

**APPLIED INVENTIONS MANAGEMENT CORP.**  
**(formerly Applied Inventions Management Inc.)**

**Unaudited Interim Consolidated Financial Statements**

**For the nine-month period ended May 31, 2016**  
(Expressed in Canadian Dollars)

**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, 2016 and May 31, 2015, 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, 2016 and May 31, 2015 in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

**CONTENTS**

	<u>Page</u>
Unaudited Interim Consolidated Financial Statements:	
Balance Sheets	4
Statements of Loss and Comprehensive Loss	5
Statements of Changes in Equity	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 11

**Applied Inventions Management Corp.**  
(formerly Applied Inventions Management Inc.)  
**Unaudited Interim Consolidated Balance Sheet**  
(Expressed in Canadian Dollars)

As at	Notes	May 31, 2016	August 31, 2015 (Audited)
<b>ASSETS</b>			
Current Assets			
Cash		\$ 801	\$ 3,674
		<u>\$ 801</u>	<u>\$ 3,674</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 21,218	\$ 33,575
Due to shareholder – non interest bearing	4	-	343,154
Due to shareholder – interest bearing	4	<u>2,866</u>	<u>257,932</u>
		24,084	634,661
<b>Long-term Debt</b>			
Subordinate voting debenture	4	313,671	-
Multiple voting debenture	4	<u>276,053</u>	<u>-</u>
		<u>\$ 613,808</u>	<u>\$ 634,661</u>
<b>Going Concern</b>	1		
<b>Shareholders' Deficiency</b>			
Capital stock	5	\$ 2,192,923	\$ 2,192,923
Equity portion of convertible debentures	4	57,782	-
Contributed surplus		731,040	731,040
Deficit		<u>(3,594,752)</u>	<u>(3,554,950)</u>
		<u>\$ (613,007)</u>	<u>\$ (630,987)</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>\$ 801</u>	<u>\$ 3,674</u>

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

\_\_\_\_\_  
**"Michael Stein"**  
Director (signed)

\_\_\_\_\_  
**"Gabriel Nachman"**  
Director (signed)

# Applied Inventions Management Corp

(formerly 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, 2016	May 31, 2015	May 31, 2016	May 31, 2015
<b>Expenses</b>				
Interest and accretion on debentures and shareholder advances	\$13,132	\$5,930	\$26,637	\$16,467
Professional fees	3,835	3,356	13,004	18,978
Bank charges	57	70	161	159
<b>Net Loss and Comprehensive Loss</b>	<b>(\$17,024)</b>	<b>(\$9,356)</b>	<b>(\$39,802)</b>	<b>(\$35,604)</b>
<b>Loss per share</b>				
Basic and fully diluted	<b>\$0.011</b>	<b>\$0.006</b>	<b>\$0.026</b>	<b>\$0.023</b>
<b>Weighted average number of shares outstanding</b>				
Basic and fully diluted	<b>1,527,774</b>	<b>1,527,774</b>	<b>1,527,774</b>	<b>1,527,774</b>

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

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

As at	May 31, 2016	May 31, 2015
<b>Capital Stock</b>		
Balance, beginning of year	\$ 2,192,923	\$ 2,142,923
Issuance of Class "B" shares for debt settlement	-	50,000
Balance, end of period	<u>\$ 2,192,923</u>	<u>\$ 2,192,923</u>
<b>Equity Portion of Convertible Debentures</b>		
Balance, beginning of year	\$ -	\$ -
Equity portion of convertible debentures issued	57,782	-
Balance, end of period	<u>\$ 57,782</u>	<u>\$ -</u>
<b>Contributed Surplus</b>		
Balance, beginning of year	\$ 731,040	\$ 731,040
Balance, end of period	<u>\$ 731,040</u>	<u>\$ 731,040</u>
<b>Deficit</b>		
Balance, beginning of year	\$ (3,554,950)	\$ (3,497,855)
Net Loss and Comprehensive Loss for the period	(39,802)	(35,604)
Balance, end of period	<u>\$ (3,594,752)</u>	<u>\$ (3,533,459)</u>
<b>Shareholders' Equity</b>		
Balance, beginning of year	\$ (630,987)	\$ (623,892)
Equity portion of convertible debentures issued	57,782	-
Issuance of Class "B" shares for debt settlement	-	50,000
Net Loss and Comprehensive Loss for the period	(39,802)	(35,604)
Balance, end of period	<u>\$ (613,007)</u>	<u>\$ (609,496)</u>

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

<b>For the nine months ended</b>	<b>May 31, 2016</b>	<b>May 31, 2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net loss and comprehensive loss</b>	\$ (39,802)	\$ (35,604)
Interest and accretion accrued	26,637	16,467
	<u>(13,165)</u>	<u>(19,137)</u>
<b>Working capital adjustment:</b>		
Decrease in accounts receivable	-	5,650
Increase (decrease) in accounts payable and accrued liabilities	(18,367)	(25,230)
	<u>(31,532)</u>	<u>(38,717)</u>
<b>Net cash flows used in operating activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from shareholder	28,659	38,626
<b>Net cash flows generated from financing activities</b>	<u>28,659</u>	<u>38,626</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,873)</b>	<b>(91)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>3,674</b>	<b>852</b>
<b>Cash and cash equivalents, end of the period</b>	<u><b>\$ 801</b></u>	<u><b>\$ 761</b></u>

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

**Applied Inventions Management Corp.**  
(formerly Applied Inventions Management Inc.)  
**Notes to Unaudited Interim Consolidated Financial Statements**  
**May 31, 2016**  
(Expressed in Canadian Dollars)

**1. GOING CONCERN**

On August 29, 2014, the Company filed articles of amendment changing its name from Applied Inventions Management Inc. to Applied Inventions Management Corp.

Applied Inventions Management Corp. (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 in the normal course of business and there are material uncertainties related to adverse conditions and events that cast significant doubt on the Company's ability to continue as a going concern. The Company carries on the business of identification and evaluation of assets or businesses with a view to completing a potential acquisition.

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 25, 2016

**2. SIGNIFICANT 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, 2015. 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, 2015 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.



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**Notes to Unaudited Interim Consolidated Financial Statements**  
**May 31, 2016**  
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**3. LETTER OF INTENT – POTENTIAL ACQUISITION**

On May 12, 2016, the Company signed a letter of intent proposing to acquire all of the issued and outstanding shares of World Defense Holdings WDH Ltd. (“WDH”), a Montreal, Canada based company providing program based defense services in South America, the Middle East and to certain U.S. allied countries to combat terrorism and the ensure global security, subject to the Company’s due diligence and entering into a definitive agreement with WDH and its principle shareholder. WDH holds exclusive license agreements with corporations that offer proprietary products and services servicing the military and public safety industry, including government contracting and procurement services to a wide range of police and military organizations across the world. WDH provides expertise in the areas of engineering design, systems development, assembly, integration and testing of diverse and complex military products, including project management and integrated logistics support management, training programs, maintenance programs for existing equipment and sourcing and advising on certain military equipment. WDH also works closely with certain industrial firms to develop products for their operations that WDH offers to governments worldwide under exclusive licensing.

In consideration for the WDH shares, it is proposed that the principle shareholder of WDH will receive an aggregate of 4,000,000 Units of the Company at a deemed price of \$0.25 per Unit of which 3,000,000 Units will be held in escrow for a three-year period, to be released upon WDH achieving certain revenue and gross margin targets, or otherwise cancelled. Each Unit will consist of one Class “A” subordinate voting share of the Company and one share purchase warrant exercisable into one Class “A” share at a price of \$0.50 per share for a period of two years from the date of issue. Further a broker/finders fee of 200,000 Class “A” shares may be payable.

The total cost of the proposed transaction to the Company, including the contingent acquisition cost but excluding transaction expenses is estimated to be a maximum of \$1,000,000 if all milestones are achieved. The current value of the share purchase warrants is deemed to be nominal at this stage.

**4. SHAREHOLDER ADVANCES AND DEBT SETTLEMENT**

**a) Non-interest bearing**

Shareholder advances included 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.

**b) Interest bearing**

Shareholder advances, principal plus accrued interest, included 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.

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**c) Debt Settlement**

On April 27, 2016, the Company agreed to settle an aggregate of \$645,154 of indebtedness owing to the controlling shareholder who is a director and President of the Company, and to WFE Investment Corp. ("WFE"), a company controlled by the controlling shareholder of the Company, in exchange for the Company issuing a first secured Subordinate Voting Debenture in the nominal principle amount of \$343,154 to the controlling shareholder and a first secured Multiple Voting Debenture in the nominal principle amount of \$302,000 to WFE. The debentures bear interest at a stated rate of 10% per annum. Interest is payable quarterly and the principle amounts outstanding are due on April 27, 2018, the maturity date.

The secured Subordinate Voting Debenture and the Multiple Voting Debenture and any unpaid interest thereon are convertible, at the option of the holders into Subordinate Voting Units and Multiple Voting Units respectively at a conversion price of \$0.05 per Subordinate Voting Unit or Multiple Voting Unit respectively prior to the maturity date. Each Subordinate Voting Unit and each Multiple Voting Unit will consist of one Class "A" subordinate voting share and one Class "B" multiple voting share respectively and one detachable share purchase warrant. Each warrant shall entitle the holder thereof to acquire one Class "A" subordinate voting share at a price of \$0.06 per share until two years from the date of issuance.

The issue of each of the voting debentures has been split between the liability element and the equity component, representing the fair value of the embedded option to convert the liability into equity and the fair value of the warrants to purchase equity of the Company as follows:

	Subordinate Voting Debenture	Multiple Voting Debenture
Nominal value of debentures issued	\$ 343,154	\$ 302,000
Equity Component	30,734	27,048
Liability component at date of issue	\$ 312,420	\$ 274,952
Interest charged	4,447	3,914
Interest paid	(3,196)	(2,813)
Liability component at May 31, 2016	<u>\$ 313,671</u>	<u>\$ 276,053</u>

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**5. CAPITAL STOCK**

**a) Authorized:**

- unlimited Class "A" Subordinate Voting 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) 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:**

	May 31, 2016		August 31, 2015	
	Number of Shares	Amount	Number of Shares	Amount
Class "A" Subordinate Voting Shares	388,435	\$1,106,187	388,435	\$1,106,187
Class "B" Multiple Voting Shares	1,139,339	1,086,736	1,139,339	1,086,736
	<b>1,527,774</b>	<b>\$2,192,923</b>	<b>1,527,774</b>	<b>\$2,192,923</b>

**c) Share issuance**

On September 2, 2014 a current shareholder, officer and director of the Company was issued 833,333 Class "B" Multiple Voting Shares of the company as a settlement of debt owed to him of \$50,000. As a result, the shareholder became the controlling shareholder of the Company.

**d) Stock Options**

On April 29, 2016, 50,000 options to purchase Class "A" shares were granted under the Company's stock option plan to each of three directors of the Company. The options were fully vested at the date of granting, have an exercise price of \$0.05 per share and expire on April 29, 2021. The fair value of these stock purchase options was determined to be nominal.