

APPLIED INVENTIONS MANAGEMENT INC.
Unaudited Interim Consolidated Financial Statements

For the nine-month period ended May 31, 2013
(Expressed in Canadian Dollars)

Applied Inventions Management Inc.

May 31, 2013

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, 2013 and May 31, 2012, 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, 2013 and May 31, 2012 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, 2013

Unaudited

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Applied Inventions Management Inc.

Unaudited Interim Consolidated Balance Sheet

(Expressed in Canadian Dollars)

| As at | | May 31, 2013 | August 31, 2012 (Audited) |
|---|-------|------------------|---------------------------------|
| | Notes | | |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$445 | \$781 |
| | | <u>\$445</u> | <u>\$781</u> |
| EQUITY AND LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$32,257 | \$28,549 |
| Due to shareholder – non interest bearing | 3 | 343,154 | 343,154 |
| Due to shareholder – interest bearing | 4 | 140,924 | 113,047 |
| Debenture | 5 | 41,415 | 38,526 |
| | | <u>557,750</u> | <u>523,276</u> |
| Going Concern | 1 | | |
| Shareholders' Equity | | | |
| Capital stock | 6 | 2,142,923 | 2,142,923 |
| Contributed surplus | | 731,040 | 731,040 |
| Deficit | | (3,431,268) | (3,396,458) |
| | | <u>(557,305)</u> | <u>(522,495)</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>\$445</u> | <u>\$781</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 May 31, | | Nine months ended May 31, | |
|--|-------------------------------|-------------------------|------------------------------|--------------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Expenses | | | | |
| Interest on debentures and shareholder advances | \$ 4,173 | \$ 2,765 | \$12,194 | \$7,880 |
| Professional fees | 13,233 | 4,509 | 22,478 | 23,042 |
| Bank charges | 45 | 45 | 138 | 135 |
| | <u>17,451</u> | <u>7,319</u> | <u>34,810</u> | <u>31,057</u> |
| Net Loss and Comprehensive Loss | <u>(\$17,451)</u> | <u>(\$7,319)</u> | <u>(\$34,810)</u> | <u>(\$31,057)</u> |
| Loss per share | | | | |
| Basic and fully diluted | <u>(\$0.008)</u> | <u>(\$0.003)</u> | <u>(\$0.017)</u> | <u>(\$0.015)</u> |
| Weighted average number of shares outstanding | | | | |
| Basic and fully diluted | <u>2,083,529</u> | <u>2,083,529</u> | <u>2,083,529</u> | <u>2,083,529</u> |

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, 2013 | May 31, 2012 |
|--|-----------------------|-----------------------|
| 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 | \$ (3,396,458) | \$ (3,342,015) |
| Net Loss and Comprehensive Loss for the period | <u>(34,810)</u> | <u>(31,057)</u> |
| Balance, end of period | <u>\$ (3,431,268)</u> | <u>\$ (3,373,072)</u> |
| Shareholders' Equity | | |
| Balance, beginning of year | \$ (522,495) | \$ (468,052) |
| Net Loss and Comprehensive Loss for the period | <u>(34,810)</u> | <u>(31,057)</u> |
| Balance, end of period | <u>\$ (557,305)</u> | <u>\$ (499,109)</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, 2013 | May 31, 2012 |
|---|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (34,810) | \$ (31,057) |
| Interest accrued | 12,194 | 7,880 |
| | <u>(22,616)</u> | <u>(23,177)</u> |
| Working capital adjustment: | | |
| Increase in accounts payable and accrued liabilities | 3,708 | (47,049) |
| | <u>(18,908)</u> | <u>(70,226)</u> |
| Net cash flows used in operating activities | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Advances from shareholder | 18,572 | 49,907 |
| | <u>18,572</u> | <u>40,407</u> |
| Net cash flows generated from financing activities | | |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (336) | (20,319) |
| Cash and cash equivalents, beginning of the year | 781 | 21,079 |
| | <u>\$ 445</u> | <u>\$ 760</u> |
| Cash and cash equivalents, end of the period | | |

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, 2013
(Expressed in Canadian Dollars)

1. GOING CONCERN

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

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. On August 26, 2011, 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 registered office of the Company is 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 19, 2013

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 are in compliance with IAS 34, Interim Financial Reporting.

These unaudited interim consolidated financial statements do not include all disclosures normally provided in annual financial statements for the year ended August 31, 2012. 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 audited annual financial statements for the year ended August 31, 2012 in accordance with International Financial Reporting Standards.

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

5. 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.

Applied Inventions Management Inc.
Notes to Unaudited Interim Consolidated Financial Statements
May 31, 2013
(Expressed in Canadian Dollars)

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, 2013 and August 31, 2012 | <u>2,083,529</u> | <u>\$ 2,142,923</u> |