

APPLIED INVENTIONS MANAGEMENT CORP.

Management Discussion and Analysis of Financial Conditions and Results of Operations for the fiscal years ended Augusts 31, 2016 & 2015

This Management Discussion and Analysis (M. D. & A.) should be read in conjunction with Applied Inventions Management Corp.'s (the "Company") consolidated annual audited financial statements and the accompanying notes thereto which have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 M. D. & A. 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 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 27, 2016.

GENERAL OVERVIEW

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

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.

Prior to 2002, 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 31st	2015	2016
Sales	\$ Nil	\$ Nil
Net Loss and Comprehensive Loss	(\$57,095)	(\$157,757)
Loss per share	(\$0.04)	(\$0.10)
Total Assets	\$3,674	\$726
Current Liabilities	\$634,661	\$119,381
Total Long Term Debt	\$ Nil	\$541,296
Cash Dividends	\$ Nil	\$ Nil
Deficit	(\$3,554,950)	(\$3,712,707)

RESULTS OF OPERATION AND QUARTERLY RESULTS

Applied Inventions Management Corp. has incurred attempted corporate reorganization costs, 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, its interest bearing shareholder loan and its Multiple and Subordinate Voting Debentures. Professional fees incurred for the year August 31, 2016 were \$91,997 (August 31, 2015 - \$34,216). Interest accrued on the secured demand Debenture, Multiple and Subordinate Voting Debentures and shareholder advances was \$40,589 (August 31, 2015 - \$22,667). Bank charges were \$236 during the year ended August 31, 2016 (August 31, 2015 - \$212).

	Aug 31	May 31	Feb 28	Nov 30	Aug 31	May 31	Feb 28	Nov 30
	2016	2016	2016	2016	2015	2015	2015	2015
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Revenue	\$ NIL	\$ NIL	\$ NIL	\$ NIL	\$ NIL	\$ NIL	\$ NIL	\$ NIL
Net Loss and comprehensive loss	(\$117,955)	(\$17,024)	(\$10,230)	(\$12,548)	(\$21,491)	(\$9,356)	(\$10,425)	(\$15,823)
Net Loss per Share	(\$0.077)	(\$0.011)	(\$0.007)	(\$0.008)	(\$0.014)	(\$0.006)	(\$0.007)	(\$0.010)

LIQUIDITY

The Company 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 recurring costs anticipated to be approximately \$15,000 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, 2016 the Due to Shareholder amount payable, which is owing to a principal shareholder who is a director and officer of the Company, as a result of the debt settlement set out under "Related Party Transactions" herein, was \$nil (August 31, 2015 - \$343,154), bears no interest and is secured by a General Security Agreement (GSA). As at August 31, 2016, subsequent to the debt settlement referred to above, \$11,276 (August 31, 2016 - \$257,932) including accumulated interest 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, 2014, the Company had a demand debenture payable which matured on November 5, 1998 and thus was in default and the conversion features which previously existed have lapsed. The Debenture was settled by the issuance as part of an overall settlement of debt of \$50,000 on September 2, 2014 by the issuance of 833,333 Class "B" Multiple Voting Shares.

PROPOSED TRANSACTIONS

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 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.

FINANCIAL INSTRUMENTS

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value with any resultant gain or loss recognized in profit or loss. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as other financial liabilities, and are subsequently measured at amortized cost using effective interest rate method.

The Company's financial assets include cash while the Company's financial liabilities include accounts payable and accrued liabilities, shareholder advances, subordinate and multiple voting debentures. Classification of these financial instruments is 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
Multiple and Subordinate Debentures	Other liabilities

The Company's financial instruments measured at fair value on the balance sheet consist of cash.

The three levels of the fair value hierarchy are as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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's financial instruments comprised of cash, accounts payable and accrued liabilities, shareholder advances and subordinate and multiple voting debentures, approximate fair values due to the relatively short term maturities of the instruments. It is management's opinion that the Company is not exposed to significant interest and currency risks.

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. As at August 31, 2016, the Company had current liabilities of \$119,381 (August 31, 2015 - \$634,661) and assets of \$726 (August 31, 2015 - \$3,674). As a result, the Company is dependent on obtaining additional financing to

meet its current obligations. The Company's accounts payable outstanding for over 90 days amount to \$21,512 (August 31, 2015 - \$16,524).

CAPITAL RISK MANAGEMENT

The Company considers capital stock, contributed surplus and deficit to represent capital. As at August 31, 2016 and 2015, the Company has a shareholders' deficiency and management's objective is to maintain its ability to continue as a going concern.

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 August 31, 2016 and August 31, 2015.

OFF BALANCE SHEET ACTIVITIES

As at August 31, 2016, 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:

- (a) The interest expense of \$40,589 (August 31, 2015 - \$22,667) is due to the current controlling shareholder who is also a director and officer of the Company. Interest expense of \$300 (August 31, 2015 - \$22,667) is interest accrued on outstanding shareholder advances that are interest bearing. Interest expense of \$22,139 (August 31, 2015 - \$NIL) is interest accrued on the outstanding subordinate and multiple voting debentures. The remaining interest expense accrued on the outstanding shareholder advances that are interest bearing during the year of \$18,150 was settled through the issuance of multiple voting debentures described below.
- (b) As at August 31, 2016 the Company has Shareholder Loans due to the current controlling shareholder who is also an officer and director of the Company, consisting of a \$NIL (August 31, 2015 - \$343,154) non-interest bearing advance and a \$11,276 (August 31, 2015 - \$257,932) advance bearing interest at 10% per annum, both advances being secured by a general security agreement. 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 officer 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 principal amount of \$343,154 to the controlling shareholder and a first secured multiple voting debenture in the principal amount of \$302,000 to WFE as described below.
- (c) Included in accounts payable and accrued liabilities is \$24,200 (August 31, 2015 - \$12,500) for consulting fees to the principal shareholder and officer of the Company.

- (d) The demand debenture, principal plus accrued interest, was payable to the current controlling shareholder of the Company who is also a director and officer. It bore interest at 10% per annum, and matured on November 5, 1998 and was secured by a general security agreement. The debenture was in default and the conversion features which previously existed have lapsed. This debenture was settled as part of the overall debt settlement on September 2, 2014 by the issuance of 833,333 Class “B” Multiple Voting Shares.

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 officer 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 principal amount of \$343,154 to the controlling shareholder and a first secured multiple voting debenture in the principal amount of \$302,000 to WFE. The debentures bear interest at a stated rate of 10% per annum. Interest is payable quarterly and the principal 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 fair value of the liability component at the time of issue of \$275,046 and \$242,060 for the subordinate voting and multiple voting debentures, respectively, was calculated as the discounted cash flows for the convertible debenture assuming a 22% interest rate which was based on the estimated market interest rate for a convertible debenture without a conversion feature. The fair value of the equity component (conversion feature) of \$68,108 and \$59,940 for the subordinate voting and multiple voting debentures, respectively, was determined at the time of issue as the difference between the fair value of the compound convertible debentures and the fair value of the liability component corresponding to a rate that the Company would have obtained for a similar financing without the conversion option.

	Subordinate Voting Debenture	Multiple Voting Debenture
Principal value of debentures issued	\$ 343,154	\$ 302,000
Equity component	(68,108)	(59,940)
Liability component at date of issue	\$ 275,046	\$ 242,060
Accretion	12,866	11,324
Liability component at August 31, 2016	\$ 287,912	\$ 253,384

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on anticipations and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods. The significant judgments and estimates made by management in the preparation of these consolidated financial statements is the fair value of the liability component related to the subordinate voting debenture and multiple voting debenture issued during the year and the assumption that the Company will continue as a going concern.

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 M.D. & 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, 2016 the Company had 388,435 (August 31, 2015 – 388,435) Class "A" Subordinate Voting Shares and 1,139,339 (August 31, 2015 – 1,139,339) Class "B" Multiple Voting Shares issued and outstanding. As at December 27, 2016 no additional shares have been issued.

Share consolidation

At the Annual and Special Meeting held on June 4, 2014, the shareholders approved a consolidation of each Class of shares up to ten (10) for one (1) at the discretion of the directors. On August 29, 2014, the directors approved a share consolidation for Class "A" subordinate voting shares and Class "B" Multiple Voting shares of the Company on a basis of one (1) share for every three (3) shares outstanding of each class before any consolidation. On September 2, 2014 a shareholder who is currently the controlling shareholder, officer and director of the Company received 833,333 Class "B" Multiple Voting Shares as a settlement of debt owed to him of \$50,000, which was outstanding as at the August 31, 2014 year end. As a result, the shareholder at the time became the controlling shareholder of the Company.

Stock Options and share purchase warrants

The Company's stock option plan provides options that can be exercised for a maximum of 10% of the issued and outstanding Class "A" Subordinate Voting Shares and a maximum of 10% of the issued and outstanding Class "B" Multiple Voting Shares on the date of grant.

On April 29, 2016, 150,000 options to purchase Class "A" shares were granted pursuant to the Company's stock option plan to 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 the options granted of \$745 is estimated at the time of the grant using the Black-Scholes option pricing model with the inputs as set out in note 9 to the Consolidated Financial Statements for the year ended August 31, 2016.

OFFICERS AND DIRECTORS

As at August 31, 2016 the officers and directors of the Company include:

Michael Stein	- President and Director
Gabriel Nachman FCPA, FCA	- Acting CFO, Director and Chair of Audit Committee
Nicholas Hariton	- Director
Barry Polisuk	- Director

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