

AMERICAN AIRES INC.
(the “Company”)

The table below provides the corresponding section to page numbers between the Canadian Securities Exchange Form 2A Listing Statement and the Company’s final long form prospectus dated October 2, 2019 (the “Final Prospectus”) filed under the Company’s profile on SEDAR (www.sedar.com), a copy of which is attached hereto as Appendix “A”.

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Certificate of the Company

Appendix "A"

Final Prospectus
(see attached)

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about the securities offered hereunder and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") or any state securities laws. Accordingly, except to the extent certain transactions are exempt from the registration requirements of the 1933 Act and applicable state securities laws, these securities may not be offered or sold within the United States or to U.S. persons (as such term is defined in Regulation S under the 1933 Act). This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

Initial Public Offering

FINAL PROSPECTUS

October 2, 2019



AMERICAN AIRES INC.

400 Applewood Crescent, Unit 100
Vaughan, Ontario
L4K 0C3

Minimum Offering: \$7,200,000

Maximum Offering: \$7,560,000

**Minimum of 24,000,000 Common Shares and up to a Maximum of 25,200,000
Common Shares (the "Offering")**

Price: \$0.30 Per Common Share

American Aires Inc. (the "**Corporation**") hereby offers for sale through Canaccord Genuity Corp. (the "**Agent**") on a commercially reasonable efforts basis, 24,000,000 common shares ("**Common Shares**") of the Corporation at a price of \$0.30 per Common Share for aggregate gross proceeds of \$7,200,000, assuming the minimum Offering (the "**Minimum Offering**") or \$7,560,000, assuming the maximum Offering (the "**Maximum Offering**"). The offering price was determined by negotiation between the Agent and the Corporation. This prospectus ("**Prospectus**") qualifies the distribution of the Common Shares in the Provinces of Ontario, British Columbia and Alberta. See "*Plan of Distribution*".

| | Price to the Public | Agent's Commission ⁽¹⁾ | Net Proceeds to the Corporation ⁽²⁾⁽³⁾ |
|------------------|---------------------|-----------------------------------|---|
| Per Common Share | \$0.30 | \$0.024 | \$0.276 |
| Minimum Offering | \$7,200,000 | \$576,000 | \$6,624,000 |
| Maximum Offering | \$7,560,000 | \$604,800 | \$6,955,200 |

Notes:

- (1) The Agent shall receive a cash commission equal to 8% of the aggregate gross proceeds of the Offering and a non-transferable option (the "**Agent's Option**") to purchase up to that number of Common Shares in the capital of the Corporation equal to 8% of the aggregate number of Common Shares sold under this Offering at a price of \$0.30 per Common Share for a period of twenty-four months from the date the Common Shares are listed on the Canadian Securities Exchange (the "**Exchange**"). The Agent's Option will be qualified under this Prospectus. See "*Plan of Distribution*".
- (2) Before deducting the balance of the costs of this Offering which are estimated to be \$584,000 (which includes the amount in footnote 3 below) in the event of completion of the Minimum Offering and \$591,200 (which includes the amount in footnote 3 below) in the event of completion of the Maximum Offering. The Corporation has also paid the Agent a corporate finance fee of \$25,000, which is non-refundable. The Corporation will also pay the Agent its legal fees and disbursements, of which a retainer of \$15,000 has been paid to the Agent.
- (3) Before deduction of the one percent (1%) fee payable to the Consultants (as defined below) of the Corporation based on the value of the proceeds raised pursuant to any going public transaction within ten days of completion of the going public transaction. For further information regarding the one percent (1%) fee please see "*Business of the Corporation – Three Year History*".

Concurrently with the filing of the Prospectus, the Corporation has made an application for listing on the Exchange. Listing is subject to the Corporation fulfilling all of the listing requirements of the Exchange which include completion of the distribution of the Common Shares to a minimum number of public shareholders. See “*Plan of Distribution*”.

The Agent conditionally offers the Common Shares on a commercially reasonable efforts basis, subject to prior sale, if, as and when issued by the Corporation and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under “*Plan of Distribution*”, subject to approval of legal matters on the Corporation’s behalf by Irwin Lowy LLP, of Toronto, Ontario and on the Agent’s behalf by Getz Prince Wells LLP, of Vancouver, British Columbia.

Subscriptions for the Common Shares will be received subject to rejection or allotment in whole or in part by the Corporation and the right is reserved by the Corporation to close the subscription books at any time without notice. This Offering is subject to the Minimum Offering of gross proceeds of \$7,200,000. If such minimum is not achieved within the time period prescribed by applicable securities legislation as noted below, all funds will be returned to the subscriber without deduction or interest. It is expected that the Closing of the offering will occur on a date agreed upon by the Corporation and the Agent, but not later than the date that is 90 days after a receipt is issued for the final prospectus or if a receipt has been issued for an amendment to the final prospectus, within 90 days of issuance of such receipt and in any event not later than 180 days from the date of receipt of the final prospectus. It is expected that the Common Shares will be delivered in electronic book entry form through CDS Clearing and Depository Services Inc. (“CDS”) or its nominee upon Closing unless the Agent elects for physical share certificates which would be available for delivery upon Closing. If delivered in book entry form, purchasers of Common Shares will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Common Shares were purchased.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See “Risk Factors”.

As at the date of this Prospectus, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequis NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

An investment in the Common Shares should be considered highly speculative and involves a high degree of risk due to the nature of the Corporation’s business and other risk factors. Investors should consider an investment in the securities of the Corporation to be speculative and should review the “Risk Factors” outlined in this Prospectus.

The Corporation is not a “related issuer” or a “connected issuer” to the Agent as such terms are defined under applicable Canadian securities laws.

Prospective investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding, or disposing of the Common Shares, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires the Common Shares.

The Corporation has received conditional approval of the Exchange to list its Common Shares on the Exchange. The completion of the Offering is subject to the Corporation fulfilling all of the listing requirements of the Exchange which are expected to occur on the Closing Date.

Until such time as a Closing has occurred in respect of the Offering, all subscription funds received by the Agent will be held by the Agent pending Closing of the Offering. If the Offering has not been closed prior to the expiry of the 90 day period described above, the Agent shall promptly return the proceeds of subscriptions to the subscribers without interest or deduction unless such subscribers have otherwise instructed the Agent.

Other than the Agent, no underwriter has been involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.

The following table sets out the number of options and other compensation securities that have been issued or may be issued by the Corporation to the Agent:

| <u>Agent's Position</u> | <u>Maximum size or number of securities available</u> | <u>Price to the Public</u> | <u>Exercise Period</u> | <u>Exercise Price¹⁾</u> |
|-------------------------|---|----------------------------|---|------------------------------------|
| Agent's Option..... | 2,016,000 ⁽¹⁾ | \$0.30 | Twenty-four (24) months from the Listing Date | \$0.30 per Common Share |

Note:

(1) Based on the Maximum Offering being completed.

No person is authorized by the Corporation or the Agent to provide any information or to make any representations other than those contained in this Prospectus in connection with the issue and sale of the securities offered pursuant to this Prospectus.

Prospective investors should rely only on the information contained in or incorporated by reference into this Prospectus. The Corporation has not authorized anyone to provide you with different information. Readers should assume that the information appearing in this prospectus is accurate only as of its date, regardless of its time of delivery. The Corporation's business, financial condition, results of operations and prospects may have changed since that date.

**Canaccord Genuity Corp.
520 3rd Avenue, Suite 2400
Calgary, Alberta, T2P 0R3
Telephone: 403.508.3841**

Enforcement of judgments against foreign persons or companies:

Certain directors of the Company and experts named in the Prospectus reside outside of Canada. The persons named below have appointed the following agent for service of process:

| Name of Person | Name and Address of Agent |
|-------------------|--|
| Igor Serov | HOLMBERG I WATSON BUSINESS & ESTATE LAWYERS |
| Dr. Larisa Rybina | 129 Yorkville Avenue Suite 200, Toronto, ON |
| Bogdan Alexandrov | Canada M5R 1C4 |

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

This Prospectus qualifies the distribution of securities of an entity that currently does, and is expected to continue to, derive its revenues from the production and distribution of electromagnetic radiation (“EMR”) technology products worldwide. The Corporation is of the view that the research studies it has commissioned and received to date support the functionality and effectiveness of the Corporation’s products and technology, however, there is a risk that certain scientific hypotheses and approaches may not be correct or be inappropriate to obtain conclusive results to support the benefits of the Corporation’s products and technology. Furthermore, there may be studies conducted that refute or challenge the scientific conclusions in the studies that in the Corporation’s view support the Corporation’s products and technology. In addition, there is limited understanding on the actual level of harmful EMR that electronic devices emit and limited understanding of how the Corporation’s products transform such harmful EMR into a less harmful form. If the Corporation fails to successfully refute or address future studies that may contradict the studies that support the Corporation’s products and technology, the Corporation’s business may suffer materially as a result. See “Risk Factors – Scientific Uncertainty”.

On August 6, 2015 the Corporation received a letter (the “CBC Letter”) from the Competition Bureau of Canada (“CBC”) addressing certain concerns raised by the CBC relating to the Corporation’s products and claims made by the Corporation. The CBC Letter raised the concern regarding the veracity of the Corporation’s representations regarding the neutralization of the harmful effects of EMR generated by the everyday use of electronic devices and the protection that the Corporation’s products provided to individuals from such EMR. On August 31, 2015, the Corporation responded to the CBC Letter (the “CBC Response”) to support the fact that the Corporation’s products and technology are based on substantial research and testing conducted by The AIRES Human Genome Research Foundation (“Aires Research”). See “Business of the Corporation – Three Year History”.

The CBC has not formally approved the Corporation’s representations or adequacy of information provided in the CBC Response, which suggests that the Corporation is at a significant risk of potential further regulatory action from the CBC in the event the CBC takes the position that the Corporation’s products do not neutralize the harmful effects of EMR and that the Corporation’s claims and statements are false. Such regulatory action will also have the effect of increasing exposure to product liability claims from consumers and related litigation from the CBC and/or consumers which will have a negative impact on the Corporation’s business and future success. For a further discussion on the risks involved please see “Risk Factors - Product Liability and CBC Correspondence”.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus and the documents incorporated by reference herein are forward looking statements or information (collectively "**forward-looking statements**"). All statements other than statements of historical facts contained in this Prospectus, including statements relating to the Corporation's expectations regarding its revenue, expenses and operations; anticipated cash needs and the need for additional financing; the timing, availability and amount of financings and the ability to successfully complete financings; expected use of proceeds; future results of operations and financial position; business strategy; prospective products; ability to protect, maintain and enforce intellectual property rights; timing of and costs associated with research and development; timing and likelihood of success; plans and objectives of management for future operations and future growth; the acceptance by customers and the marketplace of new technologies and solutions; ability to attract new customers and develop and maintain existing customers; ability to attract and retain personnel; expectations with respect to advancement in technologies; competitive position and expectations regarding competition; future results of current and anticipated products; anticipated trends and challenges in the Corporation's business and the markets in which it operates; and regulatory developments and the regulatory environments in which the Corporation operates are forward-looking statements.

The Corporation is providing cautionary statements identifying important factors that could cause the Corporation's actual results to differ materially from those projected in these forward-looking statements. Any statements that express or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases including, but not limited to, and including grammatical tense variations of such words as: "may", "anticipates", "is expected to", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

The Corporation has based the forward-looking statements largely on the Corporation's current expectations, estimates, assumptions, and projections about future events and financial and other trends that the Corporation believes, as of the date of such statements, may affect its business, financial condition and results of operations. Such expectations, estimates, assumptions, and projections, many of which are beyond our control, include, but are not limited to: the Corporation's anticipated cash needs and the need for additional financing; the Corporation's ability to successfully complete future financings; the Corporation's ability to protect, maintain and enforce its intellectual property and to secure the right to use other intellectual property that it deems desirable for the conduct of its business; the acceptance by the Corporation's customers and the marketplace of new technologies and solutions; the Corporation's ability to attract new customers and develop and maintain existing customers; the Corporation's ability to increase brand awareness through marketing efforts; the Corporation's expectations regarding its competitive position; the Corporation's expectations regarding regulatory developments and the impact of the regulatory environment in which the Corporation operates; the Corporation's ability to attract and retain qualified management personnel and key employees; and anticipated trends and challenges in the Corporation's business and the markets in which it operates.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of the date they are made and are based on information currently available and on our then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and assumptions described under the headings in this Prospectus entitled

"Risk Factors" and elsewhere in this Prospectus. Factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, include, but are not limited to, risks and uncertainties related to:

- market risk for securities;
- future financing risks;
- going-concern risks;
- global economy risks;
- use of proceeds risks;
- volatility of the Corporation's share price following a listing on a public exchange and the lack of trading history for the Common Shares;
- increased costs of being a publicly traded company;
- limited operating history in an evolving industry and history of losses;
- lack of brand development;
- expectations with respect to advancement in technologies;
- currency fluctuations;
- interest rates;
- taxes on the Company and its products;
- liabilities that are uninsured or uninsurable;
- economic conditions, dependence on management and conflicts of interest;
- intellectual property rights;
- attracting and retaining quality employees;
- key personnel risk;
- management of growth;
- product and services development;
- expansion risk;
- breach of confidential information;
- competition within the technology industry;
- corporate matters;
- issuance of debt;
- third party credit;
- short term investments;
- shares reserved for issuance;
- credit risk;
- liquidity risk;
- interest rate risk;
- other risks described in this Prospectus and described from time to time in the Corporation's documents filed with Canadian securities regulatory authorities; and
- other factors beyond the Corporation's control.

Further, any forward-looking statement speaks only as of the date on which such statement is made and, except as required by applicable law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Corporation's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Please also refer to "Risk Factors" in this Prospectus.

SUMMARY OF THE PROSPECTUS

The following is a summary of the principal features of this Offering and distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Capitalized terms used in this summary which are not defined in the Glossary have the meanings ascribed to them elsewhere in the Prospectus. Reference is made to the Glossary for the definitions of certain terms with initial capital letters used in this Prospectus and in this summary.

Principal Business

The Corporation is currently engaged in the business of production, distribution and sales of devices intended to protect persons from the harmful effects of electromagnetic emissions that are emitted by modern electronic devices.

The Offering

Pursuant to the Offering, the Corporation intends to raise a minimum of \$7,200,000 for 24,000,000 Common Shares (\$7,560,000 for 25,200,000 Common Shares in the event the Maximum Offering is completed) whereby investors may acquire Common Shares at a price of \$0.30 per Common Share.

The Corporation will also grant to the Agent, the Agent's Option, which options are also qualified under this Prospectus. See "*Plan of Distribution*".

The Corporation has received conditional approval of the Exchange to list its Common Shares on the Exchange. Listing will be subject to the Corporation fulfilling all of the listing requirements of the Exchange.

Price and Subscription Procedure

The subscription price of \$0.30 per Common Share is payable at the time of Closing by such method of payment as is acceptable to the Agent.

Closing

The closing of the Offering is subject to the Corporation fulfilling all of the listing requirements of the Exchange which are expected to occur on the Closing Date. See "*Plan of Distribution*".

Offering Jurisdictions

The Offering will be made in the Provinces of Ontario, British Columbia and Alberta. See "*Plan of Distribution*".

Commission and Agent's Option

The Agent will receive a commission of 8% on the gross proceeds of the Offering. On the Closing Date of the Offering, the Agent will be granted Agent's Option equal in number to 8% of the number of Common Shares sold under the Offering. Each Agent's Option will entitle the Agent to purchase, at an exercise price equal to \$0.30, one common share in the capital of the Corporation. The Agent's Option may be exercised at any time and from time to time for a period of twenty-four months following the listing on the Exchange. This Prospectus qualifies the Agent's Option. See "*Plan of Distribution*".

Listing

The Corporation has received conditional approval of the Exchange to list its Common Shares on the Exchange. Listing will be subject to the Corporation fulfilling all of the listing requirements of the Exchange. See "*Plan of Distribution*".

The Corporation

The Corporation was incorporated on May 15, 2012 under the *Business Corporations Act* (Ontario). The Corporation was incorporated for the purpose of the development, production and sale of technologies that minimize the harmful effects of, and control the electromagnetic fields that are emitted by, modern electronic devices. The Corporation does not have any subsidiaries.

Directors, Officers and Key Personnel of the Corporation

| Name | Title |
|-------------------|--|
| Dimitry Serov | CEO, President, Secretary-Treasurer and Director |
| Robert Suttie | Chief Financial Officer |
| Ruslan Elensky | Director |
| Christopher Irwin | Director |
| Tony Di Benedetto | Director |
| Igor Serov | Director |

See “*Directors, Officers and Key Personnel of the Corporation*”.

Use of Proceeds

The gross proceeds to the Corporation will be \$7,200,000 for the Minimum Offering and \$7,560,000 for the Maximum Offering. The net proceeds to the Corporation from the Offering after deducting the anticipated Agent’s Commission are estimated to be \$6,624,000 for the Minimum Offering and \$6,955,200 for the Maximum Offering. The total funds available to the Corporation at Closing from the Offering after deducting the estimated expenses of the Offering, not including the exercise of any outstanding warrants to purchase Common Shares, are estimated to be \$5,187,767 for the Minimum Offering and \$5,511,767 for the Maximum Offering. The Corporation intends to expend its allocated total funds available as follows:

| <u>Use of Available Funds⁽¹⁾</u> | <u>Offering</u> |
|---|----------------------------------|
| | <u>Minimum Offering</u> |
| Research and development costs | \$1,100,000 |
| Marketing costs | \$2,112,000 |
| Intellectual property costs | \$200,000 |
| General and administrative | \$1,609,092 |
| Unallocated | \$166,675 |
| | \$5,187,767⁽³⁾ |
| | <u>Maximum Offering</u> |
| Research and development costs | \$1,100,000 |
| Marketing costs | \$2,112,000 |
| Intellectual property costs | \$200,000 |
| General and administrative | \$1,700,692 |
| Unallocated | \$399,075 |
| | \$5,511,767⁽³⁾ |

Notes:

- (1) *Upon completion of the Offering, the Corporation intends to spend the funds available to it to carry out its business objectives as set forth in this table and further described under the heading "Use of Proceeds". However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. **The Corporation may redirect funds to other activities.***
- (2) *Payable pursuant to the Consulting Agreements as described under "Business of the Corporation – Three Year History."*
- (3) *Includes working capital deficit of the Corporation as at August 31, 2019 of \$852,233.*

Risk Factors

The Corporation's business is subject to certain risks, including but not restricted to risks related to: market risk for securities, future financing risks; going-concern risks; global economy risks; use of proceeds risks; volatility of the Corporation's share price following a listing on a public exchange and the lack of trading history for the Common Shares; increased costs of being a publicly traded company; limited operating history in an evolving industry and history of losses; lack of brand development; expectations with respect to advancement in technologies; currency fluctuations; interest rates; taxes on the Company and its products; liabilities that are uninsured or uninsurable; economic conditions, dependence on management and conflicts of interest; intellectual property rights; attracting and retaining quality employees; key personnel risk; management of growth; product and services development; expansion risk; breach of confidential information; competition within the technology industry; corporate matters; issuance of debt; third party credit; short term investments; shares reserved for issuance; credit risk; liquidity risk; interest rate risk; other risks described in this Prospectus and described from time to time in the Corporation's documents filed with Canadian securities regulatory authorities; and other factors beyond the Corporation's control. See "Risk Factors".

Marketing Materials

Any template version of marketing materials filed under National Instrument 41-101 - *General Prospectus Requirements* after the date of the final prospectus and before the termination of the distribution is deemed to be incorporated into the final prospectus.

Summary Financial Information

The selected financial information set out below is based on and derived from the audited annual consolidated financial statements of the Corporation for the years ended December 31, 2018 and December 31, 2017 and the unaudited condensed interim financial statements for the six months ended June 30, 2019 and 2018 prepared in accordance with International Financial Reporting Standards.

| | For the six months ended June 30, 2019 (unaudited) | For the year ended December 31, 2018 (audited) | For the year ended December 31, 2017 (unaudited) |
|---------------------------------------|--|--|--|
| Balance Sheet | | | |
| Assets | 1,542,825 | 1,880,666 | 1,833,326 |
| Liabilities | 1,260,975 | 747,233 | 597,050 |
| Shareholder's equity | 281,850 | 1,133,433 | 1,236,276 |
| Deficit | (4,276,799) | (3,425,216) | (1,744,519) |
| | | | |
| Statements of Loss and Deficit | | | |
| Total Revenue | 338,965 | 532,210 | 352,570 |
| Total Expenses | 1,055,308 | 2,028,259 | 1,146,529 |
| Net Income (Loss) | (851,583) | (1,680,697) | (917,615) |
| Net Income (Loss) per share | (0.01) | (0.02) | (0.02) |

GLOSSARY

In this Prospectus, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

“**1933 Act**” means the United States Securities Act of 1933, as amended;

“**Agency Agreement**” means the agency agreement dated October 2, 2019 with respect to the Offering between the Corporation and the Agent as more particularly described under the heading “*Plan of Distribution*”;

“**Agent**” means Canaccord Genuity Corp.;

“**Agent’s Commission**” means the fee of 8% of the gross amount raised under the Offering and payable to the Agent pursuant to the Agency Agreement;

“**Agent’s Option**” means the non-assignable options granted by the Corporation to the Agent to purchase that number of Common Shares equal to 8% of the total Common Shares distributed pursuant to the Offering to investors;

“**Board**” means the board of directors of the Corporation;

“**Closing**” means closing of the issue and sale of Common Shares pursuant to the Offering;

“**Closing Date**” means a date mutually selected by the Corporation and the Agent, or such other date as may be agreed upon by the Corporation and the Agent, but in any event not later than the date that is 180 days following the date of receipt of the final Prospectus;

“**Commissions**” means collectively, the Ontario Securities Commission, the British Columbia Securities Commission and the Alberta Securities Commission;

“**Common Share**” or “**Common Shares**” means, respectively, one or more common shares in the capital of the Corporation;

“**Computershare**” means Computershare Investor Services Inc., the registrar and transfer agent for the Common Shares;

“**Corporation**” means American Aires Inc.;

“**CRA**” means the Canada Revenue Agency;

“**CSE**” means the Canadian Securities Exchange;

“**CSE Policies**” means the rules and policies of the CSE in effect as of the date hereof;

“**Escrow Agreement**” means the escrow agreement dated September 17, 2019 among the Corporation, the Escrow Agent and holders of the Escrow Securities;

“**Escrow Agent**” and “**Transfer Agent**” means Computershare Investor Services Inc., at its Toronto office located at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1;

"**Escrow Securities**" means the Common Shares held by the directors, officers and insiders on the Listing Date that will be deposited or voluntarily deposited in escrow or a voluntary pooling arrangement pursuant to the Escrow Agreement or a voluntary pooling agreement, as applicable;

"**Exchange**" means the Canadian Securities Exchange;

"**Listing Date**" means the date on which the Common Shares are listed for trading on the CSE;

"**Maximum Offering**" means the Offering whereby Common Shares are sold raising gross proceeds of \$7,560,000, as described herein or in any amendment hereto;

"**Minimum Offering**" means the Offering whereby Common Shares are sold raising gross proceeds of \$7,200,000, as described herein or in any amendment hereto;

"**Named Executive Officer**" means each of the following individuals:

- (a) a chief executive officer ("**CEO**") of the Corporation;
- (b) a chief financial officer ("**CFO**") of the Corporation;
- (c) each of the Corporation's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year;

"**NP 46-201**" means National Policy 46-201 *Escrow for Initial Public Offerings* as published by the Canadian Securities Administrators;

"**NI 51-102**" means National Instrument 51-102 *Continuous Disclosure Requirements*;

"**NI 52-110**" means National Instrument 52-110 *Audit Committees*;

"**NI 58-101**" means National Instrument 58-101 *Disclosure of Corporate Governance Practices*;

"**NP 58-201**" means National Policy 58-201 *Corporate Governance Guidelines*;

"**OBCA**" means the *Business Corporations Act* (Ontario);

"**Offering**" means the public offering of the Common Shares, as described herein or in any amendment hereto;

"**Offering Jurisdictions**" means the provinces of Ontario, British Columbia and Alberta;

"**Optionee**" means the holder of an Option;

"**Options**" means incentive stock options granted to the Issuer's directors, officers, employees and consultants in accordance with the Stock Option Plan and rules and the CSE Policies;

"**Person**" means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual, or an individual;

"**Offering**" means the Offering whereby Common Shares are sold raising gross proceeds of a minimum of \$7,200,000 and a maximum of \$7,560,000;

"**Prospectus**" means this prospectus and any appendices, schedules or attachments hereto;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval (www.sedar.com);

"**Stock Option Plan**" means the Issuer's stock option plan providing for the grant of Options to the Issuer's directors, officers, employees and consultants in accordance with the provisions of the Stock Option Plan and the CSE Policies; and

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.) and the regulations thereunder, as amended.

CONVENTIONS

Certain terms used herein are defined in the "Glossary". Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars. All financial information with respect to the Corporation has been presented in Canadian dollars in accordance with generally accepted accounting principles in Canada.

MARKETING MATERIALS

The template version of a corporate presentation dated October 2, 2019 (the "**Presentation**") will be filed with the securities commission or similar authority in British Columbia, Alberta and Ontario and is specifically incorporated by reference into this Prospectus. The Presentation is not part of this Prospectus to the extent that the contents of the Presentation have been modified or superseded by a statement contained in this Prospectus.

The Presentation is available under the Corporation's profile on www.sedar.com. Investors are encouraged to read the full text of the Presentation.

Any template version of "marketing materials" (as defined in National Instrument 41-101 - *General Prospectus Requirements*) filed after the date of this Prospectus and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the marketing materials) is deemed to be incorporated into this Prospectus.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Corporation was incorporated on May 15, 2012 under the *Business Corporations Act* (Ontario). The head and registered office of the Corporation is 400 Applewood Crescent, Unit 100, Vaughan, Ontario, L4K 0C3. The Corporation does not have any subsidiaries.

On July 25, 2018 the Corporation filed articles of amendment to update its articles to be more consistent with articles associated with reporting issuers and more specifically to remove board and shareholder approvals for transfers of common shares in anticipation of becoming a reporting issuer.

On July 11, 2018, and approved by the shareholders on July 25, 2018, the Corporation adopted by-law no. 3 (the “**New By-Law**”) which amended its old by-laws by changing the quorum for directors meetings from all of the directors to two-fifths of the directors (unless there are less than three directors in which case all of the directors would constitute a quorum). Further, the New By-Law changed the quorum for shareholder meetings from one or more shareholders holding 100% of the shares to the lesser of all of the shareholders or two shareholders represent in person or by proxy.

BUSINESS OF THE CORPORATION

Background

According to the study titled: “*Influence exerted by “AIRES” electromagnetic anomalies neutralizer on changes of EEG parameters caused by exposure to the electromagnetic field of a mobile telephone*” dated September 20, 2013 (the “**St. Petersburg Study**”) the change in the cerebrum’s bioelectric activity in the presence of a mobile phone is so pronounced it could be called a localized electromagnetic storm and the use of a mobile phone significantly changes the structure of electroencephalographic (“**EEG**”). The results of the St. Petersburg Study show the changes that occur in the EEG spectrum both before and during the operation of a mobile phone. The St. Petersburg Study noted that the presence of the Shield (as defined below) neutralizes the effects of the directional EMR produced by the mobile phone, and further concluded that restructuring of the mobile phone’s electromagnetic field in the presence of the Aires Shield prevents the development of negative changes in the EEG. The names of the authors of the St. Petersburg Study are L. Rybina, Doctor of Biological Sciences and B. Alexandrov, Medical Adviser and the St. Petersburg Study is only publicly available on the Corporation’s website. The St. Petersburg Study pertains specifically to the Corporation’s technology and it was commissioned and funded solely by the Corporation in order to support the functionality of its products. The St. Petersburg Study emphasizes the importance to protect the human brain when using a mobile phone. While the St. Petersburg Study has not been published in a peer reviewed academic publication, the St. Petersburg Study has been peer reviewed by Dr. A. Michrowski of The Planetary Association for Clean Energy, Inc., namely, “Opinion – Influence of the Aires Shield electromagnetic anomaly neutralizer on changes in EEG parameters caused by a mobile phone’s electromagnetic field (August 17, 2018) by L. Rybina and B. Alexandrov”. Further, on the Corporation’s website, the Corporation has made available three additional peer reviewed opinions by Dr. A. Michrowski of The Planetary Association for Clean Energy, Inc. that relate to the functionality of the Corporation’s products and technology. Dr. Michrowski was engaged by the Corporation to prepare the aforementioned opinion on the St. Petersburg study, as well as the above mentioned three peer reviewed opinions that are available on the Corporation’s website.

In September 2011, the United States Federal Trade Commission (“FTC”) released an article discussing the lack of scientific evidence that “shields” significantly reduce exposure from EMR. The FTC article generally states that products which block only the ear piece (or another small portion of the phone) are totally ineffective because the entire phone emits electromagnetic waves and further, the “shields” may interfere with the phone’s signal, causing it to draw more power to communicate with the base station resulting in potentially more radiation. The full text of the article can be found at the following link: <https://www.consumer.ftc.gov/articles/0109-cell-phone-radiation-scams>. While there is no evidence to conclusively refute the statements made in the FTC article, as discussed in detail below, the Corporation’s products do not use “shielding” or “blocking” technology to block or cover any portion of the devices that emit EMR, rather the Corporation’s products use technology that transform the EMR into a form that reduces the harmful or negative effects of EMR. While management of the Corporation agrees with some of the statements made in the FTC article in that products designed to block or attempt to “shield” EMR are not necessarily useful in reducing the harmful effects of EMR, management’s view is that the FTC article does not specifically address the effectiveness of the Corporation’s products or technology.

The Corporation’s products are electromagnetic anomaly neutralizers that may be considered as one form of protection against certain frequencies emitted by cellular phones. The products are a universal three-dimensional Fourier filter. As a result of an electromagnetic field interaction with the Corporation’s products, the field undergoes a structural transformation that may cancel out the influence of the frequencies that resonate with the human brain which occur when using a cellular phone.

A “Fourier filter” generally refers to a filter that transforms, through decomposition, electromagnetic emission (i.e. from a cell phone) into its characteristic components. The electromagnetic emission is then recompiled into a coherent wave form, which results in a reduction of harmful effects from the electromagnetic field. In the context of the Corporation’s technology, it describes the process that filters out the harmful characteristics of signal frequencies.

To clarify further disclosure in this Prospectus, the Corporation has never owned or leased manufacturing or research and development facilities in the Russian Federation. All current and previous research and development activities are conducted by Aires Research. The Corporation previously manufactured its products in Russia and currently conducts its manufacturing activities in Lithuania through Aires Lita UAB (“UAB”). On February 28th, 2018, the Corporation leased a facility, which is mixed use, combining both office and warehouse space in Richmond Hill, Ontario, Canada and is being used as the Corporation’s operational facility. The Corporation’s current registered and head office is a “virtual” office located at 400 Applewood Crescent Unit 100, Vaughan, Ontario L4K 0C3. With respect to this “virtual” office, the Corporation pays for “office type” amenities from a company called Intelligent Office Vaughan, which provides the Corporation with office type services and not a physical office space. It is payable by a small monthly fee with no long-term commitment. The service only provides mailbox and phone call reception services, and not an actual office space.

Three Year History

The Corporation is a company based in Vaughan, Ontario incorporated on May 15, 2012. The Corporation was formed to further research, develop and distribution devices intended to protect persons from the harmful effects of EMR that are emitted by modern electronic devices. Since incorporation, the Corporation has continued the research and development that was started by The AIRES Human Genome Research Foundation (“Aires Research”), has previously manufactured its products in Russia and currently manufactures its products in Lithuania, and sold its products primarily in North America and elsewhere throughout the world, including Asia, South-east Asia, the Middle-East, Europe and South America. Aires Research, a non-profit foundation based and governed pursuant to the laws of the Russian Federation, was founded by Igor Serov in 1998 to conduct research in various scientific areas, including controlling the harmful effects of EMR emissions. Mr. Igor Serov and Mr. Dimitry Serov established the

Corporation to further develop the technology being used by the Corporation and to bring the technology to market.

Over the years following 1999, the Aires Research team, consisting of Russian biologists and scientists, developed the original EMR protection product. The technology developed as part of that effort laid the foundation for all products currently sold by the Corporation. Since its existence, the Corporation has invested into research and development creating the first set of consumer-oriented prototypes, devices that were geared towards reducing the harmful effects of EMR emitted by personal communication devices and the Corporation has since manufactured and imported the product from Russia to Canada with sales throughout the world.

On August 6, 2015 the Corporation received a letter (the “**CBC Letter**”) from the Competition Bureau of Canada (“**CBC**”) addressing certain concerns raised by the CBC relating to the Corporation’s products and claims made by the Corporation. The CBC Letter raised the concern regarding the veracity of the Corporation’s representations regarding the neutralization of the harmful effects of EMR generated by the everyday use of electronic devices and the protection that the Corporation’s products provided to individuals from such EMR. The CBC Letter stated that paragraph 74.01(1)(a) of the *Competition Act* (the “**Competition Act**”) prohibits the making, or the permitting of the making, of a representation to the public that is false or misleading in a material respect. Further the CBC Letter stated that paragraph 74.01(1)(b) of the *Competition Act* prohibits the making, or the permitting of the making, of a representation to the public in the form of a statement, warranty or guarantee of the performance, efficacy or length of life of a product that is not based on an adequate and proper test thereof, the proof of which lies on the person making the representation. Accordingly, the CBC required that any performance claims made by the Corporation not be false or misleading and be substantiated by adequate and proper testing and requested that in the absence of such adequate and proper testing the Corporation cease to make representation as to the efficacy of its products in any type of advertisement.

On August 31, 2015, the Corporation responded to the CBC Letter (the “**CBC Response**”) to support the fact that the Corporation’s products and technology are based on substantial research and testing conducted by Aires Research. The CBC Response provided the CBC with a summary of scientific research, conferences, exhibition, publications, design patents and inventions related to the science behind the Corporation’s products and technology. Further, the CBC Response provided the CBC with a list of design patents and registrations and a description on the technology of the design patents related to the Corporation’s products and devices. Lastly, the CBC Response included certain studies used to test the Corporation’s products and technology and to support the fact that the Corporation was supported by adequate and proper testing to support the Corporation’s statements and advertising.

On October 27, 2015, the CBC responded to the CBC Response by stating that the CBC does not propose to take further action in the matter at such time, however, such decision was not to be regarded as approval by the CBC of the representations made by the Corporation or the adequacy of the information provided in the CBC Response to substantiate such representations. The CBC stated that the matter would be recorded in their database and the reserved the right to re-open the matter should additional information be brought to their attention. To date the Corporation has not since received any further complaints, correspondence or letters from the CBC. Further, to date the Corporation has not received any material complaints from any customers or clients that have purchased the Corporation’s products in the past.

Effective January 1, 2017 the Corporation entered into amended and restated intellectual property assignment agreements (collectively the “**IP Assignment Agreements**”) with each of Dimitry Serov and Igor Serov (the “**Founders**”) whereby the Founders transferred the proprietary rights in relation to the intellectual property related to the Corporation’s business of production, distribution and sales of devices intended to protect persons from the harmful effects of electromagnetic emissions. More specifically,

Dimitry and Igor transferred, among other things, any and all trademarks, intellectual property and other proprietary rights related to products or devices sold under the trade names or trademarks of: Aires Black Crystal, Aires Shield, Aires Shield Extreme, Aires Defender, Aires Defender Automotive and Aires Defender Infinity. In consideration for the transfer of the intellectual property the Corporation issued 18,144,000 Common Shares to Dimitry Serov and issued 15,568,340 Common Shares to Igor Serov. Further, in connection with the IP Assignment Agreements certain shareholder loans in the amount of \$173,617 were transferred to the Corporation by Igor. The aggregate fair market value of the intellectual property acquired by the Corporation, net of shareholder loans forgiven was \$1,512,000. The IP Assignment Agreements are considered material contracts of the Corporation (Please see “Material Contracts”).

Prior to the intellectual property transfer pursuant to the IP Assignment Agreements noted above, the Founders each gave their informal verbal consent for the Corporation to use the intellectual property necessary to conduct its business. At such time the Corporation used the intellectual property based on the full authority given by each Founder to conduct the business.

On January 1, 2017 the Corporation issued 11,287,560 Common Shares to Igor Serov for services rendered by Igor from 2012 to 2016, such services having an ascribed value of \$564,378 and exchanged at a deemed price of \$0.05 per Common Share.

On January 2, 2017 the Corporation entered into consulting agreements (the “**Consulting Agreements**”) with each of Richard Buzbuzian and Jason Monaco (collectively the “**Consultants**”) whereby each of the Consultants would provide financial, strategic and advisory services to the Corporation for a term of one year expiring December 31, 2017. In consideration for the services each of the Consultants were to be paid a fee of \$16,667 per month plus taxes and a fee equal to one percent (1%) of the value of the proceeds raised pursuant to any going public transaction within ten days of completion of the going public transaction. The Corporation agreed to retain the Consultants for the purpose of guiding and assisting the Corporation with respect to a potential going public transaction and accordingly the Corporation agreed that a fair and reasonable bonus payment was to award the Consultants with the aforementioned one percent fee upon the completion of a successful going public transaction. The monthly fees under the Consulting Agreements have been paid in full and the Consulting Agreements have not been extended, accordingly the only obligation currently outstanding under the Consulting Agreements is the payment of the one percent fee as stated above. The Consultants are bound by standard confidentiality provisions and each party agrees to indemnify the other party for any breaches under the Consulting Agreements.

On September 29, 2017 the Corporation closed a private placement financing of Common Shares of the Corporation. The offering included the sale of 15,800,000 Common Shares at a price of \$0.05 per Common Shares, for aggregate gross proceeds of \$790,000. Certain finders received a cash commission equal to 10% in the aggregate of the gross proceeds of the private placement.

On October 15, 2017 the Corporation entered into a research and development agreement (“**Research Agreement**”) with Aires Research, a non-profit independent organization governed by the laws of the Russian Federation, to among other things, conduct scientific research related to electromagnetic fields and/or radiation, develop and implement technology based on its research activities and provide the Corporation with the results of all its research and development efforts. Mr. Igor Serov, a director of the Corporation, is the President of Aires Research. The Research Agreement provides that any and all intellectual property developed pursuant to the Research Agreement becomes the intellectual property of the Corporation. More specifically, Aires Research performs research project proposals as requested by the Corporation, which includes but is not limited to: (i) carrying out scientific research related to electromagnetic fields and/or radiation; (ii) developing and implementing new technology based on its research activities;(iii) making best use of information available with respect to electromagnetic fields

and/or radiation; (iv) developing the necessary documentation required for the Corporation to manufacture any existing or new devices or products; (v) participating in scientific conferences, giving information lectures, seminars, and preparing publications related to electromagnetic field and/or radiation on behalf of the Corporation; and (vi) providing the Corporation with the results of all its research and development efforts.

The Research Agreement is for a term commencing October 15, 2017 through to December 31, 2022, unless earlier terminated by either party in accordance with the agreement. The term of the Research Agreement automatically renews for successive one year periods unless either party provides prior written notice to the other party of its desire not to renew the term thereof, which notice must be given at least 60 days prior to the then current term of the agreement. The Corporation may terminate the Research Agreement or any project upon 60 days prior written notice at any time within the contract period. The Corporation is required to pay Aires Research as may be agreed upon from time to time, which payment is intended to compensate Aires Research on a cost reimbursement basis per project. It is further agreed that, where the total costs to the Corporation for any project are set out in the applicable project proposal, then such total compensation shall not exceed the sum so set forth in the project proposal. Payment shall be made by the Corporation within 30 days of receipt of monthly invoices from the Aires Research for actual charges incurred by Aires Research in performance of the applicable project. In the event of early termination of the Research Agreement by the Corporation other than for breach of the Research Agreement, the Corporation shall pay all costs accrued by Aires Research as of the date of termination, including but not limited to reasonable non-cancellable obligations incurred prior to the effective date of termination made pursuant to a fully executed project. Each project shall set forth a budget for travel and other out-of-pocket expenses to be incurred pursuant to the applicable project. In the event that the applicable project director (who is initially Igor Nikolayevich Serov) ceases to direct the associated project and a mutually acceptable substitute is not found within 60 days of such cessation, either Aires Research or the Corporation shall have the option to terminate said project. No termination of the Research Agreement, however effectuated, shall release the parties from their rights and obligations accrued prior to the effective date of termination. Upon termination of the Research Agreement or any project, other than for breach of the terms thereof, the Corporation shall reimburse Researcher for any amounts the Corporation is otherwise obligated to provide Aires Research under the terms thereof, for work on each terminated project performed by Aires Research up to the effective date of termination and for non-cancellable pre-paid expenses reasonably incurred by Aires Research in anticipation of its work on each project.

On January 26, 2018 the Corporation closed a private placement financing of units of the Corporation (“**Units**”). The offering included the sale of 26,000,000 Units at a price of \$0.05 per Unit, for aggregate gross proceeds of \$1,300,000. Each Unit consisted of one Common Share and one Common Share purchase warrant exercisable into a Common Share at a price of \$0.14 for a period of two (2) years from the date of issuance.

On February 23, 2018 the Corporation closed a private placement financing of Common Shares of the Corporation (“**Common Shares**”). The offering included the sale of 2,500,000 Common Shares at a price of \$0.14 per Common Share, for aggregate gross proceeds of \$350,000. Certain finders received a cash commission equal to 10% in the aggregate of the gross proceeds of the private placement.

On March 21, 2018, Igor Serov transferred 24,623,940 Common Shares, being all of the Common Shares held by Igor Serov, to Dimitry Serov for no consideration. Immediately thereafter, Dimitry Serov transferred 45,000,000 Common Shares (which included the 24,623,940 Common Shares noted above) to Serov Holdings Inc. (“**Serov Holdings**”), a company owned and controlled by Dimitry Serov.

On May 17, 2018 the Corporation issued an aggregate of 800,000 Common Shares (400,000 to Armando Scarlato and 400,000 to Kristoffer Guajala) at a deemed price of \$0.05 per Common Share, in consideration for the introduction of the Corporation to the Consultants provided by the above two individuals. Mr. Guajala is currently an employee of the Corporation. The Corporation verbally agreed to provide these shares in exchange for services in October 2016 notwithstanding that the issuance actually occurred in May 2018. Accordingly, the Corporation valued the Common Shares at \$0.05 which was the fair value of the Common Shares at the time of the verbal promise.

In July 2018 the Corporation switched the manufacturing of its products from a vendor in the Russian Federation, OOO NPO Aires Technologies (“**NPO**”), which is a company that is independent from the Corporation, to UAB, an independent third party vendor that is located in Lithuania (Note: Dimitry Serov and Igor Serov were directors of UAB until their resignation on June 13, 2018). The Corporation did not have a written agreement with NPO and simply ceased ordering from NPO once the decision was made to change manufacturers. The Corporation switched to the Lithuanian vendor as it is of the view that having its products assembled in Lithuania will result in cost savings, reduced operational risk, access to greater market penetration (especially into the European Union) and avoid consequences of potential trade sanctions taken against the Russian Federation. There are no outstanding obligations or liabilities of the Corporation in connection with the termination of the relationship with NPO and there are no write-offs or costs associated with the termination of the arrangement with NPO as no formal contract was in place. By switching its manufacturing activities to Lithuania the Corporation is now able to manufacture its products with the above noted benefits as well as be assured there are less potential problems with trade barriers/tariffs associated with actions against the Russian Federation taken by international governments.

On January 1, 2019 the Corporation entered into an exclusive distribution agreement with Healthy Living Products International Ltd. (“**Healthy Living**”), a corporation incorporated under the laws of China, whereby Healthy Living agreed to undertake on an exclusive basis the distribution of the Infinity (as defined below) in the territories of Hong Kong, China, Macau, Taiwan, Thailand, Singapore, Myanmar, Malaysia, Philippines and Brunei. In the event the minimum quantity requirements are satisfied under the agreement by Healthy Living, the territory would be expanded to include the Middle East. The minimum annual quantity requirements are 1,000 for the first year and 8,000 for the second year.

On March 31, 2019, the Founders, Serov Holdings and the Corporation entered into an agreement to amend transferred shares (the “**Amending Agreement**”) in connection with the revaluation of the intellectual property originally transferred from the Founders to the Corporation pursuant to the IP Assignment Agreements. The Amending Agreement provided for: (i) the reduction of 3,348,000 Common Shares issued to Dimitry Serov; and (ii) the reduction of 2,232,000 Common Shares issued to Igor Serov, both in connection with the transfer of intellectual property pursuant to the IP Assignment Agreements. In connection therewith, Serov Holdings agreed to surrender for cancellation 5,580,000 Common Shares held by it in order to reflect the agreement by the Founders to reduce the consideration received pursuant to the IP Assignment Agreements.

The Corporation does not anticipate any changes to its business during the current financial year.

Description of the Business

The Corporation is currently engaged in business of production, distribution and sales of devices intended to protect persons from the harmful effects of electromagnetic emissions. The Corporation currently has six principal products: Air Shield Extreme, Aires Black Crystal, Aires Defender Infinity, Aires Defender Automotive, Aires Shield Pro and Aires Defender Pro (the “**Aires Products**”) and has further products in the development phase.

For each of the Corporation's products, the resonator antenna captures electromagnetic impulse from the electronic device and when the charge is accumulated, the charge is reallocated on to the microprocessor. Surface wave is generated and the microprocessor's slot matrix creates a three-dimensional field structure, consisting of regularly alternating maximum and minimum field gradients. The resulting hologram interacts with external radiation, modifies it (by direct and inverse Fourier conversion), harmonizing it with the body's own radiation, thus preventing conflict between external radiation and radiation of biological cells.

Principal Products

As noted above the Corporation currently has five principal products being manufactured and sold to consumers. Each of the products is described below.

Air Shield Extreme

Aires Shield Extreme (“**Shield**”) is designed to minimize electromagnetic anomalies to reduce the effects of electromagnetic radiation from mobile communication devices such as smartphones, cell phones, personal digital assistant devices and other similar electronic devices. The Shield is placed on the body of the device via an adhesive backing. Most recently the Shield has a retail price of approximately USD\$55.95. The components of the Shield are as follows:

1. **Protective layer** - Polyurethane resin type colorless, transparent compound protecting the product from mechanical effects (manufactured by Caryes Equipment s.r.l, Italy);
2. **Aires K-8 microprocessor** - Single-crystal silicon plate with an etched topology pattern - photomask-based microlithography technology is a coherent converter with a custom-designed annular slot diffraction array, applied to the surface thereof, which forms a resonance response in the form of a spherical fractal field, harmonizing external anthropogenic and natural electromagnetic fields interacting therewith by amplitude, frequency, phase and interaction diagrams (historically manufactured by Angsterm Scientific Production Organization, Russia; Integral, OJSC, Belarus);
3. **KDR-2 resonator-antenna** - Copper and gold coating printed circuit boards is an annular conductive matrix, applied to the base that captures electromagnetic radiation of an electronic device and reallocates it to the microprocessor (historically manufactured by Hong Kong, Evergreen (H.K.) PCB Ltd.);
4. **Base** - FR4 fiber-glass Kingboard Laminates Tg130 (China) with Fotochem FSR—8000 mask (Taiwan) applied as an adhesive layer to be fixed on the surface of an electronic device.
5. **Adhesive layer** - Double-sided tape. Composition: foam polyethylene, adhesive layer - rubber (Scotch-Mount, China).



Aires Black Crystal

Aires Black Crystal (“**Crystal**”) is designed to minimize electromagnetic anomalies to reduce the effects of electromagnetic radiation emitted by TVs, computers and various large household appliances. The Crystal is placed on the body of the device using an adhesive backing. Four holes in the corners of the

Crystal enable the Crystal to be sewed onto clothing if required. The Crystal has a retail price of approximately USD\$55.95. The components of the Crystal are as follows:

1. **Aires K-8 microprocessor** - Single-crystal silicon plate with an etched topology pattern - photomask-based microlithography technology is a coherent converter with a custom-designed annular slot diffraction array, applied to the surface thereof, which forms a resonance response in the form of a spherical fractal field, harmonizing external anthropogenic and natural electromagnetic fields interacting therewith by amplitude, frequency, phase and interaction diagrams (historically manufactured by Angsterm Scientific Production Organization, Russia; Integral, OJSC, Belarus);
2. **KDR-2 resonator-antenna** - Copper and gold coating printed circuit boards is an annular conductive matrix, applied to the base that captures electromagnetic radiation of an electronic device and reallocates it to the microprocessor (manufactured by Hong Kong, Evergreen (H.K.) PCB Ltd.);
3. **Base** - FR4 fiber-glass Kingboard Laminates Tg130 (China) with Fotochem FSR—8000 mask (Taiwan) applied as an adhesive layer to be fixed on the surface of an electronic device.

The resonator antenna captures electromagnetic impulse from the electronic device and when the charge is accumulated, the charge is reallocated on microprocessor. Surface wave is generated and the microprocessor's slot matrix creates a three-dimensional field structure, consisting of regularly alternating maximum and minimum field gradients. The resulting hologram interacts with external radiation, modifies it (by direct and inverse Fourier conversion), harmonizing it with the body's own radiation, thus preventing conflict between external radiation and radiation of biological cells.

The main difference between the Shield and the Crystal are that the Crystal is designed for large devices, such as desktop computers, and the Shield is designed for smaller devices, such as mobile phones.



Aires Defender Infinity

Aires Defender Infinity (“**Infinity**”) is designed to minimize electromagnetic anomalies to reduce the effects of electromagnetic radiation from electromagnetic background, generated by numerous radiation sources: office and household appliances, electrical wires, wireless communication, TV antenna and similar large products. The Infinity is designed to be placed in your pocket, wallet, purse, etc. Most recently, the Defender has a retail price of approximately USD\$239.95. The components of the Infinity are as follows:

1. **Aires 9K-8 microprocessor** - Single-crystal silicon plate with an etched topology pattern - photomask-based microlithography technology is a coherent converter with a custom-designed annular slot diffraction array, applied to the surface thereof, which forms a resonance response in the form of a spherical fractal field, harmonizing external anthropogenic and natural electromagnetic fields interacting therewith by amplitude, frequency, phase and interaction diagrams (manufactured by Angsterm Scientific Production Organization, Russia; Integral, OJSC, Belarus);

2. **KDR-2 resonator-antenna** - Copper and gold coating printed circuit boards is an annular conductive matrix, applied to the base that captures electromagnetic radiation of an electronic device and reallocates it to the microprocessor (manufactured by Hong Kong, Evergreen (H.K.) PCB Ltd.);
3. **Base** - FR4 fiber-glass Kingboard Laminates Tg130 (China) with Fotochem FSR—8000 mask (Taiwan) applied as an adhesive layer to be fixed on the surface of an electronic device.



Aires Defender Automotive

Aires Defender Automotive (“**Automotive**”) is designed to minimize electromagnetic anomalies to reduce the effects of electromagnetic radiation from electromagnetic background to be used inside of an automotive vehicle and place in the near vicinity of the driver. The Automotive has a retail price of USD\$279.95. The components of the Automotive are as follows:

1. **Aires 7K-8 analog microprocessor** - is a coherent converter, a single-crystal silicon plate with a custom-designed annular slot diffraction matrix, applied to the surface thereof, which forms a resonance response in the form of a domed fractal field, harmonizing external electromagnetic fields interacting therewith by amplitude, frequency, phase and interaction diagrams (manufactured by Angsterm Scientific Production Organization, Russia; Integral, OJSC, Belarus);
2. **KDR-2 resonator-antenna** - Copper and gold coating printed circuit boards is an annular conductive matrix, applied to the base that captures electromagnetic radiation of an electronic device and reallocates it to the microprocessor (manufactured by Hong Kong, Evergreen (H.K.) PCB Ltd.);
3. **Base** - FR4 fiber-glass Kingboard Laminates Tg130 (China) with Fotochem FSR—8000 mask (Taiwan) applied as an adhesive layer to be fixed on the surface of an electronic device.



Air Shield Pro

Aires Shield Pro (“**Shield Pro**”) is designed to reduce the radiation from mobile communication devices such as smartphones, cell phones, personal digital assistant devices and other similar electronic devices. The Shield Pro is placed on the body of the device via an adhesive backing. The Shield Pro has a 3rd generation K-16 microprocessor as detailed below. Most recently the Shield Pro has a retail price of approximately USD\$59.95. The components of the Shield Pro are as follows:

1. **Protective layer** - Polyurethane resin type colorless, transparent compound protecting the product from mechanical effects (manufactured by Caryes Equipment s.r.l, Italy);

2. **Aires K-16 microprocessor** - Single-crystal silicon plate with an etched topology pattern - photomask-based microlithography technology is a coherent converter with a custom-designed annular slot diffraction array, applied to the surface thereof, which forms a resonance response in the form of a spherical fractal field, harmonizing external anthropogenic and natural electromagnetic fields interacting therewith by amplitude, frequency, phase and interaction diagrams (manufactured by OnSemiconductor, Belgium);
3. **KDR-2 resonator-antenna** - Copper and gold coating printed circuit boards is an annular conductive matrix, applied to the base that captures electromagnetic radiation of an electronic device and reallocates it to the microprocessor. (manufactured by Hong Kong, Evergreen (H.K.) PCB Ltd.);
4. **Base** – Glass teckstolite black FR4 (GF113 Black Laminate) applied as an adhesive layer to be fixed on the surface of an electronic device. (manufactured by Goldenmax International Technology LTD, Shanghai.);
5. **Adhesive layer** - Double-sided tape. Composition: foam polyethylene, adhesive layer - 468MP (3M, JAV), 80 micron PVC intermediate, (Orakal, Germany).



Air Defender Pro

Aires Defender Pro (“**Defender Pro**”) has two next-generation silicon-based microprocessors that provide universal protection from electromagnetic radiation pollution coming from widely spread personal communication devices, power lines and cellular towers. The Defender Pro has a 3rd generation K-28S microprocessor as detailed below. Most recently the Defender Pro has a retail price of USD\$225. The components of the Defender Pro are as follows:

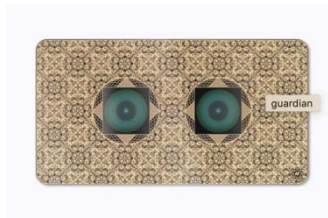
1. **KDR-2 resonator-antenna** - Copper and gold coating printed circuit boards is an annular conductive matrix, applied to the base that captures electromagnetic radiation of an electronic device and reallocates it to the microprocessor. (manufactured by Hong Kong, Evergreen (H.K.) PCB Ltd.);
2. **Aires K-28S microprocessor** - Dual-crystal silicon plate with an etched topology pattern - photomask-based microlithography technology is a coherent converter with a custom-designed annular slot diffraction array, applied to the surface thereof, which forms a resonance response in the form of a spherical fractal field, harmonizing external anthropogenic and natural electromagnetic fields interacting therewith by amplitude, frequency, phase and interaction diagrams (manufactured by OnSemiconductor, Belgium).



Air Guardian

Aires Guardian (“Guardian”) has three next-generation silicon-based microprocessors that provide universal protection from electromagnetic radiation pollution coming from widely spread devices found in and around typical homes and offices. The device is used for general area protection including the inside of an automotive vehicle and near the vicinity of the driver. The Guardian has a 3rd generation K-32S microprocessor as detailed below. Most recently the Guardian has a retail price of USD\$290. The components of the Guardian are as follows:

1. **KDR-2 resonator-antenna** - Copper and gold coating printed circuit boards is an annular conductive matrix, applied to the base that captures electromagnetic radiation of an electronic device and reallocates it to the microprocessor. (manufactured by Hong Kong, Evergreen (H.K.) PCB Ltd.);
2. **Aires K-32S microprocessor** - Triple-crystal silicon plate with an etched topology pattern - photomask-based microlithography technology is a coherent converter with a custom-designed annular slot diffraction array, applied to the surface thereof, which forms a resonance response in the form of a spherical fractal field, harmonizing external anthropogenic and natural electromagnetic fields interacting therewith by amplitude, frequency, phase and interaction diagrams (manufactured by OnSemiconductor, Belgium).



Principal Markets

Global consumers of electronic devices such as smartphones, tablets and computers are the principal target market of the Corporation. The Corporation intends to continually improve its existing products and introduce new products to obtain a greater share of the market and to diversify its exposure to one market segment.

The Corporation’s client base is currently focused on the North American market (approximately 87% of its historic sales), however, the Corporation has received and shipped orders in the following countries globally (representing approximately 13% of its historic sales): Australia, United Kingdom, Sweden, Hong Kong, Norway, Germany, France, Singapore, Belgium, Bulgaria, New Zealand, Ireland, Denmark, Brazil, India, Mexico, Switzerland, Malaysia, Netherlands, Austria, Finland, Italy, Poland, UAE, Barbados, Cyprus, Gibraltar, Greece, Israel, Japan, Latvia, Lithuania, Malta, Russia, Saudi Arabia, Spain and Trinidad and Tobago. Future marketing plans include continuing efforts to increase global product awareness. Based on the Corporation’s research, the customer demographic can be segmented into three groups:

Consumers ages 38-64

Mature buyer, typically buying for self and immediate family. This demographic is very health conscientious and responds particularly well to the Corporation’s value proposition, line of products and pricing strategy.

New Parents

New parents are often concerned about the health impact of EMR emitting devices, such as cell phones, particularly in relation to their children's health. Unable to avoid using EMR emitting technology, they seek a means of protecting their children.

Healthy Living Consumers

Based on previous marketing experiments (e.g. social media endorsements), this segment responds particularly well, and has substantial disposable income. The typical healthy living demographic buyer is purchasing for self-use, or for others.

Sales and Marketing

The distribution channels for the Corporation initially consisted of brick and mortar retail channels in Canada, selling the product through a variety of independent Canadian stores and chains such as Baby Land, Healthy Planet, Nature's Emporium and Smith's Pharmacy, among others. However, the Corporation switched to online sales in 2016 and found online sales to be a far more effective distribution channel, selling the product directly to customers and allowing the Corporation to target a global clientele. Further, in addition to the above, the Corporation previously had five distributors outside of Canada (Sweden, United States, Bulgaria, Norway and United Kingdom) that purchased its products and sold them both online and in retail stores. The Corporation did not enter into any written agreements or termination agreements with each of these distributors and simply terminated the relationship with each distributor by not providing them with further products for distribution.

In management's view, the benefits of the current online direct to consumer distribution model include a superior level of customer service, less cash flow pressures, higher profit margins and the ability to operate globally. In addition, this distribution method also reduces the dependency on third party distributors. The following is a summary of the sales generated both before and after the Corporation's transition to an online focused sales approach:

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------|--------------|--------------|--------------|--------------|--------------|
| Online | \$40,241.84 | \$36,669.55 | \$101,106.28 | \$224,314.26 | \$453,104.48 |
| Retail/Wholesales | \$233,521.30 | \$229,409.34 | \$139,460.53 | \$128,255.74 | \$79,105.20 |
| Total | \$273,763.14 | \$266,078.89 | \$240,566.81 | \$352,570 | \$532,209.68 |

Note:

- (1) *The Corporation experienced a significant increase in sales from Q3 2017 to Q4 2017 due to the participation by the Corporation in Q4 2017 in international online Boxing Day and Cyber Monday events, as well as a wholesale order from Hong Kong.*

The Corporation is currently advertising its products through the internet using SEO marketing, Google AdWords and social media. The Corporation is currently working with a company called Ad Wave Inc. which is providing the Corporation with online marketing services and web design services.

While North America is currently the Corporation's main focus, the Corporation advertises internationally to countries worldwide. The overall marketing strategy consists of search advertisements, organic search, social media and online video advertising, all leading to direct sales through the Corporation's website. The customers are able to shop from both mobile and desktop platforms and once orders are received from the Corporation, the products are shipped directly to the customer, either through inventory on hand or through direction provided by the Corporation to its manufacturer.

The Corporation is primarily focused on utilizing social media outlets to promote and drive engagement with its potential customer base. Active marketing campaigns utilizing search engine optimization, search engine advertising and social media platforms includes but is not limited to: LinkedIn, Twitter, Facebook, Instagram and augmented through the use of press releases and news wire services to engage the Corporation's target audience. The Corporation also participates in various expositions and trade shows typically sponsored by government agencies and specific industry driven groups.

Research and Development

Since its inception, the Corporation has been conducting research and development, through Aires Research. The technology specifically targets cellular phone, Wi-Fi radiation and general EMR emitted by consumer electronic devices. Aires Research continues to operate as the Corporation's main research partner, and through Aires Research's laboratory in St. Petersburg, Russia, continues to develop and act as the main co-ordination point with outside research partners that include universities, partnering firms and other research laboratories.

The Corporation's technology was originally developed in the Russian Federation. The Corporation acquired the rights to the technology in exchange for common shares as stated in this Prospectus. Currently, the Corporation is a party to the Research Agreement with Aires Research, a non-profit foundation as noted above. The Corporation chose to conduct business with Aires Research because of the following reasons: Aires Research employs the team that originally developed the technology; R&D costs and wages are significantly lower in the Russian Federation; and, the engagement of Aires Research eliminates any lead time and cost associated with creating, training a new team and having the new team learn the knowledge already developed by Aires Research.

For greater certainty, the Corporation does not conduct any business whatsoever in the Russian Federation nor does it have any intention to do business in the Russian Federation at any time in the future. All company functions are carried out outside of the Russian Federation and the only remaining connection in the Russian Federation is the Research Agreement with Aires Research. Accordingly, the Corporation is not required to have permits or licenses in the Russian Federation to carry on its business, as in fact, it does not carry out any business in the Russian Federation nor own any assets in the Russian Federation.

The Corporation follows a practice of continuous improvement. Accordingly, it intends to continue funding research and development, with the objective of improving the efficiency and efficacy of its current products and their underlying technology. The Corporation intends to secure and engage Canadian research centres at post-secondary institutions to supplement and advance the Corporation's current intellectual property and technology; however, there is no assurance that the Corporation will be able to secure such engagements.

Revenue

The Corporation had revenues of \$532,210 in the year ended December 31, 2018, \$352,570 in the year ended December 31, 2017 and \$240,567 for the fiscal year ended December 31, 2016.

Specialized Skill and Knowledge

The Corporation has a strong management team with significant experience in the development of EMR technology. The founder of the Corporation, Mr. Igor Serov, is well respected in the industry and has won numerous awards for his research and development in the field of EMR technology. Mr. Igor Serov is a valuable asset for management and other development team members. Accountability and oversight of the Corporation rests with the Board. The Board consists of the ideal mix of technology and capital market expertise so as to drive the value and performance of the Corporation from both a development standpoint and a shareholder value perspective. The Corporation will continue to evaluate and potentially expanded its management team to oversee the business development activities of the Corporation and perform all core functions.

Competitive Conditions

The markets for the Corporation's products are competitive and rapidly changing, and a number of companies offer products similar to the Corporation's products and target similar customers. The Corporation believes its ability to compete depends upon many factors within and outside its control, including the timely development and introduction of new products and product enhancements; product functionality, performance, price and reliability; customer service and support; sales and marketing efforts; and the introduction of new products and services by competitors.

At the global level, there are companies with similar products on the market. Some examples of competitors include: Pong, Sar Shield and Bodywell. However, the Corporation does not intend to focus on technology or products that other companies use or are developing. Generally speaking some of these companies offer products that are made out of mineral elements using a homeopathic/holistic approach. To the Corporation's knowledge, it has no direct competitors but there is no assurance that this is in fact the case, or that a superior product will not develop in the near future. All these factors could have a material adverse effect on the Corporation's business.

In addition, the Corporation believes it has a first mover advantage in the equity markets as to the Corporation's knowledge there are currently no other publicly listed EMR technology companies. However, it is expected that there may be a number of other companies intending to enter into the public markets in the near future.

New Products

The Corporation's products described herein are currently the only products being sold by the Corporation. The Corporation launched new products in November and late December 2018. The new products are the Aires Defender Pro, the Aires Shield Pro and Aires Guardian, which are essentially improvements on, respectively, the Aires Defender Infinity, Aires Shield Extreme and the Aires Defender Automotive). The Corporation incurred costs of approximately USD\$40,000 for the development of these products. The new products are similar to the current products with the exception of minor improvements with respect to each new product's resonator antenna, microprocessor, overall range of effectiveness and packaging.

Production, Distribution and Components

Previously the Corporation's products were assembled and packaged in the Russian Federation, however, beginning in July 2018 the Corporation transitioned its assembly and packaging activities so that all its products are now assembled and packaged in Vilnius, Lithuania (European Union) by UAB, an independent third party (Note: Dimitry Serov and Igor Serov were directors of UAB until their resignation on June 13, 2018). Currently UAB is assembling and packaging the Corporation's products as required by the Corporation, but there can be no assurance in the future that UAB will be in a position to assemble and package the Corporation's products in a timely manner and in accordance with the Corporation's requirements. All of these factors could have a material adverse impact on the Corporation and its business. See "Risk Factors". The Corporation believes that switching its assembly and packaging from the Russian Federation to Lithuania will result in reduced geo-political and operational risk and facilitate greater market penetration into the European Union.

Despite the above, the Corporation believes that switching its assembly and packaging from the Russian Federation to Lithuania will result in reduced operation risks, eliminate duties for export into Canada and facilitate greater market penetration, especially into the European Union.

The Corporation does not have any guaranteed supply agreement for any of the components of its various products. The Corporation utilizes a network of international suppliers. The base (resonator antenna) component of its products is currently manufactured in Hong Kong by Evergreen (HK) PCB Ltd. The microprocessors are manufactured by ON Semiconductor Corporation in Belgium. The Corporation does not have any supply agreements with either ON Semiconductor or Evergreen (HK) PCB Ltd. given the difference in relative size between the Corporation and these suppliers. In the event that these suppliers are not able to manufacture the components to the specifications requested by the Corporation, it has contacts with other suppliers in other parts of the world. However, there can be no assurance that the Corporation will receive the components for its products in a timely manner and in accordance with its requirements, or at all. This could have a material adverse impact on the Corporation and its business. See "Risk Factors".

The Corporation's business model focuses on sales and marketing through its online social media platforms as noted above. The Corporation is focused on maintaining control over its marketing and sales efforts and accordingly sells its products directly to its customers online mainly through its website. The Corporation believes that by maintaining control over marketing and distribution procedures it will enable the Corporation to maintain control of the reputation of its products and alleviate any risk that results from third parties marketing and distributing its products. Further, the Corporation is of the view that it will be able to achieve higher profit margins by selling the product directly to its consumers.

Components for the Corporation's products have historically been made by various suppliers in China, Hong Kong, Belgium, Moscow, Russia, and Minsk, Belarus. The Corporation is constantly looking for other suppliers, who are able to provide improved components more efficiently, and in order to diversify its supplier base.

On October 15, 2017 the Corporation entered into a manufacturing agreement (the "**Manufacturing Agreement**") with UAB, an independent third party incorporated under the laws of Lithuania, whereby UAB agreed to assemble and package the Corporation's products from components supplied by suppliers approved by the Corporation which commenced in July 2018 (Note: Dimitry Serov and Igor Serov were directors of UAB until their resignation on June 13, 2018). At such time, the Corporation's five products as noted below will be manufactured by UAB to the specifications of the Corporation, at prices agreed to by the parties, subject to adjustments to be agreed upon 180 days' notice. UAB will provide these services from its manufacturing facilities in Lithuania and ships the products to the Corporation's head office in Ontario, Canada. The Corporation is required to pay the price for the manufacturing of the

products within thirty (30) days from receipt of an invoice from UAB. The Manufacturing Agreement is for a period of five (5) years with an automatic one year renewal, unless terminated by either party on not less than ninety (90) days prior to the expiry of the term.

The Corporation commenced the delivery of all parts and software for its suppliers to UAB in July 2018 and UAB currently assembles, packages and ships the product in final packaged form either to the customer directly or to the Corporation as determined on direction by the Corporation. For products shipped to the Corporation, the Corporation will receive the product from UAB, sell the product on its website and then ship the product using standard shipping companies. UAB has received all components from the Corporation's vendors and began product assembly on August 15, 2018. The first batch of the products has been received in the Corporation's Canadian facilities in November 2018.

Under the terms of the Manufacturing Agreement, UAB and the Corporation have agreed that: (i) any inventorship laws shall be determined under Canadian patent laws; (ii) UAB shall assign any and all rights and title to any intellectual property related to the Corporation's business that has been solely or jointly conceived or developed or may arise out of any research or other activity conducted under the direction of the Corporation; and (iii) each party shall be subject to standard confidentiality clauses to protect the confidential information of each party that is received by the other party during the term of the Manufacturing Agreement and for a period of five years following termination of the Manufacturing Agreement.

Intangible Properties and Application Process

Grant Thornton LLP ("GT LLP") has prepared a valuation report (the "**Valuation Report**") with respect to the Corporation's intellectual property. Based on the assumptions in the Valuation Report, the estimated fair value of the Corporation's intellectual property is in a range from \$1,087,000 to \$1,394,000. More specifically, GT LLP has selected the midpoint of range or \$1,233,000 as noted in the Valuation Report. In determining the fair value of the intellectual property as at January 1, 2017 (the "**Valuation Date**"), the fair value is deemed equal to the present value of the estimated cash flows to be realized from the asset over its useful life. GT LLP selected an income approach to value the intellectual property, specifically the relief-from-royalty method. GT LLP corroborated the fair value, as determined with an income approach, with a cost approach, specifically the replacement cost method.

Based on the relief-from-royalty method, and subject to the scope, assumptions, and restrictions and qualifications noted in the Valuation Report, the fair value of the intellectual property was determined to fall in the range from approximately \$1.09 million to \$1.39 million, with a midpoint of \$1.23 million.

Some of the significant assumptions that the above valuation was based on were management's forecast based on expectations of unit sales volumes and prices, as well as costs of goods sold for each product. In addition, management reviewed historical operating expenses and prepared a forecast of the expected operating expenses in the forecast period based on both historical levels as well as the levels required to achieve the forecast revenue growth. Specifically, the sales price per unit was forecast at \$50, \$200, and \$250, for device protection devices (namely, Aires Black Crystal, Aires Shield and Aires Shield Extreme), personal protection devices (namely, Aires Defender and Aires Defender Infinity), and area protection devices (namely, Aires Defender Automotive), respectively. The margins on each product were forecast at \$41, \$142, and \$175, respectively. Unit sales were expected to increase by approximately 21% in 2018, followed by growth in 2018, 2019, and 2020 once the impact of increased marketing was expected to occur. Historical unit sales have ranged from approximately 800 to 4,300 and the area protection devices were first offered for sale in late 2016, and were expected to experience rapid sales growth even without extensive marketing. Further, management expected buyers to replace their products approximately in line with cell phone replacement cycles, or every three to five years.

Based on the replacement cost method, and subject to the scope, assumptions, and restrictions and qualifications noted herein, the fair value of the intellectual property was determined to fall in the range from approximately \$1.33 million to \$1.51 million, with a midpoint of \$1.36 million.

In GT LLP's experience, a purchaser would not pay more than: (a) the present value of the future cash flows from the asset; or (b) the cost avoided by not having to recreate the asset. Given the relief-from-royalty method provides the lower value range, and subject to the scope, assumptions, and restrictions and qualifications noted herein, GT LLP concluded the fair value of the intellectual property to be in the range from approximately \$1.08 million to \$1.39 million, with a midpoint of \$1.23 million.

Industrial Designs (Design Patents)

The process of protecting industrial designs begins with the submission of an application including drawings. Filing an initial application in the applicant's country of origin (or a foreign country that permits such a filing) satisfies this requirement. For example, Canadian applicants are permitted to file initial applications in the United States Patent and Trademark Office.

Generally speaking, the industrial design system requires that the applied for design must be new (novel), relative to what was publicly known (or in some cases used, sold, or offered for sale publicly) at the date of the application.

Once the initial application has been filed, further applications in foreign countries must be filed within six (6) months under an international treaty called the Paris Convention, otherwise, rights to the design can be lost in those countries. In this regard, the Paris Convention provides that the filing of an initial industrial design application establishes a priority date for the invention in all other countries that are party to the Paris Convention, including countries such as Canada, the United States, Russian Federation, among others, as well as regional offices such as the European IP Office.

In most jurisdictions, such as Canada and the United States, examination by the relevant office comprises an examination of the art to which the design pertains as it existed at the priority date of the application. This examination establishes what is referred to as the "state of the art." The industrial design application is compared against the state of the art, and an assessment is made regarding whether the design is new. Therefore, the time required to complete the process of examination differs from country to country and the scope of protection may differ depending upon the law of each country. In general, it will take several months or years from the date of application until the industrial design registration is granted.

Once an industrial design registration has been granted (referred to as a "design patent" in the United States), renewal or maintenance fees may need to be paid to maintain the industrial design registration. Further, once an industrial design registration has been granted, the owner has the exclusive rights to make, use and sell articles embodying the industrial design throughout the lifetime of the registration unless the validity of the industrial design registration is challenged. This means that the owner can decide to exclusively use it for his/her/its benefit and prevent others from using it. Alternatively, the owner can allow others to use it under the terms of a license agreement. The terms of the license agreement define the limited scope of the use of the industrial design registration and the consideration to be paid for the use of it.

Enforcement of intellectual property rights varies from country to country. The remedies for unauthorized (industrial design infringement) available to the owner can include an injunction, which stops further infringement of the registration, damages or account of profits in some jurisdictions, and a portion of the legal costs involved in infringement proceedings.

Trademarks

Trademarks can be one or a combination of words, sounds or designs (also known as logos or devices) used to distinguish the goods or services of one person or organization from those of others in the marketplace. For example, a trademark can function as the brand name for a product, for a product line, or for a service. A trade name or a business name is a trademark if it functions both as a business name and as a trademark.

In Canada and some other jurisdictions such as the United States, there are trademarks which are registered under the Trademarks Act or similar legislation and trademarks which are recognized under the common law (unregistered trademarks). Unregistered rights are typically restricted to the geographic area or areas of use and gained a reputation. Not all marks are registrable. For example, a word that describes an inherent feature of the goods or services (i.e., a word that is merely descriptive) is not registrable.

In Canada, an application to register a trademark may be based upon:

1. proposed use in Canada;
2. use in Canada;
3. making known in Canada; and
4. use and registration abroad.

A trademark application, once filed, is examined first as to form and then as to content in the Canadian Trademarks Office. After a check of application formalities, an Examiner in the Office carries out a search of the Trademarks Register to determine if the applied-for trademark would be confused with a mark that had been previously registered or a mark that is the subject of a presently pending application, among others.

Once the initial application has been filed, further applications in foreign countries must be filed within six (6) months, under an international treaty called the Paris Convention, for the foreign application to enjoy a right of priority over intervening third party applications. In this regard, the Paris Convention provides that the filing of an initial trademark application establishes a priority date for the trademark in all other countries which are party to this Convention, including countries such as Canada, the United States, Japan, and Australia, as well as regional offices such as the European Union.

The filing of further trademark applications in foreign countries can be pursued individually or in some instances by filing an application with a regional trademark office, such as the European IP Office.

The Canadian Trademarks Office will issue a report or office action detailing the Examiner's objections, if any, to which a response is due within six months. Once all objections are resolved, a notice advising of its acceptance for advertisement is issued. Third parties wishing to oppose an application that has been advertised have two months after the date of advertisement to file a formal opposition notice.

In Canada, if the application passes the advertisement stage without opposition, then the application may proceed to registration upon payment of a government fee, and, in the case of a proposed use mark, upon the filing of a declaration of use. The requirement to file a declaration of use is set to be deleted with the coming into force of Bill C-31 as early as 2019. Examples or specimens of current use of a trademark at the time of registration or renewal are not required in Canada. In some other countries, such as the United States, specimens of use or other formal requirements are required.

A trademark registration in Canada remains in force for 15 years with unlimited 15-year renewal periods on payment of a fee (for new marks and renewals, this term will change to 10 years upon the coming into force of Bill C-31 as noted above). In most other countries, the term of a registered trademark is ten years, and subject to ten-year renewal periods.

The Canadian Trademarks Act contains provisions whereby the Registrar may at any time (and must at the written request by a third party who pays a prescribed fee), unless the Registrar sees good reason to the contrary, give notice to the registered owner of a trademark requiring the owner to furnish evidence showing that its mark was in use in Canada in association with each good and service listed in the registration at any time during the three-year period immediately preceding the date of the notice, and, if it is not in use, the date when it was last so in use, including the reasons for the absence of such use, since the date given. The evidence of use filed by the owner must be filed in the form of an affidavit or statutory declaration. "Use" is defined in the Trademarks Act.

A registered trademark can be challenged in Court proceedings. Grounds for expungement include ownership of a trademark, distinctiveness of a trademark, abandonment of a registered trademark, and non-use of a trademark.

Trademark Licensing

According to section 50 of the Canadian Trademarks Act, a licensee includes a person other than the owner who is using the trademark under the control of the trademark owner. The use, advertisement or display of a trademark by a licensee will be considered to be use by the owner if the conditions of section 50 are met, namely: (i) the entity is licensed by or with the authority of the owner; and (ii) the license gives the owner direct or indirect control of the character or quality of the goods or services sold or provided in association with the trademark.

It is not mandatory that any license is in writing, although a written license is recommended. A trademark license typically covers the basic elements of control of the character and quality of the goods and services in association with which the marks are used, including use as part of a trade name or corporate name, termination for cause, inspection, marking, etc. According to the Act, if the public is notified of the identity of the owner of a trademark and the fact of its licensed use, then there will be a rebuttable presumption in legal proceedings that the use is licensed and that there is the necessary control.

Corporation's Intellectual Property

Intangibles such as industrial designs, trademarks, software, technology know-how all have a significant effect on the Corporation's business. The Corporation is focused on the development of EMR protection devices to protect users from the harmful effects of EMR. During the existence of the Corporation, the Corporation has been focused on researching and developing technology related to its products.

The Corporation has engaged intellectual property lawyers to aid in the filing of industrial designs and trademarks covering the Corporation's products and brands. The Corporation's research and development team has and continues to develop key technology elements for its platform identified as being candidates for intellectual property protection. The industrial designs noted below are the only applications filed in Canada and there is no assurance that these applications will be granted or properly registered or that such applications or registrations will protect the Company's intellectual property outside of Canada or any other noted jurisdiction below. To clarify, the below industrial design applications are not, and the Corporation does not own, utility patents for inventions. Rather, the Corporation is the owner of industrial design applications and registrations. See "Risk Factors".

The following are current industrial designs and trademarks that have been applied for in all jurisdictions:

| Designs | | Status |
|---|---|---------|
|  | ELECTROMAGNETIC RADIATION CONVERTER | |
| | RU Priority Date March 9, 2016 (2016500818) | Granted |
| | CA Filing Date May 4, 2016 (168304) | Granted |
| | US Filing Date May 27, 2016 (29/566,278) | Pending |
|  | ELECTROMAGNETIC RADIATION CONVERTER | |
| | RU Priority Date February 6, 2017 (201700559) | Granted |
| | CA Filing Date June 19, 2017 (175511) | Granted |
| | US Filing Date June 19, 2017 (29/608,088) | Pending |
|  | ELECTROMAGNETIC RADIATION CONVERTER | |
| | RU Priority Date February 15, 2017 (2017500717) | Granted |
| | CA Filing Date June 19, 2017 (175510) | Granted |
| | US Filing Date June 19, 2017 (29/608,091) | Pending |
|  | ELECTROMAGNETIC RADIATION CONVERTER | |
| | RU Priority Date March 5, 2018 (201800545) | Granted |
| | CA Filing Date May 28, 2018 (181,618) | Granted |
| | US Filing Date May 28, 2018 (29/649,182) | Pending |
| | EU Filing Date August 3, 2018 (005535515-0001) | Granted |
|  | ELECTROMAGNETIC RADIATION CONVERTER | |
| | RU Priority Date February 12, 2018 (2018500686) | Granted |
| | CA Filing Date May 28, 2018 (181,619) | Granted |
| | US Filing Date May 28, 2018 (29/649,183) | Pending |
| | EU Filing Date August 3, 2018 (005535515-0002) | Granted |
|  | ELECTROMAGNETIC RADIATION CONVERTER | |
| | RU Priority Date February 19, 2018 (2018500789) | Granted |
| | CA Filing Date May 28, 2018 (181,617) | Granted |
| | US Filing Date May 28, 2018 (29/649,184) | Pending |
| | EU Filing Date August 3, 2018 (005535515-0003) | Granted |
|  | ELECTROMAGNETIC RADIATION CONVERTER | |
| | RU Priority Date March 13, 2018 (2018501190) | Granted |
| | CA Filing Date May 28, 2018 (181,616) | Granted |
| | US Filing Date May 28, 2018 (29/649,185) | Pending |
| | EU Filing Date August 3, 2018 (005535515-0004) | Granted |

Industrial designs that have been granted are entitled to a term of protection of 14 years (U.S.), 10 years (Canada) (set to be extended to 15 years by the Geneva Act (1999) that will be entered into force in Canada on November 5, 2018), 25 years (EU) and 5 years (Russian Federation), contingent upon the payment of applicable renewal fees.

| Trademarks | |
|-------------------------|--|
| AIRES TECH | CA Filing Date May 23, 2018 (1900550) |
| | US Filing Date May 24, 2018 (87934704) |
| AIRES TECHNOLOGY | CA Filing Date May 23, 2018 (1900561) |
| | US Filing Date May 24, 2018 (87934715) |
| AMERICAN AIRES | CA Filing Date May 23, 2018 (1900560) |
| | US Filing Date May 24, 2018 (87934726) |
| AIRES SHIELD | CA Filing Date May 23, 2018 (1900559) |
| | US Filing Date May 24, 2018 (87934729) |
| AIRES DEFENDER | CA Filing Date May 23, 2018 (1900558) |
| | US Filing Date May 24, 2018 (87934735) |
| AIRES GUARDIAN | CA Filing Date May 23, 2018 (1900557) |
| | US Filing Date May 24, 2018 (87934741) |
| AIRES PROTECTOR | CA Filing Date May 23, 2018 (1900556) |
| | US Filing Date May 24, 2018 (87934744) |

Currently, the Corporation does not own any registered trademarks.

Cycles

Neither the products to be offered by the Corporation nor the markets in which it will operate are considered to be cyclical.

Economic Dependence

The Issuer's business is not substantially dependent on any one contract or on any particular third parties.

Employees and Consultants

The Corporation currently has five (5) contractors and employees on staff and will expand that number as required by the demands of its business and financial resources available.

Foreign Operations

The management team works from and engages with suppliers in countries around the world. All team members work remotely, including from offices located in Vaughan, Ontario and St. Petersburg, and management has developed a way to engage suppliers and manage productivity through regular phone calls and use of communication technology.

As noted herein, the Corporation has entered the Manufacturing Agreement with UAB whereby UAB has agreed to assemble and package the Corporation's products from components supplied by suppliers approved by the Corporation. Products will be produced by UAB to the strict specifications of the Corporation, at prices agreed to by the parties and fixed, subject to adjustments to be agreed upon on 180 days' notice. UAB will provide these services from its manufacturing facilities in Lithuania.

As noted herein, the Corporation has entered into a Research Agreement with Aires Research, a non-profit foundation whereby Aires Research will provide technological and product research, development and testing services in respect to the Corporation's products from time to time. Aires Research is a non-profit Russian foundation that is considered to be a related party of the Corporation by virtue of Igor Serov's role as President of Aires Research and a director of the Corporation.

Lending

The Corporation does not have any lending operations as a distinct or significant business.

Bankruptcy

There have been no bankruptcies, receiverships or similar proceedings against the Corporation or any of its subsidiaries within the past three years.

USE OF PROCEEDS

Proceeds

This Offering is subject to minimum gross proceeds of \$7,200,000. The net proceeds to the Corporation from the Offering, after deducting the anticipated Agent's Commission, are estimated to be \$6,040,000 for the Minimum Offering and \$6,364,000 for the Maximum Offering.

The total funds available to the Corporation at the close of the Offering are estimated to be as follows:

| | <u>Minimum Offering</u> | <u>Maximum Offering</u> |
|--|--------------------------|--------------------------|
| Gross Proceeds | \$7,200,000 | \$7,560,000 |
| Less: Commissions | \$576,000 | \$604,800 |
| Less: One percent (1%) aggregate fee paid to Consultants | \$144,000 ⁽¹⁾ | \$151,200 ⁽¹⁾ |
| Less Estimated expenses of the Offering | \$440,000 | \$440,000 |
| Net Proceeds ⁽²⁾ | \$6,040,000 | \$6,364,000 |
| Minus Existing Working Capital Deficit ⁽³⁾ | (\$852,233) | (\$852,233) |
| Total Funds Available | \$5,187,767 | \$5,511,767 |

Notes:

- (1) Each Consultant is entitled to the one percent (1%) fee. The above amounts in the chart are stated based on the aggregate fees payable to the Consultants pursuant to the Consulting Agreements as described under "Business of the Corporation – Three Year History."
- (2) Gross proceeds of a minimum of \$7,200,000 and maximum of \$7,560,000 less the Agent's Commission of 8%. This excludes the proceeds to the Corporation from: the issuance of any Common Shares that may be issued upon exercise of any Agent's Option; any Common Shares that may be issued upon exercise of the outstanding warrants of the Corporation;
- (3) Reflects the Corporation's working capital deficit as at August 31, 2019.
- (4) The Corporation's cash balance as at August 31, 2019 was \$66,074 and the Corporation's cash outflows used by operations for the 8 months ended August 31, 2019 was \$295,894.

Principal Purposes

The proposed use of the Corporation's total funds available for allocation for the next 12 months is anticipated to be as follows:

| <u>Use of Available Funds⁽¹⁾</u> | <u>Minimum Offering</u> | <u>Maximum Offering</u> |
|---|----------------------------|----------------------------|
| Research and development costs | \$1,100,000 | \$1,100,000 |
| Marketing costs ⁽²⁾ | \$2,112,000 | \$2,112,000 |
| Intellectual property costs | \$200,000 | \$200,000 |
| General and administrative | \$1,609,092 ⁽³⁾ | \$1,700,692 ⁽³⁾ |
| Unallocated | \$166,675 | \$399,075 |
| Total Funds Available | \$5,187,767 | \$5,511,767 |

Notes:

- (1) Upon completion of the Offering, the Corporation intends to spend the funds available to it to carry out the purposes set forth in this table and further described under the heading "Use of Proceeds". However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.
- (2) The approximate marketing costs are to be allocated as follows for the following 12 months from the date of this Prospectus: (i) \$201,000 celebrity endorsements (up-front costs and sales royalty); (ii) \$21,000 for a hospital donation; (iii) \$60,000 for special promotional projects; (iv) \$600,000 for general advertising; and (v) \$1,230,000 for other marketing initiatives.
 - a. A detailed breakdown of the \$600,000 for general advertising costs are as follows: \$400,000 for web advertising, \$150,000 for print advertising and \$50,000 for promotional samples of products;
 - b. A detailed breakdown of the \$1,230,000 for other marketing agents includes an international brand awareness initiative whereby the Corporation will engage local advertising firms in Germany \$468,000 (\$180,000 for Google Ads, \$120,000 for Facebook Ads, \$96,000 for Bing Ads and \$72,000 for search optimization costs); France \$312,000 (\$144,000 for Google Ads, \$96,000 for Facebook Ads, \$36,000 for Bing Ads and \$36,000 for search optimization costs, Italy \$246,000 (\$120,000 for Google Ads, \$60,000 for Facebook Ads, \$36,000 for Bing Ads and \$30,000 for search optimization costs); and Spain \$204,000 (\$96,000 for Google Ads, \$48,000 for Facebook Ads, \$30,000 for Bing Ads and \$30,000 for search optimization costs) to promote and market the Corporation and its products.
- (3) Estimated general and administrative expenses of the Corporation for a period of 12 months from completion of the Offering. Management of the Corporation believes that the Corporation's working capital available to fund ongoing operations, assuming the Offering is completed, will be sufficient to meet its operational costs for 12 months.

The Corporation estimates general administrative expenses, totalling \$1,609,092 based on the Minimum Offering and \$1,700,692 based on the Maximum Offering, for the twelve month period following the date of this Prospectus as follows:

| <u>Type of Expense</u> | <u>Minimum Offering</u> | <u>Maximum Offering</u> |
|----------------------------------|-------------------------|-------------------------|
| Salaries and benefits | \$800,000 | \$800,000 |
| Office rent and associated costs | \$125,000 | \$125,000 |
| Public company costs | \$250,000 | \$250,000 |
| Office supplies | \$25,000 | \$25,000 |
| Travel | \$75,000 | \$75,000 |
| Professional fees | \$145,000 | \$145,000 |
| Other | \$189,092 | \$280,692 |
| TOTAL: | \$1,609,092 | \$1,700,692 |

BUSINESS OBJECTIVES AND MILESTONES

The business objectives the Corporation expects to achieve using the available funds are to: (i) complete the Offering; (ii) obtain a listing of the Common Shares on the Exchange; and (iii) further develop its business and expand to other markets around the world. The Corporation's business objectives of completing the Offering and listing on the Exchange will occur on the Closing Date of the Offering. The

following is a general overview of the Corporation's primary business objectives and milestones following completion of the Offering for the next 12 months:

| | Description of business objective and the significant events that must occur to achieve the business objective (Principal Purpose) | Time Frame | Approximate Cost to complete event |
|----|--|--|---|
| 1. | eCommerce Update (Marketing Cost) - The Issuer will update its existing eCommerce platform to create a more efficient marketing tool and streamline operations. | 1 st to 4 th month following completion of Offering | \$100,000 |
| 2. | Scientific Advisory Team (Intellectual Property Cost) - Recruiting a science advisory team to help improve the Issuer's current and future products and its ability to effectively communicate the product to the scientific community as well as the general public. The first key objective of the scientific advisory team will be to facilitate the creation of scientifically significant independent studies further validating the Issuer's product, and seeking publication in leading scientific journals. | 1 st to 4 th month following completion of Offering | \$200,000 |
| 3. | Preparation for Expansion (Marketing Cost) - Adaptation of marketing messaging to regional norms for each new market; preparation for creation of a regional website versions; preparation of creation of ad campaigns for each new market; recruitment of local affiliate marketers and influencers. | 1 st to 4 th month following completion of Offering | \$500,000 |
| 4. | Expansion into New Markets (Marketing Cost) - Setup of local smart-warehouse distribution centres; Increase intensity and refinement of ad campaigns for each new market; Continuation of recruitment of local affiliate marketers and influencers. | 5 th to 12 th month following completion of Offering | \$1,512,000 |

Note:

(1) See "Forward Looking Statements".

The Corporation proposes to use the funds noted above for research and development activities as follows:

| Major Component of Research and Development Activities | Timing and Stage of Completion | Anticipated Costs |
|--|---|--------------------------|
| European/USA Research Study | To commence one month following closing of the Offering and completed two to three months following closing of the Offering | \$215,000 |
| Product development research through Canadian and Russian Studies ⁽¹⁾ | To commence following closing of the Offering and continue on an ongoing basis for 12 months | \$605,000 |

| | | |
|--|--|--------------------|
| Establishment of Scientific Advisory Board | Anticipated to be completed one to two months following closing of the Offering with recruitment beginning following closing of the Offering | \$90,000 |
| Sponsorship with Canadian Universities to evaluate and publish reports on the Corporation's product line | Anticipated to commence one month following closing of the Offering and ongoing for 12 months | \$190,000 |
| TOTAL | | \$1,100,000 |

Note:

- (1) Product development research is conducted by Aires Research as fully detailed above in this Prospectus. *The Issuer intends to complete two studies through the engagement of a Canadian and Russian university professors, lab staff and university facilities for each study to further refine the application of its technology to ensure efficacy with emerging network protocols and exploring new applications for its technology. Each study will require a team consisting of a university professor and two lab assistants and is expected to cost \$200,000 per study (i.e. \$400,000), such costs includes lab time, labour and university costs. Upon completion of the underlying studies, prototypes will be designed, tested, and further refined; incurring an estimated \$100,000 for each study (i.e. \$200,000) in additional research and prototype set up and rework costs. The Issuer has allocated a further \$5,000 for report costs and miscellaneous costs.*

The following is a general overview of the Corporation's additional primary business objectives and milestones following 12 months after completion of the Offering up until 36 months following completion of the Offering:

| | Description of business objective and the significant events that must occur to achieve the business objective | Time Frame | Approximate Cost to complete event |
|----|---|--|---|
| 1. | Expansion into New Markets - Setup of local smart-warehouse distribution centres; Increase intensity and refinement of ad campaigns for each new market; Continuation of recruitment of local affiliate marketers and influencers. | 5 th to 29 th months following completion of Offering | \$1,988,000 |
| 2. | Assessment of Market Expansion Efforts and Optimize Corporate Strategy - Reflect on the previous market expansion efforts, adjust the future strategy, and optimize existing operations. Ongoing research and development efforts that will aim to update the product line by the 36 th month, and potentially add new products. | 30 th to 36 th month following completion of Offering. | \$1,750,000 \$1,600,000 |

Notes:

- (1) See "Forward Looking Statements".
(2) The Corporation will need to secure additional funding in order to achieve these business objectives.

Unallocated Funds in Trust or Escrow

Unallocated funds will be deposited in the Corporation's bank account and added to the working capital of the Corporation. The chief financial officer ("CFO") of the Corporation is responsible for the supervision of all financial assets of the Corporation. Based on the Corporation's cash flow requirements,

management will determine the appropriate level of liquidity required for operations and will draw down such funds as necessary.

DIVIDENDS OR DISTRIBUTIONS

While there are no restrictions in the Corporation's articles or pursuant to any agreement or understanding which could prevent the Corporation from paying dividends or distributions, the Corporation anticipates using all available cash resources to fund working capital and grow its business. As such, there are no plans to pay dividends in the foreseeable future. Any decisions to pay dividends in cash or otherwise in the future will be made by the Board on the basis of the Corporation's earnings, financial requirements and other conditions existing at the time a determination is made.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Financial Statements and MD&As are included as a Schedule "A" to this Prospectus:

- Financial Statements of the Corporation for the years ended December 31, 2018 (audited) and December 31, 2017 and the Management's Discussion and Analysis of the Corporation for the years ended December 31, 2018 and December 31, 2017; and
- Financial Statements of the Corporation for the six months ended June 30, 2019 (unaudited) and 2018 (unaudited) and the Management's Discussion and Analysis of the Corporation for the six months ended June 30, 2019 and 2018.

The financial statements and the financial data derived therefrom and included in this Prospectus have been prepared in accordance with IFRS. The Corporation's MD&A included herein should read in conjunction with the financial statements and the disclosure contained in this Prospectus. The discussions of results are as of the dates stated in the applicable MD&A.

Additional Disclosure for Junior Issuers

The Corporation expects that the net proceeds from the Offering will fund the Corporation's operations for the next 16 to 18 months, at which time the Corporation expects to be cash flow positive from operations. During this period of time the estimated total operating costs for the issuer to achieve its stated business objectives is approximately \$5,500,000. The Corporation does not anticipate making any other material capital expenditures during that time.

DESCRIPTION OF SECURITIES DISTRIBUTED PURSUANT TO THE OFFERING

The Offering consists of 24,000,000 Common Shares for gross proceeds of a minimum of \$7,200,000 (25,200,000 Common Shares for gross proceeds of \$7,560,000 in the event the Maximum Offering is completed) whereby investors may acquire Common Shares at a price of \$0.30 per Common Share. This Prospectus qualifies the distribution of the Common Shares. The issuance of the Agent's Option is qualified under this Prospectus.

Authorized Share Capital

The Corporation is authorized to issue an unlimited number of Common Shares, of which 84,520,000 Common Shares are issued and outstanding as of the date of this prospectus. The following is a summary of the material provisions attaching to the Common Shares. For a full description of the characteristics of the Common Shares, reference should be made to the articles and by-laws of the Corporation.

As of the date of this Prospectus there were 26,000,000 common share purchase warrants outstanding exercisable at \$0.14 per Common Share expiring January 26, 2021.

Common Shares

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation and each Common Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of the Corporation. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Corporation, are entitled to receive such dividends in any financial year as the Board of the Corporation may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Corporation, the remaining property and assets of the Corporation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Agent's Option

The Corporation has agreed to grant to the Agent a non-transferable option (previously defined as the “**Agent’s Option**”) exercisable to acquire that number of Common Shares that is equal to 8% of the number of Common Shares sold pursuant to this Offering at the price of \$0.30 per Common Share for a period of one year following the listing of the Corporation on the Exchange. The Agent’s Option will be qualified under this prospectus. See “*Plan of Distribution*”.

CONSOLIDATED CAPITALIZATION

The following table summarizes changes in the Corporation’s capitalization as at June 30, 2019, as of the date of this prospectus, and following completion of the Offering:

| | June 30, 2019 | As at the date hereof | After giving effect to the Minimum Offering | After giving effect to the Maximum Offering |
|----------------------------|---|---|--|--|
| Common Shares | \$3,905,249 (84,520,000 Common Shares) | \$3,905,249 (84,520,000 Common Shares) | \$9,945,249 (108,520,000 Common Shares) | \$10,269,249 (109,720,000 Common Shares) |
| Agent’s Option | Nil | Nil | 1,920,000 | 2,016,000 |
| Options | Nil | Nil | Nil | Nil |
| Warrants | 26,000,000 | 26,000,000 | 26,000,000 | 26,000,000 |
| Long Term Liabilities | Nil | Nil | Nil | Nil |
| Fully Diluted Total | 110,520,000 | 110,520,000 | 136,440,000 | 137,736,000 |

Note:

- (1) *The Corporation has a right to purchase 26,000,000 Common Shares issued in January 2018 pursuant to agreements signed with each purchaser thereunder (the “Purchase Agreements”), at a price of \$0.05 per Common Share, if the Corporation does not complete a liquidity event prior to October 31, 2019. The Purchase Agreements expire upon the earlier of: (i) the completion of a liquidity event; or (ii) December 31, 2019.*

OPTIONS TO PURCHASE SECURITIES

The Board of the Corporation adopted a stock option plan on April 5th, 2018 (the “**Stock Option Plan**”). The purpose of the Stock Option Plan is to advance the interests of the Corporation by encouraging the directors, officers, employees, management company employees and consultants of the Corporation, and of its subsidiaries and affiliates, if any, to acquire Common Shares in the share capital of the Corporation, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs. The Stock Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of the Corporation’s Common Shares issued and outstanding at the time such options are granted.

The Stock Option Plan will be administered by the Board, which will have full and final authority with respect to the granting of all options thereunder. The Board may terminate the Stock Option Plan at any time in its absolute discretion (without shareholder approval). If the Stock Option Plan is terminated, no further options will be granted but the options then outstanding will continue in full force and effect in accordance with the provisions of this Stock Option Plan, until the time they are exercised, cancelled or surrendered or expire under the terms of the Stock Option Plan and the applicable option agreements. The Board may determine, at the time of granting an option to an Eligible Person (as defined in the Stock Option Plan) pursuant to the Stock Option Plan, the maximum number of Common Shares that may be exercised by such Eligible Person in each year during the term of the option.

Options may be granted under the Stock Option Plan to such directors, officers, employees, management or consultants of the Corporation and its affiliates, if any, as the Board may from time to time designate. The exercise price of option grants will be determined by the Board on the grant date but will not be less than the minimum exercise price permitted by the CSE, such minimum exercise price being the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options.

The Stock Option Plan provides that unless approval of shareholders as required under applicable laws (or the applicable rules and policies of any stock exchange or market on which the shares are listed, if any) is obtained, no options shall be granted to any Employee or Consultant who is an Investor Relations Person, an Associated Consultant, an Executive Officer, a Director (as those terms are defined in the Stock Option Agreement) or permitted assign of these persons if, after the grant of options: (i) the number of securities, calculated on a fully diluted basis, reserved for issuance under options granted to: (A) Related Persons (as that term is defined in the Stock Option Plan), exceeds 10% of the outstanding securities of the Corporation, or (B) a Related Person, exceeds 5% of the outstanding securities of the Corporation, or (ii) the number of securities, calculated on a fully diluted basis, issued within 12 months to: (A) Related Persons, exceeds 10% of the outstanding securities of the Corporation, or (B) a Related person and associates of the Related Person, exceeds 5% of the outstanding securities of the Corporation.

No option may be exercised during a Blackout Period (as that term is defined in the Stock Option Plan), if the participant is then restricted from trading in Common Shares pursuant to any policy of the Corporation or applicable laws. If an expiry date of an option falls on a date within a Blackout Period or within nine business days following the expiration of a Blackout Period, the expiry date for that option will be automatically extended, without any further act or formality, to that date which is the tenth business day after the end of the Blackout Period.

The Board may amend the Stock Option Plan, subject to the requirements of any stock exchange or market on which the Common Shares are listed, if any, including any shareholder approval requirements, subject to certain conditions in favour of the option holders.

All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

Unless otherwise determined by the Board or otherwise specified in the relevant option agreement, if a participant ceases to be an Eligible Person, any unvested portion of any option held by that participant will be immediately forfeited as of the date on which a Participant ceases to be an Eligible Person. In the case of an Employee (as defined in the Stock Option Plan), means the date that is determined by the Board in its sole discretion as the date on which the Employee ceases to actively perform services for the Corporation or any related entity (excluding any notice period which may extend beyond the date on which active services cease) (the “**Termination Date**”). Each Option held by that Participant will terminate on the earlier of the option expiry date set under the terms of the Stock Option Plan and: (i) in the case of termination of employment by the Corporation or a related entity without cause, or the failure of a director standing for election to be re-elected, or the failure by the Corporation or a related entity to renew a contract for services at the end of its term, the date which is 90 days after the Termination Date; (ii) in the case of the death of the Participant, the date which is one year after the death; (iii) in the case of the disability or retirement of the Participant, the date which is one year after the Termination Date; and (iv) in all other cases, the Termination Date.

In the event of an actual or potential Change of Control (as defined in the Stock Option Plan), the Board may, in its sole discretion and on the terms it sees fit, but subject to the Board’s determination to terminate or cause the exchange of any options on a Change of Control and the Corporation giving the affected Participants at least 14 days’ advance notice of the termination or exchange; (i) accelerate the vesting of any unvested options; (ii) cause any options to be terminated; and (iii) cause any options to be exchanged for options or other securities of another entity involved in the Change of Control transaction.

Options Granted

As of the date hereof, the Corporation has not granted any options under the Stock Option Plan.

PRIOR SALES

During the preceding twelve months, the Corporation did not issue any securities.

Trading Price and Volume

The Common Shares are not currently listed on any stock exchange.

ESCROWED SECURITIES AND OTHER SECURITIES SUBJECT TO RESALE RESTRICTIONS

Escrowed Securities

In accordance with NP 46-201, all shares of an issuer owned or controlled by its principals are required to be placed in escrow at the time of the issuer’s initial public offering, unless the shares held by the principal or issuable to the principal upon conversion of convertible securities held by the principal collectively represent less than 1% of the voting rights attaching to the total issued and outstanding

securities of the issuer after giving effect to the initial public offering. Upon completion of the Offering, the Corporation anticipates being an “emerging issuer” as defined in NP 46-201.

Under NP 46-201, a “principal” is: (a) a person who has acted as a promoter of the Corporation within two years of the date of this prospectus; (b) a director or senior officer of the Corporation at the time of this prospectus; (c) a person that holds securities carrying more than 20% of the voting rights attached to the Corporation’s outstanding securities immediately before and immediately after the Corporation’s initial public offering; and (d) a person that: (i) holds securities carrying more than 10% of the voting rights attached to the Corporation’s outstanding securities immediately before and immediately after the Corporation’s initial public offering; and (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Corporation. A principal’s spouse and their relatives that live at the same address as the principal will be deemed principals and any securities of the Corporation held by such a person will be subject to the escrow requirements.

The CSE Policies require that the Escrow Securities be governed by the form of escrow agreement under NP 46-201. Pursuant to the Escrow Agreement, among the Corporation, the Escrow Agent, and the directors, officers and insiders of the Corporation, the Escrow Securities will be released in accordance with the following release schedule under NP 46-201, as on listing, the Issuer anticipates being an "Emerging Issuer" (as defined in NP 46-201):

| | |
|---|---|
| On the Listing Date | 1/10 of the escrow securities |
| 6 months after the Listing Date | 1/6 of the remaining escrow securities |
| 12 months after the Listing Date | 1/5 of the remaining escrow securities |
| 18 months after the Listing Date | 1/4 of the remaining escrow securities |
| 24 months after the Listing Date | 1/3 of the remaining escrow securities |
| 30 months after the Listing Date | 1/2 of the remaining escrow securities |
| 36 months after the Listing Date | The remaining escrow securities |

Assuming there are no changes to the Escrow Securities initially deposited and no additional Escrow Securities are deposited, this will result in a 10% release on the Listing Date, with the remaining Escrow Securities being released in 15% tranches every 6 months thereafter.

All the Escrow Securities are subject to the terms and conditions of the Escrow Agreement and the Escrow Securities may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner inconsistent with the terms of the Escrow Agreement.

The following sets forth particulars of the Escrow Securities that will be subject to Emerging Issuer escrow under the Escrow Agreement on the Listing Date, such securities held by Serov Holdings, a company owned and controlled by Dimitry Serov:

| Designation of Class | Number of Securities in Escrow | Percentage of Class Prior to Offering⁽¹⁾ | Percentage of Class After Completion of the Minimum Offering⁽²⁾ | Percentage of Class After Completion of the Maximum Offering⁽²⁾ |
|-----------------------------|---------------------------------------|--|---|---|
| Common Shares | 39,420,000 | 46.6% | 36.3% | 35.9% |

Notes:

- (1) Based on a fully diluted number of 84,520,000 common shares outstanding prior to completion of the Offering.
- (2) Based on 108,520,000 common shares outstanding after completion of the Minimum Offering and 109,720,000 after giving effect to the Maximum Offering.

Under the terms of the Escrow Agreement, 10% of the Escrowed Securities (a total of 3,942,000 Common Shares) will be released from escrow on the Listing Date. The remaining 35,478,000 Common Shares which will be held in escrow immediately following the Listing Date.

In addition to the Escrow Securities noted above, upon closing of the Offering and the Corporation listing on the Exchange, pursuant to subscription agreements entered into between the Corporation and certain shareholders, there will be 18,300,000 Common Shares subject to a contractual restriction on transfer for 12 months from the Listing Date such Common Shares to be released from the contractual restriction as follows: 25% released 3 months after the Listing Date, 25% released 6 months after the Listing Date, 25% released 9 months after the Listing Date and 25% released 12 months after the Listing Date. The 18,300,000 Common Shares subject to this contractual restriction on transfer represents 21.7% of the Common Shares prior to completion of the Offering, 16.9% of the Common Shares after completion of the Minimum Offering and 16.7% after completion of the Maximum Offering. These 18,300,000 Common Shares are not subject to the Escrow Agreement.

PRINCIPAL SHAREHOLDERS

As at the date of this prospectus, 84,520,000 Common Shares were issued and outstanding. The following table lists the persons who own or will own, directly or indirectly, 10% or more of the issued and outstanding Common Shares:

| Name | Number and Class of Shares Owned | Number and Class of Shares Owned After Offering | Type of Ownership | Percentage of Common Shares Owned Prior to Giving Effect to the Offering ⁽²⁾ | Percentage of Common Shares Owned After Giving Effect to the Minimum Offering ⁽³⁾ | Percentage of Common Shares Owned After Giving Effect to the Maximum Offering ⁽³⁾ |
|------------------------------------|----------------------------------|---|-------------------|---|--|--|
| Serov Holdings Inc. ⁽⁴⁾ | 39,420,000 | 39,420,000 | Direct | 46.6% | 36.3% | 35.9% |

Notes:

- (1) Assuming that no Common Shares are purchased by these persons under the Offering.
- (2) Based on a fully diluted number of 84,520,000 common shares outstanding prior to completion of the Offering.
- (3) Based on a number of 108,520,000 common shares outstanding after giving effect to the Minimum Offering and 109,720,000 after giving effect to the Maximum Offering.
- (4) A company owned and controlled by Dimitry Serov. 39,419,900 of the 39,420,000 Common Shares as noted above were originally issued to Dimitry Serov and Igor Serov on January 1, 2017 in exchange for the intellectual property owned by Dimitry and Igor and a certain shareholder loan transferred to the Corporation by Igor. The remaining 100 Common Shares were issued to Dimitry Serov and Igor Serov as founder shares. The fair market value of the intellectual property was calculated, based on the Valuation Report plus the value of certain shareholder loans transferred (\$1,233,000 + \$173,617 = \$1,406,617 at a price of \$0.05 per share equals 28,132,340 common shares). Subsequently thereafter, Igor Serov transferred all of the Common Shares which were issued to him in exchange for: (i) intellectual property noted above; and (ii) for services rendered from 2012 to 2016, such services having a deemed fair market aggregate value of \$564,378 and exchanged at a deemed price of \$0.05 per share, for no consideration, to Dimitry Serov. On March 21, 2018 Dimitry Serov transferred the 39,420,000 Common Shares to Serov Holdings in exchange for shares in the capital of Serov Holdings on a tax deferred "rollover" basis pursuant to s. 85 of the Income Tax Act (Canada).

DIRECTORS, OFFICERS AND KEY PERSONNEL OF THE CORPORATION

The following table sets out, for each of the Corporation's directors and executive officers, the individual's name, municipality of residence, position(s) with the Corporation, principal occupation during the five preceding years, and if a director, the month and year in which such individual became a director. As of the date of this Prospectus, the directors and executive officers of the Corporation, as a group, own beneficially, directly or indirectly, or control or direct 45,500,000 common shares, representing approximately 50.5% of the outstanding common shares.

| Name and Address | Position(s) Held with Applicant | Officer/Director since | Principal Occupations During Past Five Years | Common Shares Beneficially Owned, Controlled or Directed (%) ⁽²⁾ |
|---|--|------------------------|---|---|
| Dimitry Serov ⁽¹⁾⁽³⁾ Richmond Hill, Ontario | CEO, President, Secretary-Treasurer and Director | May 15, 2012 | CEO, President and Secretary-Treasurer of the Corporation | 39,420,000 (46.6%) |
| Igor Serov St. Petersburg, Russia | Director | September 26, 2017 | President of Aires Research, a non-profit entity that engages in scientific research activities for the Corporation and other companies. Aires Research is currently active and carrying on business. | Nil |
| Ruslan Elensky ⁽¹⁾⁽⁴⁾ Vaughan, Ontario | Independent Director | September 26, 2017 | Entrepreneur, investor, commercial real estate owner and business developer. | 500,000 (0.6%) |
| Tony Di Benedetto ⁽¹⁾⁽⁴⁾ Toronto, Ontario | Independent Director | May 14, 2018 | Consultant with Drone Delivery Corp. since June 2019; Chief Executive Officer of Drone Delivery Canada Corp. (from January 2013 to June 2019), a technology company focused on designing, developing and implementing a commercial viable drone delivery system with Canada. Drone Delivery is currently active and carrying on business. | Nil |
| Christopher Irwin Toronto, Ontario | Director | May 14, 2018 | Partner at Irwin Lowy LLP, an Ontario law firm focused on corporate and securities law, which is currently active and carrying on business. | Nil |

| Name and Address | Position(s) Held with Applicant | Officer/Director since | Principal Occupations During Past Five Years | Common Shares Beneficially Owned, Controlled or Directed (%) ⁽²⁾ |
|-----------------------------------|---------------------------------|------------------------|---|---|
| Robert Suttie Toronto, Ontario | Chief Financial Officer | May 14, 2018 | Vice President of Marrelli Support Services Inc., a firm providing secretarial, financial reporting and part-time CFO services to Canadian companies, which is currently active and carrying on business. | Nil |

Notes:

- (1) Member of the Audit Committee. Mr. Elensky is the chair of the Audit Committee.
- (2) Based on 84,520,000 common shares outstanding as at the date of this Prospectus.
- (3) Held through Serov Holdings Inc., a company owned and controlled by Dmitry Serov.
- (4) Independent director.

Term of Office

The Directors are elected at each annual general meeting and hold office until the next annual general meeting or until their successors are duly elected or appointed in accordance with the Corporation's Articles or until such director's earlier death, resignation or removal.

Biographical Information

The following is a brief description of the background of the Directors and executive officers of the Corporation:

Dimitry Serov, Director, CEO, President, Secretary-Treasurer, age 37

Founder and CEO and President of the Corporation, Dimitry Serov is responsible for day to day operating activities that include overseas manufacturing, marketing sales and distribution. Dimitry holds a diploma from St. Petersburg's College of Economics and Business Management which he obtained in 2003. Mr. Serov has held various sales and executive management positions in the automotive sector with BMW, Mercedes Benz and Audi. Dimitry's involvement with the technology has been instrumental in facilitating the adaptation of the original Aires technology into its current consumer-oriented form. Dimitry intends to devote his full time to the Corporation.

Igor Serov, Director, age 66

Co-founder of the Corporation, Igor Serov is the inventor and designer of the intellectual property assets upon which the modern-day Aires technology is based. Igor Serov is a scientist who has been published several times in academic journals and received various international awards for his accomplishments and scientific discoveries. Igor intends to devote seventy percent of his time to the Corporation.

Robert Suttie, Chief Financial Officer, age 50

Mr. Suttie is the Vice President of Marrelli Support Services. He possesses several years of financial reporting experience, several of which were in public accounting prior to his tenure with Marrelli Support Services. He specializes in management advisory services, accounting and the financial disclosure needs

of Marrelli's public client base. In addition to managing the group's financial-statement and disclosure team, he also serves as Chief Financial Officer for a number of TSXV-listed junior companies. Robert intends to devote ten percent of his time to the Corporation.

Ruslan Elensky, Director, age 36

Entrepreneur, Investor, Commercial Real Estate Owner and Business Developer with years of experience in starting, growing and exiting businesses. Ruslan intends to devote ten percent of his time to the Corporation.

Tony Di Benedetto, Director, age 48

Tony was the CEO of Drone Delivery Canada (TSXV: FTL) from January 2013 to June 2019 and is currently a consultant of Drone Delivery Canada (since June 2019). Previously, Tony was the founder of, and, subsequently sold Data Centers Cnd in May 2013 - to TeraGo Networks (TSX:TGO). Tony has several years of IT entrepreneurship, M&A and capital markets experience as well as a Degree from York University. Tony intends to devote five percent of his time to the Corporation.

Christopher Irwin, Director, age 50

Chris practices securities and corporate/commercial law and has been the President of Irwin Professional Corporation since August, 2006. He advises a number of public companies on a variety of issues including continuous disclosure and regulatory issues; reverse-takeover transactions, initial public offerings and takeover bids. Mr. Irwin also advises boards of directors, including independent committees. Mr. Irwin is a director and/or officer of several public companies including: Drone Delivery Canada Corp.; Intercontinental Gold and Metals Ltd., Greencastle Resources Ltd., and Deveron UAS Corp. Chris intends to devote five percent of his time to the Corporation.

Other than with respect to Dimitry Serov as stated above, all the above individuals are independent contractors of the Corporation. Dimitry Serov and Igor Serov are subject to standard non-disclosure provisions in their respective employment and consulting agreements and Dimitry Serov is subject to a non-compete clause for a period of twelve months as further described below (See *Statement of Executive Compensation - Employment, Consulting and Management Agreements*).

Cease Trade Orders and Bankruptcy

Other than as noted below, no director or executive officer of the Corporation, is or has been, within the ten years preceding the date of this prospectus, a director, chief executive officer or chief financial officer of any company that: (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of this prospectus, an "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to an exemption under securities legislation, and such order was in effect for a period of more than 30 consecutive days.

Mr. Irwin was a director, President and Secretary of Brighter Minds Media Inc. ("**Brighter Minds**") from March 2009 to July 2014. Brighter Minds is subject to cease trade orders resulting from a failure to file financial statements as issued May 11, 2009 by the British Columbia Securities Commission ("**BCSC**"), May 13, 2009 by the Manitoba Securities Commission, May 8, 2009 and May 20, 2009 by the Ontario

Securities Commission (“OSC”), and August 19, 2009 by the Alberta Securities Commission. As of the date of this prospectus, the cease trade orders have not been revoked or rescinded.

Mr. Irwin has been since May 2015 a director of Intercontinental Gold and Metals Ltd. (formerly Geodex Minerals Ltd.), which was subject to a management cease trade order resulting from a failure to file financial statements as issued by the BCSC on July 30, 2015. The cease trade order was revoked on September 22, 2015. Intercontinental Gold and Metals Ltd. was subject to a management cease trade order resulting from a failure to file financial statements as issued by the BCSC on August 2, 2018. The cease trade order was revoked on October 9, 2018.

Mr. Irwin was a director (June 2015 to December 2017) and officer (September 2015 to April 2016) of Stompy Bot Corporation (now Blocplay Entertainment Inc.), which was subject to a management cease trade order resulting from a failure to file financial statements as issued on May 2, 2016 (BCSC) and May 4 and 16, 2016 (OSC). These cease trade orders were revoked on July 5, 2016 (BCSC) and July 6, 2016 (OSC). Stompy Bot Corporation was subject to a management cease trade order resulting from a failure to file financial statements as issued on May 2, 2017 (BCSC) and May 4, 2017 (OSC). These cease trade orders were revoked on July 5, 2017 (BCSC) and July 6, 2017 (OSC). Blocplay Entertainment Inc. was subject to management cease trade orders resulting from a failure to file financial statements as issued on December 3, 2018 (BCSC) and December 4, 2018 (OSC). These cease trade orders were revoked on February 4, 2019 (BCSC) and February 6, 2019 (OSC). Blocplay Entertainment Inc. was subject to management cease trade orders resulting from a failure to file financial statements as issued on May 2, 2019 (BCSC) and May 3, 2019 (OSC). These cease trade orders were revoked on July 2, 2019 (BCSC) and July 3, 2019 (OSC).

From March 10, 2011 to October 17, 2013, Mr. Suttie served as the chief financial officer of Strike Minerals Inc. (“**Strike**”), a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. Strike was subject to a management cease trade order issued by the OSC on September 19, 2013 for failure to file its annual financial statements and accompanying management’s discussion and analysis for the financial year ended April 30, 2013 within the prescribed time period under applicable securities laws. A full cease trade order was subsequently issued by the OSC and the BCSC on February 12, 2014 restricting all trading in the securities of Strike until Strike becomes current with its filings. The Alberta Securities Commission issued a similar order on May 24, 2017. These cease trade orders issued against Strike remain in effect as of the date of this Prospectus.

Mr. Suttie currently serves as the Chief Financial Officer of Millennial Esports Corp. (“**Millennial**”), a reporting issuer in the provinces of Alberta and Ontario. Millennial was subject to a cease trade order issued by the OSC on January 7, 2019 for failure to file its annual financial statements and accompanying management’s discussion and analysis for the financial year ended August 31, 2018, within the prescribed time period under applicable securities laws. On April 8, 2019, Millennial filed its audited annual consolidated financial statements, and the cease trade order was revoked.

Bankruptcies

Other than as stated below, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, is or has been, within the ten years preceding the date of this prospectus:

- (a) a director or an executive officer of any company that, while the person was acting in that capacity, or within a year of that person ceasing to act in the capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager

or trustee appointed to hold its assets or made a proposal under any legislation relating to bankruptcies or insolvency; or

(b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Mr. Irwin was a director of Airesurf Networks Holdings Inc. (“**Airesurf**”) when it filed a proposal under Section 50 of the *Bankruptcy and Insolvency Act* (Canada) with the Ontario Superior Court of Justice in Bankruptcy. On April 17, 2012 Airesurf announced that it has received an order of the Ontario Superior Court of Justice in Bankruptcy and Insolvency dated March 23, 2012, discharging Risman & Zysman Inc. as the trustee in bankruptcy of the estate of the Company which was the final order with respect to the bankruptcy proposal and concluded the bankruptcy proceedings.

Penalties or Sanctions

No director or executive officer of the Corporation, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

No director or executive officer of the Corporation, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation or a personal holding company of any such persons has, within the ten years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Conflicts of Interest

Other than as stated below, there are no existing material conflicts of interest between the Corporation and any Director or officer of the Corporation. Directors and officers of the Corporation may serve as directors and/or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, certain Directors of the Corporation may have a conflict of interest in negotiating and conducting terms in respect of any transaction involving such companies. In the event that such conflict of interest arises at a meeting of the Board, a Director who has such a conflict is required to disclose such conflict and abstain from voting for or against the approval of such transaction.

As noted above, the Corporation has entered into a Research Agreement with Aires Research, a non-profit foundation whereby Aires Research will provide technological and product research, development and testing services in respect to the Corporation’s products from time to time. Aires Research is a non-profit Russian foundation that is considered to be a related party of the Corporation by virtue of Igor Serov’s role as President of Aires Research and a director of the Corporation. Aires Research receives

compensation from the Corporation for services rendered pursuant to the terms of the Research Agreement and therefore a potential conflict of interest could arise in the performance of services or request thereof from the Corporation to Aires Research with respect to the Corporation and Igor Serov, a director of the Corporation.

The Corporation's Chief Financial Officer, Rob Suttie, serves as a part-time officer for the Corporation and also serves as the Chief Financial Officer for several other issuers. Therefore, a conflict of interest could arise in the performance of the Chief Financial Officer's duties with respect to his duties as Chief Financial Officer of other issuers.

The information as to ownership of securities of the Corporation, corporate cease trade orders or bankruptcies, penalties or sanctions, personal bankruptcies or insolvencies and existing or potential conflicts of interest has been provided by each insider of the Corporation individually in respect of himself or herself.

STATEMENT OF EXECUTIVE COMPENSATION

Prior to obtaining a receipt for this Prospectus from the securities regulatory authorities in each of the Offering Jurisdictions the Corporation was not a reporting issuer in any jurisdiction. As a result, certain information required by Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* ("**Form 51-102F6V**") has been omitted pursuant to Section 1.3(8) of Form 51-102F6V.

Named Executive Officers

For the purposes of this Prospectus, a Named Executive Officer ("**NEO**") of the Corporation means each of the following individuals:

- (a) a chief executive officer ("**CEO**") of the Corporation;
- (b) a chief financial officer ("**CFO**") of the Corporation;
- (c) each of the Corporation's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000. "Executive Officer" means the chairman, and any vice-chairman, president, secretary or any vice-president and any officer of the Corporation or a subsidiary who performs a policymaking function in respect of the Corporation; and
- (d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year.

The Corporation currently has the following NEO's: Dimitry Serov, Chief Executive Officer; and Robert Suttie, Chief Financial Officer.

Compensation Discussion and Analysis

The Corporation's executive compensation program during the most recently completed financial year was administered by the Board. The Board was solely responsible for determining the compensation to be paid to the Corporation's executive officers and evaluating their performance. The Board has not adopted any specific policies or objective for determining the amount or extent of compensation for directors or officers.

Significant Elements

The significant elements of compensation for the Corporation's "Named Executive Officers", being the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers whose total compensation exceeds \$150,000, will be a cash salary and stock options. The Corporation does not presently have a long-term incentive plan for its Named Executive Officers. There is no policy or target regarding allocation between cash and non-cash elements of the Corporation's compensation program. The Board of Directors reviews annually the total compensation package of each of the Corporation's executives on an individual basis and will take into consideration the current competitive market conditions, experience, proven or expected performance, and the particular skills of the NEO. Base salary is not expected to be evaluated against a formal "peer group".

Base Salary

The Corporation's compensation payable to the Named Executive Officers is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each Named Executive Officer and varies with the amount of time spent by each Named Executive Officer in carrying out his or her functions on behalf of the Corporation.

The Corporation may elect to pay cash bonus incentives where the role-related context and competitive environment suggest that such a compensation modality is appropriate. When and if utilized, the amount of cash bonus compensation will normally be paid on the basis of timely achievement of specific pre-agreed milestones. Each milestone will be selected based upon consideration of its impact on shareholder value creation and the ability of the Corporation to achieve the milestone during a specific interval. The amount of bonus compensation will be determined based upon achievement of the milestone, its importance to the Corporation's near and long term goals at the time such bonus is being considered, the bonus compensation awarded to similarly situated executives in similarly situated companies or any other factors the Corporation may consider appropriate at the time such performance-based bonuses are decided upon. The quantity of bonus will normally be a percentage of base salary not to exceed 100%. However, in exceptional circumstances, the quantity of bonus paid may be connected to the shareholder value creation embodied in the pre-agreed milestones.

Stock Options

The Corporation's Stock Option Plan is intended to emphasize management's commitment to the growth of the Corporation. The grant of stock options, as a key component of the executive compensation package, enables the Corporation to attract and retain qualified executives. Stock option grants are based on the total of stock options available under the Stock Option Plan. In granting stock options, the Board reviews the total of stock options available under the Stock Option Plan and recommends grants to newly retained executive officers at the time of their appointment, and considers recommending further grants to executive officers from time to time thereafter. The amount and terms of outstanding options held by an executive are taken into account when determining whether and how new option grants should be made to the executive. The exercise periods are to be set at the date of grant. The stock option grants may contain vesting provisions in accordance to the Corporation's Stock Option Plan. Any grant of options under the Stock Option Plan is within the discretion of the Board, subject to the condition that the maximum number of Common Shares which may be reserved for issuance under the Stock Option Plan may not exceed 10% of the Corporation's issued and outstanding Common Shares.

As of the date hereof, the Corporation has not granted any options to its directors and officers. See also "Options to Purchase Securities" for further information with respect to the material terms of the Corporation's stock option plan.

Employment and Consulting Agreements

The Corporation has entered into written employment agreements with its President (please see details of the Dimitry Agreement under *Employment, Consulting and Management Agreements* below). The Corporation has agreed to pay its Chief Financial Officer a total of \$2,500 per month.

Summary Compensation Table

The table below sets forth information concerning the compensation paid, awarded or earned by each of the NEOs and directors for services rendered in all capacities to the Corporation during the fiscal years ended December 31, 2018 and 2017.

| TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES ⁽¹⁾ | | | | | | | |
|--|------|---|-------------------------|--------------------------------|---------------------------|--------------------------------------|-------------------------|
| Name and position | Year | Salary, consulting fee, retainer or commission (\$) | Bonus (\$) | Committee or meeting fees (\$) | Value of perquisites (\$) | Value of all other compensation (\$) | Total compensation (\$) |
| Dimitry Serov CEO, President, Secretary-Treasurer and Director | 2018 | \$175,000 | \$50,000 ⁽⁴⁾ | nil | nil | nil | \$225,000 |
| | 2017 | \$40,813 | \$50,000 | nil | nil | nil | \$90,813 |
| Igor Serov Director | 2018 | \$75,000 | \$25,000 ⁽⁵⁾ | nil | nil | nil | \$100,000 |
| | 2017 | \$12,500 | nil | nil | nil | nil | \$12,500 |
| Ruslan Elensky Director | 2018 | nil | nil | nil | nil | nil | nil |
| | 2017 | nil | nil | nil | nil | nil | nil |
| Tony Di Benedetto Director | 2018 | nil | nil | nil | nil | nil | nil |
| | 2017 | nil | nil | nil | nil | nil | nil |
| Christopher Irwin ⁽²⁾ Director | 2018 | nil | nil | nil | nil | nil | nil |
| | 2017 | nil | nil | nil | nil | nil | nil |
| Robert Suttie ⁽³⁾ CFO | 2018 | nil | nil | nil | nil | nil | nil |
| | 2017 | nil | nil | nil | nil | nil | nil |

Notes:

- (1) This table does not include any amount paid as reimbursement for expenses.
- (2) During the year ended December 31, 2018, Irwin Lowy LLP, a limited liability partnership of which Mr. Irwin is a partner, accrued fees of \$120,887.26 for legal services.
- (3) Rob Suttie was appointed Chief Financial Officer on May 14, 2018. In consideration of the services of Mr. Suttie as CFO, the Corporation agreed to pay the Marrelli Support Services Inc. (“**Marrelli**”), the sum of \$2,500 per month. Services include the services of Robert Suttie as the Chief Financial Officer of the Corporation who shall undertake those duties and responsibilities normally associated with the position of Chief Financial Officer, including the preparation of all financial statements and management discussion and analysis reports.
- (4) The bonus payable to Dimitry Serov is based on the following criteria: (i) grow sales quarter over quarter by 25% for the first two years and 15% quarter over quarter for year three; OR (ii) the customer base must grow by 15% quarter over quarter in the first two years and by 10% quarter over quarter in year three.
- (5) The bonus payable to Igor Serov is based on the assessment of significant improvement to the Corporation’s product core technology assessed on an annual basis by the Board.

Stock Options and Other Compensation Securities

No Options or other compensation securities were granted or issued to any NEO or director by the Issuer in the most recent financial year ended December 31, 2018. The Corporation does not have any share-based award plans for its NEOs or directors.

Pension Plan Benefits

The Corporation does not currently provide any pension plan benefits for executive officers, directors, or employees.

Employment, Consulting and Management Agreements

Dimitry Serov –President and Director

Mr. Dimitry Serov's services are paid through an executive contract with the Corporation dated September 27, 2017, as amended on March 1, 2018 (the "**Dimitry Agreement**"). The Dimitry Agreement provides that Dimitry will serve as President of the Corporation and in exchange will be paid a gross annual salary of \$180,000 with a potential bonus of up to \$50,000 to be paid at the end of each calendar year conditional upon the satisfaction by Dimitry of performance criteria established by the board of directors. Further, Dimitry will be entitled to four weeks' vacation time with pay for each year, prorated for periods of less than a year. The Dimitry Agreement is for an indefinite term, subject to termination in accordance with its terms.

The Dimitry Agreement may be terminated by: (i) Mr. Serov voluntarily on six weeks' notice to the Corporation in which case he will be entitled to his base salary, vacation pay and benefits only to the date of termination, provided he shall be entitled to any bonus or incentive award prorated based on active employment by him during the fiscal year in which the termination date occurred for the period up to the termination date based on achievements to the date of termination; (ii) the Corporation for just cause with no entitlement to any notice payments; (iii) by the Corporation without cause with a notice period of twenty-four (24) months or a severance payment in lieu thereof; or (iv) immediately in the event of death or disability of Dimitry. The Corporation can waive any aforementioned notice periods in favour of the Corporation.

In the event of termination without just cause, Dimitry is to be paid a severance payment equal to the base salary he would have been paid during the notice period together with accrued but unpaid vacation entitlements, less any amounts he owes to the Corporation. Generally, Dimitry will be entitled to have his benefits continued throughout the notice period, if the insurer providing the benefits agrees, however, Dimitry agrees that the Corporation may deduct from any payments to be made to Dimitry the benefit plan contributions which were regularly made during the term of employment and that the Corporation's contributions to the benefits shall cease upon Dimitry obtaining alternate employment and becoming eligible for alternate benefit coverage with his new employer. Dimitry shall also be entitled to any bonus or incentive award prorated based on active employment by him during the fiscal year in which the termination date occurred for the period up to the termination date based on achievements to the date of termination. Any bonus or award payment will be made no later than 30 days following the completion of the audited financial statements for the fiscal year in which the termination date occurs.

The Dimitry Agreement is subject to a non-competition and non-solicitation period of twelve (12) months following termination of Dimitry's employment. Upon termination, Dimitry will be deemed to resign as a director. The Dimitry Agreement contains standard confidentiality provisions. The Dimitry Agreement is for an indefinite term, subject to termination in accordance with its terms. Dimitry agrees and acknowledges that the Corporation will own all works of authorship and ideas, and legally recognized

proprietary rights including without limitation, trademarks, copyrights, know-how and all related records and agrees to transfer any moral rights in such developments to the Corporation.

Rob Suttie –CFO

Mr. Suttie’s services are paid through a consulting agreement with the Corporation and Marrelli Support Services Inc. (“**Marrelli**”) dated September 12th, 2017 (the “**Suttie Agreement**”). The Suttie Agreement provides for compensation at a rate of \$2,500 per month payable to Marrelli (for the services of Mr. Suttie) and is for an indefinite period of time, subject to termination at any time, if either party gives thirty (30) days written notice to the other party. Under the terms of the Suttie Agreement the Corporation has agreed to provide Mr. Suttie with incentive stock options consistent with and in frequency to other option holders in the next option grant approved by the Corporation.

The Suttie Agreement is subject to a non-solicitation period of twelve (12) months in favour of Marrelli following termination of the consulting services. If the Corporation breaches the non-solicitation provision they agree to pay Marrelli a lump sum payment equal to 24 times the monthly compensation payable under the terms of the Suttie Agreement.

In the event of a change in control of the Corporation, and Marrelli or the Corporation terminates the Suttie Agreement within 24 months of such change in control, a termination fee in a lump sum payment of \$2,500 shall be payable to Marrelli and any stock options granted to Mr. Suttie will immediately vest and be exercisable with the earlier of: (i) the expiry date of the options; or (ii) 12 months after the date on which the Suttie Agreement is terminated.

Igor Serov –Director

Mr. Igor Serov’s services are paid through a consulting agreement with the Corporation dated September 27, 2017, as amended on March 1, 2018 (the “**Igor Agreement**”). The Igor Agreement is for an indefinite term and provides that Igor will be paid a gross annual salary of \$80,000 with a potential bonus of up to \$20,000 to be paid at the end of each calendar year conditional upon the satisfaction by Igor of performance criteria established by the board of directors.

The Corporation can terminate the Igor Agreement if Igor commits a material breach that isn’t remedied within 10 days after receipt of written notice, or if Igor commits any willful or intentional act having the effect of materially injuring the reputation, business or business relationships of the Corporation. If Igor is terminated by the Corporation for any reason, Igor will be entitled to ninety (90) days’ notice and payment of all yearly fees owed pursuant to the Igor Agreement for a total of \$80,000 per year. The Igor Agreement contains standard confidentiality provisions and each party agrees to indemnify the other party for any breaches under the Igor Agreement.

Termination and Change of Control Benefits

The Corporation has not granted any termination or change of control benefits, other than as described herein. Other than as described herein, there are no compensatory plans or arrangements with respect to the NEOs resulting from the resignation, retirement or any other termination of employment of the officer's employment or from a change of NEOs' responsibilities following a change of control.

Director Compensation

To date, and other than Dimitry Serov (in his role as CEO and co-founder of the Corporation) and Igor Serov (in his role as co-founder of the Corporation) the Corporation has not paid any cash compensation or granted any stock options to its directors. The directors are reimbursed for any out-of-pocket travel

expenses incurred in order to attend meetings and also entitled to participate in the Corporation's stock option plan.

Oversight of Director and NEO Compensation

The members of the Board review the compensation of the directors and senior officers. The Board also reviews makes determinations regarding the granting of stock options to directors and senior officers, compensation for senior officers, and compensation for senior officers' and directors' fees, if any, from time to time. See "*Corporate Governance – Corporate Governance Disclosure*" for further information.

All of the Corporation's executives, other employees and directors will be subject to its insider trading policy, which will prohibit trading in the Corporation's securities while in possession of material undisclosed information about the Corporation. Under this policy, such individuals will also be prohibited from entering into hedging transactions involving the Corporation's securities, such as short sales, puts and calls.

Pension and Retirement Plans

The Corporation does not have any pension or retirement plans that provide for payment or benefits at, following, or in connection with retirement or provide for retirement or deferred compensation plans.

INDEBTEDNESS OF DIRECTORS, OFFICERS AND EMPLOYEES

As of the date hereof there was no indebtedness owing to the Corporation in connection with the purchase of securities or other indebtedness by any current or former executive officers, directors, employees of the Corporation. Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

AUDIT COMMITTEE INFORMATION REQUIRED FOR A VENTURE ISSUER

National Instrument 52-110 ("**NI 52-110**") requires that certain information regarding the Audit Committee of a "venture issuer" (as that term is defined in NI 52-110) be included in the prospectus.

Audit Committee Charter

The Audit Committee's role is to act in an objective, independent capacity as a liaison between the auditors, management and the Board and to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.

On May 15, 2018, the Board adopted a charter delineating the Audit Committee's responsibilities. The Audit Committee Charter is attached to this prospectus as Schedule "B".

Composition of the Audit Committee

The members of the Audit Committee are Ruslan Elensky (Chair), Dimitry Serov and Tony Di Benedetto, each of whom is a director, and financially literate. Mr. Elensky and Mr. Di Benedetto are independent in accordance with NI 52-110. Mr. Serov is not independent by virtue of his management role with the Corporation.

Relevant Education and Experience

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as an Audit Committee member and, in particular, any education or experience that would provide the member with:

1. an understanding of the accounting principles used by the Corporation to prepare its financial statements;
2. the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
3. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities; and
4. an understanding of internal controls and procedures for financial reporting.

Tony Di Benedetto

Mr. Di Benedetto has a Bachelor of Administration degree from York University which he obtained in 1993. Mr. Di Benedetto is knowledgeable in accounting principles used by both private and public corporations in Canada. He served as the CEO of Drone Delivery Canada Corp. ("**Drone**"), a TSX Venture listed issuer, from January 2013 to June 2019 and is currently a consultant to Drone. Mr. Di Benedetto has experience working with the Chief Financial Officer of Drone in preparing and analyzing public company financial statements and he has a strong knowledge of internal controls and procedures required for public company financial reporting.

Ruslan Elensky

Mr. Elensky, holds a degree in Financial and Business Analytics from George Brown College, which he obtained in 2004. Since 2005, Mr. Elensky has held a range of executive and consultancy positions and has started and exited a variety of private ventures in the automotive, haulage and construction industries. Through these work experiences Mr. Elensky has experience working with its accountants and financial advisors in analyzing financial statements and understanding the procedures associated with proper accounting for an operating company.

Dimitry Serov

Dimitry holds a diploma from St. Petersburg's College of Economics and Business Management which he obtained in 2003. Mr. Serov has held various sales and management positions in the automotive sector with BMW, Mercedes Benz and Audi where he worked with financial lease models in advising his clients. Since 2012, Mr. Serov has served as the Chief Executive Officer of American Aires Inc. has experience working with its accountants and financial advisors in analyzing financial statements and understanding the procedures associated with proper accounting for an operating company in his role as CEO. Mr. Serov has been actively involved in operating all aspects of the Corporations business since 2012 including the preparation of its yearly financial statements.

Audit Committee Oversight

Since the commencement of the Corporation's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

Reliance on Exemptions in NI 52-110 regarding *De Minimis* Non-audit Services or on a Regulatory Order Generally

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on:

1. the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110 (which exempts all non-audit services provided by the Corporation's auditor from the requirement to be pre-approved by the Audit Committee if such services are less than 5% of the auditor's annual fees charged to the Corporation, are not recognized as non-audit services at the time of the engagement of the auditor to perform them and are subsequently approved by the Audit Committee prior to the completion of that year's audit); or
2. an exemption from the requirements of NI 52-110, in whole or in part, granted by a securities regulator under Part 8 (*Exemptions*) of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Charter.

External Auditor Service Fees

The following table provides details in respect of audit, audit related, tax and other fees billed by the external auditor of the Corporation for professional services rendered to the Corporation during the fiscal years ended December 31, 2018 and 2017:

| | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|-------------------------------|-------------------------------------|-------------------------------------|
| Audit Fees ⁽¹⁾ | \$30,000 | \$20,000 |
| Audit-Related ⁽²⁾ | \$16,000 | Nil |
| Tax Fees ⁽³⁾ | Nil | Nil |
| All Other Fees ⁽⁴⁾ | \$12,000 | Nil |
| Total | \$58,000 | \$20,000 |

Notes:

- (1) Aggregate fees billed for professional services rendered by the auditor for the audit of the Corporation's annual financial statements as well as services provided in connection with statutory and regulatory filings.
- (2) Aggregate fees billed for professional services rendered by the auditor and were comprised primarily of the review of quarterly financial statements and related documents.
- (3) Aggregate fees billed for tax compliance, tax advice and tax planning professional services. These services included reviewing tax returns and assisting in responses to government tax authorities.
- (4) Aggregate fees billed for professional services which included accounting advice and advice related to relocating employees.

STATEMENT ON CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with day-to-day management of the Corporation.

Pursuant to National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, the Corporation is required to disclose its corporate governance practices, as summarized below. The Board will monitor such practices on an ongoing basis and when necessary implement such additional practices as it deems appropriate.

National Policy 58-201 *Corporate Governance Guidelines* establishes corporate governance guidelines to be used by issuers in developing their own corporate governance practices. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

Board of Directors

The Board is currently composed of five (5) directors. Of the current directors, Dimitry Serov, Chief Executive Officer, Igor Serov, a founder and promoter of the Corporation, and Christopher Irwin, an individual who can be considered to have a material relationship with the Corporation, are not considered "independent" within the meaning of NI 52-110. The remaining 2 directors are considered by the Board to be "independent", within the meaning of NI 52-110.

Other Directorships

The following table sets forth the directors of the Corporation who currently hold directorships with other reporting issuers:

| Name of Director | Reporting Issuer |
|-------------------|--|
| Chris Irwin | Drone Delivery Canada Corp.; Intercontinental Gold and Metals Ltd. (formerly Geodex Minerals Ltd.); Deveron UAS Corp.; Greencastle Resources Ltd.; Roscan Minerals Corporation; Hornby Bay Minerals Exploration Ltd.; Minnova Corp.; Valens GroWorks Corp. |
| Tony Di Benedetto | BuzBuz Capital Corp. |

Orientation and Continuing Education

The Board does not have a formal orientation or education program for its members. The Board's continuing education is typically derived from correspondence with the Corporation's legal counsel to remain up to date with developments in relevant corporate and securities' law matters. Additionally, historically board members have been nominated who are familiar with the Corporation and the nature of its business.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors of the Corporation also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the *Business Corporations Act* (Ontario), as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest.

Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

Nomination of Directors

The Board is responsible for identifying individuals qualified to become new directors of the Corporation and recommending to the Board any new director nominees for the next annual meeting of shareholders of the Corporation. New nominees must have a track record in general business management, experience in an area of strategic interest to the Corporation, the ability to devote the time required, show support for the Corporation's mission and strategic objectives, and/or demonstrate a willingness to serve the interests of the Corporation.

Compensation

The Board uses its discretion to set compensation for executive officers at levels warranted by external, internal and individual circumstances. The early stage of the Corporation's business development is also a factor in setting the compensation. As the Corporation is in the early stages, compensation for executive officers relies solely on board discussion without any formal objectives, criteria and analysis.

Other Board Committees

In addition to the Audit Committee, the Board performs the functions of an Executive Committee, a Nominating Committee, a Disclosure Policy Committee and a Corporate Governance Committee, however, the Board may appoint a number of directors, the majority of whom are independent, to act on issues related to the above on an as needed basis.

Assessments

Currently the Board takes responsibility for monitoring and assessing its effectiveness and the performance of individual directors, its committees, including reviewing the Board's decision-making processes and the quality of information provided by management, and among other things:

- overseeing strategic planning;
- monitoring the performance of the Corporation's assets;
- evaluating the principal risks and opportunities associated with the Corporation's business and overseeing the implementation of appropriate systems to manage these risks;
- approving specific acquisitions and divestitures;
- evaluating senior management; and
- overseeing the Corporation's internal control and management information systems.

PLAN OF DISTRIBUTION

Offering

Under the Agency Agreement the Corporation has appointed the Agent on a commercially reasonable efforts basis to offer for sale of 24,000,000 Common Shares of the Corporation at a price of \$0.30 per Common Share for gross proceeds of \$7,200,000. The issue price of \$0.30 per Common Share was determined by arm's length negotiation between the Corporation and the Agent. The distribution of the Common Shares is qualified by this Prospectus. This Offering is subject to minimum gross proceeds of \$7,200,000. If such minimum is not achieved within the time period prescribed by applicable securities legislation as noted below, all funds will be returned to the subscriber without deduction or interest. Subscription funds will be held in trust by the Agent pending closing.

The Corporation has agreed not to, directly or indirectly, issue, sell or grant or agree to announce any intention to issue, sell or grant, any additional equity or quasi-equity securities for a period of 90 days after the Closing of the Offering without the prior written consent of the Agent, such consent not to be unreasonably withheld, except in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Corporation and other share compensation arrangements; (ii) obligations in respect of existing consulting agreements; and (iii) the issuance of securities in connection with property or share acquisitions in the normal course of business.

Subscriptions for Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved by the Corporation to close the subscription books at any time without notice. It is expected that the Closing of the Offering will occur on a date agreed upon by the Corporation and the Agent, but not later than the date that is 90 days after a receipt is issued for the final prospectus or if a receipt has been issued for an amendment to the final prospectus, within 90 days of issuance of such receipt and in any event not later than 180 days from the date of receipt of the final prospectus. It is expected that share certificates evidencing the Common Shares will be available for delivery on the Closing unless the Agent elects for delivery in electronic book entry form through CDS Clearing and Depository Services Inc. ("CDS") or its nominee. If delivered in book entry form, purchasers of Common Shares will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Common Shares were purchased.

There is currently no market through which any of the securities of the Corporation, including the Common Shares, may be sold and purchasers and holders thereof may not be able to resell or dispose of any of the securities purchased, distributed or qualified under this Prospectus.

The Corporation has agreed to indemnify the Agent and its directors, officers, employees, shareholders and agents against all liabilities arising directly or indirectly from the Agency Agreement. Notwithstanding the above, the indemnity does not include claims arising from gross negligence, dishonesty, or wilful misconduct of the Agent.

The obligations of the Agent under the Agency Agreement may be terminated at the Agent's discretion upon the occurrence of certain stated events. The Agent is not obligated to purchase any of the Common Shares under the Offering.

Agent's Commission

The Corporation has agreed to pay to the Agent a cash commission equal to 8% of the aggregate gross proceeds of the Offering in consideration for its services in connection with the Offering. Such commission, together with all other expenses of the Offering, will be paid by the Corporation out of the proceeds of the Offering.

As additional compensation, on the Closing, the Corporation has agreed to grant to the Agent the Agent's Option exercisable to acquire that number of Common Shares that is equal to 8% of the number of Common Shares sold pursuant to this Offering at the price of \$0.30 per Common Share for a period of one (1) year from the Listing Date. The Agent's Option will be qualified under this Prospectus.

Listing of Common Shares on the Exchange

The Corporation has received conditional approval of the Exchange to list its Common Shares on the Exchange. Listing of the Common Shares is subject to the Corporation fulfilling all of the listing requirements of the Exchange.

None of the securities offered hereunder or qualified for distribution hereunder have been and will not be registered under the 1933 Act or any state securities laws, and accordingly may not be offered or sold within the United States or to U.S. persons (as such term is defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Agency Agreement will permit the Agent to offer and resell the Common Shares to certain accredited investors in the United States, provided such offers and sales were made in accordance with Regulation D under the 1933 Act.

As of the date of this prospectus, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

RISK FACTORS

The securities offered hereby should be considered highly speculative due to the nature of the Corporation's business and the present stage of its development. A prospective investor should consider carefully the risk factors set out below. In addition, prospective investors should carefully review and consider all other information contained in the Prospectus before making an investment decision. An investment in securities of the Corporation should only be made by persons who can afford a significant or total loss of their investment. There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus.

The following are certain factors relating to the Corporation's business, which prospective investors should carefully consider before deciding whether to invest in the Shares. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information set out elsewhere in this Prospectus. These risks and uncertainties are not the only ones the Corporation is facing. Additional risks and uncertainties not presently known to the Corporation, or that the Corporation currently deems immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of operations could be materially adversely affected.

Risks Related to the Offering

Market Risk for Securities

There can be no assurance that an active trading market for the Common Shares will be established and sustained. Upon listing, the market price for the Common Shares could be subject to wide fluctuations. Factors such as government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Corporation's securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Future Financing Risk

The Corporation may require additional financing in order to fund future operations and expansion plans. The Corporation's ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Corporation will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuance of additional Common Shares, control may change and shareholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, the Corporation may be required to scale back its current business plan or cease operating.

Going-Concern Risk

The Corporation's financial statements have been prepared on a going-concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Corporation's future operations may be dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Corporation will be successful in completing equity or debt financing or in achieving profitability. The Corporation's financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern.

Global Economy Risk

The Corporation may be dependent upon capital markets to raise additional financing in the future while concurrently establishing a wider customer base. Access to financing could be negatively impacted by any global economic downturn. As such, the Corporation is subject to liquidity risks in meeting its operating expenditure requirements and future development cost requirements in instances where adequate cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Corporation and its management. If these levels of volatility and slow market conditions persist, the Corporation's operations, the Corporation's ability to raise capital and the trading price of the Common Shares could be adversely impacted.

Discretion in the Use of Proceeds

Management will have broad discretion concerning the use of the proceeds of the Offering as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the proceeds of the Offering. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Corporation's results of operations may suffer.

Share Price Volatility Risk

It is anticipated that the Common Shares will be listed for trading on the Exchange. As such, external factors outside of the Corporation's control, such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward technology and education sector stocks, may have a significant impact on the market price of the Common Shares. Global stock markets, including the Exchange, have, from time to time, experienced extreme price and volume fluctuations. The same applies to companies in the financial, technology and IT sectors. There can be no assurance that an active or liquid market will develop or be sustained for the Common Shares.

Increased Costs of Being a Publicly Traded Corporation

As the Corporation will have publicly-traded securities, significant legal, accounting and filing fees will be incurred that are not presently being incurred. Securities legislation and the rules and policies of the Exchange require publicly listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information, all of which will significantly increase legal, financial and securities regulatory compliance costs.

Operating History

Despite generating revenues for over two years, management of the Corporation is of the view that the Corporation can still be considered to be at the early stages of commercialization of its products. As such, the Corporation is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of adequate revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its current stage of operations. The Corporation has no intention of paying any dividends in the foreseeable future.

Risks Related to the Corporation's Business

The Company's operations in 2018 resulted in negative net income.

The Corporation experienced negative cash flow from operational activities during the financial year ended December 31, 2018. The Corporation has encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If the Corporation's assumptions regarding these risks and uncertainties (which the Corporation uses to plan its business) are incorrect or change due to changes in the Corporation's markets, or if the Corporation does not address these risks and uncertainties successfully, its operating and financial results could differ materially from its expectations, and its business could suffer.

Suppliers and Distributors

The Corporation relies on certain third party suppliers for its product components and does not have any supply or distribution agreements in place. As a result the Corporation's ability to manufacture and deliver its products are subject to several risks, some of which are outside the control of the Corporation, including the inability to replace a supplier in a timely fashion, the interruption of operations or increased costs in the event that a supplier ceases its business due to insolvency or other unforeseen events and the risks that the Corporation's products will not be received by the customer in a timely fashion. The occurrence of one or more of these events could materially delay or prevent the manufacturing and supply of the Corporation's products to its customers and harm the reputation of the Corporation. Further the Corporation does not have any agreements in place with any distributors or re-sellers and relies solely on its internal operations to process online orders and distribute its products to its customers. There is a risk that the Corporation may not be able to process orders and distribute its products to its consumers in a timely manner in the event demand for its product increases at a significant rate. This may harm the reputation of the Corporation and negatively impact future sales or perception of the Corporation.

Brand Development

The success of the Corporation's brand depends on the effectiveness of the Corporation's marketing efforts and on the Corporation's ability to provide reliable products and support to customers at competitive prices. The Corporation's brand marketing strategies may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses incurred in its attempts to build the Corporation's brand. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of the Corporation's products or services. If the Corporation fails to effectively market its brand, the Corporation may fail to attract new customers, retain existing customers or attract sufficient media coverage in order to realize a sufficient return on branding efforts. A failure in brand development and marketing may result in a negative impact on the Corporation's business and potential revenues.

Technology Risk

The Corporation's products are dependent upon technologies which are susceptible to rapid and substantial changes. There can be no assurance that the Corporation's products will not be seriously affected by, or become obsolete as a result of, such technological changes. Further, the Corporation's products are constantly under revision and development and there can be no assurance that the Corporation's efforts will result in viable commercial products as conceived by the Corporation. There is a risk that similar products which may include features more appealing to customers may be developed and that other products competing with the Corporation's products may use technologies not yet incorporated in the Corporation's products. The occurrence of any of these events could negatively impact interest in the Corporation's products and thus limit the potential revenues to be generated by the Corporation.

Currency Risk

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. A significant change in the currency exchange rates between the Canadian Dollar relative to the U.S. Dollar or other foreign currencies could have an effect on the Corporation's results of operations.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flow or fair values of financial instruments. It arises when the Corporation invests in interest bearing financial instruments. As of the date of this Prospectus, the Corporation did not have any significant exposure to interest rate risk, but such exposure may increase in future.

Tax Risk

The Corporation is subject to various taxes including, but not limited to the following: Canadian income tax; goods and services tax; provincial sales tax; and payroll tax. The Corporation's tax filings will be subject to audit by various taxation authorities. While the Corporation intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

Uninsured or Uninsurable Risk

The Corporation may become subject to liability for risks against which are uninsurable or against which the Corporation may opt out of insuring due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for usual business activities. Payment of liabilities for which insurance is not carried may have a material adverse effect on the Corporation's financial position and operations.

Conflicts of Interest Risk

Certain of the Corporation's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors to the Corporation. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Corporation's interests. In accordance with the OBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the Corporation's best interests. However, in conflict of interest situations, directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Corporation. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Corporation.

In addition, the Corporation has entered into a Research Agreement with Aires Research, a non-profit foundation whereby Aires Research will provide technological and product research, development and testing services in respect to the Corporation's products from time to time. Aires Research is a non-profit Russian foundation that is considered to be a related party of the Corporation by virtue of Igor Serov's role as President of Aires Research and a director of the Corporation. Aires Research receives compensation from the Corporation for services rendered pursuant to the terms of the Research Agreement and therefore a potential conflict of interest could arise in the performance of services or request thereof from the Corporation to Aires Research with respect to the Corporation and Igor Serov, a director of the Corporation.

Further, the Corporation's Chief Financial Officer, Rob Suttie, serves as a part-time officer of the Corporation and concurrently serves as a Chief Financial Officer for other public and private issuers. Accordingly, a conflict of interest could arise in relation to Mr. Suttie's duties relating to the Corporation and his duties as an officer of other public and private issuers.

Intellectual Property

The ability of the Corporation to maintain or increase sales will depend in part on its ability to maintain and grow its brand equity through the use of its registered domain names and intellectual property. A loss of any of these may result in the Corporation's brand equity being diminished and thus a loss of potential customers. As protection, the Corporation usually requires its employees and independent contractors to enter into confidentiality agreements, however it cannot be assured that the obligations therein will be maintained and honoured. In spite of confidentiality agreements and other methods of protecting trade secrets, the Corporation's proprietary information could become known to or independently developed by competitors.

Further, the Corporation's competitors may have been granted patents protecting various product features, including methods and designs. If the Corporation's products employ these processes, or other subject matter that is claimed under its competitors' patents, or if other companies obtain patents claiming subject matter that the Corporation uses, those companies may bring infringement actions against us. Whether a product infringes a patent involves complex legal and factual issues, the determination of which is often uncertain. In addition, because patent applications can take many years to issue, there may be applications now pending of which the Corporation is unaware, which might later result in issued patents that the Corporation's products may infringe. If any of the Corporation's products infringes a valid patent, it could be prevented from distributing that particular product, unless and until it can obtain a license or redesign the product in question to avoid infringement. A license may not be available or may require us to pay substantial royalties. Additionally, the Corporation may not be successful in any attempt to redesign the infringing product. Infringement and other intellectual property claims, with or without merit, can be expensive and time-consuming to litigate, and the Corporation may not have the financial and human resources to defend ourselves against any infringement suits that may be brought against us.

Moreover, due to the differences in foreign design, trademark, trade dress, copyright and/or other laws concerning proprietary rights, the Corporation's intellectual property may not receive the same degree of protection in foreign countries as it would in Canada. The Corporation's failure to possess, obtain or maintain adequate protection of its intellectual property rights for any reason in these jurisdictions could have a material adverse effect on its business, results of operations and financial condition. The Corporation currently has several patents registered in Russia only and these patents are not enforceable in other jurisdictions including Canada where it will sell its products. This would prohibit the Corporation from excluding or preventing its competitors from using the Corporation's proprietary technology, methods and processes to the extent independently developed by its competitors and have a material adverse impact on the Corporation's business.

Pending Industrial Design (Design Patent) and Trademark Applications

Although the Corporation has existing and pending trademark and industrial design (design patent) registrations for its brand and products in North America, the European Union and in the Russian Federation, it may not be successful in asserting trademark or trade name or industrial design (design patent) protection in all jurisdictions. The Corporation also has not applied for trademark and industrial design (design patent) protection in all relevant foreign jurisdictions and there can be no assurance that its pending trademark or industrial design (design patent) applications will be approved. Third parties may also challenge the Corporation's trademark and industrial design (design patent) applications domestically

or abroad, or otherwise challenge its use of the trademarks or industrial designs (design patents). In the event that the Corporation's trademarks or industrial designs (design patents) are successfully challenged, it could be forced to rebrand or alter its products in some parts of the world, which could result in the loss of brand recognition and/or product competitiveness and could require the Corporation to devote resources to advertising and marketing new brands and develop new products in the future.

The efforts the Corporation has taken to protect its industrial design (design patent) and trademark rights may not be sufficient or effective to protect its business and, as a consequence, its business, financial condition and results of operations may be materially and adversely affected. The Corporation may need to engage in litigation or other activities to enforce its industrial design (design patent) and trademark rights or to determine the validity and scope of proprietary rights of others. Any such activities could require the Corporation to expend significant resources and divert the efforts and attention of its management and other personnel from our business operations.

Currently the Corporation does not have any registered trademarks and any reference above to trademark protection will be applicable if and when certain trademarks of the Corporation are registered.

Attracting and Retaining Quality Employees

The Corporation's business is dependent upon attracting and retaining quality employees with the skills required particularly with respect to business development, sales and marketing. The inability of the Corporation to hire, train and retain employees may adversely affect operations and could have an adverse effect on sales. The Corporation's ability to meet its labour needs while controlling the costs associated with hiring and training new employees is subject to external factors such as unemployment levels, prevailing wage rates, government legislation and changing demographics. Changes that adversely impact the Corporation's ability to attract and retain quality employees could adversely affect its business.

Key Personnel Risk

The Corporation's success will depend on its directors and officers to develop the business and manage operations and on their ability to attract and retain key technical, sales and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Corporation will be able to attract or retain key personnel in the future which may adversely impact operations.

Management of Growth

The Corporation's management anticipates rapid growth and plans to capitalize on this growth. Future operating results will depend on management's ability to manage this anticipated growth, hire and retain qualified personnel, properly generate revenues and control expenses. A decline in the growth rate of revenues without a corresponding reduction in the growth rate of expenses could have a material adverse effect on the Corporation's business, results of operations, cash flows and financial condition.

Product and Services Development

The Corporation may not be able to improve the content and delivery of its products in a timely or cost-effective manner. Revisions to the certain products may not be well received by existing or prospective customers. Furthermore, modifying the products may require the Corporation to invest in development, increase marketing efforts and re-allocate resources away from other uses. Even if the Corporation's new products are well received, the Corporation could suffer adverse results if these new features and services

are not offered to customers in a timely or cost-effective manner. If the Corporation does not respond adequately to changes in market demands, then the Corporation's ability to attract and retain customers may be impaired and financial results could suffer.

Expansion Rate

In order for the Corporation to improve its operating results and continue to grow its business, it is important for the Corporation to continue to attract new customers and continually update and improve its products for its existing and future customer base. To the extent the Corporation is successful in increasing its customer base, it could incur increased losses because the costs associated with attracting new customers are generally incurred up front, while revenue is recognized rateably over the term of a contract for services. Alternatively, to the extent the Corporation is unsuccessful in increasing its customer base, the Corporation could also incur increased losses as the costs associated with marketing programs and new products intended to attract new customers would not be offset by incremental revenue and cash flow. Furthermore, if the Corporation's customers do not expand on the development of new products and services, the Corporation's revenue may grow more slowly than the Corporation expects. All of these factors could negatively impact the Corporation's future revenue and operating results.

Confidentiality Risk

Personal information collected by the Corporation in the ordinary course of business may be vulnerable to breach, theft or loss. This could subject the Corporation to liability or negatively impact the Corporation's reputation and operations. The Corporation collects, uses and retains personal information from its customer base, including personal and financial data. The Corporation also collects and maintains personal information of its employees. Although the Corporation uses security controls to limit access and use of personal information, a third party or internal errors within the Corporation may circumvent these controls, which could result in a breach of student or employee privacy. A violation of any laws or regulations relating to the collection or use of personal information could result in the Corporation incurring fines. While the Corporation believes it takes appropriate precautions and safety measures, there is still a possibility that a breach, theft or loss of personal information may occur. Any breach, theft or loss of such personal information could negatively impact the Corporation's financial condition, reputation, and may result in the Corporation incurring liability.

Competition

The Corporation faces competition and new competitors will continue to emerge throughout the world. Products offered by the Corporation's competitors may take a larger share of consumer spending than anticipated, which could cause revenue generated from the Corporation's products to fall below expectations. It is expected that competition in these markets will intensify. If competitors of the Corporation develop and market more successful products, offer competitive products at lower price points, or if the Corporation does not produce consistently high-quality and well-received products, revenues, margins, and profitability of the Corporation will decline.

The Corporation's ability to compete effectively will depend on, among other things, the Corporation's pricing of services and equipment, quality of customer service, development of new and enhanced products and services in response to customer demands and changing technology, reach and quality of sales and distribution channels and capital resources. Competition could lead to a reduction in the rate at which the Corporation adds new customers, a decrease in the size of the Corporation's market share and a decline in its customers.

Corporate Matters

To date, the Corporation has not paid any dividends on its outstanding Common Shares and does not anticipate the payment of any dividends on its Common Shares for the foreseeable future. Certain of the directors and officers of the Corporation are also directors and officers of other reporting issuers, and conflicts of interest may arise between their duties as officers and directors of the Corporation and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the OBCA.

Issuance of Debt

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Third Party Credit Risk

The Corporation is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, suppliers and manufacturers of its products and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations.

Short term investment risks

The Corporation may from time to time invest excess cash balances in short term commercial paper or similar securities. Recent market conditions affecting certain types of short term investments of some North American and European issuers as well as certain financial institutions have resulted in restricted liquidity for these investments. There can be no guarantee that further market disruptions affecting various short term investments or the potential failure of such financial institutions will not have a negative effect on the liquidity of investments made by the Corporation.

Shares Reserved For Future Issuance

Options and warrants are likely to be exercised when the market price of the Common Shares exceeds the exercise price of such options or warrants. The exercise price of such options or warrants and the subsequent resale of such Common Shares in the public market could adversely affect the prevailing market price and the Corporation's ability to raise equity capital in the future at a time and price when it deems appropriate. The Corporation may also enter into commitments in the future which would require the issuance of additional Common Shares and the Corporation may grant additional Common Share purchase warrants and stock options. Any Common Share issuances from the Corporation's treasury will result in immediate dilution to existing shareholders.

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Corporation is exposed to credit risk with respect to its cash and accounts receivable. The Corporation tries to reduce its credit risk by maintaining its primary bank accounts at large financial institutions. The Corporation assesses its credit risk based on general market knowledge and specific information obtained through its business relationships.

A significant portion of the Corporation's cash is held with the Corporation's broker, and as such, the Corporation is exposed to concentration of credit risk. The amount held by the broker was received subsequent to year end.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. Management will continue to raise capital to fund the Corporation's future business objectives and for general and administrative costs.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates. While the Corporation manages its operations in order to minimize exposure to risk, the Corporation has not entered into any derivatives or contract to hedge or otherwise mitigate this exposure.

Emerging Market Risk

The Corporation derives a portion of its sales from emerging markets and is party to the Research Agreement with its research and development partner being a non-profit entity subject to the laws of the Russian Federation. The Corporation's research and development operations in the Russian Federation are exposed to political and economic risk, including risks relating to change in government policy. The Corporation may accordingly be subject to a number of risks stemming from change in exchange rates, inflation, problems with the repatriation of foreign earnings, dividends and investment capital, as well as political instability in the Russian Federation. Moreover, the Corporation may find itself unable to defend its rights appropriately before the courts of the Russian Federation, particularly within the framework of litigation with the state or with state-controlled entities. Contractual relationships in emerging markets are subject to heightened risks and the Corporation may be adversely affected by, among other things, the following risks associated with emerging market economies: (i) political and social instability; (ii) government involvement, including, but not limited to, currency controls and risk of expropriation; (iii) securities markets which are less liquid and which operate under different trading and market regulations; (iv) difficulties in enforcing contractual rights; (v) currency volatility; (vi) risk of high inflation; (vii) infrastructure issues; (viii) greater susceptibility to commodity prices; and (ix) greater susceptibility to the economic performance of trading partners.

Research and Development Activities with a Related Party

The Corporation's research and development activities are being conducted by Aires Research which is a related party of the Corporation. In exchange for certain services of Aires Research the Corporation will compensate Aires Research according to the terms of the Research Agreement (See "Three Year History" and the most recent MD&A of the Corporation for further details on the Research Agreement). There is a risk that such related party relationships provide a greater opportunity for collusion, fraud, concealment or manipulation by management of the Corporation. Further, although the Corporation believes the terms of the Research Agreement are comparable to the terms that the Corporation could have obtained in arm's length dealings with unrelated third parties, there is no assurance that in all cases the Research Agreement are on terms comparable to those that could be obtained in dealings with unrelated third parties.

Principal Shareholder

Serov Holdings, a company owned and controlled by Dimitry Serov, owns approximately 35.9% of the issued and outstanding Common Shares after giving effect to the Maximum Offering. Because of Serov Holding's major shareholding Dimitry Serov could exert significant influence in determining the outcome of corporate actions requiring shareholder approval and otherwise control the Corporation's business. This control could have the effect of delaying or preventing a change in control of the Corporation or entrenching management or the board of directors, which could conflict with the interests of other shareholders and, consequently, could adversely affect the market price of the Corporation's common stock.

Scientific Uncertainty

The Corporation's research studies received to date are based on certain scientific hypotheses and approaches that may not be correct or that may be inappropriate to obtain conclusive results to support the benefits of the Corporation's products and technology. Furthermore, there may be studies conducted that refute or challenge the scientific conclusions in the studies that support the Corporation's products and technology. In these cases, the ability of the Corporation to generate new products and intellectual property to maintain commercial objectives could be significantly impaired. Further, notwithstanding the several studies supporting the Corporation's technology, the development of products to protect humans from harmful EMR is generally unproven. The Corporation's business is based on the assumption that the studies it has received to date has reached conclusions that supports the fact that electronic devices emit harmful EMR and that the Corporation's products and technology successfully converts such EMR into a less harmful form. There is limited understanding on the actual level of harmful EMR that electronic devices emit and limited understanding of how the Corporation's product transforms such harmful EMR into a less harmful or safe form. If the Corporation fails to successfully refute or address future studies that contradict the studies that support the Corporation's products and technology the Corporation's business may suffer materially as a result. In addition, if a study emerges that generally provides the scientific consensus that mobile phone use, or other electronic devices, do not cause adverse health effects, the Corporation's business may materially suffer as a result.

Future Products

Additional investment in research and development, product and technology validation, product testing, and commercial applications is ongoing. There can be no assurance that any current or future products will not be subject to future studies challenging the validity and application of such products. A continuing commitment of time and resources is required to conduct research and tests to ensure the development of the Corporation's products.

Product Liability and CBC Correspondence

As a manufacturer and distributor of products designed to provide health benefits to humans, the Corporation risks exposure to product liability claims, regulatory actions and litigation if its products are alleged to not have the advertised effects on the human body. The Corporation received the CBC Letter and provided the CBC Response in 2015, however, the CBC clearly stated that while the CBC Response was accepted, the CBC reserved the right to re-open the matter based on further information they may receive in the future. A further investigation by the CBC into the Corporation's advertising and marketing practices related to its products and technology can have a negative impact on the Corporation's sales and revenues as well as a negative impact on the overall perception of the efficacy of the Corporation's products and technology, which could adversely affect the financial viability of the Corporation and its growth and future success.

Further, the Corporation may be subject to various product liability claims, including, among others, that the Issuer's products do not improve the health or provide the benefits as claimed or do not include adequate warnings concerning possible negative effects on electronic devices. A product liability claim or regulatory action against the Corporation could result in increased costs, adversely affect the Corporation's reputation with its clients and consumers generally, and have a material adverse effect on the Corporation's results of operations and financial condition. There can be no assurances that the Corporation will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the successful viability of the Corporation.

Part-Time Chief Financial Officer

The Corporation's Chief Financial Officer serves as the part-time Chief Financial Officer of the Corporation and as a part-time chief financial officer of other private and public issuers. Accordingly, Mr. Suttie has dedicated ten percent of his time to his duties as Chief Financial Officer of the Corporation. There are no assurances that this is a sufficient amount of time for Mr. Suttie to satisfy his duties as Chief Financial Officer of the Corporation. The Corporation cannot provide any assurances that Mr. Suttie will be generally available to address urgent or time sensitive matters of the Corporation, will be available and accessible in a timely manner at the Corporation's head office or place of business and will be able to place the matters of the Corporation in priority to his possibly competing priorities with other issuers. Accordingly, there is a risk that the Chief Financial Officer may not adequately perform his duties for the Corporation. There is also a risk that if the Corporation's operations and activities grow and/or Mr. Suttie's other commitments require him to devote less time to the Corporation, Mr. Suttie may no longer be able to continue as Chief Financial Officer of the Corporation. This will require the Corporation to seek a replacement Chief Financial Officer in a timely manner and may expose the Corporation to risks associated with transitioning to a new Chief Financial Officer and risks associated with a new Chief Financial Officer learning the business and operations of the Company in a timely manner.

PROMOTERS OF THE CORPORATION

Dimitry Serov the Corporation's CEO, President, Secretary-Treasurer and Director, and Igor Serov, founder and a director of the Corporation, took the initiative in the primary organization of the Corporation and accordingly are promoters of the Corporation. Mr. Dimitry Serov, through Serov Holdings Inc., owns 39,420,000 Common Shares of the Corporation, which is 46.6% of the Common Shares outstanding prior to giving effect to the Offering. See "Principal Shareholders", "Directors and Executive Officers" and "Executive Compensation".

Pursuant to the IP Assignment Agreements between the Corporation and each of Dimitry Serov and Igor Serov, Mr. Dimitry Serov transferred certain intellectual property to the Corporation with a value of \$739,800 in exchange for 14,796,000 Common Shares of the Corporation and Igor Serov transferred certain intellectual property and the value of a shareholder loan to the Corporation with an aggregate value of \$666,817 in exchange for 13,336,340 Common Shares of the Corporation. The determination of the value of the assets was based on the Valuation Report. Subsequent to the entering into of the IP Assignment Agreements, Igor Serov transferred 24,623,940 of his common shares in the Corporation to Dimitry Serov as noted above. Subsequent to that, Dimitry transferred all of the Common Shares held by him to Serov Holdings. Please see "*Business of the Corporation – Three Year History*".

Further, Mr. Dimitry Serov's services are paid through the terms of the Dimitry Agreement. The Dimitry Agreement provides that Dimitry will serve as President of the Corporation and in exchange will be paid a gross annual salary of \$180,000 with a potential bonus of up to \$50,000 to be paid at the end of each

calendar year conditional upon the satisfaction by Dimitry of performance criteria established by the board of directors. Further, Dimitry will be entitled to four weeks' vacation time with pay for each year, prorated for periods of less than a year. The Dimitry Agreement is for an indefinite term, subject to termination in accordance with its terms.

In addition, Mr. Igor Serov's services are paid through the Igor Agreement. The Igor Agreement is for an indefinite term and provides that Igor will be paid a gross annual salary of \$80,000 with a potential bonus of up to \$20,000 to be paid at the end of each calendar year conditional upon the satisfaction by Igor of performance criteria established by the board of directors.

Neither Dimitry Serov nor Igor Serov have been the subject of any cease trade orders, bankruptcies, sanctions or penalties, as more fully described above under the headings "*Cease Trade Orders and Bankruptcies*" and "*Penalties or Sanctions*".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings outstanding, threatened or pending as of the date of this Prospectus by or against the Corporation or to which it is a party or its business or any of its assets is the subject of, nor to the knowledge of the directors and officers of the Corporation are any such legal proceedings contemplated which could become material to a purchaser of the Corporation's securities.

There have not been any penalties or sanctions imposed against the Corporation by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Corporation, and the Corporation has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The current auditor of the Corporation is MNP LLP, located at 111 Richmond Street West, Suite 300, Toronto, ON M5H 2G4 and was appointed on December 17, 2017.

The Corporation's registrar and transfer agent is Computershare Investor Services Inc., located at its Toronto office located at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than with respect to the IP Assignment Agreements, no director, executive officer or principal shareholder of the Corporation, or associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the preceding three years or in the current financial year or in any proposed transaction that has materially affected or will materially affect the Corporation.

Pursuant to the IP Assignment Agreements between the Corporation and each of Dimitry Serov and Igor Serov, Mr. Dimitry Serov transferred certain intellectual property to the Corporation with a value of \$739,800 in exchange for 14,796,000 Common Shares of the Corporation and Igor Serov transferred certain intellectual property and the value of a shareholder loan to the Corporation with an aggregate value of \$666,817 in exchange for 13,336,340 Common Shares of the Corporation. The determination of the value of the assets was based on the Valuation Report. Subsequent to the entering into of the IP Assignment Agreements, Igor Serov transferred 24,623,940 of his common shares in the Corporation to Dimitry Serov as noted above. Subsequent to that, Dimitry transferred all of the Common Shares held by him to Serov Holdings. Please see "*Business of the Corporation – Three Year History*".

On October 15, 2017 the Corporation entered into the Research Agreement with Aires Research, a non-profit organization governed by the laws of the Russian Federation, to among other things, conduct scientific research related to electromagnetic fields and/or radiation, develop and implement new technology based on its research activities and provide the Corporation with the results of all its research and development efforts. Mr. Igor Serov, a director of the Corporation, is the President of Aires Research, and accordingly Aires Research is considered a related party of the Corporation, however, Igor Serov does not receive any direct compensation or benefit from the Research Agreement.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

Igor Serov, a promotor and director of the Company and each of Dr. Rybina and B. Alexandrov reside outside of Canada. Mr. Serov, Dr. Rybina and B. Alexandrov each have appointed Holmberg I. Watson Business & Estate Lawyers, 129 Yorkville Avenue, Suite 200, Toronto, ON, Canada M5R 1C4, as agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

MARKETING MATERIALS

Any template version of marketing materials filed under National Instrument 41-101 - *General Prospectus Requirements* after the date of the final prospectus and before the termination of the distribution is deemed to be incorporated into the final prospectus.

MATERIAL CONTRACTS

The only material contracts entered into or proposed to be entered into by the Corporation, or on its behalf, since incorporation, other than contracts in the ordinary course of business, are as follows:

1. The agency agreement dated October 2, 2019 between the Corporation and the Agent.
2. Escrow Agreement dated September 17, 2019 between the Corporation and Serov Holdings Inc. See "*Escrowed Securities*".
3. Transfer Agent Agreement between the Corporation and the Transfer Agent dated August 1st, 2018;
4. The IP Assignment Agreements;
5. The Research Agreement; and
6. The Amending Agreement.

Copies of these agreements, when executed, may be inspected at the head office of the Corporation at 400 Applewood Crescent, Unit 100, Vaughan, Ontario, L4K 0C3 or at the offices of Irwin Lowy LLP, legal counsel to the Corporation, at 365 Bay Street, Suite 400, Toronto, Ontario M5H 2V1 during normal business hours, as well as under the Issuer's SEDAR profile at www.sedar.com upon the Effective Date of this Prospectus.

EXPERTS

Certain legal matters in connection with the Offering are being reviewed on behalf of the Corporation by Irwin Lowy LLP, 365 Bay Street, Suite 400, Toronto, Ontario M5H 2V1.

The Corporation retained GT LLP, 11th Floor, 200 King Street West, Box 11, Toronto, Ontario, M5H 3T4 to prepare the Valuation Report.

Dr. Larisa Rybina and Bogdan Alexandrov provided the St. Petersburg Study and Dr. Andrew Michrowski provided an opinion of the St. Petersburg Study, both referred to in this Prospectus.

Except as disclosed herein, none of the above experts or any director, officer, partner, associate or employee thereof received or will receive a direct or indirect interest in the property of the Corporation or of any associate or affiliate of the Corporation. As at the date hereof, the aforementioned companies and partnerships, and all directors, officers, employees and partners thereof, do not beneficially own, directly or indirectly, any of the securities of the Corporation and its associates and affiliates. In addition, other than Chris Irwin of Irwin Lowy LLP, no other director, officer, partner or employee of any of the aforementioned companies and partnerships is currently expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associates or affiliates of the Corporation.

The Corporation's auditor, MNP LLP, is independent in accordance with the auditor's rules of professional conduct in the Province of Ontario.

OTHER MATERIAL FACTS

To management's knowledge, there are no other material facts relating to the Corporation that are not otherwise disclosed in this Prospectus, or are necessary in order for this Prospectus to contain full, true and plain disclosure of all material facts relating to the Corporation.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus or any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. **The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.**

FINANCIAL STATEMENTS

Attached to and forming a part of this Prospectus as Schedule "A" are the following documents:

1. Audited financial statements of the Corporation for the years ended December 31, 2018 and 2017 (unaudited);
2. Management's Discussion and Analysis of the Corporation for the years ended December 31, 2018 and 2017 (unaudited);
3. Unaudited condensed interim financial statements of the Corporation for the six months ended June 30, 2019 and 2018; and
4. Management's Discussion and Analysis of the Corporation for the six months ended June 30, 2019 and 2018.

SCHEDULE "A"
FINANCIAL STATEMENTS

**AMERICAN AIRES INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN CANADIAN DOLLARS)**

Independent Auditor's Report

To the Shareholders of American Aires Inc.:

Opinion

We have audited the financial statements of American Aires Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$1,680,697 during the year ended December 31, 2018, and as of that date, had a deficit of \$3,425,216. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Toronto, Ontario
October 2, 2019

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

MNP

AMERICAN AIRES INC.
Statements of Financial Position
(Expressed in Canadian Dollars)

| As at December 31, | 2018 | 2017 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 63,227 | \$ 354,839 |
| Prepaid and sundry receivable | 194,597 | 72,499 |
| Accounts receivable | 832 | 4,258 |
| Inventory | 368,912 | 57,730 |
| | 627,568 | 489,326 |
| Leasehold Improvements (note 7) | 41,011 | - |
| Furniture and equipment (note 6) | 36,087 | - |
| Intellectual property (note 5) | 1,176,000 | 1,344,000 |
| Total assets | \$ 1,880,666 | \$ 1,833,326 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 10) | \$ 517,233 | \$ 588,535 |
| Shareholder loans (note 10) | 230,000 | - |
| Deferred revenue | - | 8,515 |
| | 747,233 | 597,050 |
| Shareholders' equity (Deficiency) | | |
| Share capital (note 8) | 4,184,249 | 2,940,795 |
| Shares to be issued (note 8) | - | 40,000 |
| Contributed surplus | 374,400 | - |
| Deficit | (3,425,216) | (1,744,519) |
| Total shareholders' equity (deficiency) | 1,133,433 | 1,236,276 |
| Total liabilities and shareholders' equity | \$ 1,880,666 | \$ 1,833,326 |

Nature of Operations and Going Concern (note 1)
Subsequent Event (note 14)

Approved on behalf of the Board of Directors:

"Dimitry Serov"
Director

"Tony Di Benedetto"
Director

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

AMERICAN AIRES INC.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

| For the years ended December 31, | 2018 | 2017 |
|---|----------------------|--------------|
| Revenue | | |
| Sales | \$ 532,210 | \$ 352,570 |
| Cost of sales | (184,648) | (123,656) |
| Gross margin | 347,562 | 228,914 |
| Expenses | | |
| Advertising and promotion | 402,641 | 191,698 |
| Consulting fees (note 10) | 314,148 | 470,231 |
| Foreign exchange | 6,241 | 2,109 |
| Interest charges | 20,476 | 8,665 |
| Office and general | 212,897 | 65,949 |
| Professional fees | 365,610 | 52,789 |
| Rent expense | 47,208 | 32,729 |
| Research and development | 23,580 | 24,996 |
| Salaries and benefits (note 10) | 368,126 | 90,813 |
| Travel | 85,319 | 38,550 |
| Depreciation | 182,013 | 168,000 |
| | 2,028,259 | 1,146,529 |
| Net loss and comprehensive loss for the year | \$(1,680,697) | \$ (917,615) |
| Basic and diluted net loss per share (note 9) | \$ (0.02) | \$ (0.02) |
| Weighted average number of common shares outstanding, basic and diluted (note 9) | 87,577,808 | 48,768,853 |

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

AMERICAN AIRES INC.**Statements of Changes in Shareholders' Equity (Deficiency)****(Expressed in Canadian Dollars)**

| | Share Capital Number | Share Capital Amount | Shares to be Issued | Contributed Surplus | Deficit | Total |
|--|-------------------------|-------------------------|------------------------|------------------------|-----------------------|---------------------|
| Balance, December 31, 2016 | 100 | \$ 100 | \$ - | \$ - | \$ (826,904) | \$ (826,804) |
| Issued on acquisition of intellectual property | 33,712,340 | 1,685,617 | - | - | - | 1,685,617 |
| Shares to be issued (note 8) | - | - | 40,000 | - | - | 40,000 |
| Shares issued for consulting services (note 8) | 11,287,560 | 564,378 | - | - | - | 564,378 |
| Private placement, net of costs | 15,800,000 | 690,700 | - | - | - | 690,700 |
| Net loss | - | - | - | - | (917,615) | (917,615) |
| Balance, December 31, 2017 | 60,800,000 | \$ 2,940,795 | \$ 40,000 | \$ - | \$ (1,744,519) | \$ 1,236,276 |
| Shares issued for consulting services (note 8) | 800,000 | 40,000 | (40,000) | - | - | - |
| Private placements, net of costs (note 8) | 28,500,000 | 1,577,854 | - | - | - | 1,577,854 |
| Warrants issued (note 8) | - | (374,400) | - | 374,400 | - | - |
| Net loss | - | - | - | - | (1,680,697) | (1,680,697) |
| Balance, December 31, 2018 | 90,100,000 | \$ 4,184,249 | \$ - | \$ 374,400 | \$ (3,425,216) | \$ 1,133,433 |

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

AMERICAN AIRES INC.
Statements of Cash Flows
(Expressed in Canadian Dollars)

| For the years ended December 31, | 2018 | 2017 |
|---|--------------------|-------------------|
| Operating activities | | |
| Net loss for the year | \$ (1,680,697) | \$ (917,615) |
| Depreciation | 182,013 | 168,000 |
| Shares issued for consulting fees (note 10) | - | 604,378 |
| Non-cash working capital items: | | |
| Accounts receivable | 3,426 | (3,264) |
| Prepaid and sundry receivable | (122,098) | (68,961) |
| Accounts payable and accrued liabilities | (71,302) | (42,612) |
| Deferred revenue | (8,515) | 8,515 |
| Inventory | (311,182) | (11,125) |
| | (2,008,355) | (262,684) |
| Investing activities | | |
| Acquisition of property and equipment | (45,543) | - |
| Leasehold improvements | (45,568) | - |
| | (91,111) | - |
| Financing activities | | |
| Private placement, net of fees | 1,577,854 | 690,699 |
| Shareholder loan | 230,000 | (85,213) |
| | 1,807,854 | 605,486 |
| Net change in cash | (291,612) | 342,802 |
| Cash, beginning of the year | 354,839 | 12,037 |
| Cash, end of the year | \$ 63,227 | \$ 354,839 |

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

AMERICAN AIRES INC.
Notes to Financial Statements
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

American Aires Inc. (the "Company") was incorporated on May 15, 2012 and organized under the laws of Ontario, Canada. The registered office of the Company is located at 400 Applewood Crescent, unit 100, Vaughn, Ontario, L4K 0C3.

The Company is currently engaged in business of production, distribution and sales of electromagnetic protection devices. The Company currently has three principal products: Air Shield Pro, Aires Defender Pro and Aires Guardian and has further products in the development phase.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. The Company has a deficit of \$3,425,216 at December 31, 2018 and incurred a loss of \$1,680,697 for the year ended December 31, 2018. The Company has a working capital deficiency of \$119,665 at December 31, 2018 (2017 - a working capital deficiency of \$107,724).

Management cannot provide assurance that the Company will achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. Management intends to raise additional funding in the form of equity financing from the sale of common stock. However, if the Company is unable to raise additional capital in the near future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. There are no assurances that the Company will be successful in achieving the above and, as a result, there is substantial doubt regarding the applicability of the going concern assumption. These financial statements do not give effect to adjustments that would be necessary to the reported carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

Basis of Preparation

These financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Handbook of the Canadian Institute of Chartered Accountants, as issued and effective for the year ended December 31, 2018.

These financial statements were approved by the Board of Directors on October 2, 2019.

Basis of Measurement

These financial statements have been prepared on a historical cost basis. In addition, using the accrual basis of accounting except for cash flow information.

In the preparation of these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is both the presentation and functional currency of the Company.

AMERICAN AIRES INC.
Notes to Financial Statements
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

Financial Instruments

Financial Assets

Recognition and Initial Measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and Subsequent Measurement

On initial recognition, financial assets and liabilities are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of accounts receivable.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash.
- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. The entity does not hold any equity investments.

AMERICAN AIRES INC.
Notes to Financial Statements
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Business Model Assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and the way information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual Cash Flow Assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts receivable. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of Financial Assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial Liabilities

Recognition and Initial Measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

AMERICAN AIRES INC.
Notes to Financial Statements
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial Liabilities (Continued)

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities and shareholder loans do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Cash

Cash in the statements of financial position comprise cash at banks and on hand. The Company's cash is invested with major financial institutions in business accounts and higher yield investment and savings accounts that are available on demand by the Company for its programs.

AMERICAN AIRES INC.
Notes to Financial Statements
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2. Significant Accounting Policies (Continued)

Inventory

Inventory consists of finished goods. The Company values inventory at the lower of cost and net realizable value. The inventory value is determined using the weighted average method. Obsolete inventories are written down to their estimated net realizable value.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company had no material provisions at December 31, 2018.

Income Taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Furniture and Equipment

Furniture and Equipment are recorded at cost less accumulated depreciation. Depreciation is provided over the estimated useful life of the furniture and equipment using the declining balance method at rates of 20% and 30%, respectively.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issuance of common shares are recognized as a deduction from equity. Cash received for common shares yet to be issued is recorded as share subscriptions received when a legal obligation to issue the shares exists.

Valuation of Equity Instruments in Private Placements

The Company has adopted a residual method with respect to the measurement of common shares and warrants issued as private placement units. Warrants attached to units are valued based on the fair value of the warrants using the Black-Scholes option pricing model and the share price at the time of financing, and the difference between the proceeds raised and the value assigned to the warrants is the residual fair value of the shares.

The proceeds from the issue of units are allocated between share capital and reserve for warrants. If and when the warrants are exercised, the applicable amounts of reserve for warrants are transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital. For those warrants that expire after vesting, the recorded value is transferred to contributed surplus.

AMERICAN AIRES INC.
Notes to Financial Statements
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2. Significant Accounting Policies (Continued)

Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Upon exercise of the options, consideration paid by the option holder together with the fair value amount previously recognized in the reserve for share-based payments account is recorded as an increase to share capital. For those options that expire after vesting, the recorded fair value is transferred to contributed surplus.

Intellectual Property

Intellectual property is recorded at cost less amortization. Amortization is recorded on a straight-line basis over a period of nine years.

Loss Per Share

The Company presents basic and diluted loss per share data for its common shares outstanding, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding to include potential common shares for the assumed conversion of all dilutive securities under the treasury stock method.

Revenue Recognition

The Company's revenue is substantially derived from the sale of electromagnetic protection devices. Revenue is recognized when the product is shipped and there is a reasonable expectation of collection.

Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

Deferred Revenue

Deferred revenue relates to sales for which payment has been received, and for which the corresponding service had not been provided as at year end.

AMERICAN AIRES INC.
Notes to Financial Statements
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2. Significant Accounting Policies (Continued)

Impairment

Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

Provision for Expected Credit Losses ("ECL")

The Company performs impairment testing annually for accounts receivable in accordance with IFRS 9. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognize ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12 -month expected credit losses or 2) lifetime expected credit losses. The Company measures provisions for ECLs at an amount equal to lifetime ECLs. The Company applies the simplified approach to determine ECLs on accounts receivable by using a provision matrix based on historical credit loss experiences. The historical results are used to calculate the run rates of default which are then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Income Taxes and Recovery of Deferred Tax Assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets. As at December 31, 2018, no deferred tax assets were recognized, as it is uncertain when sufficient taxable income will be available to realize the deferred tax assets.

Going Concern

Significant judgments are used in the Company's assessment of its ability to continue as a going concern as described in note 1.

AMERICAN AIRES INC.
Notes to Financial Statements
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2. Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted During the Year

In July 2014, the IASB issued IFRS 9 to replace IAS 39. IFRS 9, which is to be applied retrospectively, will be effective for annual periods beginning on or after January 1, 2018.

IFRS 9 – Financial instruments (“IFRS 9”) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, October 2010, November 2013 and finalized in July 2014. It replaces the parts of IAS 39 Financial Instruments: Recognition and Measurement that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value through profit or loss and those measured at amortized cost, with the determination made at initial recognition. The classification depends on an entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that in cases where the fair value option is selected for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the statements of operations, unless this creates an accounting mismatch. IFRS 9 has also been updated to amend the requirements around hedge accounting. However, there is no impact to the Company from these amendments as it does not apply hedge accounting. On January 1, 2018, the Company adopted these amendments.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

Below is a summary showing the classification and measurement bases of the financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

| | IAS 39 | IFRS 9 |
|---------------------|-----------------------------|----------------|
| Cash | FVTPL | FVTPL |
| Accounts receivable | Loans and receivables | Amortized cost |
| Accounts payable | Other financial liabilities | Amortized cost |
| Shareholder loan | Other financial liabilities | Amortized cost |

There was no impact on the Company’s financial statements as result of adopting IFRS 9.

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2. Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted During the Year (Continued)

IFRS 15 Revenue from Contracts with Customers – The IASB issued IFRS 15 to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Company adopted this standard on January 1, 2018, with no impact on its financial statements.

Future Accounting Pronouncements

IFRS 16 – Leases – The standard was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The Company will adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company is assessing the impact of this standard on its financial statements and expects that on adoption of the standard, there will be an increase to assets and liabilities, as the Company will be required to record a right-of-use asset and a corresponding lease liability on its statement of financial position. In addition, the Company expects a decrease to its rental lease costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation and amortization (due to amortization of the right-of-use asset).

There are no other relevant IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, and deficit, which at December 31, 2018 totaled \$1,133,433 (2017 - \$1,236,276). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2018.

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4. Financial Instruments and Risk Management

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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

Level 2: inputs other than quotes 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is is level one.

Fair Values

The carrying value of cash, amounts receivable, accounts payable and accrued liabilities, promissory note and amounts due to related parties approximate their fair values due to the expected short-term maturity of these financial instruments.

Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk).

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consists of cash at banks and on hand. The cash has been invested and held with reputable financial institutions, from which management believes the risk of loss to be remote. The Company's customer base is well diversified with no reliance on any one client.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at December 31, 2018, the Company had a cash balance of \$63,227 to settle current liabilities of \$747,233. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not generate revenue, managing liquidity risk is dependent upon the ability to secure additional financing, controlling expenses, and preserving cash.

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest Rate Risk

The Company has cash balances and regularly monitors its cash management policy. As a result, the Company is not subject to significant interest rate risk.

AMERICAN AIRES INC.
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5. Intellectual Property

Effective January 1, 2017 the Company entered into amended and restated intellectual property assignment agreements (collectively the "IP Assignment Agreements") with each of Dmitry Serov and Igor Serov (the "Founders") whereby the Founders transferred the proprietary rights in relation to the intellectual property related to the Corporation's business of production, distribution and sales of electromagnetic protection devices intended to protect persons from the harmful effects of electromagnetic emissions. More specifically, Dmitry and Igor transferred, among other things, any and all trademarks, intellectual property and other proprietary rights related to products or devices sold under the trade names or trademarks of: Aires Black Crystal, Aires Shield, Aires Shield Extreme, Aires Defender, Aires Defender Automotive and Aires Defender Infinity. In consideration for the transfer of the intellectual property the Corporation issued 18,144,000 Common Shares to Dmitry Serov and issued 15,568,340 Common Shares to Igor Serov. Further, in connection with the IP Assignment Agreements certain shareholder loans in the amount of \$173,617 were transferred to the Corporation by Igor, and the remaining \$50,000 in outstanding shareholder loans were settled in cash. The aggregate fair market value of the intellectual property acquired by the Corporation, net of shareholder loans forgiven was \$1,512,000. Based on the average life of existing patents held, intellectual property is being amortized over a period of 9 years on a straight-line basis.

| | |
|-----------------------------------|---------------------|
| Balance, December 31, 2016 | \$ - |
| Additions | 1,512,000 |
| Depreciation | (168,000) |
| <hr/> | |
| Balance, December 31, 2017 | \$ 1,344,000 |
| Depreciation | (168,000) |
| <hr/> | |
| Balance, December 31, 2018 | \$ 1,176,000 |

AMERICAN AIRES INC.
Notes to Financial Statements
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6. Furniture and Equipment

| Cost | Furniture and Fixtures | Computer Equipment | Total |
|-------------------------------------|-----------------------------------|-------------------------------|------------------|
| Balance, December 31, 2016 and 2017 | \$ - | \$ - | \$ - |
| Additions | 42,082 | 3,461 | 45,543 |
| Balance, December 31, 2018 | \$ 42,082 | \$ 3,461 | \$ 45,543 |
| Accumulated Depreciation | | | |
| Balance, December 31, 2016 and 2017 | \$ - | \$ - | \$ - |
| Depreciation | 8,418 | 1,038 | 9,456 |
| Balance, December 31, 2018 | \$ 8,418 | \$ 1,038 | \$ 9,456 |
| Carrying Value | | | |
| At December 31, 2017 | \$ - | \$ - | \$ - |
| At December 31, 2018 | \$ 33,664 | \$ 2,423 | \$ 36,087 |

7. Leasehold Improvements

| Cost | Leasehold Improvements |
|---------------------------------|-----------------------------------|
| December 31, 2016 and 2017 | \$ - |
| Additions | 45,568 |
| December 31, 2018 | \$ 45,568 |
| Accumulated Depreciation | |
| December 31, 2016 and 2017 | \$ - |
| Depreciation | 4,557 |
| December 31, 2018 | \$ 4,557 |
| Carrying Value | |
| At December 31, 2017 | \$ - |
| At December 31, 2018 | \$ 41,011 |

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8. Share Capital

(a) *Authorized*

The Company is authorized to issue an unlimited number of common shares.

(b) *Issued and outstanding - Common Shares*

| | Number of common shares | Amount |
|---|-------------------------------|---------------------|
| Balance, December 31, 2015 and 2016 | 100 | \$ 100 |
| Issued on acquisition of intellectual property (note 5) | 33,712,340 | 1,685,617 |
| Issued for consulting services (i) | 11,287,560 | 564,378 |
| Private placement, net of costs (ii) | 15,800,000 | 690,700 |
| Balance, December 31, 2017 | 60,800,000 | \$ 2,940,795 |
| Private placements, net of costs (iii)(iv) | 28,500,000 | 1,577,854 |
| Issuance of warrants (iii) | - | (374,400) |
| Shares issued for consulting fees (c) | 800,000 | 40,000 |
| Balance, December 31, 2018 | 90,100,000 | \$ 4,184,249 |

(i) On January 1, 2017 the Company issued 11,287,560 common shares to Igor Serov, ascribed a fair value of \$564,378.

(ii) On September 29, 2017 the Company closed private placement financing of Common Shares of the Corporation. The offering included the sale of 15,800,000 Common Shares at a price of \$0.05 per Common Share, for aggregate gross proceeds of \$790,000. Cash costs of issue, including a 10% finders fee were \$99,300.

(iii) On January 26, 2018 the Company closed private placement financing of units of the Corporation ("Units"). The offering included the sale of 26,000,000 Units at a price of \$0.05 per Unit, for aggregate gross proceeds of \$1,300,000. Each Unit consisted of one Common Share and one Common Share purchase warrant exercisable into a Common Share at a price of \$0.14 for a period of two (2) years from the date of issuance. Cash costs of issue amounted to \$36,250.

The fair value of the resulting 26,000,000 warrants issued in connection with this financing was \$374,400 as calculated using the Black-Scholes option pricing model with the following assumptions: a 24 months expected average life; share price of \$0.05; 100% expected volatility; risk free interest rate of 1.75%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants using comparable companies.

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8. Share Capital (Continued)

(b) Issued and outstanding - Common Shares

iv) On February 23, 2018 the Corporation closed private placement financing of 2,500,000 Common Shares at a price of \$0.14 per Common Share, for aggregate gross proceeds of \$350,000. Cash costs of issue amounted to \$35,896.

(c) Shares to be Issued

On May 17, 2018, the Company issued 800,000 common shares, ascribed a fair value of \$0.05 for consulting services provided during the year ended December 31, 2017.

9. Net Loss Per Share

The calculation of basic and diluted loss per share for the years ended December 31, 2018 and 2017 was based on the loss attributable to common shareholders of \$1,680,697, and \$917,615, respectively and the weighted average number of common shares outstanding of 87,577,808 and 48,768,853, respectively.

10. Related Party Balances and Transactions

Remuneration of key management personnel of the Company was as follows:

| | 2018 | 2017 |
|---------------------------|------------|-----------|
| Remuneration paid for CEO | \$ 225,000 | \$ 90,813 |
| Remuneration paid for CFO | \$ 30,000 | \$ 7,500 |

The Company defines key management as the Company's Chief Executive Officer and Chief Financial Officer of the Company.

As at December 31, 2018, amounts due to related parties totaled \$89,379 (2017 - \$63,721) pertaining to amounts payable for key management remuneration, and reimbursement of expenses paid on behalf of the Company.

During the year ended December 31, 2018, the Company purchased \$495,092 (2017 - \$46,637) of inventory and \$28,060 (2017 - 24,996) in research fees from Aireslita UAB with which Igor Serov and Dimitry Serov were directors up until June 13, 2018. Igor Serov is a director and Dimitry Serov is Chief Executive Officer and a Director of the American Aires Inc. As at December 31, 2018, \$5,972 (2017 - \$12,480) was included in accounts payable pertaining to these purchases. The inventory purchases were made in accordance with a manufacturing agreement dated October 15, 2017.

During the year ended December 31, 2017, shareholder loans of \$173,618 were forgiven in conjunction with the acquisition of intellectual property, described in note 5.

During the year ended December 31, 2018, the Company purchased inventory for \$nil (2017 - \$61,830) from Aires Technologies. During the year ended December 31, 2018 and 2017, the president of Aires Technologies was Igor Serov, a director of the Company.

During the year ended December 31, 2018, the Company paid \$100,000 (2017 - \$12,500) in consulting fees to Igor Serov, a director of the Company. Included in accounts payable and accrued liabilities was \$25,000 (December 31, 2017 - \$12,500) in relation to these fees.

During the year ended December 31, 2018, the Company expensed \$30,000, (2017 - \$7,500) to Marrelli Support Services Inc. ("Marrelli Group") and for:

- (i) Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company;
- (ii) Regulatory filing services

The Marrelli Group is also reimbursed for out of pocket expenses.

AMERICAN AIRES INC.
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10. Related Party Balances and Transactions (Continued)

As of December 31, 2018, the Marrelli Group was owed \$14,379 (2017 - \$nil). These amounts are included in accounts payable.

During the year ended December 31, 2018, two consultants who are shareholders of the Company were each paid \$110,619 (2017 - \$200,000) each for additional financial, strategic and advisory services to the Company. As at December 31, 2018, \$nil (December 31, 2017 - \$400,000) was included in accounts payable pertaining to these fees. Additionally, during the year ended December 31, 2018, the two consultants advanced the Company \$230,000 for working capital purposes. The shareholder loans bear no interest, are unsecured and are due on demand.

During the year ended December 31, 2018, the Company expensed \$179,577 (2017 - \$nil) for legal services provided by a firm, a partner of which is a director of the Company. As at December 31, 2018, \$122,358 (2017 - \$nil) was included in accounts payable and accrued liabilities.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

11. Income Taxes

The Canadian non-capital loss carryforwards expire as noted in the table below:

| | |
|------|--------------|
| 2033 | \$ 66,300 |
| 2034 | 31,600 |
| 2035 | 35,500 |
| 2037 | 887,186 |
| 2038 | 1,532,584 |
| | <hr/> |
| | \$ 2,553,170 |

12. Contingencies and Commitments

On January 2, 2017 the Company entered into consulting agreements (the "Consulting Agreements") with two individuals who are shareholders of the Company (collectively the "Consultants") whereby each of the Consultants provide financial, strategic and advisory services to the Company. In consideration for the services rendered during the year ended December 31, 2017, each of the Consultants were paid a fee of \$200,000 plus HST. Additionally, under the terms of the Consulting Agreements each Consultant is to be paid a fee of one percent (1%) of the value of the proceeds raised pursuant to any going public transaction to be paid within ten days of completion of a going public transaction. Each of the two Consultants participated in the January 26, 2018 private placement, each subscribing to 8,000,000 units of the Company for subscription proceeds of \$400,000. Each unit consisted of one share and one common share purchase warrant exercisable into a common share at a price of \$0.14 for a period of two (2) years from the date of issuance.

The Company is committed under the terms of an office lease for minimum annual rental payments of \$54,010 to June 30, 2019, and \$40,989 thereafter to June 30, 2020.

13. Segmented Information

The Company's operations consist of a single operating segment, located in Canada. During the year ended December 31, 2018, 80% (2017 - 65%) of sales were to US customers and 19% (2017 - 23%) being sold to customers in Canada. The Company's remaining customers are distributed widely throughout the world.

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14. Subsequent Events

On March 31, 2019, the Company cancelled 5,580,000 common shares issued to Igor Serov.

On May 8, 2019, the Company extended the expiry date of 26,000,000 \$0.14 warrants by one year to January 26, 2021.

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of American Aires Inc. ("Aires" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2018. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2018, together with the notes thereto. Information contained herein is presented as at October 2, 2019, unless otherwise indicated.

Description of Business

American Aires Inc. (the "**Company**") was incorporated on May 15, 2012 and organized under the laws of Ontario, Canada. The registered office of the Company is located at 400 Applewood Crescent, unit 100, Vaughn, Ontario, L4K 0C3.

The Company is currently engaged in business of production, distribution and sales of electromagnetic protection devices. The Company currently has three principal products: Air Shield Pro, Aires Defender Pro and Aires Guardian and has further products in the development phase.

The Company was formed to further research, develop and distribution devices intended to protect persons from the harmful effects of electromagnetic radiation ("**EMR**") that are emitted by modern electronic devices. Since incorporation, the Company has continued the research and development that was started by the AIRES Human Genome Research Foundation ("**Aires Research**") and has manufactured its products in Europe, and sold its products primarily in North America and elsewhere throughout the world. Aires Research, a non-profit foundation based and governed pursuant to the laws of the Russian Federation, was founded by Igor Serov in 1998 to conduct research in various scientific areas, including controlling the harmful effects of EMR emissions. Mr. Igor Serov and Mr. Dimitry Serov established the Company to further develop the technology being used by the Company and to bring the technology to market.

Highlights

Effective January 1, 2017 the Company entered into amended and restated intellectual property assignment agreements (collectively the "**IP Assignment Agreements**") with each of Dimitry Serov and Igor Serov (the "**Founders**") whereby the Founders transferred the proprietary rights in relation to the intellectual property related to the Company's business of production, distribution and sales of electromagnetic protection devices intended to protect persons from the harmful effects of electromagnetic emissions. More specifically, Dimitry and Igor transferred, among other things, any and all trademarks, intellectual property and other proprietary rights related to products or devices sold under the trade names or trademarks of: Aires Black Crystal, Aires Shield, Aires Shield Extreme, Aires Defender, Aires Defender Automotive and Aires Defender Infinity. In consideration for the transfer of the intellectual property the Company issued 18,144,000 Common Shares to Dimitry Serov and issued 15,568,340 Common Shares to Igor Serov. Further, in connection with the IP Assignment Agreements certain shareholder loans in the amount of \$173,617 were transferred to the Company by Igor, and the remaining \$50,000 in outstanding shareholder loans were settled in cash. The aggregate fair market value of the intellectual property acquired by the Company, net of shareholder loans forgiven was \$1,512,000. Based on the average life of existing patents held, intellectual property is being amortized over a period of 9 years on a straight-line basis.

On March 31, 2019, the Founders, Serov Holdings Inc. and the Company entered into an agreement to amend transferred shares (the "**Amending Agreement**") in connection with the revaluation of the intellectual property originally transferred from the Founders to the Company pursuant to the IP Assignment Agreements. The Amending Agreement provided for: (i) the reduction of 3,348,000 Common Shares issued to Dimitry Serov; and (ii) the reduction of 2,232,000 Common Shares issued to Igor Serov, both in connection with the transfer of intellectual property pursuant to the IP Assignment

Agreements. In connection therewith, Serov Holdings Inc. agreed to surrender for cancellation 5,580,000 Common Shares held by it in order to reflect the agreement by the Founders to reduce the consideration received pursuant to the IP Assignment Agreements.

On January 1, 2017 the Company issued 11,287,560 common shares to Igor Serov, in consideration of past consulting services provided, ascribed a fair value of \$564,378.

On January 2, 2017 the Company entered into consulting agreements (the "**Consulting Agreements**") with Richard Buzbuzian and Jason Monaco, two individuals who are shareholders of the Company (collectively the "**Consultants**") whereby each of the Consultants provide financial, strategic and advisory services to the Company. In consideration for the services rendered during the year ended December 31, 2017, each of the Consultants were paid a fee of \$200,000 plus HST. Additionally, under the terms of the Consulting Agreements each Consultant is to be paid a fee of one percent (1%) of the value of the proceeds raised pursuant to any going public transaction to be paid within ten days of completion of a going public transaction. Each of the two consultants participated in the January 26, 2018 private placement, each subscribing to 8,000,000 Units for subscription proceeds \$400,000. (as described below)

The Company is committed under the terms of an office lease for minimum annual rental payments of \$54,010 to June 30, 2019, and \$40,989 thereafter to June 30, 2020.

On September 29, 2017 the Company closed private placement financing of Common Shares of the Company. The offering included the sale of 15,800,000 Common Shares at a price of \$0.05 per Common Shares, for aggregate gross proceeds of \$790,000. Certain finders received a cash commission equal to 10% of the gross proceeds of the private placement.

On January 26, 2018 the Company closed private placement financing of units of the Company ("**Units**"). The offering included the sale of 26,000,000 Units at a price of \$0.05 per Unit, for aggregate gross proceeds of \$1,300,000. Each Unit consisted of one Common Share and one Common Share purchase warrant exercisable into a Common Share at a price of \$0.14 for a period of two (2) years from the date of issuance.

On October 15, 2017 the Company entered into a research and development agreement ("**Research Agreement**") with Aires Human Genome Research Foundation ("**Aires Research**"), a non-profit organization governed by the laws of Russia, to among other things, conduct scientific research related to electromagnetic fields and/or radiation, develop and implement new technology based on its research activities and provide the Company with the results of all its research and development efforts. Mr. Igor Serov, a director of the Company, is the principal of the Aires Research. Any and all intellectual property developed pursuant to the Research Agreement becomes the intellectual property of the Company.

On February 23, 2018 the Company closed private placement financing of Common Shares of the Company ("**Common Shares**"). The offering included the sale of 2,500,000 Common Shares at a price of \$0.14 per Common Share, for aggregate gross proceeds of \$350,000. Certain finders received a cash commission equal to 10% of the gross proceeds of the private placement.

On May 17, 2018 the Company issued 800,000 Common Shares to two individuals, in consideration for services provided, ascribed a fair value of \$40,000.

Business Objectives and Milestones

The business objectives the Company expects to achieve using the available funds are to: (i) complete an initial public offering (the "Offering"); (ii) obtain a listing of the Common Shares on the Canadian Securities Exchange; and (iii) further develop its business and expand to other markets around the world. The Company's business objectives of completing the Offering and listing on the Exchange will occur on the Closing Date of the Offering and the date the Company lists on the Exchange.

The Company invests in improving the efficacy of its product line through continued research by experts and academic institutions. The Company intends to complete two studies through the engagement of a Canadian or Russian university professors, lab staff and university facilities for each study to further refine the application of its technology to ensure efficacy with emerging network protocols and exploring new applications for its technology. Each study will require a team consisting of a university professor and two lab assistants is expected to cost \$200,000 per study (i.e. \$400,000), such costs includes lab time, labour and university costs. Upon completion of the underlying studies, prototypes will be designed, tested, and further refined; incurring an estimated \$100,000 for each study (i.e. \$200,000) in additional research and prototype set up and rework costs. The Company has allocated a further \$5,000 in the aggregate for report costs and miscellaneous costs. These studies are expected to commence in Q3 2019.

Selected Annual Information

| | Year Ended Dec. 31, 2018 \$ | Year Ended Dec. 31, 2017 \$ |
|---------------------------------------|--|--|
| Total assets | 1,880,666 | 1,833,326 |
| Total liabilities | (747,233) | (597,050) |
| Working capital (deficiency) | (119,665) | (107,724) |
| Expenses | 2,028,259 | 1,146,529 |
| Net income (loss) | (1,680,697) | (917,615) |
| Net loss per share, basic and diluted | (0.02) | (0.02) |
| | | |

Year Ended December 31, 2018 vs Year Ended December 31, 2017

For the year ended December 31, 2018, the Company reported a net loss and comprehensive loss of \$1,680,697 compared with a net loss and comprehensive loss of \$917,615 during the year ended December 31, 2017. The increase in the fiscal 2018 net loss is primarily driven by additional investment in advertising and promotion, professional fees, and salaries and benefits, as described below.

Device sales increased to \$532,210 for the year ended December 31, 2018 from \$352,570 during the year ended December 31, 2017, representing a 51% increase over fiscal 2017. In the face of increasing sales, the Company benefitted from declining costs and increasing gross margins, reflective of more favourable terms negotiated with its supply, manufacturing and procurement relationships. Additionally, during the year ended December 31, 2018, the Company completed its transition from a focus upon presence in physical retail partner locations to direct-to-market on-line sales, which served to reduce the underlying costs of servicing product sales. The Company achieved a gross margin of 65.3% during fiscal 2018, compared with 64.9% for the year ended December 31, 2017. The Company continues to focus on scalable efficiency and cost control opportunities when and where possible. During the year ended December 31, 2018, 80% of sales were to US customers and 19% being sold to customers in Canada (2017 : 65% and 23%, respectively). The Company's remaining

customers are distributed widely throughout the world.

Consulting fees declined to \$314,148 during the year ended December 31, 2018 compared to \$470,231 during the year ended December 31, 2017. In fiscal 2017, the Company engaged consultants who were tasked with developing a strategic business plan, transitioning the Company into a publicly listed entity, and establishing the requisite financing to execute these initiatives. Of the \$470,231 in consulting fees in fiscal 2017, \$400,000 pertained to the engagement of these consultants. During fiscal 2018, \$221,238 of the \$314,148 in consulting fees pertained to these consultants, as they were utilized to a lesser degree.

Advertising and promotion increased from \$191,698 during the year ended December 31, 2017, to \$402,641 during the year ended December 31, 2018 as the Company ramped up its targeted online and electronic media campaigns aimed at increasing consumer awareness of its technology and related product line. Similarly, the Company refined its online presence and launched more robust e-commerce functions within its website.

Travel expense increased from \$38,550 during the year ended December 31, 2017 to \$85,319 for the year ended December 31, 2018, reflective of corporate travel required to plan and execute the Company's business strategy in preparation for the anticipated transition to a reporting issuer.

Office and general expenses increased to \$212,897 for the year ended December 31, 2018, from \$65,949 during the comparative year ended December 31, 2017, reflective of the incremental costs of supporting a growing headcount and corporate infrastructure.

Professional fees increased from \$52,789 for the year ended December 31, 2017 to \$365,610 for the year ended December 31, 2018, reflective of the engagement of a Chief Financial Officer during the last quarter of 2017 and the engagement of public company auditors, which were tasked with financial reporting engagements. Additionally, as the company began to develop and execute its business plan, additional legal fees were incurred to support these initiatives.

Research and development costs declined marginally to \$23,580 for the year ended December 31, 2018 from \$24,996 during the year ended December 31, 2017. With the acquisition of the intellectual property supporting the Company's product line on January 1, 2017, the Company began funding Canadian research, development and patent initiatives as operational liquidity improved. The Company will continue to invest in product and technological research and development as it seeks to further diversify its product line.

Salaries and benefits increased to \$368,126 during the year ended December 31, 2018 compared with \$90,813 during the year ended December 31, 2017, as the Company increased its headcount, and adjusted compensation of management in recognition of their roles within the Company. During the comparative year ended December 31, 2017, the Company's focused liquidity on core operations, choosing to reinvest operational liquidity into the business as it established and developed both its internal infrastructure and its market presence.

Depreciation increased to \$182,013 for the year ended December 31, 2018, compared to \$168,000 during the year ended December 31, 2017. Both years saw depreciation of intellectual property acquired on January 1, 2017, while fiscal 2018 saw depreciation on furniture and equipment acquired during the year.

Liquidity and Capital Resources

The Company had working capital deficiency of \$119,665 as at December 31, 2018 (December 31, 2017 – a working capital deficiency of \$107,724), and cash and cash equivalent balance of \$63,227 (December 31, 2017 - \$354,839).

On January 26, 2018 the Company closed private placement financing of units of the Company (“Units”). The offering included the sale of 26,000,000 Units at a price of \$0.05 per Unit, for aggregate gross proceeds of \$1,300,000. Each Unit consisted of one Common Share and one Common Share purchase warrant exercisable into a Common Share at a price of \$0.14 for a period of two (2) years from the date of issuance.

On February 23, 2018 the Company closed private placement financing of Common Shares of the Company (“Common Shares”). The offering included the sale of 2,500,000 Common Shares at a price of \$0.14 per Common Share, for aggregate gross proceeds of \$350,000. Certain finders received a cash commission equal to 5% of the gross proceeds of the private placement.

The Company has no credit facilities with financial institutions. Accordingly, its financial instruments consist of cash, short-term investments, accounts receivable accounts payable and accrued liabilities, and shareholder loans. Unless otherwise noted, the Company does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of these financial instruments approximates their carrying values because of their short term nature.

At this time, the Company is not anticipating an ongoing profit from operations, therefore it will be dependent on its ability to obtain equity or debt financing for growth. The Company may need additional capital, and may raise additional funds should the board of directors of the Company (the “Board of Directors”) deem it advisable.

During the current and comparative years ended December 31, 2018 and 2017, the Company had negative operating cash flow because its revenues did not exceed its operating expenses. In addition, as a result of the Company’s business plans for the development of its products, the Company expects cash flow from operations to be negative until revenues improve to offset its operating expenditures. The Company’s cash flow from operations may be affected in the future by expenditures incurred by the Company to continue to develop its products and services. The amounts set out above for use as working capital may be used to offset this anticipated negative operating cash flow.

Critical Accounting Estimates

Application of the Company’s accounting policies in compliance with International Financial Reporting Standards (“IFRS”) requires the Company’s management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made.

Critical Judgments Used in Applying Accounting Policies

In the preparation of the financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

Income taxes and recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- a) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- b) Depreciation expense is allocated based on assumed useful life of the equipment. Should the useful life differ from the initial estimate, an adjustment would be made to the statement of comprehensive loss.

Recent Accounting Pronouncements

Accounting Pronouncements Adopted During the Year

In July 2014, the IASB issued IFRS 9 to replace IAS 39. IFRS 9, which is to be applied retrospectively, will be effective for annual periods beginning on or after January 1, 2018.

IFRS 9 – Financial instruments (“IFRS 9”) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, October 2010, November 2013 and finalized in July 2014. It replaces the parts of IAS 39 Financial Instruments: Recognition and Measurement that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value through profit or loss and those measured at amortized cost, with the determination made at initial recognition. The classification depends on an entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that in cases where the fair value option is selected for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statements of operations, unless this creates an accounting mismatch. IFRS 9 has also been updated to amend the requirements around hedge accounting. However, there is no impact to the Company from these amendments as it does not apply hedge accounting. On January 1, 2018, the Company adopted these amendments.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

Below is a summary showing the classification and measurement bases of the financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

| | IAS 39 | IFRS 9 |
|---------------------|-----------------------------|----------------|
| Cash | FVTPL | FVTPL |
| Accounts receivable | Loans and receivables | Amortized cost |
| Accounts payable | Other financial liabilities | Amortized cost |
| Shareholder loan | Other financial liabilities | Amortized cost |

There was no impact on the Company's financial statements as result of adopting IFRS 9.

IFRS 15 Revenue from Contracts with Customers – The IASB issued IFRS 15 to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Company adopted this standard on January 1, 2018, with no impact on its financial statements.

Future Accounting Pronouncements

IFRS 16 – Leases – The standard was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The Company will adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company is assessing the impact of this standard on its financial statements and expects that on adoption of the standard, there will be an increase to assets and liabilities, as the Company will be required to record a right-of-use asset and a corresponding lease liability on its statement of financial position. In addition, the Company expects a decrease to its rental lease costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation and amortization (due to amortization of the right-of-use asset).

There are no other relevant IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

Financial Instruments

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments.

For amounts receivable, subscriptions receivable, accounts payable and accrued liabilities, the amount is deemed to reflect the fair value, due to their short-term nature.

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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).

The Company's fair value of cash and short-term investments under the fair value hierarchy are measured using level 1 inputs.

Financial Risk Factors

The Company's business is subject to certain risks, including but not restricted to risks related to: market risk for securities, future financing risks; going-concern risks; global economy risks; use of proceeds risks; volatility of the Company's share price following a listing on a public exchange and the lack of trading history for the Common Shares; increased costs of being a publicly traded company; limited operating history in an evolving industry and history of losses; lack of brand development; expectations with respect to advancement in technologies; currency fluctuations; interest rates; taxes on the Company and its products; liabilities that are uninsured or uninsurable; economic conditions, dependence on management and conflicts of interest; intellectual property rights; attracting and retaining quality employees; key personnel risk; management of growth; product and services development; expansion risk; breach of confidential information; competition within the technology industry; corporate matters; issuance of debt; third party credit; short term investments; shares reserved for issuance; credit risk; liquidity risk; interest rate risk; and described from time to time in the Company's documents filed with Canadian securities regulatory authorities; and other factors beyond the Company's control.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, and foreign exchange rate risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consists of cash at banks and on hand. The cash has been invested and held with reputable financial institutions, from which management believes the risk of loss to be remote. The Company's customer base is well diversified with no reliance on any one client.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at December 31, 2018, the Company had a cash balance of \$63,227 to settle current liabilities of \$747,233. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not generate revenue, managing liquidity risk is dependent upon the ability to secure additional financing, controlling expenses, and preserving cash.

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Interest Rate Risk

The Company has cash balances and regularly monitors its cash management policy. As a result, the Company is not subject to significant interest rate risk.

See "Risk Factors" in the accompanying prospectus.

Capital Management

The Company manages its capital with the following objectives:

- (i) To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- (ii) To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on a regular basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, and deficit, which at December 31, 2018 totaled \$1,133,433 (December 31, 2017 - \$1,236,276). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2018.

Related Party Transactions

| | 2018 \$ | 2017 \$ |
|------------------------------------|------------|------------|
| Remuneration paid for CEO services | 225,000 | 90,813 |
| Remuneration paid for CFO services | 30,000 | 7,500 |
| | | |

The Company defines key management as the Company's Chief Executive Officer and Chief Financial Officer of the Company.

As at December 31, 2018, amounts due to related parties totaled \$89,379 (2017 - \$63,721) pertaining to amounts payable for key management remuneration, and reimbursement of expenses paid on behalf of the Company.

During the year ended December 31, 2018, the Company purchased \$495,092 (2017 - \$46,637) of inventory and \$28,060 (2017 - 24,996) in research fees from Aireslita UAB with which Igor Serov and Dimitry Serov were directors up until June 13, 2018. Igor Serov is a director and Dimitry Serov is Chief Executive Officer and a Director of the American Aires Inc. As at December 31, 2018, \$5,972 (2017 - \$12,480) was included in accounts payable pertaining to these purchases. The inventory purchases were made in accordance with a manufacturing agreement dated October 15, 2017.

During the year ended December 31, 2017, shareholder loans of \$173,618 were forgiven in conjunction with the acquisition of intellectual property, described in note 5.

During the year ended December 31, 2018, the Company purchased inventory for \$nil (2017 - \$61,830) from Aires Technologies. During the year ended December 31, 2018 and 2017, the president of Aires Technologies was Igor Serov, a director of the Company.

During the year ended December 31, 2018, the Company paid \$100,000 (2017 - \$12,500) in consulting fees to Igor Serov, a director of the Company. Included in accounts payable and accrued liabilities was \$25,000 (December 31, 2017 - \$12,500) in relation to these fees.

During the year ended December 31, 2018, the Company expensed \$30,000, (2017 - \$7,500) to Marrelli Support Services Inc. ("Marrelli Group") and for:

- Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company;
- Regulatory filing services

The Marrelli Group is also reimbursed for out of pocket expenses.

As of December 31, 2018, the Marrelli Group was owed \$14,379 (2017 - \$nil). These amounts are included in accounts payable.

During the year ended December 31, 2018, two consultants who are shareholders of the Company were each paid \$110,619 (2017 - \$200,000) each for additional financial, strategic and advisory services to the Company. As at December 31, 2018, \$nil (December 31, 2017 - \$400,000) was included in accounts payable pertaining to these fees. Additionally, during the year ended December 31, 2018, the two consultants advanced the Company \$230,000 for working capital purposes. The shareholder loans bear no interest, are unsecured and are due on demand.

During the year ended December 31, 2018, the Company expensed \$179,577 (2017 - \$nil) for legal services provided by a firm, a partner of which is a director of the Company. As at December 31, 2018, \$122,358 (2017 - \$nil) was included in accounts payable and accrued liabilities. The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

Events Occurring after the Reporting Date

On March 31, 2019, the Company cancelled 5,580,000 common shares issued to Igor Serov.

On May 8, 2019, the Company extended the expiry date of 26,000,000 \$0.14 warrants by one year to January 26, 2021.

Risks and Uncertainties

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to develop its business. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require new capital to continue to operate its business, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out development of its business or operations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Dependence on Key Employees

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

The Company has a strong management team with significant experience in the development of EMR technology. The founder of the Company, Mr. Igor Serov, is well respected in the industry and has won numerous awards for his research and development in the field of EMR technology. Mr. Igor Serov is a valuable asset for management and other development team members. Accountability and oversight of the Company rests with the Board. The Board consists of the ideal mix of technology and capital market expertise so as to drive the value and performance of the Company from both a development standpoint and a shareholder value perspective. The Company will continue to evaluate and potentially expanded its management team to oversee the business development activities of the Company and perform all core functions.

Competitive Conditions

The markets for the Company's products are competitive and rapidly changing, and a number of companies offer products similar to the Company's products and target similar customers. The Company believes its ability to compete depends upon many factors within and outside its control, including the timely development and introduction of new products and product enhancements; product functionality, performance, price and reliability; customer service and support; sales and marketing efforts; and the introduction of new products and services by competitors.

At the global level, there are companies with similar products on the market. Some examples of competitors include: Pong, Sar Shield and Bodywell. However, the Company does not intend to focus on technology or products that other companies use or are developing.

In addition, the Company believes it has a first mover advantage in the equity markets as to the Company's knowledge there are currently no other publicly listed EMR technology companies. However, it is expected that there may be a number of other companies intending to enter into the public markets in the near future.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

Current Global Financial Conditions and Trends

Securities of technology companies in public markets have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of Companies in the technology sector are also significantly affected by proposed and newly enacted laws and regulations, currency exchange fluctuation and the political environment in the local, provincial and federal jurisdictions in which the Company does business. The economy remains in a period of significant economic volatility, although there have been signs of positive economic growth in North American and European markets. Continued volatility is expected in the near term.

Management's Responsibility for Financial Information

The Company's financial statements are the responsibility of the Company's management, and have been approved by the Board of Directors. The financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

Disclosure of Outstanding Share Data

As of the date of this document, the Company had 84,520,000 common shares, and 26,000,000 warrants outstanding,

Forward Looking Statements

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws (forward-looking information being collectively hereinafter referred to as "forward-looking

statements"). Such forward-looking statements are based on expectations, estimates and projections as at the date of this MD&A. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects", "is expected", "anticipates", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends", or variations of such words and phrases (including negative and grammatical variations), or stating that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements and information concerning: the intentions, plans and future actions of the Company; statements relating to the business and future activities of the Company after the date of this MD&A; market position, ability to compete and future financial or operating performance of the Company after the date of this MD&A; anticipated developments in operations of the Company; the timing and amount of funding required to execute the Company's business plans; capital expenditures; the effect on the Company of any changes to existing or new legislation or policy or government regulation; the length of time required to obtain permits, certifications and approvals; the availability of labour; estimated budgets; currency fluctuations; requirements for additional capital; limitations on insurance coverage; the timing and possible outcome of litigation in future periods; the timing and possible outcome of regulatory and permitting matters; goals; strategies; future growth; the adequacy of financial resources; and other events or conditions that may occur in the future.

Forward-looking statements are based on the beliefs of the Company's management, as well as on assumptions, which such management believes to be reasonable based on information available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual results, performance or achievements to differ from those expressed or implied by the forward-looking statements, including, without limitation, related to the following: operational risks; regulation and permitting; evolving markets; industry growth; uncertainty of new business models; speed of introduction of products and services to the marketplace; undetected flaws; risks of operation in urban areas; marketing risks; geographical expansion; limited operating history; substantial capital requirements; history of losses; reliance on management and key employees; management of growth; risk associated with foreign operations in other countries; risks associated with acquisitions; electronic communication security risks; insurance coverage; tax risk; currency fluctuations; conflicts of interest; competitive markets; uncertainty and adverse changes in the economy; reliance on components and raw materials; change in technology; quality of products and services; maintenance of technology infrastructure; privacy protection; development costs; product defects; insufficient research and development funding; uncertainty related to exportation; legal proceedings; reliance on business partners; protection of intellectual property rights; infringement by the Company of intellectual property rights; resale of shares; market for securities; dividends; and global financial conditions.

The lists of risk factors set out in this MD&A or in the Company's other public disclosure documents are not exhaustive of the factors that may affect any forward-looking statements of the Company. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out in this MD&A generally and certain economic and business factors, some of which may be beyond the control of the Company. In addition, the global financial and credit markets have experienced significant debt and equity market and commodity price volatility which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements. The Company does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, the Company's securityholders should not place undue reliance on forward-looking statements.

Additional Information

Additional information relating to the Company is available in the prospectus.

AMERICAN AIRES INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2019 AND 2018
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements of American Aires Inc. (the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim financial statements and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

AMERICAN AIRES INC.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

| As at | June 30, 2019 | December 31 2018 (Audited) |
|--|--------------------------|---|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 59,612 | \$ 63,227 |
| Prepaid and sundry receivable | 251,554 | 194,597 |
| Accounts receivable | - | 832 |
| Inventory | 255,663 | 368,912 |
| | 566,829 | 627,568 |
| Leasehold Improvements (note 5) | 38,733 | 41,011 |
| Furniture and equipment (note 4) | 32,355 | 36,087 |
| Intellectual property (note 3) | 827,419 | 1,176,000 |
| Right-of-use asset (note 6) | 77,489 | - |
| Total assets | \$ 1,542,825 | \$ 1,880,666 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 11) | \$ 666,976 | \$ 517,233 |
| Shareholder loan (note 11) | 510,000 | 230,000 |
| Lease obligation (note 7) | 39,917 | - |
| | 1,216,893 | 747,233 |
| Non-Current liabilities | | |
| Lease obligation (note 7) | 44,082 | - |
| Total liabilities | 1,260,975 | 747,233 |
| Shareholders' equity | | |
| Share capital (note 8) | 3,905,249 | 4,184,249 |
| Contributed surplus | 653,400 | 374,400 |
| Deficit | (4,276,799) | (3,425,216) |
| Total shareholders' equity | 281,850 | 1,133,433 |
| Total liabilities and shareholders' equity | \$ 1,542,825 | \$ 1,880,666 |

Nature of Operations and Going Concern (note 1)

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

AMERICAN AIRES INC.**Condensed Interim Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------------|------------------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue | | | | |
| Sales | \$ 174,663 | \$ 131,139 | \$ 338,965 | \$ 239,942 |
| Cost of sales | (68,446) | (61,452) | (135,240) | (104,076) |
| Gross margin | 106,217 | 69,687 | 203,725 | 135,866 |
| Expenses | | | | |
| Advertising and promotion | 64,157 | 100,963 | 118,482 | 216,734 |
| Consulting fees (note 11) | 28,562 | 214,997 | 45,325 | 227,432 |
| Foreign exchange | 2,384 | 3,477 | 5,303 | 3,041 |
| Impairment of intellectual property | - | - | 279,000 | - |
| Interest charges | 7,562 | 4,823 | 14,586 | 8,847 |
| Office and general | 50,235 | 63,691 | 97,580 | 106,858 |
| Professional fees | 115,357 | 116,345 | 116,969 | 123,448 |
| Rent expense | 5,445 | 11,298 | 18,480 | 16,071 |
| Research and development | 6,000 | - | 12,000 | 3,635 |
| Salaries and benefits (note 11) | 106,502 | 75,417 | 210,266 | 120,416 |
| Travel | 2,406 | 28,498 | 39,644 | 51,163 |
| Depreciation | 41,626 | 45,004 | 97,673 | 91,461 |
| | 430,236 | 664,513 | 1,055,308 | 969,106 |
| Net loss and comprehensive loss for the period | \$ (324,019) | \$ (594,826) | \$ (851,583) | \$ (833,240) |
| Basic and diluted net loss per share (note 10) | \$ (0.00) | \$ (0.01) | \$ (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding, basic and diluted (note 10) | 84,520,000 | 89,319,288 | 87,317,644 | 84,631,562 |

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

AMERICAN AIRES INC.**Condensed Interim Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)****(Unaudited)**

| | Share Capital Number | Share Capital Amount | Shares to be Issued | Contributed Surplus | Deficit | Total |
|--|-------------------------|-------------------------|------------------------|------------------------|-----------------------|---------------------|
| Balance, December 31, 2017 | 60,800,000 | \$ 2,940,795 | \$ 40,000 | \$ - | \$ (1,744,519) | \$ 1,236,276 |
| Private placements, net of costs | 28,500,000 | 1,577,854 | - | - | - | 1,577,854 |
| Warrants issued | - | (374,400) | - | 374,400 | - | - |
| Share issued for consulting fees | 800,000 | 40,000 | (40,000) | - | - | - |
| Net loss | - | - | - | - | (833,240) | (833,240) |
| Balance, June 30, 2018 | 90,100,000 | \$ 4,184,249 | \$ - | \$ 374,400 | \$ (2,577,759) | \$ 1,980,890 |
| Balance, December 31, 2018 | 90,100,000 | \$ 4,184,249 | \$ - | \$ 374,400 | \$ (3,425,216) | \$ 1,133,433 |
| Cancellation of 5,580,000 common shares (note 8) | (5,580,000) | (279,000) | - | 279,000 | - | - |
| Net loss | - | - | - | - | (851,583) | (851,583) |
| Balance, June 30, 2019 | 84,520,000 | \$ 3,905,249 | \$ - | \$ 653,400 | \$ (4,276,799) | \$ 281,850 |

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

AMERICAN AIRES INC.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

| For the Six Months Ended June 30, | 2019 | 2018 |
|--|------------------|--------------------|
| Operating activities | | |
| Net loss for the period | \$ (851,583) | \$ (833,240) |
| Impairment of intellectual property | 279,000 | - |
| Depreciation | 75,589 | 91,461 |
| Depreciation of right-of-use asset | 22,084 | - |
| Accretion of right-of-use asset | 6,579 | - |
| Non-cash working capital items: | | |
| Accounts receivable | 832 | 1,379 |
| Prepaid and sundry receivable | (56,957) | (79,348) |
| Accounts payable and accrued liabilities | 149,745 | (516,668) |
| Deferred revenue | - | 275 |
| Inventory | 113,249 | (405,924) |
| | (261,462) | (1,742,065) |
| Investing activities | | |
| Acquisition of property and equipment | - | (42,551) |
| Leasehold improvements | - | (40,218) |
| Investment | - | (34,117) |
| | - | (116,886) |
| Financing activities | | |
| Private placement, net of fees | - | 1,577,854 |
| Shareholder loan | 280,000 | - |
| Lease obligation expense | (22,153) | - |
| | 257,847 | 1,577,854 |
| Net change in cash | (3,615) | (281,097) |
| Cash, beginning of the period | 63,227 | 354,839 |
| Cash, end of the period | \$ 59,612 | \$ 73,742 |

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

AMERICAN AIRES INC.
Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2019
(Expressed in Canadian Dollars)
(Unaudited)

1. Nature of Operations and Going Concern

American Aires Inc. (the "Company") was incorporated on May 15, 2012 and organized under the laws of Ontario, Canada. The registered office of the Company is located at 400 Applewood Crescent, unit 100, Vaughn, Ontario, L4K 0C3.

The Company is currently engaged in business of production, distribution and sales of electromagnetic protection devices. The Company currently has three principal products: Air Shield Pro, Aires Defender Pro and Aires Guardian and has further products in the development phase.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. The Company has a deficit of \$4,276,799 at June 30, 2019 (December 31, 2018 - \$3,425,216) and incurred a loss of \$851,583 for the six months ended June 30, 2019 (a loss of \$833,240 for the six months ended June 30, 2018). The Company has a working capital deficiency of \$650,064 at June 30, 2019 (December 31, 2018 - a working deficiency of \$119,665).

Management cannot provide assurance that the Company will achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. Management intends to raise additional funding in the form of equity financing from the sale of common stock. However, if the Company is unable to raise additional capital in the near future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. There are no assurances that the Company will be successful in achieving the above and, as a result, there is substantial doubt regarding the applicability of the going concern assumption. These financial statements do not give effect to adjustments that would be necessary to the reported carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. Accounting Policies

Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2018.

These financial statements were approved by the Board of Directors on October 2, 2019.

Basis of Measurement

These financial statements have been prepared on a historical cost basis. In addition, using the accrual basis of accounting except for cash flow information.

In the preparation of these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

AMERICAN AIRES INC.

Notes to Condensed Interim Financial Statements Three and Six Months Ended June 30, 2019 (Expressed in Canadian Dollars) (Unaudited)

2. Accounting Policies (Continued)

Accounting Pronouncements Adopted

Accounting for Leases - IFRS 16

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

The Company elected the modified retrospective transition approach, which provides lessees a method for recording existing leases at adoption with no restatement of prior period financial information. Under this approach, a lease liability was recognized at January 1, 2019 in respect of leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at transition. The associated right-of-use assets were measured at amounts equal to the respective lease liabilities, subject to certain adjustments allowed under IFRS 16.

In addition, the Company elected to utilize practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to apply a single discount rate to a portfolio of leases with reasonably similar characteristics, and rely on its assessment as to whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

Adoption of the new standard at January 1, 2019 resulted in the recording of additional right-of-use assets and lease liabilities of \$99,573, related to office space.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

AMERICAN AIRES INC.
Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2019
(Expressed in Canadian Dollars)
(Unaudited)

2. Accounting Policies (Continued)

Accounting Pronouncements Adopted (Continued)

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The Company adopted this standard and the impact on the Company's unaudited condensed interim financial statements are disclosed in note 6 and 7.

Uncertainty over Income Tax Treatments - IFRIC 23

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The Company adopted this standard at January 1, 2019 and there was no material impact on the Company's unaudited condensed interim financial statements.

3. Intellectual Property

| | |
|-----------------------------------|---------------------|
| Balance, December 31, 2017 | \$ 1,344,000 |
| Depreciation | (168,000) |
| <hr/> | |
| Balance, December 31, 2018 | \$ 1,176,000 |
| Impairment (note 8(b)) | (279,000) |
| Depreciation | (69,581) |
| <hr/> | |
| Balance, June 30, 2019 | \$ 827,419 |

AMERICAN AIRES INC.
Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2019
(Expressed in Canadian Dollars)
(Unaudited)

4. Furniture and Equipment

| Cost | Furniture and Fixtures | Computer Equipment | Total |
|---------------------------------|-----------------------------------|-------------------------------|------------------|
| Balance, December 31, 2017 | \$ - | \$ - | \$ - |
| Additions | 42,082 | 3,461 | 45,543 |
| Balance, December 31, 2018 | \$ 42,082 | \$ 3,461 | \$ 45,543 |
| Additions | - | - | - |
| Balance, June 30, 2019 | \$ 42,082 | \$ 3,461 | \$ 45,543 |
| Accumulated Depreciation | | | |
| Balance, December 31, 2018 | \$ 8,418 | \$ 1,038 | \$ 9,456 |
| Depreciation | 3,368 | 364 | 3,732 |
| Balance, June 30, 2019 | \$ 11,786 | \$ 1,402 | \$ 13,188 |
| Carrying Value | | | |
| At December 31, 2018 | \$ 33,664 | \$ 2,423 | \$ 36,087 |
| At June 30, 2019 | \$ 30,296 | \$ 2,059 | \$ 32,355 |

5. Leasehold Improvements

| Cost | Leasehold Improvements |
|--|-----------------------------------|
| December 31, 2017 | \$ - |
| Additions | 45,568 |
| December 31, 2018 and June 30, 2019 | \$ 45,568 |
| Accumulated Depreciation | |
| December 31, 2017 | \$ - |
| Depreciation | 4,557 |
| December 31, 2018 | \$ 4,557 |
| Depreciation | 2,278 |
| June 30, 2019 | \$ 6,835 |
| Carrying Value | |
| At December 31, 2018 | \$ 41,011 |
| At June 30, 2019 | \$ 38,733 |

AMERICAN AIRES INC.
Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2019
(Expressed in Canadian Dollars)
(Unaudited)

6. Right-of-use Assets

| | |
|---|------------------|
| IFRS 16 - right-of-use asset recognition | \$ 99,573 |
| Right-of-use assets at January 1, 2019 | 99,573 |
| Depreciation | (22,084) |
| Balance, June 30, 2019 | \$ 77,489 |

Right-of-use assets consist of office space amortized over a period of 27 months.

Maturity Analysis - Contractual Undiscounted Cash Flows

| | |
|--|------------------|
| As at June 30, 2019 | |
| Less than one year | \$ 54,010 |
| Greater than one year | 40,989 |
| Total undiscounted lease obligation | \$ 94,999 |

7. Lease Obligation

At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 14%, which is the Company's incremental borrowing rate.. The continuity of the lease liabilities are presented in the table below:

| | |
|-------------------------------|------------------|
| Balance, December 31, 2018 | \$ - |
| Additions | 105,184 |
| Accretion | 6,579 |
| Lease payments | (27,764) |
| Balance, June 30, 2019 | \$ 83,999 |
| As at June 30, 2019 | |
| Less than one year | \$ 39,917 |
| Greater than one year | 44,082 |
| Total lease obligation | \$ 83,999 |

AMERICAN AIRES INC.
Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2019
(Expressed in Canadian Dollars)
(Unaudited)

8. Share Capital

(a) *Authorized*

The Company is authorized to issue an unlimited number of common shares.

(b) *Issued and outstanding - Common Shares*

| | Number of common shares | Amount |
|--|-------------------------------|---------------------|
| Balance, December 31, 2017 | 60,800,000 | \$ 2,940,795 |
| Private placements, net of costs | 28,500,000 | 1,577,854 |
| Issuance of warrants | - | (374,400) |
| Shares issued for consulting fees | 800,000 | 40,000 |
| Balance, June 30, 2018 | 90,100,000 | \$ 4,184,249 |
| Balance, December 31, 2018 | 90,100,000 | 4,184,249 |
| Cancellation of shares issued for intellectual property ¹ | (5,580,000) | (279,000) |
| Balance, June 30, 2019 | 84,520,000 | \$ 3,905,249 |

¹On March 31, 2019, the Company cancelled 5,580,000 common shares issued in January 2017 at a value of \$279,000 on acquisition of intellectual property. As the Company retained the intellectual property, \$279,000 was transferred to contributed surplus. On March 31, 2019, the Company recorded a corresponding impairment charge on the carrying value of its intellectual property. (note 3)

9. Warrants

The following table reflects the continuity of warrants for the six months ended June 30, 2019 and 2018:

| | Number of Warrants Outstanding | Weighted Average Exercise Price |
|---|--------------------------------------|------------------------------------|
| Balance - December 31, 2017 | - | \$ - |
| Issued | 26,000,000 | 0.14 |
| Balance, June 30, 2018 | 26,000,000 | \$ 0.14 |
| Balance, December 31, 2018 and June 30, 2019 | 26,000,000 | \$ 0.14 |

The following table reflects warrants outstanding as at June 30, 2019:

| Expiry Date | Exercise Price | Weighted Average Life Remaining | Warrants Outstanding | Black-Scholes Value |
|------------------|-------------------|--|-------------------------|------------------------|
| January 26, 2021 | \$ 0.14 | 1.58 years | 26,000,000 | \$ 374,400 |

On May 8, 2019, the Company extended the expiry date of 26,000,000 \$0.14 warrants by one year to January 26, 2021.

AMERICAN AIRES INC.

Notes to Condensed Interim Financial Statements Three and Six Months Ended June 30, 2019 (Expressed in Canadian Dollars) (Unaudited)

10. Net Loss Per Share

The calculation of basic and diluted loss per share for the six months ended June 30, 2019 and 2018 was based on the loss attributable to common shareholders of \$851,583, and \$833,240, respectively and the weighted average number of common shares outstanding of 87,317,644 and 84,631,562, respectively.

11. Related Party Balances and Transactions

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------|--------------------------------|-----------|------------------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Remuneration paid for CEO | \$ 57,500 | \$ 45,000 | \$ 115,000 | \$ 85,000 |
| Remuneration paid for CFO | \$ 7,500 | \$ 7,500 | \$ 15,000 | \$ 15,000 |

The Company defines key management as the Company's Chief Executive Officer and Chief Financial Officer of the Company.

As at June 30, 2019, amounts due to related parties totaled \$152,692 (December 31, 2018 - \$89,379) pertaining to amounts payable for key management remuneration, and reimbursement of expenses paid on behalf of the Company.

During the three and six months ended June 30, 2019, the Company purchased \$nil (three months ended June 30, 2018 - \$495,092) of inventory and expensed \$nil (three and six months ended June 30, 2018 - \$16,116) in research fees to Aireslita UAB with which Igor Serov and Dimitry Serov were directors up until June 13, 2018. Igor Serov is a director and Dimitry Serov is Chief Executive Officer and a Director of the the Company. As at June 30, 2019, \$5,972 (December 31, 2018 - \$5,972) was included in accounts payable pertaining to these purchases. These purchases were made in accordance with a manufacturing agreement dated October 15, 2017.

During the three and six months ended June 30, 2019, the Company paid \$25,000 and \$50,000, respectively (three and six months ended June 30, 2018 - \$20,000 and \$35,000, respectively) in consulting fees to Igor Serov, a director of the Company. Included in accounts payable and accrued liabilities was \$44,000 (December 31, 2018 - \$25,000) in relation to these fees.

During the three and six months ended June 30, 2019, the Company expensed \$7,500 and \$15,000, (three and six months ended June 30, 2018 - \$7,500 and \$15,000) to Marrelli Support Services Inc. ("Marrelli Group") and for:

- (i) Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company;
- (ii) Regulatory filing services

The Marrelli Group is also reimbursed for out of pocket expenses.

As of June 30, 2019, the Marrelli Group was owed \$29,755 (December 31, 2018 - \$14,379). These amounts are included in accounts payable.

During the three and six months ended June 30, 2019, two consultants who are shareholders of the Company were paid \$nil (three and six months ended June 30, 2018 - \$55,310) each for additional financial, strategic and advisory services to the Company. As at June 30, 2019, \$nil (December 31, 2018 - \$nil) was included in accounts payable pertaining to these fees. Additionally, as at June 30, 2019, the two consultants had advanced the Company an aggregate \$510,000 (December 31, 2018 - \$230,000) for working capital purposes. The shareholder loans bear no interest, are unsecured and are due on demand.

AMERICAN AIRES INC.
Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2019
(Expressed in Canadian Dollars)
(Unaudited)

11. Related Party Balances and Transactions

During the three and six months ended June 30, 2019, the Company expensed \$76,567 and \$76,567, respectively (three and six months ended June 30, 2018 - \$24,311 and \$57,218, respectively) for legal services provided by a firm, a partner of which is a director of the Company. As at June 30, 2019, \$198,926 (December 31, 2018 - \$122,358) was included in accounts payable and accrued liabilities.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

12. Contingencies and Commitments

On January 2, 2017 the Company entered into consulting agreements (the "Consulting Agreements") with two individuals who are shareholders of the Company (collectively the "Consultants") whereby each of the Consultants provide financial, strategic and advisory services to the Company. Under the terms of the Consulting Agreements each Consultant is to be paid a fee of one percent (1%) of the value of the proceeds raised pursuant to any going public transaction to be paid within ten days of completion of a going public transaction. Each of the two Consultants participated in the January 26, 2018 private placement, each subscribing to 8,000,000 units of the Company for subscription proceeds of \$400,000. Each unit consisted of one share and one common share purchase warrant exercisable into a common share at a price of \$0.14 for a period of two (2) years from the date of issuance.

The Company is committed under the terms of an office lease for minimum annual rental payments of \$54,010 to June 30, 2019, and \$40,989 thereafter to June 30, 2020.

13. Segmented Information

The Company's operations consist of a single operating segment, located in Canada. During the six months ended June 30, 2019, 74% (six months ended June 30, 2018 - 69%) of sales were to US customers and 13% (six months ended June 30, 2018 - 20%) being sold to customers in Canada. The Company's remaining customers are distributed widely throughout the world.

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of American Aires. ("**Aires**" or the "**Company**") constitutes management's review of the factors that affected the Company's financial and operating performance for the six months ended June 30, 2019. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2018 as well as the unaudited interim financial statements for the three and six months ended June 30, 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Information contained herein is presented as at October 2, 2019 unless otherwise indicated.

Description of Business

American Aires Inc. (the "**Company**") was incorporated on May 15, 2012 and organized under the laws of Ontario, Canada. The registered office of the Company is located at 400 Applewood Crescent, unit 100, Vaughn, Ontario, L4K 0C3.

The Company is currently engaged in business of production, distribution and sales of electromagnetic protection devices. The Company currently has three principal products: Air Shield Pro, Aires Defender Pro and Aires Guardian and has further products in the development phase.

The Company was formed to further research, develop and distribution devices intended to protect persons from the harmful effects of electromagnetic radiation ("**EMR**") that are emitted by modern electronic devices. Since incorporation, the Company has continued the research and development that was started by the AIRES Human Genome Research Foundation ("**Aires Research**") and has manufactured its products in Europe, and sold its products primarily in North America and elsewhere throughout the world. Aires Research, a non-profit foundation based and governed pursuant to the laws of the Russian Federation, was founded by Igor Serov in 1998 to conduct research in various scientific areas, including controlling the harmful effects of EMR emissions. Mr. Igor Serov and Mr. Dimitry Serov established the Company to further develop the technology being used by the Company and to bring the technology to market.

Highlights

Effective January 1, 2017 the Company entered into amended and restated intellectual property assignment agreements (collectively the "**IP Assignment Agreements**") with each of Dimitry Serov and Igor Serov (the "**Founders**") whereby the Founders transferred the proprietary rights in relation to the intellectual property related to the Company's business of production, distribution and sales of electromagnetic protection devices intended to protect persons from the harmful effects of electromagnetic emissions. More specifically, Dimitry and Igor transferred, among other things, any and all trademarks, intellectual property and other proprietary rights related to products or devices sold under the trade names or trademarks of: Aires Black Crystal, Aires Shield, Aires Shield Extreme, Aires Defender, Aires Defender Automotive and Aires Defender Infinity. In consideration for the transfer of the intellectual property the Company issued 18,144,000 Common Shares to Dimitry Serov and issued 15,568,340 Common Shares to Igor Serov. Further, in connection with the IP Assignment Agreements certain shareholder loans in the amount of \$173,617 were transferred to the Company by Igor, and the remaining \$50,000 in outstanding shareholder loans were settled in cash. The aggregate fair market value of the intellectual property acquired by the Company, net of shareholder loans forgiven was \$1,512,000. Based on the average life of existing patents held, intellectual property is being amortized over a period of 9 years on a straight-line basis.

On March 31, 2019, the Founders, Serov Holdings Inc. and the Company entered into an agreement to amend transferred shares (the "**Amending Agreement**") in connection with the revaluation of the intellectual property originally transferred from the Founders to the Company pursuant to the IP Assignment Agreements. The Amending Agreement provided for: (i) the reduction of 3,348,000 Common Shares issued to Dimitry Serov; and (ii) the reduction of 2,232,000 Common Shares issued to Igor Serov,

both in connection with the transfer of intellectual property pursuant to the IP Assignment Agreements. In connection therewith, Serov Holdings Inc. agreed to surrender for cancellation 5,580,000 Common Shares held by it in order to reflect the agreement by the Founders to reduce the consideration received pursuant to the IP Assignment Agreements.

On January 1, 2017 the Company issued 11,287,560 common shares to Igor Serov, in consideration of past consulting services provided, ascribed a fair value of \$564,378.

On January 2, 2017 the Company entered into consulting agreements (the “**Consulting Agreements**”) with Richard Buzbuzian and Jason Monaco, two individuals who are shareholders of the Company (collectively the “**Consultants**”) whereby each of the Consultants provide financial, strategic and advisory services to the Company. In consideration for the services rendered during the year ended December 31, 2017, each of the Consultants were paid a fee of \$200,000 plus HST. Additionally, under the terms of the Consulting Agreements each Consultant is to be paid a fee of one percent (1%) of the value of the proceeds raised pursuant to any going public transaction to be paid within ten days of completion of a going public transaction. Each of the two consultants participated in the January 26, 2018 private placement, each subscribing to 8,000,000 Units for subscription proceeds \$400,000. (as described below)

The Company is committed under the terms of an office lease for minimum annual rental payments of \$54,010 to June 30, 2019, and \$40,989 thereafter to June 30, 2020.

On September 29, 2017 the Company closed a private placement financing of Common Shares of the Company. The offering included the sale of 15,800,000 Common Shares at a price of \$0.05 per Common Shares, for aggregate gross proceeds of \$790,000. Certain finders received a cash commission equal to 10% of the gross proceeds of the private placement.

On January 26, 2018 the Company closed a private placement financing of units of the Company (“**Units**”). The offering included the sale of 26,000,000 Units at a price of \$0.05 per Unit, for aggregate gross proceeds of \$1,300,000. Each Unit consisted of one Common Share and one Common Share purchase warrant exercisable into a Common Share at a price of \$0.14 for a period of two (2) years from the date of issuance.

On October 15, 2017 the Company entered into a research and development agreement (“**Research Agreement**”) with Aires Human Genome Research Foundation (“**Aires Research**”), a non-profit organization governed by the laws of Russia, to among other things, conduct scientific research related to electromagnetic fields and/or radiation, develop and implement new technology based on its research activities and provide the Company with the results of all its research and development efforts. Mr. Igor Serov, a director of the Company, is the principal of the Aires Research. Any and all intellectual property developed pursuant to the Research Agreement becomes the intellectual property of the Company.

On February 23, 2018 the Company closed a private placement financing of Common Shares of the Company (“**Common Shares**”). The offering included the sale of 2,500,000 Common Shares at a price of \$0.14 per Common Share, for aggregate gross proceeds of \$350,000. Certain finders received a cash commission equal to 10% of the gross proceeds of the private placement.

On May 17, 2018 the Company issued 800,000 Common Shares to two individuals, in consideration for services provided, ascribed a fair value of \$40,000.

Business Objectives and Milestones

The business objectives the Company expects to achieve using the available funds are to: (i) complete an initial public offering (the “Offering”); (ii) obtain a listing of the Common Shares on the Canadian Securities Exchange; and (iii) further develop its business and expand to other markets around the world. The Company’s business objectives of completing the Offering and listing on the Exchange will occur on

the Closing Date of the Offering and the date the Company lists on the Exchange.

The Company invests in improving the efficacy of its product line through continued research by experts and academic institutions. The Company intends to complete two studies through the engagement of a Canadian or Russian university professors, lab staff and university facilities for each study to further refine the application of its technology to ensure efficacy with emerging network protocols and exploring new applications for its technology. Each study will require a team consisting of a university professor and two lab assistants is expected to cost \$200,000 per study (i.e. \$400,000), such costs includes lab time, labour and university costs. Upon completion of the underlying studies, prototypes will be designed, tested, and further refined; incurring an estimated \$100,000 for each study (i.e. \$200,000) in additional research and prototype set up and rework costs. The Company has allocated a further \$5,000 in the aggregate for report costs and miscellaneous costs. These studies are expected to commence in Q4 2019.

Three Months Ended June 30, 2019 vs Three Months Ended June 30, 2018

For the three months ended June 30, 2019, the Company reported a net loss and comprehensive loss of \$324,019 compared with a net loss and comprehensive loss of \$594,826 during the three months ended June 30, 2018. The decrease in the loss for the three months ended June 30, 2019 as compared with the net loss for the three months ended June 30, 2018 is primarily driven by a decline in consulting and advertising and promotion expenditures.

Device sales increased to \$174,663 for the three months ended June 30, 2019 from \$131,139 during the three months ended June 30, 2018, representing a 33% increase over the comparative period. The Company achieved a gross margin of 60.8% during the three months ended June 30, 2019, compared with 53.1% for the three months ended June 30, 2018. During the comparative period ended June 30, 2018, the Company's sales were driven largely by the entry level device protection units, which were frequently subject to discounts. During the three months ended June 30, 2019, the Company benefitted from a refreshed product line in Q1 2019, and transitioned to targeted discounts to previous clientele rather than utilizing the prior year practice of offering an across the board discount to all. Furthermore, growth was seen in the premium end of the product line which served to substantially offset the cost of the targeted discounting initiatives, resulting in improved gross margins.

The Company continues to focus on scalable efficiency and cost control opportunities when and where possible.

Advertising and promotion expenses declined during the three months ended June 30, 2019 to \$64,157, from \$100,963 during the three months ended June 30, 2018. In the prior year, the Company refined its online presence and launched more robust e-commerce functions within its website, substantially reducing its bricks and mortar presence in retail stores which has proven to be more efficient use of advertising capital.

Travel expense declined to \$2,406 during the three months ended June 30, 2019 from \$28,498 for the three months ended June 30, 2018, reflective of corporate travel required to plan and execute the Company's business strategy in preparation for the anticipated transition to a reporting issuer. Prior period costs include travel to Europe to negotiate and secure manufacturing agreements for the Company's products.

Office and general expenses declined to \$50,235 for the three months ended June 30, 2019, from \$63,691 during the comparative three months ended June 30, 2018, driven by declines in meeting costs, repairs and maintenance and cyclical general consumable expenses.

Professional fees remained consistent at \$115,357 for the three months ended June 30, 2019, compared with \$116,345 for the three months ended June 30, 2018, driven primarily by administrative, legal and external auditor costs associated with the Company's efforts to become publicly listed.

Salaries and benefits increased to \$106,502 during the three months ended June 30, 2019 compared with \$75,417 during the three months ended June 30, 2018, as the Company began to increase its headcount in mid 2018 and adjusted management salaries.

Six Months Ended June 30, 2019 vs Six Months Ended June 30, 2018

For the six months ended June 30, 2019, the Company reported a net loss and comprehensive loss of \$851,583 compared with a net loss and comprehensive loss of \$833,240 during the six months ended June 30, 2018. The increase in the loss for the six months ended June 30, 2019 as compared with the net loss for the six months ended June 30, 2018 is primarily driven by the \$279,000 impairment of intellectual property, substantially offset by declines in consulting and advertising costs, as described below. The Company continues to focus on scalable efficiency and cost control opportunities when and where possible.

Device sales increased to \$338,965 for the six months ended June 30, 2019 from \$239,942 during the six months ended June 30, 2018, representing a 41% increase over the comparative period. The Company achieved a gross margin of 60.1% during the six months ended June 30, 2019, compared with 56.6% for the six months ended June 30, 2018. During the comparative period ended June 30, 2018, the Company's sales were driven largely by the entry level device protection units, which were frequently subject to discount. During the six months ended June 30, 2019, the Company benefitted from a refreshed product line in Q1 2019, and transitioned to targeted discounts to previous clientele rather than utilizing the prior year practice of offering an across the board discount to all. Furthermore, growth was seen in the premium end of the product line which served to substantially offset the cost of the targeted discounting initiatives, resulting in improved gross margins. During the six months ended June 30, 2019, 74% (six months ended June 30, 2018 - 69%) of sales were to US customers and 13% (six months ended June 30, 2018 - 20%) being sold to customers in Canada. The Company's remaining customers are distributed widely throughout the world.

On March 31, 2019, the Company cancelled 5,580,000 common shares issued in January 2017 at a value of \$279,000 on acquisition of intellectual property. As the Company retained the intellectual property, \$279,000 was transferred to contributed surplus. On March 31, 2019, the Company recorded a corresponding impairment charge on the carrying value of its intellectual property totaling \$279,000.

Advertising and promotion expenses declined during the six months ended June 30, 2019 to \$118,482 from \$216,734 during the six months ended June 30, 2018. In the prior year, the Company refined its online presence and launched more robust e-commerce functions within its website, substantially reducing its bricks and mortar presence in retail stores which has proven to be more efficient use of advertising capital.

Travel expense declined to \$39,644 during the six months ended June 30, 2019 from \$51,163 for the six months ended June 30, 2018, reflective of corporate travel required to plan and execute the Company's business strategy in preparation for the anticipated transition to a reporting issuer. Prior period costs include travel to Europe to negotiate and secure manufacturing agreements for the Company's products.

Office and general expenses declined marginally to \$97,580 for the six months ended June 30, 2019, from \$106,858 during the comparative six months ended June 30, 2018, driven by declines in meeting costs, repairs and maintenance and cyclical general consumable expenses.

Professional fees declined to \$116,969 for the six months ended June 30, 2019 from \$123,448 for the six months ended June 30, 2018, driven primarily by a decline in the provision of services provided by the Company's auditors.

Salaries and benefits increased to \$210,266 during the three months ended June 30, 2019 compared with \$120,416 during the six months ended June 30, 2018, as the Company began to increase its headcount in mid 2018 and adjusted management salaries.

Depreciation is driven primarily by additions to the capitalized intellectual property costs, subject to depreciation. Fiscal 2017 saw the depreciation of the costs to acquire its intellectual property (acquired January 1, 2017) on a straight line basis. Fiscal 2018 saw the addition of furniture and equipment as well as leasehold improvements associated with its new offices, thereby driving a period over comparative period increase in associated depreciation. Accordingly, the six months ended June 30, 2019 saw depreciation rise to \$97,673 from \$91,461 as the impact on depreciation of the furniture and equipment, leasehold improvements, and the right-of-use asset begin to be seen.

Liquidity and Capital Resources

The Company had working capital deficiency of \$650,064 as at June 30, 2019 (December 31, 2018 – a working capital deficiency of \$119,665), and cash and cash equivalent balance of \$59,612 (December 31, 2018 - \$63,227). The deficiency is primarily driven by increases in accounts payable and accrued liabilities, and shareholder loans undertaken to enable continued operation of the Company until the initial public offering has closed.

On January 26, 2018 the Company closed a private placement financing of units of the Company (“Units”). The offering included the sale of 26,000,000 Units at a price of \$0.05 per Unit, for aggregate gross proceeds of \$1,300,000. Each Unit consisted of one Common Share and one Common Share purchase warrant exercisable into a Common Share at a price of \$0.14 for a period of two (2) years from the date of issuance.

On February 23, 2018 the Company closed a private placement financing of Common Shares of the Company (“Common Shares”). The offering included the sale of 2,500,000 Common Shares at a price of \$0.14 per Common Share, for aggregate gross proceeds of \$350,000. Certain finders received a cash commission equal to 5% of the gross proceeds of the private placement.

As at June 30, 2019, two shareholders had advanced the Company an aggregate \$510,000 (December 31, 2018 - \$230,000) for working capital purposes. The shareholder loans bear no interest, are unsecured and are due on demand.

The Company has no credit facilities with financial institutions. Accordingly, its financial instruments consist of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, the Company does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of these financial instruments approximates their carrying values because of their short term nature.

At this time, the Company is not anticipating an ongoing profit from operations, therefore it will be dependent on its ability to obtain equity or debt financing for growth. The Company may need additional capital, and may raise additional funds should the board of directors of the Company (the “Board of Directors”) deem it advisable.

During the current and comparative periods ended June 30, 2019 and 2018, the Company had negative operating cash flow because its revenues did not exceed its operating expenses. In addition, as a result of the Company's business plans for the development of its products, the Company expects cash flow from operations to be negative until revenues improve to offset its operating expenditures. The Company's cash flow from operations may be affected in the future by expenditures incurred by the Company to continue to develop its products and services. The amounts set out above for use as working capital may be used to offset this anticipated negative operating cash flow.

Critical Accounting Estimates

Application of the Company's accounting policies in compliance with International Financial Reporting Standards ("IFRS") requires the Company's management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made.

Critical Judgments Used in Applying Accounting Policies

In the preparation of the financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

Income taxes and recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- a) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- b) Depreciation expense is allocated based on assumed useful life of the equipment. Should the useful life differ from the initial estimate, an adjustment would be made to the statement of comprehensive loss.

Recent Accounting Pronouncements

Accounting Pronouncements Adopted During the Period

Accounting for Leases - IFRS 16

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

The Company elected the modified retrospective transition approach, which provides lessees a method for recording existing leases at adoption with no restatement of prior period financial information. Under this approach, a lease liability was recognized at January 1, 2019 in respect of leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at transition. The associated right-of-use assets were measured at amounts equal to the respective lease liabilities, subject to certain adjustments allowed under IFRS 16.

In addition, the Company elected to utilize practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to apply a single discount rate to a portfolio of leases with reasonably similar characteristics, and rely on its assessment as to whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

Adoption of the new standard at January 1, 2019 resulted in the recording of additional right-of-use assets and lease liabilities of \$99,573, related to office space.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The Company adopted this standard and the impact on the Company's unaudited condensed interim financial statements are disclosed in note 6 and 7 of the Company's June 30, 2019 condensed interim financial statements.

Uncertainty over Income Tax Treatments - IFRIC 23

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The Company adopted this standard at January 1, 2019 and there was no material impact on the Company's unaudited condensed interim financial statements.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

Financial Instruments

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments.

For amounts receivable, subscriptions receivable, accounts payable and accrued liabilities, the amount is deemed to reflect the fair value, due to their short-term nature.

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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).

The Company's fair value of cash and short-term investments under the fair value hierarchy are measured using level 1 inputs.

Financial Risk Factors

The Company's business is subject to certain risks, including but not restricted to risks related to: market risk for securities, future financing risks; going-concern risks; global economy risks; use of proceeds risks; volatility of the Company's share price following a listing on a public exchange and the lack of trading history for the Common Shares; increased costs of being a publicly traded company; limited operating history in an evolving industry and history of losses; lack of brand development; expectations with respect to advancement in technologies; currency fluctuations; interest rates; taxes on the Company and its products; liabilities that are uninsured or uninsurable; economic conditions, dependence on management and conflicts of interest; intellectual property rights; attracting and retaining quality employees; key personnel risk; management of growth; product and services development; expansion risk; breach of confidential information; competition within the technology industry; corporate matters; issuance of debt; third party credit; short term investments; shares reserved for issuance; credit risk; liquidity risk; interest rate risk; and described from time to time in the Company's documents filed with Canadian securities regulatory authorities; and other factors beyond the Company's control.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, and foreign exchange rate risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consists of cash at banks and on hand. The cash has been invested and held with reputable financial institutions, from which management believes the risk of loss to be remote. The Company's customer base is well diversified with no reliance on any one client.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at June 30, 2019, the Company had a cash balance of \$59,612 to settle current liabilities of \$1,216,893. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not generate revenue, managing liquidity risk is dependent upon the ability to secure additional financing, controlling expenses, and preserving cash.

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Interest Rate Risk

The Company has cash balances and regularly monitors its cash management policy. As a result, the Company is not subject to significant interest rate risk.

See "Risk Factors" in the accompanying prospectus.

Capital Management

The Company manages its capital with the following objectives:

- (i) To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- (ii) To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on a regular basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, and deficit, which at June 30, 2019 totaled \$281,850 (December 31, 2018 - \$1,133,433). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended June 30, 2019.

Related Party Transactions

| Six Months Ended June 30 | 2019 | 2018 |
|------------------------------------|-------------|-------------|
| | \$ | \$ |
| Remuneration paid for CEO services | 115,000 | 85,000 |
| Remuneration paid for CFO services | 15,000 | 15,000 |
| | | |

The Company defines key management as the Company's Chief Executive Officer and Chief Financial Officer of the Company.

As at June 30, 2019, amounts due to related parties totaled \$152,692 (December 31, 2018 - \$89,379) pertaining to amounts payable for key management remuneration, and reimbursement of expenses paid on behalf of the Company.

During the three and six months ended June 30, 2019, the Company purchased \$nil (three and six months ended June 30, 2018 - \$495,092) of inventory and expensed \$nil (three and six months ended June 30, 2018 - \$16,116) in research fees to Aireslita UAB with which Igor Serov and Dimitry Serov were directors up until June 13, 2018. Igor Serov is a director and Dimitry Serov is Chief Executive Officer and a Director of the the Company. As at June 30, 2019, \$5,972 (December 31, 2018 - \$5,972) was included in accounts payable pertaining to these purchases. These purchases were made in accordance with a manufacturing agreement dated October 15, 2017.

During the three and six months ended June 30, 2019, the Company paid \$25,000 and \$50,000, respectively (three and six months ended June 30, 2018 - \$20,000 and \$35,000, respectively) in consulting fees to Igor Serov, a director of the Company. Included in accounts payable and accrued liabilities was \$44,000 (December 31, 2018 - \$25,000) in relation to these fees.

During the three and six months ended June 30, 2019, the Company expensed \$7,500 and \$15,000, (three and six months ended June 30, 2018 - \$7,500 and \$15,000) to Marrelli Support Services Inc. ("Marrelli Group") and for:

- Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer (“CFO”) of the Company;
- Regulatory filing services.

The Marrelli Group is also reimbursed for out of pocket expenses.

As of June 30, 2019, the Marrelli Group was owed \$29,755 (December 31, 2018 - \$14,379). These amounts are included in accounts payable.

During the three and six months ended June 30, 2019, two consultants who are shareholders of the Company were paid \$nil (three and six months ended June 30, 2018 - \$55,310) each for additional financial, strategic and advisory services to the Company. As at June 30, 2019, \$nil (December 31, 2018 - \$nil) was included in accounts payable pertaining to these fees. Additionally, as at June 30, 2019, the two consultants had advanced the Company an aggregate \$510,000 (December 31, 2018 - \$230,000) for working capital purposes. The shareholder loans bear no interest, are unsecured and are due on demand.

During the three and six months ended June 30, 2019, the Company expensed \$76,567 and \$76,567, respectively (three and six months ended June 30, 2018 - \$24,311 and \$57,218, respectively) for legal services provided by a firm, a partner of which is a director of the Company. As at June 30, 2019, \$198,926 (December 31, 2018 - \$122,358) was included in accounts payable and accrued liabilities.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

Events Occurring after the Reporting Date

On July 31, 2019, the Company filed a preliminary prospectus pursuant to an initial public offering.

Risks and Uncertainties

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to develop its business. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require new capital to continue to operate its business, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out development of its business or operations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Dependence on Key Employees

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

The Company has a strong management team with significant experience in the development of EMR technology. The founder of the Company, Mr. Igor Serov, is well respected in the industry and has won numerous awards for his research and development in the field of EMR technology. Mr. Igor Serov is a valuable asset for management and other development team members. Accountability and oversight of the Company rests with the Board. The Board consists of the ideal mix of technology and capital market expertise so as to drive the value and performance of the Company from both a development standpoint and a shareholder value perspective. The Company will continue to evaluate and potentially expanded its management team to oversee the business development activities of the Company and perform all core functions.

Competitive Conditions

The markets for the Company's products are competitive and rapidly changing, and a number of companies offer products similar to the Company's products and target similar customers. The Company believes its ability to compete depends upon many factors within and outside its control, including the timely development and introduction of new products and product enhancements; product functionality, performance, price and reliability; customer service and support; sales and marketing efforts; and the introduction of new products and services by competitors.

At the global level, there are companies with similar products on the market. Some examples of competitors include: Pong, Sar Shield and Bodywell. However, the Company does not intend to focus on technology or products that other companies use or are developing.

In addition, the Company believes it has a first mover advantage in the equity markets as to the Company's knowledge there are currently no other publicly listed EMR technology companies. However, it is expected that there may be a number of other companies intending to enter into the public markets in the near future.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

Current Global Financial Conditions and Trends

Securities of technology companies in public markets have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of Companies in the technology sector are also significantly affected by proposed and newly enacted laws and regulations, currency exchange fluctuation and the political environment in the local, provincial and federal jurisdictions in which the Company does business. The economy remains in a period of significant economic volatility, although there have been signs of positive economic growth in North American and European markets. Continued volatility is expected in the near term.

Management's Responsibility for Financial Information

The Company's financial statements are the responsibility of the Company's management, and have been approved by the Board of Directors. The financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

Disclosure of Outstanding Share Data

As of the date of this document, the Company had 84,520,000 common shares, and 26,000,000 warrants outstanding.

Forward Looking Statements

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws (forward-looking information being collectively hereinafter referred to as "forward-looking statements"). Such forward-looking statements are based on expectations, estimates and projections as at the date of this MD&A. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects", "is expected", "anticipates", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends", or variations of such words and phrases (including negative and grammatical variations), or stating that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements and information concerning: the intentions, plans and future actions of the Company; statements relating to the business and future activities of the Company after the date of this MD&A; market position, ability to compete and future financial or operating performance of the Company after the date of this MD&A; anticipated developments in operations of the Company; the timing and amount of funding required to execute the Company's business plans; capital expenditures; the effect on the Company of any changes to existing or new legislation or policy or government regulation; the length of time required to obtain permits, certifications and approvals; the availability of labour; estimated budgets; currency fluctuations; requirements for additional capital; limitations on insurance coverage; the timing and possible outcome of litigation in future periods; the timing and possible outcome of regulatory and permitting matters; goals; strategies; future growth; the adequacy of financial resources; and other events or conditions that may occur in the future.

Forward-looking statements are based on the beliefs of the Company's management, as well as on assumptions, which such management believes to be reasonable based on information available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results,

performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual results, performance or achievements to differ from those expressed or implied by the forward-looking statements, including, without limitation, related to the following: operational risks; regulation and permitting; evolving markets; industry growth; uncertainty of new business models; speed of introduction of products and services to the marketplace; undetected flaws; risks of operation in urban areas; marketing risks; geographical expansion; limited operating history; substantial capital requirements; history of losses; reliance on management and key employees; management of growth; risk associated with foreign operations in other countries; risks associated with acquisitions; electronic communication security risks; insurance coverage; tax risk; currency fluctuations; conflicts of interest; competitive markets; uncertainty and adverse changes in the economy; reliance on components and raw materials; change in technology; quality of products and services; maintenance of technology infrastructure; privacy protection; development costs; product defects; insufficient research and development funding; uncertainty related to exportation; legal proceedings; reliance on business partners; protection of intellectual property rights; infringement by the Company of intellectual property rights; resale of shares; market for securities; dividends; and global financial conditions.

The lists of risk factors set out in this MD&A or in the Company's other public disclosure documents are not exhaustive of the factors that may affect any forward-looking statements of the Company. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out in this MD&A generally and certain economic and business factors, some of which may be beyond the control of the Company. In addition, the global financial and credit markets have experienced significant debt and equity market and commodity price volatility which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements. The Company does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, the Company's securityholders should not place undue reliance on forward-looking statements.

Additional Information

Additional information relating to the Company is available in the prospectus.

SCHEDULE “B”

AMERICAN AIRES INC. (the “Corporation”)

AUDIT COMMITTEE CHARTER

This Charter establishes the composition, the authority, roles and responsibilities and the general objectives of the Corporation’s audit committee, or its Board of Directors (the “**Board**”) in lieu thereof (the “**Audit Committee**”). The roles and responsibilities described in this Charter must at all times be exercised in compliance with the legislation and regulations governing the Corporation and any subsidiaries.

1. **Composition**

- (a) *Number of Members.* The Audit Committee must be comprised of a minimum of three directors of the Corporation, at least half of whom will be independent. Independence of the board members will be as defined by applicable legislation.
- (b) *Chair.* Audit Committee members will appoint a chair of the Audit Committee (the “**Chair**”) to serve for a term of one (1) year on an annual basis. The Chair may serve as the chair of the Audit Committee for any number of consecutive terms.
- (c) *Financially Literacy.* All members of the audit committee will be financially literate as defined by applicable legislation. If upon appointment a member of the Audit Committee is not financially literate as required, the person will be provided with a period of three months to acquire the required level of financial literacy.

2. **Meetings**

- (a) *Quorum.* The quorum required to constitute a meeting of the Audit Committee is set at a majority of members.
- (b) *Agenda.* The Chair will set the agenda for each meeting, after consulting with management and the external auditor. Agenda materials such as draft financial statements must be circulated to all Audit Committee members for members to have a reasonable amount of time to review the materials prior to the meeting.
- (c) *Notice to Auditors.* The Corporation’s auditors (the “**Auditors**”) will be provided with notice as necessary of any Audit Committee meeting, will be invited to attend each such meeting and will receive an opportunity to be heard at those meetings on matters related to the Auditor’s duties.
- (d) *Minutes.* Minutes of the Audit Committee meetings will be accurately recorded, with such minutes recording the decisions reached by the committee.

3. **Roles and Responsibilities**

The roles and responsibilities of the Audit Committee include the following:

External Auditor

The Audit Committee will:

- (a) *Selection of the external auditor.* Select, evaluate and recommend to the Board, for shareholder approval, the Auditor to examine the Corporation's accounts, controls and financial statements.
- (b) *Scope of Work.* Evaluate, prior to the annual audit by the Auditors, the scope and general extent of the Auditor's review, including the Auditor's engagement letter.
- (c) *Compensation.* Recommend to the Board the compensation to be paid to the external auditors.
- (d) *Replacement of Auditor.* If necessary, recommend the replacement of the Auditor to the Board.
- (e) *Approve Non-Audit Related Services.* Pre-approve all non-audit services to be provided by the Auditor to the Corporation or its subsidiaries.
- (f) *Direct Responsibility for Overseeing Work of Auditors.* Must directly oversee the work of the Auditor. The Auditor must report directly to the Audit Committee.
- (g) *Resolution of Disputes.* Assist with resolving any disputes between the Corporation's management and the Auditors regarding financial reporting.

Consolidated Financial Statements and Financial Information

The Audit Committee will:

- (a) *Review Audited Financial Statements.* Review the audited consolidated financial statements of the Corporation, discuss those statements with management and with the Auditor, and recommend their approval to the Board.
- (b) *Review of Interim Financial Statements.* Review and discuss with management the quarterly consolidated financial statements, and if appropriate, recommend their approval by the Board.
- (c) *MD&A, Annual and Interim Earnings Press Releases, Audit Committee Reports.* Review the Corporation's management discussion and analysis, interim and annual press releases, and audit committee reports before the Corporation publicly discloses this information.
- (d) *Auditor Reports and Recommendations.* Review and consider any significant reports and recommendations issued by the Auditor, together with management's response, and the extent to which recommendations made by the Auditor have been implemented.

Risk Management, Internal Controls and Information Systems

The Audit Committee will:

- (a) *Internal Control.* Review with the Auditors and with management, the general policies and procedures used by the Corporation with respect to internal accounting and financial controls. Remain informed, through communications with the Auditor, of any weaknesses in internal control that could cause errors or deficiencies in financial reporting or deviations from the accounting policies of the Corporation or from applicable laws or regulations.
- (b) *Financial Management.* Periodically review the team in place to carry out financial reporting functions, circumstances surrounding the departure of any officers in charge of financial reporting, and the appointment of individuals in these functions.
- (c) *Accounting Policies and Practices.* Review management plans regarding any changes in accounting practices or policies and the financial impact thereof.
- (d) *Litigation.* Review with the Auditors and legal counsel any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation and the manner in which these matters are being disclosed in the consolidated financial statements.
- (e) *Other.* Discuss with management and the Auditors correspondence with regulators, employee complaints, or published reports that raise material issues regarding the Corporation's financial statements or disclosure.

Complaints

- (a) *Accounting, Auditing and Internal Control Complaints.* The Audit Committee must establish a procedure for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters.
- (b) *Employee Complaints.* The Audit Committee must establish a procedure for the confidential transmittal on condition of anonymity by the Corporation's employees of concerns regarding questionable accounting or auditing matters.

4. Authority

- (a) *Auditor.* The Auditor, and any internal auditors hired by the Corporation, will report directly to the Audit Committee.
- (b) *To Retain Independent Advisors.* The Audit Committee may, at the Corporation's expense and without the approval of management, retain the services of independent legal counsels and any other advisors it deems necessary to carry out its duties and set and pay the monetary compensation of these individuals.

5. Reporting

The Audit Committee will report to the Board on:

- (a) the Auditor's independence;
- (b) the performance of the Auditor and any recommendations of the Audit Committee in relation thereto;

- (c) the reappointment and termination of the Auditor;
- (d) the adequacy of the Corporation's internal controls and disclosure controls;
- (e) the Audit Committee's review of the annual and interim consolidated financial statements;
- (f) the Audit Committee's review of the annual and interim management discussion and analysis;
- (g) the Corporation's compliance with legal and regulatory matters to the extent they affect the financial statements of the Corporation; and
- (h) all other material matters dealt with by the Audit Committee.

SCHEDULE "C"

(STOCK OPTION PLAN ATTACHED)

AMERICAN AIRES INC.

STOCK OPTION PLAN

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions

For the purposes of this Plan, the following terms have the following meanings:

- 1.1.1 “**Administrator**” is defined in Section 3.1.1.
- 1.1.2 “**Applicable Laws**” means, at any time, with respect to any Person, property, transaction or event, all applicable laws, statutes, regulations, treaties, judgments and decrees and (whether or not having the force of law) all applicable official directives, rules, consents, approvals, by-laws, permits, authorizations, guidelines, orders and policies of any Persons having authority over that Person, property, transaction or event.
- 1.1.3 “**Associated Consultant**” has the meaning ascribed to it in section 2.22 of National Instrument 45-106.
- 1.1.4 “**Blackout Period**” means the period during which designated Persons cannot trade Shares pursuant to the Corporation’s policy, if any, respecting restrictions on trading which is in effect at that time.
- 1.1.5 “**Board**” means the board of directors of the Corporation.
- 1.1.6 “**Broker**” is defined in Section 4.9.2.
- 1.1.7 “**Business Day**” means any day excluding a Saturday, Sunday or statutory holiday in the Province of Ontario.
- 1.1.8 “**Change of Control**” means that after the date of this Agreement any of the following shall occur:
 - 1.1.8.1 any “person” (as that term is defined in National Instrument 45-106, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation acting in such capacity or a corporation owned directly or indirectly by the shareholders of the Corporation in substantially the same proportions as their ownership of shares in the capital of the Corporation, becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 25% or more of the total voting power represented by the Corporation’s then outstanding voting securities;
 - 1.1.8.2 during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease to be a majority thereof (otherwise than through death, disability or retirement in accordance with the Corporation’s normal retirement policies);

- 1.1.8.3 the shareholders of the Corporation approve a merger or consolidation of the Corporation with any other corporation, limited liability corporation, partnership, joint venture, trust or other entity other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the total voting power represented by the voting securities of the Corporation or such surviving entity.
- 1.1.9 “**Committee**” is defined in Section 3.1.2.
- 1.1.10 “**Consultant**” means a Person, other than an Employee or a Director, that:
- 1.1.10.1 is engaged to provide consulting, technical, management or other services to the Corporation or to a related entity, other than services provided in relation to a distribution of securities;
- 1.1.10.2 provides the services under a written contract with the Corporation or a related entity; and
- 1.1.10.3 in the reasonable opinion of the Board, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a related entity.
- 1.1.11 “**Corporation**” means AMERICAN AIRES INC.
- 1.1.12 “**Director**” means a director of the Corporation or any related entity.
- 1.1.13 “**Disability**” means a physical or mental incapacity or disability that prevents the Eligible Person from performing the essential duties of the Eligible Person’s employment or service with the Corporation or any related entity, and which cannot be accommodated under applicable human rights laws without imposing undue hardship on the Corporation or the related entity employing or engaging the Eligible Person, as determined by the Board for the purposes of this Plan.
- 1.1.14 “**Eligible Person**” means any Employee, Executive Officer, Director or Consultant and includes a permitted assign (as the term is defined in section 2.22 of National Instrument 45-106) of an Eligible Person.
- 1.1.15 “**Employee**” means:
- 1.1.15.1 an individual who is considered an employee of the Corporation or any related entity under the *Income Tax Act* (Canada) (and for whom income tax, employment insurance and Canada Pension Plan deductions must be made at source);
- 1.1.15.2 an individual who works full-time for the Corporation or any related entity providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or the relevant related entity over the details and methods of work as an employee of the Corporation or the

relevant related entity, but for whom income tax deductions are not made at source; or

1.1.15.3 an individual who works for the Corporation or any related entity on a continuing and regular basis providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or the relevant related entity over the details and methods of work as an employee of the Corporation or the relevant related entity, but for whom income tax deductions are not made at source.

1.1.16 “**Executive Officer**” means an executive officer (as that term is defined in National Instrument 45-106) of the Corporation or a related entity.

1.1.17 “**Investor Relations Person**” means a person that is a registrant or that provides services that include investor relations activities (as that defined in section 2.22 of National Instrument 45-106).

1.1.18 “**Governmental Authority**” means:

1.1.18.1 any federal, provincial, state, local, municipal, regional, territorial, aboriginal or other government, any governmental or public department, branch or ministry, or any court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of any of them exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory, or taxing authority or power of any nature; and

1.1.18.2 any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of them, and any subdivision of any of them.

1.1.19 “**Grant Date**” means, for any Option, the date on which that Option was granted.

1.1.20 “**Option**” means an option to purchase Shares granted to an Eligible Person under the terms of this Plan.

1.1.21 “**Option Agreement**” means an option agreement substantially in the form attached as Exhibit “A” to this Plan.

1.1.22 “**Option Exercise Price**” is defined in Section 4.3.

1.1.23 “**Option Expiry Date**” is defined in Section 4.4.

1.1.24 “**Participant**” means an Eligible Person to whom an Option has been granted.

1.1.25 “**Person**” will be broadly interpreted and includes:

1.1.25.1 a natural person, whether acting in his or her own capacity, or in his or her capacity as executor, administrator, estate trustee, trustee or personal or legal

representative, and the heirs, executors, administrators, estate trustees, trustees or other personal or legal representatives of a natural person;

1.1.25.2 a corporation or a company of any kind, a partnership of any kind, a sole proprietorship, a trust, a joint venture, an association, an unincorporated association, an unincorporated syndicate, an unincorporated organization or any other association, organization or entity of any kind; and

1.1.25.3 a Governmental Authority.

1.1.26 “**Plan**” means this stock option plan of the Corporation.

1.1.27 “**related entity**” means, with respect to the Corporation, a person that controls or is controlled by the Corporation or that is controlled by the same person that controls the Corporation.

1.1.28 “**Related Person**” has the meaning ascribed to it in section 2.22 of National Instrument 45-106, including among others, a Director or Executive Officer or a related entity of the Corporation or an associate or permitted assign of such persons.

1.1.29 “**Retirement**” means retirement from active employment or service with the Corporation or a related entity:

1.1.29.1 at or after age 65; or

1.1.29.2 with the consent of any officer of the Corporation as may be designated for the purposes of this Plan by the Board, at or after any earlier age and on the completion of any number of years of service as the Board may specify.

1.1.30 “**Share Compensation Arrangement**” means any stock option plan of the Corporation (other than this Plan) and any stock option granted by the Corporation outside of this Plan.

1.1.31 “**Shares**” means common shares in the capital of the Corporation.

1.1.32 “**Termination Date**” means the date on which a Participant ceases to be an Eligible Person and, in the case of an Employee, means the date that is determined by the Board in its sole discretion as the date on which the Employee ceases to actively perform services for the Corporation or any related entity (excluding any notice period which may extend beyond the date on which active services cease).

1.1.33 “**Withholding Obligations**” is defined in Section 4.9.1.

1.2 Certain Rules of Interpretation

1.2.1 In this Plan, words signifying the singular number include the plural and vice versa, and words signifying gender include all genders. Every use of the words “including” or “includes” in this Plan is to be construed as meaning “including, without limitation” or “includes, without limitation”, respectively.

- 1.2.2 The division of this Plan into Articles and Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Plan.
- 1.2.3 References in this Plan to an Article, Section, Schedule or Exhibit are to be construed as references to an Article, Section, Schedule or Exhibit of or to this Plan unless otherwise specified.
- 1.2.4 Unless otherwise specified in this Plan, time periods within which or following which any calculation or payment is to be made, or action is to be taken, will be calculated by excluding the day on which the period begins and including the day on which the period ends. If the last day of a time period is not a Business Day, the time period will end on the next Business Day. Unless otherwise determined by the Board, if an Option would, under the terms of this Plan or the Option Agreement, otherwise terminate on a day which is not a Business Day, the Option will terminate on the next Business Day.
- 1.2.5 Unless otherwise specified, any reference in this Plan to any statute, rule or policy includes all regulations and subordinate legislation made under or in connection with that statute at any time, and is to be construed as a reference to that statute, rule or policy as amended, modified, restated, supplemented, extended, re-enacted, replaced or superseded at any time.

1.3 Governing Law

This Plan is governed by, and is to be construed and interpreted in accordance with, the laws of the Province of Ontario and the laws of Canada applicable in that Province.

ARTICLE 2 ESTABLISHMENT OF PLAN

2.1 Purpose

- 2.1.1 The Corporation establishes this Plan to govern the grant, administration and exercise of Options which may be granted to Eligible Persons.
- 2.1.2 The principal purposes of this Plan are to provide the Corporation with the advantages of the incentive inherent in equity ownership on the part of Eligible Persons who are responsible for the continued success of the Corporation; to create in those Eligible Persons a proprietary interest in, and a greater concern for, the welfare and success of the Corporation; to encourage Eligible Persons to remain with the Corporation and any related entity; and to attract new Employees, Executive Officers, Directors and Consultants.
- 2.1.3 This Plan is expected to benefit shareholders by enabling the Corporation to attract and retain personnel of the highest calibre by offering them an opportunity to share in any increase in value of the Shares resulting from their efforts.

2.2 Shares Reserved and Plan Limits

- 2.2.1 The number of Shares that may be reserved for issuance under this Plan and under any other Share Compensation Arrangement will not exceed, in the aggregate, 10% of the outstanding Shares (on a non-diluted basis) on each Grant Date.

2.2.2 The Corporation will at all times during the term of this Plan reserve and keep available the number of Shares necessary to satisfy the requirements of this Plan.

2.3 Exercised Options

Any number of Shares which have been issued on the exercise of an Option will again be available for grants under this Plan, and will be considered to be part of the pool of Shares available for Options under this Plan.

2.4 Limits on Certain Grants

2.4.1 Unless approval of shareholders as required under Applicable Laws (or the applicable rules and policies of any stock exchange or market on which the shares are listed, if any) is obtained, no Options shall be granted to any Employee or Consultant who is an Investor Relations Person, an Associated Consultant, an Executive Officer or permitted assign of these persons if, after the grant of Options:

2.4.1.1 the number of securities, calculated on a fully diluted basis, reserved for issuance under Options granted to:

2.4.1.1.1 Related Persons, exceeds 10% of the outstanding securities of the Corporation, or

2.4.1.1.2 a Related Person, exceeds 5% of the outstanding securities of the Corporation, or

2.4.1.2 the number of securities, calculated on a fully diluted basis, issued within 12 months to:

2.4.1.2.1 Related Persons, exceeds 10% of the outstanding securities of the Corporation, or

2.4.1.2.2 a Related person and associates of the Related Person, exceeds 5% of the outstanding securities of the Corporation.

2.5 Cancelled, Surrendered or Terminated Options

If and to the extent any Option granted under this Plan expires or is cancelled, terminated or surrendered without having been exercised in whole or in part, the number of Shares subject to that Option will be considered to be part of the pool of Shares available for Options under this Plan.

2.6 Non-Exclusivity

Nothing contained in this Plan will prevent the Board from adopting other or additional incentive compensation arrangements, whether Share Compensation Arrangements or otherwise.

ARTICLE 3
ADMINISTRATION OF PLAN

3.1 Administration of the Plan

3.1.1 This Plan will be administered by the Board or by the Committee appointed under this Section 3.1. The Board or, if applicable, the Committee is referred to in this Plan as the “**Administrator**”.

3.1.2 The Board may at any time appoint a committee (the “**Committee**”), consisting of not less than two of its members, to administer this Plan on behalf of the Board in accordance with any terms and conditions that the Board may prescribe, consistent with this Plan. Once appointed, the Committee will continue to serve until otherwise directed by the Board. From time to time, the Board may appoint additional members, remove members (with or without cause), fill vacancies however caused, or remove all members of the Committee and thereafter directly administer this Plan.

3.1.3 A majority of the members of the Committee will constitute a quorum, and all resolutions to be passed at a meeting will require the affirmative vote of a majority of the members voting. All members of the Committee may vote on any matters within the Committee’s authority, subject to any conflicts of interest (and a member may be counted in determining the existence of a quorum at any meeting of the Committee during which a vote is held in respect of which the member is precluded from voting).

3.1.4 Subject to the provisions of this Plan and Applicable Laws, (and the applicable rules and policies of any stock exchange or market on which the Shares are listed, if any), the Administrator will have sole authority, in its absolute discretion, to:

3.1.4.1 administer this Plan in accordance with its express terms;

3.1.4.2 determine all questions arising in connection with the administration, interpretation, and application of this Plan;

3.1.4.3 prescribe, amend, and rescind rules and regulations relating to the administration of this Plan; and

3.1.4.4 make all other determinations necessary or advisable for administration of this Plan.

3.1.5 All determinations made by the Administrator in good faith on matters referred to in this Section 3.1 will be final, conclusive, and binding on the Corporation and the relevant Participant.

3.2 Record Keeping

The Corporation will maintain a register in which will be recorded:

3.2.1 with respect to each Option granted to a Participant:

3.2.1.1 the name and address of the Participant;

- 3.2.1.2 the Grant Date;
 - 3.2.1.3 the number of Shares issuable under the Option as of the Grant Date;
 - 3.2.1.4 the Option Exercise Price;
 - 3.2.1.5 any vesting provisions;
 - 3.2.1.6 the number of Shares issued under the Option (and the dates of issuance); and
 - 3.2.1.7 the Option Expiry Date; and
- 3.2.2 the aggregate number of Shares subject to Options.

3.3 Adjustments to Options

- 3.3.1 If any material change in the outstanding Shares occurs prior to the complete exercise of any Option by reason of any stock dividend, split, recapitalization, amalgamation, merger, consolidation, combination or exchange of shares or other similar corporate change, an equitable adjustment may be made in one or more of the maximum number or kind of shares issuable under this Plan or subject to outstanding Options, and the Option Exercise Price of each Option. Any adjustment under this Section 3.3.1 will be made in the sole discretion of the Board, acting on recommendations made by the Administrator, and will be conclusive and binding for all purposes of this Plan.
- 3.3.2 No fractional Shares will be issued on the exercise of an Option. If, as a result of any adjustment as provided in this Section 3.3, a Participant would be entitled to a fractional Share, the Participant will have the right to purchase only the number of full Shares that is calculated under that adjustment, and no payment or other adjustment will be made with respect to that fractional Share.

3.4 Termination of the Plan

The Board may terminate this Plan at any time in its absolute discretion (without shareholder approval). If this Plan is terminated, no further Options will be granted but the Options then outstanding will continue in full force and effect in accordance with the provisions of this Plan, until the time they are exercised, cancelled or surrendered or expire under the terms of this Plan and the applicable Option Agreements.

3.5 General

The existence of any Option will not affect, in any way, the right or power of the Corporation to:

- 3.5.1 make or authorize any recapitalization, reorganization or other change in the Corporation's capital structure or business;
- 3.5.2 participate in any amalgamation, combination, merger or consolidation;
- 3.5.3 create or issue any securities or change the rights and conditions attaching to any of its securities;

3.5.4 effect the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business; or

3.5.5 effect any other corporate act or proceeding, whether of similar character or otherwise.

3.6 Compliance with Applicable Laws

3.6.1 This Plan, the grant and exercise of Options, the Corporation's obligation to issue Shares on the exercise of Options, and all other actions taken under this Plan will be subject to Applicable Laws, including the applicable rules and policies of any stock exchange or market on which the Shares are listed, if any, and to any approvals by any Governmental Authority which, in the opinion of counsel to the Corporation, are necessary or advisable.

3.6.2 No Option will be granted and no Shares issued under this Plan if that grant or issue would require registration of this Plan or of Shares under the securities laws of any foreign jurisdiction. Any purported grant of any Option or issue of Shares under this Plan in violation of this Section 3.6.2 will be void.

3.6.3 Shares issued to Participants pursuant to the exercise of Options may be subject to limitations on sale or resale under Applicable Laws.

ARTICLE 4 TERMS OF OPTIONS

4.1 Grants

4.1.1 Subject to the provisions of this Plan, the Board will have the authority to grant Options to Eligible Persons, and to determine the terms, restrictions and conditions applicable to the exercise of those Options, including, for each Option:

4.1.1.1 the number of Shares issuable under the Option;

4.1.1.2 the Option Exercise Price;

4.1.1.3 the Option Expiry Date;

4.1.1.4 the vesting provisions, if any;

4.1.1.5 the nature and duration of the restrictions, if any, to be imposed on the sale or other disposition of Shares acquired on the exercise of the Option; and

4.1.1.6 the events, if any, that could give rise to a forfeiture of the Participant's rights under the Option, and the period in which such a forfeiture can occur.

4.1.2 Each Option will be confirmed by an Option Agreement executed by the Corporation and by the Participant to whom that Option is granted. Subject to specific variations approved by the Board in respect of any Option, those variations not to be inconsistent with the provisions of this Plan, all terms and conditions set out in this Plan will be incorporated by reference into and form part of each Option.

4.2 Multiple Grants

An Eligible Person may be granted Options on more than one occasion under this Plan and be granted separate Options on any one occasion.

4.3 Option Exercise Price

The Board will, on the Grant Date, set the option exercise price (the “**Option Exercise Price**”) in respect of Shares issuable under each Option granted to a Participant. The Option Exercise Price will not be less than the fair market value of each Share issuable on the exercise of an Option. For the purposes of this Section 4.3, “fair market value” means:

4.3.1 if the Shares are not listed on a stock exchange or market, the value of each Share determined by the Board, taking into account any considerations which it determines to be appropriate at the relevant time; and

4.3.2 if the Shares are listed on a stock exchange or market:

4.3.2.1 if at least one board lot has traded on the trading day immediately preceding the Grant Date, the closing price of the Shares on such stock exchange or market on the trading day immediately preceding the Grant Date; or

4.3.2.2 if there has not been at least one board lot traded on the trading day immediately preceding the Grant Date, the volume weighted average trading price of the Shares on such stock exchange or market for the five trading days immediately preceding the Grant Date,

subject to the minimum Option Exercise Price permitted by such stock exchange or market.

4.4 Option Expiry Date

The Board will, on the Grant Date, set the option expiry date (the “**Option Expiry Date**”) of each Option granted to a Participant. The Option Expiry Date set under this Section 4.4 will be no later than ten years after the Grant Date, and will be subject to earlier expiry in accordance with Section 4.10 and Section 4.11, and later expiry in accordance with Section 4.7.

4.5 Vesting of Options

The Board may determine, at the time of granting an Option to an Eligible Person pursuant to the Plan, the maximum number of Shares that may be exercised by such Eligible Person in each year during the term of the Option.

4.6 Exercise of Options

4.6.1 An Option will be exercisable until 5:00 p.m. (Toronto time) on the Option Expiry Date, subject to any vesting provisions.

4.6.2 Subject to the provisions of this Plan and the related Option Agreement, an Option may be exercised from time to time by delivery to the Corporation of a written notice of exercise, substantially in the form of Schedule “A” to Exhibit “A” to this Plan, specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment

in full of the Option Exercise Price of the Shares to be purchased. Payment of the Option Exercise Price must be made by cash, bank draft or certified cheque.

- 4.6.3 Despite any provision contained in this Plan or in any Option Agreement, the Corporation's obligation to issue Shares to a Participant pursuant to the exercise of an Option will be subject to delivery by the Participant of all representations, agreements and undertakings, including as to future dealings in those Shares, that counsel to the Corporation reasonably determines to be necessary or advisable, if any, in order to safeguard against the violation of the laws of any jurisdiction.

4.7 Blackout Periods

No Option may be exercised during a Blackout Period, if the Participant is then restricted from trading in Shares pursuant to any policy of the Corporation or Applicable Laws. If an Option Expiry Date set under Section 4.4 falls on a date within a Blackout Period or within nine Business Days following the expiration of a Blackout Period, the expiry date for that Option will be automatically extended, without any further act or formality, to that date which is the tenth Business Day after the end of the Blackout Period. This Section 4.7 will not extend any termination date determined under Section 4.10 or 4.11.

4.8 Amendments to Plan or Options

The Board may amend this Plan or any Option at any time, subject to the requirements of any stock exchange or market on which the Shares are listed, if any, including any shareholder approval requirements, provided that:

- 4.8.1 if an amendment impairs any Option or is adverse to a Participant, the amendment will only be made effective after the written consent of the Participant who is affected by the amendment is received; and
- 4.8.2 any reduction in the Option Exercise Price for an Option held by an insider may be subject to the receipt of disinterested shareholder approval as required any stock exchange or market on which the Shares are listed, if any.

4.9 Withholding of Tax

- 4.9.1 The Corporation will have the right to deduct and withhold from any amount payable or consideration deliverable to a Participant, either under this Plan or otherwise, any amount or consideration that may be necessary to enable the Corporation to comply with the applicable requirements or administrative policies of any Governmental Authority relating to the deduction, withholding or remittance of tax or any other required deductions or remittances with respect to awards under this Plan (collectively, "**Withholding Obligations**").
- 4.9.2 The Corporation will also have the right in its discretion to satisfy any liability for any Withholding Obligations by withholding and selling, or causing a broker engaged by the Corporation (a "**Broker**"), to sell, on behalf of any Participant, that number of Shares issued to the Participant pursuant to an exercise of Options as is sufficient to fund the Withholding Obligations (after deducting commissions payable to the Broker, if any, and other costs and expenses).

- 4.9.3 The Corporation may require a Participant, as a condition to granting an Option or the exercise of an Option, to make any arrangements that the Corporation may in its discretion require so that the Corporation can satisfy Withholding Obligations, including:
- 4.9.3.1 requiring the Participant to remit the amount of any Withholding Obligations to the Corporation in advance;
 - 4.9.3.2 requiring the Participant to indemnify and reimburse the Corporation for any Withholding Obligations;
 - 4.9.3.3 withholding and selling Shares acquired by the Participant under this Plan, or causing a Broker to sell those Shares on behalf of the Participant, withholding from the proceeds realized from that sale the amount required to satisfy any Withholding Obligations, and remitting that amount directly to the Corporation; or
 - 4.9.3.4 any combination of these options.
- 4.9.4 Any Shares of a Participant that are sold by the Corporation, or by a Broker, to fund Withholding Obligations will be sold as soon as practicable, and, if applicable, in transactions effected on the exchange on which the Shares are then listed for trading. In effecting the sale of any Shares, the Corporation or the Broker will exercise its sole judgment as to the timing and manner of sale and will not be obligated to seek or obtain a minimum price. Neither the Corporation nor the Broker will be liable for any loss arising out of any sale of Shares, including any loss relating to the manner or timing of any sale, the prices at which the Shares are sold, or otherwise. In addition, neither the Corporation nor the Broker will be liable for any loss arising from a delay in transferring any Shares to a Participant. The sale price of Shares sold on behalf of Participants will fluctuate with the market price of the Shares and no assurance can be given that any particular price will be received upon any sale.

4.10 Termination of Employment or Service

- 4.10.1 Unless otherwise determined by the Board or otherwise specified in the relevant Option Agreement, if a Participant ceases to be an Eligible Person, any unvested portion of any Option held by that Participant will be immediately forfeited as of the Termination Date, and each Option held by that Participant will terminate on the earlier of the Option Expiry Date set under Section 4.4 (without including any extended expiry terms determined under Section 4.7) and:
- 4.10.1.1 in the case of termination of employment by the Corporation or a related entity without cause, or the failure of a Director standing for election to be re-elected, or the failure by the Corporation or a related entity to renew a contract for services at the end of its term, the date which is 90 days after the Termination Date;
 - 4.10.1.2 in the case of the death of the Participant, the date which is one year after the death;
 - 4.10.1.3 in the case of the Disability or Retirement of the Participant, the date which is one year after the Termination Date; and

- 4.10.1.4 in all other cases, the Termination Date.
- 4.10.2 Unless otherwise determined by the Board, Options will not be affected by any change of employment or provision of services within or among the Corporation or any Related entity, so long as the Participant continues to be an Eligible Person.
- 4.10.3 Options granted under this Plan are not part of a Participant's regular employment or consulting compensation, and no value will be attributed to any Options as part of calculating any Participant's damages for wrongful dismissal, or any amount due to a Participant with respect to reasonable notice, notice of termination, severance or termination pay, or compensation in lieu of notice.

4.11 Change of Control

- 4.11.1 In the event of an actual or potential Change of Control, the Board may, in its sole discretion and on the terms it sees fit, but subject to Section 4.11.2:
 - 4.11.1.1 accelerate the vesting of any unvested Options;
 - 4.11.1.2 *[intentionally deleted]*;
 - 4.11.1.3 amend the terms of any Options to permit the Participants to exercise the Options on a "cashless" basis (to permit the Participants to tender the underlying Shares to the Change of Control transaction, or to obtain the advantage of holding the underlying Shares during the Change of Control transaction);
 - 4.11.1.4 cause any Options to be terminated; and
 - 4.11.1.5 cause any Options to be exchanged for options or other securities of another entity involved in the Change of Control transaction.
- 4.11.2 If the Board determines to terminate or cause the exchange of any Options under Section 4.11.1, the Corporation will give the affected Participants at least 14 days' advance notice of the termination or exchange.

4.12 Transferability

- 4.12.1 Subject to Section 4.12.2 and Section 4.12.3, the Options and all benefits and rights accruing to a Participant in accordance with the terms and conditions of this Plan are not directly or indirectly transferable and cannot be assigned, charged, pledged or hypothecated, or otherwise alienated, by a Participant, whether voluntarily, involuntarily, by operation of law or otherwise.
- 4.12.2 On a Participant's death, vested Options, benefits and rights may pass by the Participant's will or the laws of descent and distribution to the legal representative of the Participant's estate or any other person who acquires his or her vested Options by bequest or inheritance. No transfer of a vested Option by will or by the laws of descent and distribution will be effective to bind the Corporation until the Administrator has been furnished with any evidence that the Administrator may deem necessary to establish the validity of the transfer

and the acceptance by the transferee of the terms and conditions of this Plan and the relevant Option Agreement.

- 4.12.3 Any Participant that is not an individual will not effect or permit any transfer or change of ownership of the Participant so long as that Participant holds Options, except with the permission of the Administrator. Any unauthorized transfer or change of ownership which is determined by the Administrator to be an indirect transfer of an Option will result in the forfeiture of the Option.

ARTICLE 5 MISCELLANEOUS PROVISIONS

5.1 No Rights as Shareholder

The holder of an Option will not have any rights as a shareholder of the Corporation with respect to any of the Shares issuable on exercise of that Option until that holder has exercised that Option in accordance with the terms of this Plan and has been issued the Shares.

5.2 No Employment Rights

Nothing in this Plan or any Option will confer on a Participant any right to continue in the employment or service of the Corporation or any related entity or affect in any way the right of the Corporation or any related entity to terminate the Participant's employment or service at any time; nor will anything in this Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any related entity to extend the employment or service of any Participant beyond the date on which the Participant's relationship with the Corporation or any related entity would otherwise be terminated due to Retirement or pursuant to the provisions of any employment, consulting or other contract for services with the Corporation or any related entity.

5.3 No Undertaking or Representation

The Participants, by participating in this Plan, will be deemed to have accepted all risks associated with acquiring Shares pursuant to this Plan. Each Participant acknowledges that the Shares are subject to, and may be required to be held indefinitely under, applicable securities laws. The Corporation, the related entity and the Administrator make no undertaking, representation, warranty or guarantee as to the future value or price, or as to the listing on any exchange or other market, of any Shares issued under this Plan, and will not be liable to any Participant for any loss resulting from that Participant's participation in this Plan or as a result of the amendment, suspension or termination of this Plan or any Option.

5.4 Further Assurances

Each Participant will, when requested to do so by the Corporation, sign and deliver all documents relating to the granting or exercise of Options deemed necessary or desirable by the Corporation.

5.5 Submission to Jurisdiction

Without prejudice to the ability of the Corporation or any Participant to enforce this Plan or any Option Agreement in any other proper jurisdiction, the Corporation and each Participant irrevocably and unconditionally submits and attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario to determine all issues, whether at law or in equity, arising from this Plan and each Option Agreement. To the extent permitted by Applicable Laws, the Corporation and each Participant:

- 5.5.1 irrevocably waives any objection, including any claim of inconvenient forum, that it may now or in the future have to the venue of any legal proceeding arising out of or relating to this Plan or any Option Agreement in the courts of that Province, or that the subject matter of this Plan or any Option Agreement may not be enforced in those courts;
- 5.5.2 irrevocably agrees not to seek, and waives any right to, judicial review by any court which may be called on to enforce the judgment of the courts referred to in this Section 5.5, of the substantive merits of any suit, action or proceeding; and
- 5.5.3 to the extent the Corporation or any Participant has or may acquire any immunity from the jurisdiction of any court or from any legal process, whether through service or notice, attachment before judgment, attachment in aid of execution, execution or otherwise, with respect to itself or its property, that Person irrevocably waives that immunity in respect of its obligations under this Plan and any Option Agreement.

EXHIBIT "A"
TO STOCK OPTION PLAN

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE ●.

STOCK OPTION AGREEMENT

THIS OPTION AGREEMENT made as of the ● day of ●, ●.

BETWEEN:

AMERICAN AIRES INC.

(herein called the "**Corporation**"),

OF THE FIRST PART,

- and -

●

(herein called the "**Optionee**"),

OF THE SECOND PART,

WHEREAS the Corporation has adopted a stock option plan (such plan as amended from time to time being hereinafter called the "**Plan**"), a copy of which Plan as constituted on the date hereof has been provided to the Optionee;

AND WHEREAS the Corporation has agreed to grant an option to the Optionee upon the exercise of which the Optionee may acquire common shares (each, a "**Share**") in the capital stock of the Corporation;

NOW THEREFORE the parties hereto agree as follows:

- 1. Definitions** - In this Option Agreement, capitalized terms used herein are not defined herein shall have the meanings assigned thereto in the Plan.
- 2. Grant and Terms of Option** - The Corporation hereby grants to the Optionee, subject to the terms and conditions of the Plan and as hereinafter set out, an option to purchase ● Shares (hereinafter called the "**Option Shares**") at the price of CDN\$● per Option Share (the "**Option Price**"), the said option to terminate at 5:00 p.m. (Toronto time) on ● (hereinafter called the "**Expiry Date**").
- 3. Vesting of Option** - The option hereby granted shall vest as follows:

| Number of Option Shares | Vesting Date |
|--------------------------------|---------------------|
| | |
| | |

- 4. Method of Exercising Option** - The option hereby granted shall be exercisable by the Optionee in accordance with the Plan and the terms and provisions hereof. The option shall be exercisable by the Optionee by the Optionee (a) delivering to the Corporation an executed notice in the form

of Schedule "A" hereto specifying the number of Shares in respect of which the option is exercised; (b) paying in full the Option Price for each such Share; and (c) surrendering this Option Agreement to the Corporation. Upon notice and payment there will be a binding contract for the issue of the Shares in respect of which the option is exercised, upon and subject to the provisions of the Plan. Delivery of the Optionee's cheque payable to the Corporation in amount of aggregate Option Price shall constitute payment of the Option Price unless the cheque is not honored upon presentation in which case the option shall not have been validly exercised.

5. **Partial Exercise** - In the event of a partial exercise of the option hereby granted prior to the Expiry Date, the Optionee shall be entitled to receive a replacement Option Agreement for the Unissued Option Shares represented by this Option Agreement, in which case the Corporation and the Optionee shall execute and deliver to the other the replacement Option Agreement.
6. **Compliance with Securities Law** - The Optionee agrees, unless otherwise notified by the Corporation, that:
 - (a) no sales or transfer of any or all of the Option Shares will be made except pursuant to an opinion of counsel satisfactory to the Corporation to the effect that such sales or transfer will not result in the violation of applicable securities laws; and
 - (b) the Corporation may cause the certificates representing the Option Shares to bear a legend referring to transfer restrictions and the Corporation may issue to its transfer agent "stop transfer" instructions with respect to the Option Shares.
7. **Adoption of the Stock Option Plan** - The Optionee acknowledges and agrees that this Option Agreement shall be subject to the provisions of the Plan, the terms of which are hereby adopted by reference. For certainty, it is agreed and acknowledged that the Plan may be amended from time to time at the sole discretion of the Corporation and the Option Agreement shall be subject to the provisions of such amended Plan. In the event of any inconsistency between the terms or provisions of this Option Agreement and those of the Plan, the terms and provisions of the Plan shall govern. The Optionee further acknowledges that all decisions and interpretations of the Board respecting this Option Agreement or the Plan pursuant to which this Option is granted shall be conclusive and binding on all holders of options granted thereunder.
8. **Bona Fides** - The Corporation and Optionee jointly represent and warrant that, if the Optionee is an Employee or a Consultant of the Corporation or a related entity of the Corporation, the Optionee is a bona fide Employee or a Consultant, as the case may be, of the Corporation or of a related entity of the Corporation.
9. **Non-assignability** - The Optionee shall not be entitled to assign this Option Agreement nor any of the options or other rights or benefits provided for herein.
10. **Time of the Essence** - Time shall be of the Essence of this Option Agreement.
11. **Successor of the Corporation** - This Option Agreement shall be binding upon any successor or successors of the Corporation.

IN WITNESS WHEREOF this Option Agreement has been executed by the parties hereto.

AMERICAN AIRES INC.

Per: _____
Authorized Signing Officer

SIGNED, SEALED & DELIVERED
In the presence of:

_____ }
Witness }
_____ •

SCHEDULE "A"

TO: AMERICAN AIRES INC. (the "Corporation")

NOTICE OF EXERCISE OF OPTION

The undersigned Optionee hereby subscribes for _____ common shares of the Corporation (or such number of common shares or other securities to which such Option Agreement entitles the undersigned in lieu thereof or in addition thereto under the provisions of such Option Agreement) pursuant to the within Option Agreement at \$● per share for an aggregate subscription amount of \$_____ (the "**Aggregate Option Price**") on the terms specified in the said Option Agreement and encloses herewith a cheque or money order payable to the order of the Corporation in payment of the Aggregate Option Price.

The undersigned hereby directs that the said securities be registered as follows:

(Insert full name and address of purchaser including postal code)

DATED at _____, _____ this ____ day of _____, 20____.

Name of Optionee

Signature of Optionee

CERTIFICATE OF THE CORPORATION

Dated: October 2, 2019.

This Prospectus (which includes the marketing materials included or incorporated by reference) constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of Ontario, British Columbia and Alberta.

AMERICAN AIRES INC.

"Dimitry Serov" (signed)
CEO and President

"Robert Suttie" (signed)
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

"Ruslan Elensky" (signed)
Director

"Tony Di Benedetto" (signed)
Director

CERTIFICATE OF THE PROMOTERS

Dated: October 2, 2019.

This Prospectus (which includes the marketing materials included or incorporated by reference) constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of Ontario, British Columbia and Alberta.

“Dimitry Serov” (signed)

Dimitry Serov, CEO and President

“Igor Serov” (signed)

Igor Serov, Director

CERTIFICATE OF THE AGENT

Dated: October 2, 2019.

To the best of our knowledge, information and belief, this Prospectus (which includes the marketing materials included or incorporated by reference) constitutes full, true and plain disclosure of all information material facts relating to the securities offered by this Prospectus as required by the securities legislation of Ontario, British Columbia and Alberta.

CANACCORD GENUITY CORP.

“Jeff German” (signed)

Jeff German,
Director, Retail Corporate Finance

Appendix "B"

Capitalization

14.1 The following tables provide information about the Company's capitalization as of November 6, 2019 upon completion of the Company's initial public offering: [NTD: doesn't include agents options or potentially additional ILL allocation or US subscribers]

| | Number of Securities (non-diluted) | Number of Securities (fully-diluted) | % of Issued (non-diluted) | % of Issued (fully diluted) |
|--|---|---|----------------------------------|------------------------------------|
| <u>Public Float</u> | | | | |
| Total outstanding (A) | 109,720,000 | 137,736,000 | 100% | 100% |
| Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B) | 63,647,333 | 82,420,000 | 58% | 59.8% |
| Total Public Float (A-B) | 46,072,667 | 55,316,000 | 42% | 40.2% |
| <u>Freely-Tradeable Float</u> | | | | |
| Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C) | 57,720,000 | 57,720,000 | 52.6% | 42% |
| Total Tradeable Float (A-C) | 52,000,000 | 80,016,000 | 47.4% | 58% |

Public Securityholders (Registered)

For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart.

Class of Security

| <u>Size of Holding</u> | <u>Number of holders</u> | <u>Total number of securities</u> |
|-------------------------------|---------------------------------|--|
| 1 – 99 securities | _____ | _____ |
| 100 – 499 securities | _____ | _____ |
| 500 – 999 securities | _____ | _____ |
| 1,000 – 1,999 securities | <u>1</u> | <u>1,000</u> |
| 2,000 – 2,999 securities | <u>2</u> | <u>4,000</u> |
| 3,000 – 3,999 securities | <u>2</u> | <u>6,333</u> |
| 4,000 – 4,999 securities | <u>5</u> | <u>20,666</u> |
| 5,000 or more securities | <u>281</u> | <u>46,040,668</u> |
| | _____ | _____ |

Public Securityholders (Beneficial)

Instruction: Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line

Class of Security

| <u>Size of Holding</u> | <u>Number of holders</u> | <u>Total number of securities</u> |
|-------------------------------|---------------------------------|--|
| 1 – 99 securities | _____ | _____ |
| 100 – 499 securities | _____ | _____ |
| 500 – 999 securities | _____ | _____ |
| 1,000 – 1,999 securities | <u>1</u> | <u>1,000</u> |
| 2,000 – 2,999 securities | <u>2</u> | <u>4,000</u> |
| 3,000 – 3,999 securities | <u>2</u> | <u>6,333</u> |
| 4,000 – 4,999 securities | <u>5</u> | <u>20,666</u> |
| 5,000 or more securities | <u>281</u> | <u>46,040,668</u> |
| Unable to confirm | <u>--</u> | <u>--</u> |

Non-Public Securityholders (Registered)

For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security

| <u>Size of Holding</u> | <u>Number of holders</u> | <u>Total number of securities</u> |
|-------------------------------|---------------------------------|--|
| 1 – 99 securities | _____ | _____ |
| 100 – 499 securities | _____ | _____ |
| 500 – 999 securities | _____ | _____ |
| 1,000 – 1,999 securities | _____ | _____ |
| 2,000 – 2,999 securities | _____ | _____ |
| 3,000 – 3,999 securities | _____ | _____ |
| 4,000 – 4,999 securities | _____ | _____ |
| 5,000 or more securities | <u>8</u> | <u>63,647,333</u> |

Unable to confirm

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14.2 Securities convertible or exchangeable into any class of listed securities:

| Description of Security (include conversion / exercise terms, including conversion / exercise price) | Number of convertible / exchangeable securities outstanding | Number of listed securities issuable upon conversion / exercise |
|---|---|---|
| Common Share Purchase Warrants to acquire common shares at a price of \$0.14 for a period expiring January 26, 2021 | 26,000,000 | 26,000,000 |
| Agents Options to acquire common shares at a price of \$0.30 for a period of twenty-four months following the trading date on the CSE | 2,016,000 | 2,016,000 |

14.3 There are no listed securities reserved for issuance that are not included in section 14.2.

CERTIFICATE OF THE COMPANY

Pursuant to a resolution duly passed by its Board of Directors, American Aires Inc. hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to American Aires Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

DATED at Toronto, Ontario this 5th day of November, 2019.

“Dimitry Serov”
Dimitry Serov,
CEO and President

“Robert Suttie”
Robert Suttie,
Chief Financial Officer

“Ruslan Elensky”
Ruslan Elensky
Director

“Tony Di Benedetto”
Tony Di Benedetto,
Director