

APPLIED INVENTIONS MANAGEMENT INC.

Management Discussion and Analysis Of Financial Condition and Results of Operations for the Third Quarter Ended May 31st , 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 May 31st, 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

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 - July 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 month 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 st	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 third 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 re-organizing its affairs including various regulatory filing requirements and continued to accrue interest on its secured demand Debenture payable. Interest expense was \$796 for the third quarter (2010-\$724) and for the nine months ended was \$2,388 (2010-\$2,172). Bank charges for the third quarter were \$182 (2010-Nil) and professional fees \$5,300 for the third quarter (2010-Nil) . For the nine months ended May 31st, 2011 professional fees were \$10,300 (2010-Nil). For more detailed information, see the Company's 2010 audited annual consolidated financial statements.

	May 31	Feb 28	Nov 30	Aug 31	May 31	Feb 28	Nov 30	Aug 31
	2011	2011	2010	2010	2010	2010	2009	2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total Revenue	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL
Net Income (Loss)	(\$6,278)	(\$5,796)	(\$796)	(\$20,723)	(\$724)	(\$724)	(\$724)	\$49,342
Net Income (Loss) per Share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)	\$0.02

5. 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 and cost 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 \$4,700. 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 May 31, 2011, the Due to Shareholder amount payable, which is owing to a principal shareholder who is a director and officer of the Company, was \$ 364,093 (2010-\$347,154), bears no interest and is secured by a General Security Agreement (GSA) .

The Company continues to be indebted for \$ 34,232 (2010-\$31,844) on the demand Debenture plus accrued interest, as at May 31st, 2011 which is payable to a principal shareholder who is an officer and director of the Company. The Debenture bears interest at 10% per annum, 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.

6. CAPITAL RESOURCES

Since the Company ceased operations, it has been dependent upon one of its shareholders who is an officer and director and principal shareholder 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.

7. OFF BALANCE SHEET ARRANGEMENTS

None

8. 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 \$364,093 (2010-\$347,154) is due to Michael Stein, who is a principal shareholder, director and officer of the Company and is secured by a general security agreement.

- (b) The demand Debenture of \$ 34,232 (2010-\$ 31,844), consisting of principal plus accrued interest, is payable to Michael Stein, who is a principal shareholder, director and officer and is secured by a general security agreement.

9. PROPOSED TRANSACTIONS

There are currently no proposed transactions. Upon receipt of a Revocation Order, the Company will seek to complete a transaction and file for a listing on a recognized stock exchange.

10. 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.

11. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company will adopt International Financial Reporting Standards (IFRS) commencing on September 1st, 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.

12. 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.

Other comprehensive income consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income. To date there has not been any other comprehensive income and accordingly, a statement of comprehensive income has not been presented.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Account payable and accrued liabilities	Other liabilities
Due to Shareholder	Other liabilities
Convertible Debenture	Other liabilities

Transition costs related to financial instruments are expensed as incurred.

13. OTHER M.D. & A. REQUIREMENTS

As at May 31st, 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 July 28, 2011 no additional shares have been issued. No stock option or share purchase warrants are outstanding.

14. ADDITIONAL INFORMATION

Additional information relating to the Company is available:

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