

APPLIED INVENTIONS MANAGEMENT INC.
Unaudited Interim Consolidated Financial Statements

For the nine month period ended May 31, 2012
(Expressed in Canadian Dollars)

Applied Inventions Management Inc.

May 31, 2012

Notice to Reader

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

The accompanying unaudited interim consolidated financial statements of the Company for the interim periods ended May 31, 2012 and 2011, have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management.

The Company's independent auditors, Collins Barrow Toronto LLP, have not performed a review of the interim consolidated financial statements for the interim periods ended and as at May 31, 2012 and 2011 in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of Interim financial statements by an entity's auditor.

Applied Inventions Management Inc.

May 31, 2012

Unaudited

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Applied Inventions Management Inc.

Unaudited Interim Consolidated Balance Sheet

(Expressed in Canadian Dollars)

As at		May 31, 2012	August 31, 2011 (Audited)
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		760	21,079
		<u>760</u>	<u>21,079</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		25,629	72,678
Shareholder advances – non interest bearing	3	343,154	343,154
Shareholder advances – interest bearing	4	93,435	38,271
Debenture	5	37,651	35,028
		<u>499,869</u>	<u>489,131</u>
Going Concern	1		
Shareholders' Equity			
Capital stock	6	2,142,923	2,142,923
Contributed surplus		731,040	731,040
Deficit		(3,373,072)	(3,342,015)
		<u>(499,109)</u>	<u>(468,052)</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>760</u></u>	<u><u>21,079</u></u>

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

"Gabriel Nachman"

Director (signed)

"Barry M. Polisuk"

Director (signed)

Applied Inventions Management Inc.

Unaudited Interim Consolidated Statement of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2012	2011	2012	2011
Expenses				
Interest on debenture and shareholder advances	\$2,765	\$796	\$7,880	\$2,388
Professional fees	2,200	5,300	19,267	10,300
Office and general	2,354	182	3,910	182
Net Loss and Comprehensive Loss	(\$7,319)	(\$6,278)	(\$31,057)	(\$12,870)
Loss per share				
Basic and fully diluted	(\$0.003)	(\$0.003)	(\$0.01)	(\$0.006)
Weighted average number of shares outstanding				
Basic and fully diluted	2,083,529	2,083,529	2,083,529	2,083,529

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Applied Inventions Management Inc.
Unaudited Interim Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

As at	May 31, 2012	May 31, 2011
Capital Stock		
Balance, beginning of year	\$ 2,142,923	\$ 2,142,923
Balance, end of period	<u>\$ 2,142,923</u>	<u>\$ 2,142,923</u>
Contributed Surplus		
Balance, beginning of year	\$ 731,040	\$ 731,040
Balance, end of period	<u>\$ 731,040</u>	<u>\$ 731,040</u>
Deficit		
Balance, beginning of year	\$ (3,342,015)	\$ (3,286,626)
Net Loss and Comprehensive Loss for the period	(31,057)	(12,870)
Balance, end of period	<u>\$ (3,373,072)</u>	<u>\$ (3,299,496)</u>
Shareholders' Equity		
Balance, beginning of year	\$ (468,052)	\$ (412,663)
Net Loss and Comprehensive Loss for the period	(31,057)	(12,870)
Balance, end of period	<u>\$ (499,109)</u>	<u>\$ (425,533)</u>

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Applied Inventions Management Inc.
Unaudited Interim Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

For the nine months ended	May 31, 2012	May 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (31,057)	\$ (12,870)
Interest accrued	7,880	2,288
	<u>(23,177)</u>	<u>(10,482)</u>
Working capital adjustment:		
Decrease in accounts payable and accrued liabilities	(47,049)	(6,339)
Net cash flows used in operating activities	<u>(70,226)</u>	<u>(16,821)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from shareholder	49,907	16,939
Net cash flows generated from financing activities	<u>49,407</u>	<u>16,939</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,319)	118
Cash and cash equivalents, beginning of the period	21,079	-
Cash and cash equivalents, end of the period	<u><u>\$ 760</u></u>	<u><u>\$ 118</u></u>

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Applied Inventions Management Inc.
Notes to Unaudited Interim Consolidated Financial Statements
May 31, 2012
(Expressed in Canadian Dollars)

1. GOING CONCERN

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

These unaudited consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will realize its net assets and discharge its liabilities in the normal course of business. The Company has minimal assets. Without financial support from directors or shareholders, the Company will not be able to discharge its liabilities. During the previous 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.

The head office, principal address and registered and records office of the Company are located at 1 Adelaide Street East, Suite 801, Toronto Ontario, M5C-2V9.

The board of directors of the Company approved these unaudited interim consolidated financial statements on July 23, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

These unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the application of IFRS as compared to the application of previous Canadian GAAP has not had any significant impact on these unaudited consolidated interim financial statements. These unaudited consolidated interim financial statements are in compliance with IAS 34, Interim Financial Reporting. The IFRS principles have been applied to all periods presented. They have also been applied in preparing an opening IFRS balance sheet at September 1, 2010 for the purposes of transition to IFRS as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1").

These unaudited interim consolidated financial statements do not include all disclosures normally provided in annual financial statements for the year ended August 31, 2011. In management's opinion, the unaudited interim consolidated financial information includes all the adjustments necessary to present fairly such information. Interim results are not necessarily indicative of the results expected for the year. The unaudited interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP audited annual financial statements for the year ended August 31, 2011.

These unaudited interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency.

3. 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.

4. 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 on a monthly basis, are secured by a general security agreement and have no specified terms of repayment.

Applied Inventions Management Inc.
Notes to Unaudited Interim Consolidated Financial Statements
May 31, 2012
(Expressed in Canadian Dollars)

5. DEBENTURE

The demand debenture, principal plus accrued interest, is payable to a shareholder of the Company. It bears interest at 10% per annum, 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.

6. 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

b) Issued and outstanding:

	Number of Shares	Amount
Class "A" subordinate voting shares	<u>1,165,314</u>	<u>\$ 1,106,187</u>
Class "B" shares	918,215	1,036,736
Balance, May 31, 2012 and August 31, 2011	<u><u>2,083,529</u></u>	<u><u>\$ 2,142,923</u></u>

7. TRANSITION TO IFRS

Significant accounting policies

On first-time adoption of IFRS, the general principle is that an entity retrospectively restates its results for all standards in force at the first reporting date. However, IFRS 1 provides certain exemptions from the general requirements of IFRS to assist with the transition process. The following is the IFRS 1 exemption elected by the Company and exception used in the preparation of the Company's balance sheet at the date of transition to IFRS on September 1, 2010.

Business Combinations

IFRS 3 "Business Combinations" has not been applied retrospectively to past business combinations, accordingly, the company did not restate business combinations that took place prior to September 1, 2010.

Estimates

Hindsight was not used to create or revise estimates. The estimates previously made by the Company under GAAP were not revised for IFRS except where necessary to reflect differences in accounting policies.

Reconciliation of GAAP to IFRS

The following tables set forth, for the periods indicated, a reconciliation from GAAP to IFRS, of equity, loss and comprehensive loss:

Applied Inventions Management Inc.
Notes to Unaudited Interim Consolidated Financial Statements
May 31, 2012
(Expressed in Canadian Dollars)

7. TRANSITION TO IFRS (cont'd)

Reconciliation of shareholders' equity:

	May 31, 2011
Equity in accordance with GAAP	<u>\$ (425,533)</u>
IFRS adjustment to equity	-
	<u><u>\$ (425,533)</u></u>

Reconciliation of loss and comprehensive loss

	Nine months ended May 31, 2011	Three months ended May 31, 2011
Loss and comprehensive loss in accordance with GAAP	<u>\$ (12,870)</u>	<u>\$ (6,278)</u>
IFRS adjustment to loss and comprehensive loss	-	-
Loss and comprehensive loss in accordance with IFRS	<u><u>\$ (12,870)</u></u>	<u><u>\$ (6,278)</u></u>

Cash flow

The adoption of IFRS did not significantly affect cash flows compared to GAAP. There were no changes to overall net cash flows.