  
*"Kevin Ma"*  
 Director

\_\_\_\_\_  
*"Ken Cotiamco"*  
 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)*

	Note	Three Months Ended July 31,		Nine Months Ended July 31,	
		2018	2017	2018	2017
<b>Revenue</b>		\$ -	\$ -	\$ -	\$ -
<b>Expenses</b>					
Advertising and promotion		-	-	1,104	-
Amortization		44	96	416	287
Bad debts		-	(102,036)	-	(108,844)
Bank charges and interests		630	27	1,729	360
Consulting fees		28,571	-	413,000	-
Filing and transfer agent fees		4,808	2,006	20,418	9,538
Management fees	6	10,650	9,000	235,025	13,500
Office and miscellaneous		806	900	11,507	5,280
Professional fees	6	13,797	12,690	206,258	20,270
Rent	6	-	9,000	6,000	13,500
Salaries		-	-	-	2,000
		59,306	(68,317)	895,457	(44,109)
<b>Other Items</b>					
Change in fair value of marketable securities	4	(83)	(334,600)	(412,160)	(82,341)
Gain (loss) on sale of marketable securities	4	-	-	148,723	-
Foreign exchange gain (loss)		63	-	(4)	-
Recovery of loan receivable	5	-	-	40,000	-
Interests and other income		-	640	147	7,640
		(20)	(333,960)	(223,294)	(74,701)
<b>Net and comprehensive income (loss) for the period</b>		\$ (59,326)	\$ (265,643)	\$ (1,118,751)	\$ (30,592)
<b>Basic and diluted earnings (loss) per share</b>		\$ (0.00)	\$ (0.02)	\$ (0.05)	\$ (0.00)
<b>Weighted Average Number of Common Shares</b>					
<b>Outstanding</b>		26,142,033	13,048,957	22,857,351	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	-	-	-	-	-	235,050	235,050
Balance at April 30, 2017	16,414,966	2,008,082	102,484	315,908	123,504	(980,461)	1,569,517
Stock-based compensation	-	-	28,417	-	-	-	28,417
Net and comprehensive income	-	-	-	-	-	(543,284)	(543,284)
Balance at October 31, 2017	16,414,966	2,008,082	130,901	315,908	123,504	(1,523,745)	1,054,650
Feb/Mar private placement	11,183,899	2,339,761	-	1,922,280	-	-	4,262,041
Net and comprehensive income	-	-	-	-	-	(1,118,751)	(1,118,751)
Balance at July 31, 2018	27,598,865	\$ 4,347,843	\$ 130,901	\$ 2,238,188	\$ 123,504	\$ (2,642,496)	\$ 4,197,940

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

**INNOVATIVE PROPERTIES INC.**  
**INTERIM STATEMENTS OF CASHFLOWS**  
*(Unaudited, in Canadian dollars)*  
For the Nine-Month Periods ended July 31,

	2018	2017
<b>Operating Activities</b>		
Net income (loss) for the period	\$ (1,118,751)	\$ (30,592)
Adjustment for non-cash items		
Amortization	416	287
Change in fair value of marketable securities	412,159	-
Loss (gain) on sale of marketable securities	(148,723)	(187,659)
Accrued interest income	-	(1,226)
Changes in non-cash working capital items		
GST receivable	(35,882)	6,048
Due from related parties	(2,221)	108,668
Accounts payable	(348,347)	(160,956)
Commission payable	116,699	-
<b>Net cash flow provided by (used in) operating activities</b>	<b>(1,124,650)</b>	<b>(265,430)</b>
<b>Investing Activities</b>		
Proceeds from sale of marketable securities	451,590	450,000
Loan to unrelated parties	(4,000,000)	-
Deposit	380,000	-
<b>Net cash flow provided by (used in) investing activities</b>	<b>(3,168,410)</b>	<b>450,000</b>
<b>Financing Activities</b>		
Issuance of shares for cash	4,473,560	-
Finders' fees for share issuance	(211,519)	-
Loan repayment from related parties	-	53
<b>Net cash flows provided by (used in) financing activities</b>	<b>4,262,041</b>	<b>53</b>
Change in cash during the period	(31,019)	184,623
Cash, beginning of period	292,023	453,463
<b>Cash, end of period</b>	<b>\$ 261,004</b>	<b>\$ 638,086</b>

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

**INNOVATIVE PROPERTIES INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
July 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. 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. Modular is 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 July 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 head office, principal address and records office of the Company are located at Unit 488, 1090 West Georgia Street, Vancouver, British Columbia, Canada V6E 3V7.

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

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**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 and nine-month periods ended July 31, 2018 were reviewed and authorized for issue by the Board of Directors on September 25, 2018.

***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.



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

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

***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**

	July 31, 2018	October 31, 2017
Cash held in bank accounts	\$ 261,004	\$ 281,943
Guaranteed investment certificates	-	10,080
	\$ 261,004	\$ 292,023

**4. Marketable Securities**

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

	July 31, 2018	October 31, 2017
<b><i>Common Shares</i></b>		
Fair value, beginning of period	\$ 725,851	\$ 635,942
Additions	-	-
Dispositions	(302,867)	(332,977)
Change in fair value	(422,824)	422,886
Fair value, end of period	\$ 160	\$ 725,851
<b><i>Warrants</i></b>		
Fair value, beginning of period	\$ 14,333	\$ 221,106
Dispositions	-	(212,186)
Change in fair value	10,665	5,413
Fair value, end of period	\$ 24,998	\$ 14,333
<b>Total</b>	<b>\$ 25,158</b>	<b>\$ 740,184</b>

**INNOVATIVE PROPERTIES INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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**4. Marketable Securities (Continued)**

During the nine-month period ended July 31, 2018, the Company realized a gain of \$148,723 (July 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:

	July 31, 2018	October 31, 2017
Expected life of warrants	1.31 years	2.31 years
Annualized volatility	107%	173%
Risk-free interest rate	1.9%	1.3%
Dividend rate	0.0%	0.0%

**5. Loan Receivable**

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.

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.

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

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**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.

	July 31, 2018	January 31, 2017
Consulting fees	\$ 384,429	\$ -
Management fees	8,400	4,500
Professional fees	34,254	5,500
Rent	6,000	4,500
	\$ 433,083	\$ 14,500

***Related Party Balances***

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

As at July 31, 2018, an outstanding balance of \$11,288 (2017 - \$nil) of consulting fees to a company related to the CEO, and an outstanding balance of \$2,343 (2017 - \$nil) of professional fees to a company related to the CFO are included in accounts payable.

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.

**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.

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**8. Trade Payables and Accrued Liabilities**

	July 31, 2018	October 31, 2017
Accounts payable	\$ 36,546	\$ 244,055
Accrued liabilities	162	141,000
	\$ 36,708	\$ 385,055

**9. Share Capital**

*Authorized Share Capital*

Unlimited number of common shares without par value.

*Share Issuance*

In February 2018, the Company closed its first tranche of a private placement financing consisting of 6,746,116 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 common share purchase warrant. Each whole warrant entitles the holder to acquire an additional share at a price of \$0.75 per share until August 14, 2019.

In March 2018, the Company closed its second and third tranches of its private placement financing consisting 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 common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.75 per share for a period of 18 months after issuance. In addition, the Company paid an aggregate of \$211,519 in cash commission to eligible finders and 528,796 broker's warrants were issued to eligible finders to purchase up to 528,796 common shares for 18 months following the issuance date.

Total proceeds raised from this private placement were \$4,473,560. The fair value of the warrants was estimated to be \$1,737,608 and the residual value, \$2,735,952, was assigned to the shares. In addition, the Company paid \$211,519 in finders' fees and issued 528,796 in brokers' warrants with a fair value of \$184,672.

The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.78% - 1.79%, an expected life of 1.5 years, an expected volatility of 114% - 141% and no expected dividends.

**INNOVATIVE PROPERTIES INC.**  
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**9. Share Capital (Continued)**

***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.

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

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

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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:

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

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**INNOVATIVE PROPERTIES INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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**9. Share Capital (Continued)**

***Warrants***

A continuity of the Company's warrants is as follows:

	Number of Common Share Purchase Warrants	Number of Brokers' Warrants	Weighted Average Exercise Price
Balance at October 31, 2017	-	-	\$ -
Issued	5,591,949	528,796	0.75
Balance at July 31, 2018	5,591,949	528,796	\$ 0.75

The weighted average life remaining of these warrants outstanding at July 31, 2018 is 1.07 years.

**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.

**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.

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

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**11. Option agreement with Chimata Gold Corp. (Continued)**

- (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.