

APPLIED INVENTIONS MANAGEMENT CORP.

Unaudited Interim Consolidated Financial Statements

For the three-month period ended November 30, 2017

(Expressed in Canadian Dollars)

Applied Inventions Management Corp.

November 30, 2017

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 November 30, 2017 and November 30, 2016, have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management.

The Company's independent auditors, RSM Canada LLP, have not performed a review of the interim consolidated financial statements for the interim periods ended and as at November 30, 2017 and November 30, 2016 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.

Applied Inventions Management Corp.

November 30, 2017

Unaudited

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.

Unaudited Interim Consolidated Balance Sheets

(Expressed in Canadian Dollars)

As at	November 30, 2017	August 31, 2017 (Audited)
Assets		
Current		
Cash	\$ 567	\$ 599
Professional fees and expense recovery (Note 6b)	11,938	-
	<u>\$ 12,505</u>	<u>\$ 599</u>
Liabilities		
Current		
Account payable and accrued liabilities	\$ 106,043	\$ 94,693
Shareholder advances – interest bearing (Note 5b))	94,022	89,056
Subordinate voting debenture (Note 3b))	344,652	331,875
	<u>\$ 544,717</u>	<u>\$ 515,624</u>
Shareholder's deficiency		
Capital stock (Note 4)	\$ 2,520,946	\$ 2,520,946
Equity portion of convertible debenture (Note 3b))	68,108	68,108
Warrant capital	46,323	46,323
Contributed surplus	749,685	749,685
Deficit	(3,917,274)	(3,900,087)
	<u>\$ (532,212)</u>	<u>\$ (515,025)</u>
	<u>\$ 12,505</u>	<u>\$ 599</u>

Nature of Business and Going Concern (Note 1)

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.

Unaudited Interim Consolidated Statement of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Three months ended	
	November 30, 2017	November 30, 2016
Expenses		
Interest - debenture accretion and shareholder advances	\$ 23,602	\$ 35,177
Professional fees and expense recovery (Note 6b)	(11,938)	-
Professional fees	5,491	1,217
Bank charges	32	79
Net Loss and Comprehensive Loss	<u>\$ 17,187</u>	<u>\$ 36,473</u>
Loss per share		
Basic and fully diluted	<u>\$ 0.002</u>	<u>\$ 0.024</u>
Weighted average shares outstanding	<u>8,228,034</u>	<u>1,527,774</u>

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

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

As at

	November 30, 2017	November 30, 2016
Capital Stock		
Balance, beginning of year	\$ 2,520,946	\$ 2,192,923
Conversion of convertible debenture and accretion interest		-
Balance, end of period	<u>\$ 2,520,946</u>	<u>\$ 2,192,923</u>
Contributed Surplus		
Balance, beginning of year	\$ 749,685	\$ 731,040
Balance, end of period	<u>\$ 731,785</u>	<u>\$ 731,040</u>
Equity Component of Convertible Debentures		
Balance, beginning of year	\$ 68,108	\$ 128,048
Adjustment of equity component on conversion of convertible debenture (Note 4b))		-
Equity component of convertible debentures (Note 3b))	-	
Balance, end of period	<u>\$ 68,108</u>	<u>\$ 128,048</u>
Warrant capital		
Balance, beginning of year	\$ 46,323	\$ -
Issue of warrants and conversion of convertible Debenture (Note 4b))	-	-
Balance, end of period	<u>\$ 46,323</u>	<u>\$ -</u>
Deficit		
Balance, beginning of year	\$ (3,900,087)	\$ (3,712,707)
Net Loss and Comprehensive Loss for the period	(17,187)	(36,473)
Balance, end of period	<u>\$ (3,917,274)</u>	<u>\$ (3,749,180)</u>
Shareholders' Equity		
Balance, beginning of year	\$ (515,025)	\$ (659,951)
Conversion of convertible debenture	-	-
Adjustment of equity component of convertible debenture	-	-
Issue of warrants		
Net Loss and Comprehensive Loss for the period	(17,187)	(36,473)
Balance, end of period	<u>\$ (532,212)</u>	<u>\$ (696,424)</u>

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

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

For the three months ended	November 30, 2017	November 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss and comprehensive loss	\$ (17,187)	\$ (36,473)
Interest and accretion accrued	23,602	35,177
	<u>6,415</u>	<u>(1,296)</u>
Working capital adjustment:		
Increase (decrease) in accounts payable and accrued liabilities	2,795	(10,017)
Increase in Professional fees and expense recovery	(11,938)	-
Net cash flows used in operating activities	<u>(2,728)</u>	<u>(13,313)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from shareholder	2,696	11,334
Net cash flows generated from financing activities	<u>2,696</u>	<u>11,334</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(32)	21
Cash and cash equivalents, beginning of the year	<u>599</u>	<u>726</u>
Cash and cash equivalents, end of the period	<u>\$ 567</u>	<u>\$ 747</u>

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

Applied Inventions Management Corp.
Notes to Unaudited Interim Consolidated Financial Statements
November 30, 2017
(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS 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 January 29, 2018

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, 2017. 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, 2017 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 AND DEBT SETTLEMENT

a) Shareholder Advances

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.

Applied Inventions Management Corp.
Notes to Unaudited Interim Consolidated Financial Statements
November 30, 2017
(Expressed in Canadian Dollars)

b) Debt Settlement – Voting Debentures

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 Investments 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 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.

On May 30, 2017, the Multiple Voting Debenture and accrued interest were converted into 6,700,260 Class “B” Multiple Voting Shares and 6,700,260 Class “A” detachable share purchase warrants.

	Subordinate Voting Debenture	Multiple Voting Debenture
Nominal value of debentures issued	\$ 343,154	\$ 302,000
Equity Component	<u>(68,108)</u>	<u>(59,940)</u>
Liability component at date of issue	\$ 275,046	\$ 242,060
Accretion	69,606	39,333
Conversion	<u>-</u>	<u>281,393</u>
Liability component at November 30, 2017	<u>\$ 344,652</u>	<u>\$ -</u>

4. 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;

Applied Inventions Management Corp.
Notes to Unaudited Interim Consolidated Financial Statements
November 30, 2017
(Expressed in Canadian Dollars)

Unlimited Class "C" Preference Shares.

b) Issued and outstanding:

	November 30, 2017		August 31, 2017	
	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	7,839,599	1,414,759	7,839,599	1,414,759
	8,228,034	\$ 2,471,509	8,228,034	\$ 2,520,946

c) Stock Options

On April 26, 2016, 150,000 options to purchase Class "A" shares were granted under 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 these stock purchase options granted was determined, at the time of grant using the Black-Scholes option pricing model, to be \$745 (see Note 7 of the Company's audited consolidated statements as at August 31, 2017).

- d) On October 27, 2017, the Company granted 600,000 options to its directors with an exercise price of \$0.05 and an expiry date of October 27, 2022

5. RELATED PARTY TRANSACTIONS

- a) The interest expense of \$23,602 (2016 - \$35,177) is due to the current controlling shareholder who is also a director and officer of the Company. Interest expense of \$2,270 (2016 - \$382) is interest accrued on outstanding shareholder advances that are interest bearing. Interest expense of \$8,555 (2016 - \$16,084) is interest accrued on the outstanding Subordinate and Multiple Voting Debentures.
- b) As at November 30, 2017 the Company has Shareholder Loans due to the current controlling shareholder who is also an officer and director of the Company of a \$94,022 (August 31, 2017 - \$89,056) bearing interest at 10% per annum 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 Investments 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 (Note 3b).

On May 30, 2017 WFE a company controlled by the controlling shareholder of the Company converted a secured Multiple Voting Debenture into 6,700,260, Multiple Voting units, at \$0.05 per unit comprising 6,700,260 Class "B" Multiple Voting Shares and 6,700,260 Class "A" detachable share purchase warrants totaling \$335,013.

Applied Inventions Management Corp.
Notes to Unaudited Interim Consolidated Financial Statements
November 30, 2017
(Expressed in Canadian Dollars)

The conversion was accounted for as the elimination of the Multiple Voting Debenture liability with a transfer of the recorded liability and the equity component of the debenture to be paid in value of the Class "B" Multiple Voting Shares and detachable share purchase warrants (Note 3b).

- (c) Included in accounts payable and accrued liabilities is \$16,030 (August 31, 2017 - \$24,200) related to the reimbursement of expenses and fees owed to an officer, director and current controlling shareholder.

6. EXCLUSIVITY AGREEMENT

- a) On September 29, 2017, the Company entered into an Exclusivity Agreement (the "Exclusivity Agreement") to complete a business combination with a third party (the "Target"), resulting in a reverse takeover of the Company (the "Proposed Transaction"). During the exclusivity period which expires on December 31, 2017, the parties have agreed to negotiate a binding agreement to complete the Proposed Transaction. As part of the Exclusivity Agreement the Target has agreed to pay certain expenses of the Company during the exclusivity period. There is no guarantee that the parties will be able to negotiate a mutually acceptable binding agreement or successfully complete the Proposed Transaction.

Subsequent to the period end, the Exclusivity Agreement has expired however, negotiations continues with the third party.

- b) Professional fees and expenses incurred by the Company amounting to \$ 11,938 (2016- \$nil) with respect to the potential transaction are recoverable which have now been paid.