

APPLIED INVENTIONS MANAGEMENT INC.

Management Discussion and Analysis of Financial conditions and Results of Operations for the fiscal years ended August 31st, 2012 & 2011

This Management Discussion and Analysis (M.D. & A.) should be read in conjunction with Applied Inventions Management Inc.'s (the "Company") consolidated annual audited financial statements and the accompanying notes thereto. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts are expressed in Canadian dollars. Additional information regarding the Company is available on the SEDAR website at www.sedar.com

FORWARD - LOOKING INFORMATION

The discussion and analysis and other sections of this report contain forward-looking statements. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause results to differ materially from those contemplated by these forward-looking statements. Management considers the assumptions on which these forward-looking statements are based to be reasonable at the time the statements were prepared, but cautions the reader that they could cause actual results to differ materially from those anticipated.

DATE OF M. D. & A.

This M. D. & A. was prepared on December 3, 2012.

GENERAL OVERVIEW

A cease trade order ("CTO") was imposed on the Company by the Ontario Securities Commission on February 20, 2001 for failure to file its annual audited consolidated financial statements for the year ended August 31, 2000 and interim unaudited consolidated financial statements for the three month period ended November 30, 2000. These consolidated financial statements were subsequently filed on Sedar by the Company.

On August 27, 2011 the Ontario Securities Commission issued a Revocation Order of the CTO. The Company is now seeking to complete a transaction that would allow the reinstatement of trading privileges on a recognized stock exchange.

The Company has been inactive since 2002 through to 2010. Prior thereto, the Company manufactured, marketed and distributed the SAVE swimming pool intrusion alarm.

The Company is in the process of reorganizing its affairs.

SELECTED ANNUAL INFORMATION

For the years ended August 31 st	2011	2012
Sales	\$ Nil	\$ Nil
Net Earnings (Loss)	(\$ 55,389)	(\$ 54,443)
Earnings (loss) per share	(\$ 0.03)	(\$ 0.03)
Total Assets	\$ 21,079	\$ 781
Current Liabilities	\$ 489,131	\$ 523,276
Total Long Term Debt	\$ Nil	\$ Nil
Cash Dividends	\$ Nil	\$ Nil
Deficit	(\$3,342,015)	(\$ 3,396,458)

RESULTS OF OPERATION AND QUARTERLY RESULTS

Applied Inventions Management Inc. has incurred administrative costs, professional fees and consulting fees associated with preparing and filing annual audited consolidated financial statements, unaudited interim consolidated financial statements and all other regulatory filing requirements and has continued to accrue interest on its secured demand Debenture payable and its interest bearing shareholder loan. Professional fees incurred for the year ended August 31, 2012 were \$42,398 (August 31, 2011 - \$51,217). Interest accrued on the secured demand Debenture and shareholder advances was \$ 11,875 (August 31, 2011 - \$3,951). Bank charges were \$170 during the year ended August 31, 2012 (August 31, 2011 - \$221).

	Aug 31	May 31	Feb 29	Nov 30	Aug 31	May 31	Feb 28	Nov 30
	2012	2012	2012	2011	2011	2011	2011	2010
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Revenue	\$ NIL	\$ NIL	\$ NIL	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net Loss and other comprehensive loss	(\$23,384)	(\$7,319)	(\$13,442)	(\$10,298)	(\$42,519)	(\$6,278)	(\$5,796)	(\$796)
Net Loss per Share	(\$0.011)	(\$0.004)	(\$0.006)	(\$0.005)	(\$0.020)	(\$0.003)	(\$0.003)	(\$0.000)

LIQUIDITY

The Company ceased operations, it has been dependent upon one of its shareholders who is an officer and director of the Company, to provide financing for ongoing administrative expenses and for costs of re-organizing the affairs of the Company. The shareholder, who is an officer and director of the Company, has indicated that he will continue to fund costs anticipated to be approximately \$30,000 per annum. However, if the shareholder decides not to fund the ongoing costs, the Company will have to attempt to raise monies to fund ongoing operations from an alternative source. There is no assurance that the Company will be able to raise the required monies at competitive rates to continue operations.

As at August 31, 2012 the Shareholder advances, which is owing to a principal shareholder who is a director and officer of the Company, was \$ 343,154 (August 31, 2011 - \$343,154), bears no interest and is secured by a General Security Agreement (GSA). An additional \$113,047 (August 31, 2011 - \$38,271) was advanced to the Company by the same Shareholder and bears interest at 10% per annum and is secured by a GSA.

As at August 31, 2012 the Company continues to be indebted for \$ 38,526 (August 31, 2011 - \$35,028) on a demand Debenture payable. Interest is included in the amount owing. It bears interest at 10% per annum, and matured on November 5, 1998 and is secured by a GSA. The Debenture is in default and the conversion features which previously existed have lapsed.

PROPOSED TRANSACTIONS

There are currently no proposed transactions.

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, fair value through profit or loss ("FVTPL"), available for sale, FVTPL liabilities or other liabilities.

FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income (loss) during the period.

Held to maturity assets, loans and receivables, and other liabilities 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 (loss), except for equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

The Company has classified its financial instruments as follows:

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

The Company's financial instruments measured at fair value on the balance sheet consist of cash, accounts payable and accrued liabilities, shareholder advances interest bearing and non-interest bearing and the debenture. These financial instruments approximate fair values due to the relatively short term maturities of these instruments.

Cash is measured at level 1 of the fair value hierarchy. The Company does not have any financial instruments at level 2 or 3 of the fair value hierarchy. The three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

FINANCIAL RISK MANAGEMENT- LIQUIDITY RISK

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 is not exposed to currency risk or credit risk.

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. As at August 31, 2012, the Company had current liabilities of \$523,276 (August 31, 2011 - \$489,131) and assets of \$781 (August 31, 2011 - \$21,079) . As a result, the Company has liquidity risk and is dependent on obtaining additional financing to meet its current obligations.

Interest rate risk includes the risk that future cash flows or fair value will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on its debenture and shareholder loan payable bears interest at a fixed rate.

The Company had no interest rate swap or financial contracts in place for the year ended August 31, 2012 or 2011.

CAPITAL RISK MANAGEMENT

The Company considers capital stock and deficit to represent capital. As at August 31, 2012, 2011 the Company has a negative capital balance and management's objective is to maintain its ability to continue as a going concern by identifying sources for additional financing for working capital and to fund the development of a business.

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 year ended August 31, 2012 and 2011.

OFF BALANCE SHEET ACTIVITIES

As at August 31, 2012 and 2011, the Company had no off balance sheet financial commitments and does not anticipate entering into any contracts of such nature.

RELATED PARTY TRANSACTIONS

Transactions with related parties are listed below and incurred in the normal course of business and are measured at the exchange amount, other than item (c) listed below:

- (a) The interest expense of \$11,875 (2011 - \$3,951) on a shareholder loan and demand debenture is payable to Michael Stein, a shareholder, director and officer of the Company.
- (b) The debenture of \$38,526 (2011 - \$35,028), consisting of principal plus accrued interest, is payable to Michael Stein, a shareholder, director and officer of the Company and is secured by a general security agreement.
- (c) Amounts due to Michael Stein, a shareholder, officer and director of the Company, were \$343,154 (2011 - \$343,154) are non-interest bearing advance and \$113,047 (2011 - \$38,271) advances bearing interest at 10% per annum, both advances are secured by a general security agreement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's asset, liabilities, equity or earnings. There have been no judgments made by management in the application of IFRS that have a significant effect on the financial statements for the year period ended August 31, 2012. Actual results could differ from those estimates.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

As at September 1, 2010, the Company has adopted International Financial Reporting Standards ("IFRS"). The annual audited consolidated financial statements for the year ended August 31, 2012 have been prepared in accordance with IFRS. The application of IFRS as compared to the application of Canadian GAAP previously used by the Company has not had any significant impact on the August 31, 2012 annual audited consolidated financial statements. The August 31, 2012 annual audited consolidated financial statements are in compliance with IAS 34, Interim Financial Reporting. The IFRS principles have applied to all periods presented. The disclosures required by the provisions of IFRS 1, "First-Time adoption of International Financial Reporting Standards" explaining how the transition to IFRS has affected the reported financial performance, cash flows and financial position of the Company are presented in Note 13 of the annual audited consolidated financial statements for the year ended August 31, 2012.

CONTROLS AND PROCEDURES

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures, for the nature and size of the entity, are effective in providing reasonable assurances that financial information is recorded, processed, summarized and reported in a timely manner.

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, is made known to the Company's certifying officers. Management has

evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that these controls and procedures are effective, for the nature and size of the entity, in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

OUTSTANDING SHARE DATA

Common Shares

As at August 31, 2012 the Company had 1,165,314 Class A (2011 – 1,165,314) subordinate voting shares and 918,215 (2011 – 918,215) Class B multiple voting shares issued and outstanding. As at December 3, 2012 no additional shares have been issued.

Stock Options and share purchase warrants

As at December 3, 2012 there are no stock options or share purchase warrants outstanding.

OFFICERS AND DIRECTORS

As at August 31, 2012 the officers and directors of the Company include:

Michael Stein – President and Director

Gabriel Nachman FCA – Chair of Audit Committee, acting CFO and Director

Nicholas Hariton – Director

Barry Polisuk – Director

ADDITIONAL INFORMATION

Additional information relating to the Company is available at:

- On the Internet at the SEDAR website at www.sedar.com or,
- By contacting Michael Stein at 416-816-9690