

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 nine months ended September 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 nine months ended September 30, 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Information contained herein is presented as at November 29, 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

On November 6, 2019, the Company completed its initial public offering (the "Offering") pursuant to a prospectus dated October 2, 2019 (the "Prospectus"). Pursuant to the Offering, the Company issued an aggregate of 25,200,000 common shares (each, a "Share") at a purchase price of \$0.30 per Share for gross proceeds of \$7,560,000. Upon completion of the Offering, the Company had 109,720,000 common shares issued and outstanding, of which 57,720,000 common shares were subject to securities law and contractual escrow requirements. Canaccord Genuity Corp. ("Canaccord") acted as agent on a commercially reasonable efforts basis in respect of the Offering and received a cash commission and corporate finance fee in consideration for its services. In addition, Canaccord received 2,016,000 non-transferable options to acquire up to 2,016,000 Shares at a price of \$0.30 per Share until November 6, 2021. Proceeds of the Offering will be used for marketing, research and development and intellectual property costs as well as general administrative and working capital purposes. The Company also received approval to list the Company's common shares on the Canadian Securities Exchange (the "Exchange" or the "CSE"). The Company's common shares were listed on the CSE on November 5, 2019 and immediately halted pending closing of the Offering. The common shares commenced trading on the CSE on November 7, 2019 under the trading symbol "WIFI".

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 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 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 Dmitry 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 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 late Q4 2019 or Q1 2020.

Three Months Ended September 30, 2019 vs Three Months Ended September 30, 2018

For the three months ended September 30, 2019, the Company reported a net loss and comprehensive loss of \$389,599 compared with a net loss and comprehensive loss of \$376,885 during the three months ended September 30, 2018. The decrease in the loss for the three months ended September 30, 2019 as compared with the net loss for the three months ended September 30, 2018 is primarily driven by a decline in consulting and a reduction in gross margins as sales incentives were employed during the quarter.

Device sales increased to \$138,207 for the three months ended September 30, 2019 from \$117,495 during the three months ended September 30, 2018, representing a 18% increase over the comparative period. The Company achieved a gross margin of 32.03% during the three months ended September 30, 2019, compared with 64.44% for the three months ended September 30, 2018. During the three months ended June 30, 2019, the Company benefitted from a refreshed product line in Q1 2019, and introduced discounts in Q3 to help improve market awareness as it positioned itself to go public and launch more broad marketing initiatives.

The Company continues to focus on scalable efficiency and cost control opportunities when and where possible.

Advertising and promotion expenses increased marginally the three months ended September 30, 2019 to \$49,286, from \$31,699 during the three months ended September 30, 2018 as it increased online marketing initiatives to the extent it could prior to the close of the initial public offering.

Travel expense increase to \$26,214 during the three months ended September 30, 2019 from \$15,476 for the three months ended September 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.

Office and general expenses increased to \$77,713 for the three months ended September 30, 2019, from \$51,735 during the comparative three months ended September 30, 2018, primarily driven by increased bookkeeping and administration costs associated with the drive to close the initial public offering.

Professional fees declined marginally to \$92,123 for the three months ended September 30, 2019, compared with \$120,061 for the three months ended September 30, 2018, driven primarily by variances in administrative, legal and external auditor costs associated with the Company's efforts to become publicly listed.

Salaries and benefits increased to \$103,711 during the three months ended September 30, 2019 compared with \$92,614 during the three months ended September 30, 2018, as the Company began to increase its headcount in mid 2018 and adjusted management salaries.

Nine Months Ended September 30, 2019 vs Nine Months Ended September 30, 2018

For the nine months ended September 30, 2019, the Company reported a net loss and comprehensive loss of \$1,489,187 compared with a net loss and comprehensive loss of \$1,393,640 during the nine months ended September 30, 2018. The increase in the loss for the nine months ended September 30, 2019 as compared with the net loss for the nine months ended September 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 \$477,172 for the nine months ended September 30, 2019 from \$357,437 during the nine months ended September 30, 2018, representing a 33% increase over the comparative period. The Company achieved a gross margin of 52% during the nine months ended September 30, 2019, compared with 59% for the nine months ended September 30, 2018. During the comparative period ended September 30, 2018, the Company's sales were driven largely by the entry level device protection units, which were frequently subject to discount. During the nine months ended September 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 through Q3, with additional discounts offered in Q3, impacting margins achieved. During the nine months ended September 30, 2019, 71% (nine months ended September 30, 2018 - 66%) of sales were to US customers and 14% (nine months ended September 30, 2018 - 21%) 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 nine months ended September 30, 2019 to \$167,768 from \$248,433 during the nine months ended September 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 marginally to \$65,858 during the nine months ended September 30, 2019 from \$66,639 for the nine months ended September 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 increased to \$175,293 for the nine months ended September 30, 2019, from \$158,593 during the comparative nine months ended September 30, 2018, driven by increases in meeting costs, repairs and maintenance and cyclical general consumable expenses.

Professional fees declined to \$209,092 for the nine months ended September 30, 2019 from \$243,509 for the nine months ended September 30, 2018, driven primarily by a decline in the provision of services provided by the Company's auditors.

Salaries and benefits increased to \$313,977 during the nine months ended September 30, 2019 compared with \$191,038 during the nine months ended September 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 nine months ended September 30, 2019 saw depreciation rise to \$139,301 from \$138,584 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 \$1,008,075 as at September 30, 2019 (December 31, 2018 – a working capital deficiency of \$119,665), and cash and cash equivalent balance of \$25,230 (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 September 30, 2019, two shareholders had advanced the Company an aggregate \$552,000 (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 September 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 September 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 September 30, 2019, the Company had a cash balance of \$25,230 to settle current liabilities of \$1,339,456. 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 September 30, 2019 totaled a deficiency of \$107,749 (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 nine months ended September 30, 2019.

Related Party Transactions

Nine Months Ended September 30	2019 \$	2018 \$
Remuneration paid for CEO services	172,500	157,500
Remuneration paid for CFO services	22,500	22,500

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

As at September 30, 2019, amounts due to related parties totaled \$189,776 (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 nine months ended September 30, 2019, the Company purchased \$nil (three and six months ended September 30, 2018 - \$495,092) of inventory and expensed \$nil (three and nine months ended September 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 September 30, 2019, \$7,284 (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 nine months ended September 30, 2019, the Company paid \$25,000 and \$75,000, respectively (three and nine months ended September 30, 2018 - \$25,000 and \$70,000, respectively) in consulting fees to Igor Serov, a director of the Company. Included in accounts payable and accrued liabilities was \$65,763 (December 31, 2018 - \$25,000) in relation to these fees.

During the three and nine months ended September 30, 2019, the Company expensed \$7,500 and \$22,500, (three and nine months ended September 30, 2018 - \$7,500 and \$22,500) to Marrelli Support Services Inc. ("Marrelli Group") and for:

- Robert D.B. Suttie, 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 September 30, 2019, the Marrelli Group was owed \$40,261 (December 31, 2018 - \$14,379). These amounts are included in accounts payable.

During the three and nine months ended September 30, 2019, two consultants who are shareholders of the Company were paid \$nil (three and nine months ended June 30, 2018 - \$55,310) each for additional financial, strategic and advisory services to the Company. As at September 30, 2019, \$nil (December 31, 2018 - \$nil) was included in accounts payable pertaining to these fees. Additionally, as at September 30, 2019, the two consultants had advanced the Company an aggregate \$552,000 (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 nine months ended September 30, 2019, the Company expensed \$25,000 and \$101,567, respectively (three and nine months ended September 30, 2018 - \$nil and \$57,218, respectively) for legal services provided by a firm, a partner of which is a director of the Company. As at September 30, 2019, \$223,926 (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

There are no events occurring after the reporting period which have not been disclosed in this document.

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 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 on www.sedar.ca