Applied Inventions Management Inc.

Consolidated Financial Statements

For the Years Ended August 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Applied Inventions Management Inc.

We have audited the accompanying consolidated financial statements of Applied Inventions Management Inc. and its subsidiaries, which comprise the balance sheets as at August 31, 2011 and 2010 and the consolidated statements of operations, other comprehensive loss and deficit and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Applied Inventions Management Inc. and its subsidiaries as at August 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
October 13, 2011
Toronto, Ontario

Applied Inventions Management Inc.
Consolidated Balance Sheets
As at August 31, 2011 and 2010

		2011		2010
Assets				
Current				
Cash	**$**	**21,079**	$	-
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 7)	**$**	**72,678**	$	33,665
Shareholder advances - non-interest bearing (Note 4)		**343,154**		347,154
- interest bearing (Note 5)		**38,271**		-
Debenture (Note 6)		**35,028**		31,844
		489,131		412,663
Shareholders' Deficiency				
Capital stock (Note 8)		**2,142,923**		2,142,923
Contributed surplus		**731,040**		731,040
Deficit		**(3,342,015)**		(3,286,626)
		(468,052)		(412,663)
	$	**21,079**	$	-

Going concern (Note 1)

Approved by the Board **"Gabriel Nachman"** Director **(Signed)** **"Barry M. Polisuk"** Director **(Signed)**

See accompanying notes

Applied Inventions Management Inc.

Consolidated Statements of Operations, Other Comprehensive Loss and Deficit
Years Ended August 31, 2011 and 2010

	2011	2010
Expenses		
Interest on debenture and shareholder advances (Note 7)	**$ 3,951**	$ 2,895
Professional fees (Note 7)	**51,217**	20,000
Bank charges	**221**	-
Net loss and other comprehensive loss	**(55,389)**	(22,895)
Deficit, beginning of year	**(3,286,626)**	(3,263,731)
Deficit, end of year	**(3,342,015)**	(3,286,626)

Loss per share		
Basic and diluted	**$ (0.03)**	$ (0.01)

Weighted average number of common shares outstanding		
Basic and diluted	**2,083,529**	2,083,529

Applied Inventions Management Inc.
Consolidated Statements of Cash Flows
Years Ended August 31, 2011 and 2010

	2011	2010
Cash provided by (used in)		
Operations		
Net loss	$ (55,389)	$ (22,895)
Items not affecting cash		
Interest accrued on debenture and shareholder advances	3,951	2,895
Shareholder payment of professional fees	12,204	4,000
	(39,234)	(16,000)
Net change in non-cash working capital		
Accounts payable and accrued liabilities	39,013	16,000
	(221)	-
Financing		
Shareholder advances	21,300	-
Net change in cash	21,079	-
Cash, beginning of year	-	-
Cash, end of year	$ 21,079	$ -

1. GOING CONCERN

Applied Inventions Management Inc. (the "Company") is incorporated under the laws of the Province of Ontario and is inactive.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has a negative working capital of $(468,052) (2010 - $(412,663)) and has minimal assets. Without financial support from directors or shareholders the Company will not be able to discharge its liabilities. During the year, the Company was successful in obtaining a revocation of the Cease Trade Order, which was originally issued in 2001 by the Ontario Securities Commission.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Applied Inventions Management Corporation U.S.A. and Tour Technologies. The two subsidiaries are inactive.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting periods. Financial results as determined by actual events could differ from those estimates. Significant estimates include the accruals with respect to amounts incurred but not yet invoiced.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes whereby future income taxes assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefits of tax loss carry forwards that are more likely than not to be realized. Future income tax assets and liabilities are measured using substantively enacted rates that are expected to be effective when recovered or settled.

The net change in recorded future income tax assets and liabilities is recognized in operations in the period in which the changes occur including any changes in the applicable future tax rates. A valuation allowance is provided when it is more likely than not that a future tax asset will not be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Loss Per Share

Basic loss per share is calculated on the basis of the weighted average number of shares outstanding for the year. The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only in-the-money dilutive instruments impact the diluted calculations in computing diluted earnings per share. Diluted calculations reflect the weighted average incremental common shares that would be issued upon exercise of dilutive options assuming the proceeds would be used to repurchase shares at average market prices for the period.

Financial Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liability.

(a) Financial Assets

Held for trading assets are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Held-to-maturity assets are subsequently measured at amortized cost using the effective interest rate method.

Loans and receivables are subsequently measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income, except for equity instruments without a quoted market price which are measured at cost.

(b) Financial Liabilities

Held for trading liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities are subsequently measured at amortized cost using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash	Held for trading
Accounts payable and accrued liabilities	Other liabilities
Shareholder advances - non-interest bearing	Other liabilities
- interest bearing	Other liabilities
Debenture	Other liabilities

Transaction costs related to financial instruments are expensed as incurred.

3. RECENT ACCOUNT PRONOUNCEMENTS, NOT YET ADOPTED

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that Canadian generally accepted accounting principles for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on and after January 1, 2011. The Company is currently in the process of evaluating the potential impact of IFRS to its financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. It is anticipated that the Company's financial results and financial position as disclosed in the Company's current Canadian generally accepted accounting principles financial statements will not be significantly different when presented in accordance with IFRS.

4. SHAREHOLDER ADVANCES - NON-INTEREST BEARING

Shareholder advances include unpaid management and consulting fees and advances made on behalf of the Company prior to September 1, 2009. They bear no interest, are secured by a general security agreement and have no specified terms of repayment.

5. SHAREHOLDER ADVANCES - INTEREST BEARING

Shareholder advances, principal plus accrued interest, include advances made by the shareholder on behalf of the Company since September 1, 2009. The advances bear interest at the rate of 10% per annum calculated monthly, are secured by a general security agreement and have no specified terms of repayment.

6. DEBENTURE

The demand debenture, principal plus accrued interest, is payable to a shareholder of the Company. It bears interest at 10% per annum, and matured on November 5, 1998 and is secured by a general security agreement. The debenture is in default and the conversion features which previously existed have lapsed.

7. RELATED PARTY TRANSACTIONS

(a) The interest expense of $3,951 (2010 - $2,895) is due to a shareholder who is also a director and officer. The balance includes interest accrued on the debenture payable in the amount of $3,184 (2010 - $2,985). The remaining amount of $767 (2010 - $NIL) is interest accrued on outstanding shareholder advances during the year.

(b) The debenture of $35,028 (2010 - $31,844), consisting of principal plus accrued interest, is payable to a shareholder who is also a director and officer (see Note 6).

(c) During the year the Company accrued $5,000 (2010 - $5,000) for consulting fees, included in professional fees, to an officer, director and principal shareholder. Included in accounts payable and accrued liabilities is $10,000 (2010 - $5,000) related to these fees.

(d) During the year the Company incurred $36,767 (2010 - $NIL) for legal fees and disbursements, included in professional fees, to a law firm in which a director of the Company is a partner. Included in accounts payable and accrued liabilities is $36,767 (2010 - $NIL) related to these fees.

All related party transactions are in the normal course of operations and are measured at their exchange amounts.

8. CAPITAL STOCK

a) Authorized

unlimited	Class "A" subordinate voting convertible shares, convertible into an equal number of Class B shares at the option of the holder upon an offer to purchase all or substantially all of the Class B shares of the Company;
unlimited	Class "B" multiple voting (20 votes per share) convertible shares, convertible into an equal number of Class A shares at the option of the holder;
unlimited	Class "C" preference shares.

8. CAPITAL STOCK (Cont'd)

b) Issued and outstanding:

	Number of Shares	Amount
Class "A" subordinate shares	**1,165,314**	**$ 1,106,187**
Class "B" shares	**918,215**	**1,036,736**
Balance, August 31, 2011 and 2010	**2,083,529**	**$ 2,142,923**

9. INCOME TAXES

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in these financial statements:

	2011	2010
Loss before income taxes	**$ (55,389)**	$ (22,895)
Statutory rate	**28.92 %**	32.00 %
Expected income tax expense (recovery)	**$ (16,018)**	$ (7,326)
Increase (decrease) resulting from:		
Change in rates and other	**2,171**	2,831
Change in valuation allowance	**13,847**	4,495
Income tax expense	**$ -**	$ -

The Company's future income tax assets are estimates as follows:

	2011	2010
Future income tax assets		
Non-capital losses	**$ 28,931**	$ 15,084
	28,931	15,084
Less: Valuation allowance	**(28,931)**	(15,084)
Net future income tax asset	**$ -**	$ -

9. INCOME TAXES (Cont'd)

As at August 31, 2011, the Company has non-capital losses of approximately $116,000 expiring as follows:

2014	$	9,000
2026		13,000
2027		7,000
2028		7,000
2030		24,000
2031		56,000
	$	**116,000**

The potential tax benefit relating to the non-capital loss and capital loss carryforwards have not been reflected in these consolidated financial statements.

10. FINANCIAL INSTRUMENTS

Financial Risk Management

Risk management is the responsibility of management who is of the opinion that the Company is exposed to financial risks as described below. The Company's financial instruments, cash, accounts payable and accrued liabilities, debenture and shareholder advances, approximate fair values due to the relatively short term maturities of the instruments. It is management's opinion that the Company is not exposed to significant interest and currency risks.

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk of the Company at year-end is the carry value of its cash. The Company minimizes its credit risk by maintaining cash at major banks and financial institutions.

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. As at August 31, 2011, the Company has current liabilities of $489,131 (2010 - $412,663) and no significant assets other than a cash balance of $21,079 (2010 - $NIL). As a result, the Company is dependent on obtaining additional financing to meet its current obligations.

11. CAPITAL RISK MANAGEMENT

The Company considers capital stock, contributed surplus and deficit to represent capital. As at August 31, 2011 and 2010, the Company has a shareholders' deficiency and management's objective is to maintain its ability to continue as a going concern (Note 1).

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the years ended August 31, 2011 and 2010.