

## **APPLIED INVENTIONS MANAGEMENT INC.**

### **Management Discussion and Analysis Of Financial Condition and Results of Operations for the Second Quarter Ended February 28th, 2011**

The 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 consolidated unaudited interim financial statements for the quarter ended February 28<sup>th</sup>, 2011 have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. All monetary amounts are expressed in Canadian dollars. Additional information regarding the Company is available on the SEDAR website at [www.sedar.com](http://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.

#### **1. DATE - June 28, 2011**

#### **2. Overall Performance**

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

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

The Company is in the process of reorganizing its affairs and applying for a revocation order of the CTO.

Upon receipt of a Revocation of the CTO outstanding, the Company seeks to complete a transaction that would allow the reinstatement of trading privileges on a recognized stock exchange .

### 3. SELECTED ANNUAL INFORMATION

For the years ended August 31 <sup>st</sup>	2010	2009	2008
Sales	Nil	Nil	Nil
Net Earnings (Loss)	(\$ 22,895)	\$ 47,368	(\$ 7,165)
Earnings (loss) per share	(\$ 0.01)	\$ 0.02	(\$ 0.00)
Total Assets	Nil	Nil	Nil
Current Liabilities	\$ 412,663	\$ 389,768	\$ 437,136
Total Long Term Debt	Nil	Nil	Nil
Cash Dividends	Nil	Nil	Nil
Deficit	(\$ 3,286,626)	(\$ 3,263,731)	(\$ 3,311,099)

### 4. RESULTS OF OPERATION AND QUARTERLY RESULTS

There were no sales generated in the first quarter. The Company has not had any operational revenues since 2002 and has been inactive. The Company has incurred administrative costs, professional fees and consulting fees associated with filing requirements and continued to accrue interest on its secured demand Debenture payable. Consequently, the segmented information is based upon one segment and is not applicable. For more detailed information, see the Company's 2010 audited annual consolidated financial statements.

### 5. SUMMARY OF QUARTERLY RESULTS

	Q1	Q2
	2011	2011
Sales	Nil	Nil
Net Loss	\$ 724	\$ 5,796
Net loss per share	\$ 0.01	\$ 0.01

	Q1	Q2
	2010	2010
Sales	Nil	Nil
Net Loss	\$ 724	\$ 796
Net loss per share	\$ 0.01	\$ 0.01

## 6. LIQUIDITY

Since 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. There is no certainty that this shareholder will continue to provide funding for future expenses.

The Due to Shareholder amount payable was \$ 352,154 (2010-\$347,154), bears no interest and is secured by the assets of the Company and its subsidiaries, a General Security Agreement (GSA) and a Personal Property Security Agreement (PPSA).

The Company continues to be indebted for \$ 33,436 on the demand Debenture plus accrued interest, as at February 28th, 2011 (2010- \$ 30,397). The Debenture bears interest at 10% per annum, matured on November 5, 1998 and is secured by a GSA and a PPSA. The Debenture is in default and the conversion features which previously existed have lapsed.

## 7. CAPITAL RESOURCES

Since 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. There is no certainty that this shareholder will continue to provide funding for future expenses.

## 8. OFF BALANCE SHEET ARRANGEMENTS

None

## 9. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount as follows :

- (a) The Due to Shareholder of \$352,154 (2010-\$343,154) is due to a shareholder who is also a director and officer.
- (b) The demand Debenture of \$ 33,436 (2010-\$ 30,397), consisting of principal plus accrued interest, is payable to a shareholder who is also a director and officer.

Both the Due to Shareholder and the demand Debenture are secured by a General Security Agreement and a Personal Property Security Act (PPSA) issued by the Company and are due on demand.

**10. PROPOSED TRANSACTIONS**

There are currently no proposed transactions.

**11. CRITICAL ACCOUNTING ISSUES**

As at the date of the M.D.& A., there have been no changes in the Company’s accounting policies except as disclosed in the 2010 consolidated year -end audited financial statements.

**12. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

The Company will adopt International Financial Reporting Standards (IFRS) commencing on September 1<sup>st</sup>, 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 GAAP financial statements will not be significantly different when presented in accordance with IFRS.

**13. FINANCIAL INSTRUMENTS and OTHER 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.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash	Held for trading
Account payable and accrued liabilities	Other liabilities
Loan Payable	Other liabilities
Shareholder loan	Other liabilities

The carrying values of accounts payable and accrued liabilities and loans payable approximate fair values due to the relatively short term maturities of these instruments.

#### **14. OTHER M.D. & A. REQUIREMENTS**

As at February 28th, 2011 the Company had 1,165,314 Class A common shares, 918,215 Class B multiple voting shares issued and outstanding on a non-diluted basis, for a total paid up capital of \$2,873,963, which is unchanged from the previous year. As at June 28, 2011 no additional shares have been issued. No stock option or share purchase warrants are outstanding.

#### **15. ADDITIONAL INFORMATION**

Additional information relating to the Company is available:

- On the Internet at the SEDAR website at [www.sedar.com](http://www.sedar.com) or,
- By contacting Michael Stein at 416-816-9690 or [michael.stein@rogers.com](mailto:michael.stein@rogers.com)