AMERICAN AIRES INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, 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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brock Stroud.

MNP LLP

Toronto, Ontario
June 15, 2020

Chartered Professional Accountants
Licensed Public Accountants

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

As at December 31,		**2019**		2018
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**3,198,335**	$	63,227
Prepaid and sundry receivable		**517,012**		194,597
Accounts receivable		**2,735**		832
Inventory		**557,595**		368,912
		4,275,677		627,568
Leasehold Improvements (note 7)		**36,454**		41,011
Furniture and equipment (note 6)		**28,627**		36,087
Intellectual property (note 5)		**768,857**		1,176,000
Right-of-use asset (note 8)		**55,210**		-
Total assets	**$**	**5,164,825**	$	1,880,666
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (note 14)	**$**	**421,026**	$	517,233
Shareholder loans (note 14)		**-**		230,000
Lease obligation (note 9)		**40,056**		-
		461,082		747,233
Non-Current liabilities				
Lease obligation (note 9)		**23,480**		-
Total liabilities		**484,562**		747,233
Shareholders' equity				
Share capital (note 10)		**10,278,164**		4,184,249
Contributed surplus		**1,226,995**		374,400
Deficit		**(6,824,896)**		(3,425,216)
Total shareholders' equity		**4,680,263**		1,133,433
Total liabilities and shareholders' equity	**$**	**5,164,825**	$	1,880,666

Nature of Operations (note 1)
Subsequent Event (note 17)

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,	2019	2018
Revenue		
Sales	**$ 693,001**	$ 532,210
Cost of sales	**(392,742)**	(184,648)
Gross margin	**300,259**	347,562
Expenses		
Advertising and promotion	**1,054,732**	402,641
Bad debt expense	**1,389**	-
Consulting fees (note 14)	**591,966**	314,148
Foreign exchange	**21,708**	6,241
Impairment of intellectual property (Note 5)	**279,000**	-
Interest charges	**48,450**	20,476
Office and general	**255,486**	212,897
Professional fees	**289,989**	365,610
Rent expense	**19,228**	47,208
Research and development	**48,191**	23,580
Salaries and benefits (note 14)	**450,087**	368,126
Travel	**213,581**	85,319
Stock based compensation (Note 12)	**254,059**	-
Interest income	**(1,949)**	-
Other income	**(10,500)**	-
Depreciation	**184,522**	182,013
	3,699,939	2,028,259
Net loss and comprehensive loss for the year	**$(3,399,680)**	$(1,680,697)
Basic and diluted net loss per share (note 13)	**$ (0.04)**	$ (0.02)
Weighted average number of common shares outstanding, basic and diluted (note 13)	**89,746,904**	87,577,808

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, 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 placement, net of costs (note 10)	28,500,000	1,577,854	-	-	-	1,577,854
Warrants issued	-	(374,400)	-	374,400	-	-
Net loss for the year	-	-	-	-	(1,680,697)	(1,680,697)
Balance, December 31, 2018	**90,100,000**	**$ 4,184,249**	**$ -**	**$ 374,400**	**$ (3,425,216)**	**$ 1,133,433**
Cancellation of shares issued for intellectual property (note 10)	(5,580,000)	(279,000)	-	279,000	-	-
Initial public offering, net of costs (note 10)	25,200,000	6,692,451	-	-	-	6,692,451
Warrants issued (note 10)	-	(319,536)	-	319,536	-	-
Stock-based compensation (note 12)	-	-	-	254,059	-	254,059
Net loss for the year	-	-	-	-	(3,399,680)	(3,399,680)
Balance, December 31, 2019	**109,720,000**	**$ 10,278,164**	**$ -**	**$ 1,226,995**	**$ (6,824,896)**	**$ 4,680,263**

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,	2019	2018
Operating activities		
Net loss for the year	**$ (3,399,680)**	$ (1,680,697)
Impairment of intellectual property	**279,000**	-
Depreciation	**184,522**	182,013
Bad debt expense	**1,389**	-
Stock-based compensation	**254,059**	-
Interest expense	**17,545**	-
Non-cash working capital items:		
Accounts receivable	**(3,292)**	3,426
Prepaid and sundry receivable	**(322,415)**	(122,098)
Accounts payable and accrued liabilities	**(96,206)**	(71,302)
Deferred revenue	**-**	(8,515)
Inventory	**(188,683)**	(311,182)
	(3,273,761)	(2,008,355)
Investing activities		
Acquisition of property and equipment	**-**	(45,543)
Leasehold improvements	**-**	(45,568)
	-	(91,111)
Financing activities		
Private placement, net of fees	**6,692,451**	1,577,854
Shareholder loan (note 10)	**(230,000)**	230,000
Lease obligation expense (note 9)	**(53,582)**	-
	6,408,869	1,807,854
Net change in cash	**3,135,108**	(291,612)
Cash, beginning of the year	**63,227**	354,839
Cash, end of the year	**$ 3,198,335**	$ 63,227

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

1. Nature of Operations

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, Vaughan, 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 $6,824,896 at December 31, 2019 and incurred a loss of $3,399,680 for the year ended December 31, 2019. The Company has working capital of $3,814,595 at December 31, 2019 (2018 - a working capital deficiency of $119,665).

Initial Public Offering

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 53,778,000 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 broker warrants 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 commenced trading on the CSE on November 7, 2019 under the trading symbol "WIFI".

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, 2019.

These financial statements were approved by the Board of Directors on June 15, 2020.

2. Significant Accounting Policies (Continued)

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.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Below is a summary showing the classification and measurement bases of the Company's financial instruments.

Classification	IFRS 9
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Sundry receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Shareholder loans	Amortized cost

Financial assets

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

i) Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash is classified as a financial asset measured at FVTPL.

ii) Investments recorded at fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.

iii) Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows, and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's accounts receivable and sundry receivable are classified as financial assets measured at amortized cost.

2. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial liabilities

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 and Cash Equivalents

Cash and cash equivalents in the statements of financial position is comprised of cash at banks as well as money market instruments. The Company's cash and cash equivalents 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.

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. As of December 31, 2019, the inventory balance consists of finished goods.

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 as at December 31, 2019 and 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.

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 contrinuted surplus.

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 contributed surplus is recorded as an increase to share capital. For those options that expire after vesting, the recorded fair value is held indefinitely in 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 eletromagnetic 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.

Leasehold Improvements

Leasehold improvements are recorded at cost less accumulated amortization. Amortization is provided over the term of the related lease using the straight-line method.

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, 2019 and 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.

2. Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted During the Year

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.

2. Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted During the Year (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 financial statements are disclosed in note 8 and 9.

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 financial statements.

Future Accounting Pronouncements

IFRS 3, Business Combinations ("IFRS 3")

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments is not expected to have an impact on the Company's financial statements.

IAS 1, Presentation of Financial Statements ("IAS 1")

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments is not expected to have an impact on the Company's financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments is not expected to have an impact on the Company's financial statements.

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, 2019 totaled $4,680,263 (2019 - $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. The forecast is updated based on activities related to its operations. Information is provided to the Board of Directors of the Company. The Company is not subject to externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2019.

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 and cash equivalents, accounts receivable, sundry receivable, accounts payable and accrued liabilities, and shareholder loan approximate their fair values due to the expected short-term maturity of these financial instruments.

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.

<u>Credit Risk</u>

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 and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consists of cash at banks as well as money market instruments. 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.

(Expressed in Canadian Dollars)

4. Financial Instruments and Risk Management (Continued)

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, 2019, the Company had a cash and cash equivalents balance of $3,198,335 (2018 - $63,227) to settle current liabilities of $461,082 (2018 - $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.

5. Intellectual Property

Balance, December 31, 2017	$	1,344,000
Depreciation		(168,000)
Balance, December 31, 2018	**$**	**1,176,000**
Impairment (note 10(b))		(279,000)
Depreciation		(128,143)
Balance, December 31, 2019	**$**	**768,857**

(Expressed in Canadian Dollars)

6. 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, December 31, 2019	**$**	**42,082**	**$**	**3,461**	**$**	**45,543**
Accumulated Depreciation						
Balance, December 31, 2017	$	-	$	-	$	-
Depreciation		8,418		1,038		9,456
Balance, December 31, 2018	$	8,418	$	1,038	$	9,456
Depreciation		6,733		727		7,460
Balance, December 31, 2019	**$**	**15,151**	**$**	**1,765**	**$**	**16,916**
Carrying Value						
At December 31, 2018	$	33,664	$	2,423	$	36,087
At December 31, 2019	**$**	**26,931**	**$**	**1,696**	**$**	**28,627**

7. Leasehold Improvements

Cost		Leasehold Improvements
December 31, 2017	$	-
Additions		45,568
December 31, 2018 and 2019	**$**	**45,568**
Accumulated Depreciation		
December 31, 2017	**$**	**-**
Depreciation		4,557
December 31, 2018	**$**	**4,557**
Depreciation		4,557
December 31, 2019	**$**	**9,114**
Carrying Value		
At December 31, 2018	$	41,011
At December 31, 2019	**$**	**36,454**

(Expressed in Canadian Dollars)

8. Right-of-use Assets

Balance, December 31, 2018	$	-
Adoption of IFRS 16		99,573
Depreciation		(44,363)
Balance, December 31, 2019	**$**	**55,210**

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

Maturity Analysis - Contractual Undiscounted Cash Flows

As at December 31, 2019		
Less than one year	$	54,438
Greater than one year		13,663
Total undiscounted lease obligation	$	68,101

9. 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	$	-
Adoption of IFRS 16		99,573
Accretion		17,545
Lease payments		(53,582)
Balance, December 31, 2019	$	63,536

As at December 31, 2019		
Less than one year	$	40,056
Greater than one year		23,480
Total lease obligation	$	63,536

(Expressed in Canadian Dollars)

10. 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 placement, net of costs (ii)(iii)	28,500,000	1,577,854
Issued of warrants (ii)	-	(374,400)
Shares issued for consulting fees (c)	800,000	40,000
Balance, December 31, 2018	**90,100,000**	**$ 4,184,249**
Cancellation of shares issued for intellectual property (i)	(5,580,000)	(279,000)
Initial public offering (note 1)	25,200,000	6,692,451
Issuance of warrants (notes 1 and 11)	-	(319,536)
Balance, December 31, 2019	**109,720,000**	**$ 10,278,164**

i) 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.

ii) 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.

iii) 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.

(Expressed in Canadian Dollars)

11. Warrants

The following table reflects the continuity of warrants for the years ended December 31, 2019 and 2018:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance, December 31, 2017	-	$ -
Issued (note 10)	26,000,000	0.14
Balance, December 31, 2018	26,000,000	$ 0.14
Issued	2,016,000	0.30
Balance, December 31, 2019	28,016,000	$ 0.15

The following table reflects warrants outstanding as at December 31, 2019:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Warrants Outstanding	Black-Scholes Value
January 26, 2021	$ 0.14	1.07 years	26,000,000	$ 374,400
November 6, 2021	$ 0.30	1.85 years	2,016,000	$ 319,536
	$ 0.15	1.13 years	28,016,000	$ 693,936

On April 15, 2019, the Company extended the expiry date of 26,000,000 warrants exercisable at a price of $0.14 by one year to January 26, 2021.

On November 6, 2019, 2,016,000 warrants were issued in conjunction with the Company's initial public offering, with an exercise price of $0.30 and a two year term. A fair value of $319,536 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of $0.30, expected volatility of 100%, a risk-free rate of return of 1.59% and an expected life of 2 years.

12. STOCK OPTIONS

The following table reflects the continuity of stock options for the years ended December 31, 2019 and 2018

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - December 31, 2017 and 2018	-	-
Granted	9,950,000	$ 0.50
Balance, December 31, 2019	**9,950,000**	**$ 0.50**

On December 9, 2019, the Company granted 9,950,000 options to purchase common shares of the Company to officers, directors, consultants and employees. Each option is exercisable at a price of $0.50 for a five year term. A fair value of $3,456,630 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of $0.47 expected volatility mof 100%, a risk-free rate of return of 1.62% and an expected life of 5 years. The options vest at a rate of one third every six months from the date of grant. During the year ended December 31, 2019, the Company recognized $254,059 in relation to this grant.

(Expressed in Canadian Dollars)

12. STOCK OPTIONS (Continued)

The following table reflects options outstanding as at December 31, 2019:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Options Outstanding
December 9, 2024	0.50	4.95 years	9,950,000

13. Net Loss Per Share

The calculation of basic and diluted loss per share for the years ended December 31, 2019 and 2018 was based on the loss attributable to common shareholders of $3,399,680, and $1,680,697, respectively and the weighted average number of common shares outstanding of 89,746,904 and 87,577,808, respectively.

14. Related Party Balances and Transactions

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

		2019		2018
Remuneration paid for CEO	**$**	**230,000**	$	225,000
Remuneration paid for CFO	**$**	**76,890**	$	30,000
Stock-based compensation	**$**	**137,881**	$	-

The Company defines key management as the Company's Directors and Officers of the Company.

As at December 31, 2019, amounts due to CEO totaled $50,000 (2018 - $50,000) pertaining to amounts payable for key management remuneration, and reimbursement of expenses paid on behalf of the Company. Included in prepaid sundry receivables is $6,532 (2018 - $nil), pertaining to expense advances.

During the year ended December 31, 2018, the Company purchased $495,092 of inventory and $28,060 in research fees from Aireslita UAB. As at December 31, 2018, $5,972 was included in accounts payable pertaining to these purchases. The inventory purchases were made in accordance with a manufacturing agreement dated October 15, 2017. Igor Serov and Dimitry Serov were directors of Aireslita UAB 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.

During the year ended December 31, 2019, the Company paid $100,000 (2018 - $100,000) in consulting fees to Igor Serov, a director of the Company. Included in accounts payable and accrued liabilities was $20,000 (December 31, 2018 - $25,000) in relation to these fees.

During the year ended December 31, 2018, the Company expensed $76,890, (2018 - $30,000) to Marrelli Support Services Inc. ("Marrelli Group") and for:

(i) Robert D.B. Suttie, 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 December 31, 2019, the Marrelli Group was owed $7,500 (2018 - $14,379). These amounts are included in accounts payable.

14. Related Party Balances and Transactions (Continued)

Additionally, during the year ended December 31, 2019, the two consultants advanced the Company $392,000 (2018 - $230,000) for working capital purposes. The shareholder loans bore no interest, were unsecured and were fully repaid duing the year.

On January 2, 2017 the Company entered into consulting agreements (the “Consulting Agreements”) with two shareholders (collectively the “Consultants”) whereby each of the Consultants provide financial, strategic and advisory services to the Company. During the year ended December 31, 2019, the two consultants who are shareholders of the Company were each paid $131,381 and $108,381, respectively (2018 - $110,619 each) each for additional financial, strategic and advisory services to the Company. As at December 31, 2019, $48,025 (December 31, 2018 - $nil) was included in accounts payable pertaining to these fees. Under the terms of the Consulting Agreements each Consultant was 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. Accordingly, during the year ended December 31, 2019, each of the two consultants was paid $75,600, or $151,200 in aggregate (2018 - $nil).

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.

During the year ended December 31, 2019, the Company expensed $137,082 (2018 - $179,577) for legal services provided by a firm, a partner of which is a director of the Company. As at December 31, 2018, $12,691 (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.

(Expressed in Canadian Dollars)

15. Income Taxes

The reconcilation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2018 - 26.5%) to the effective rate is as follows:

	2019	2018
Loss before income taxes	$ (3,399,680)	$ (1,680,697)
Expected income tax expense (recovery)	$ (900,915)	$ (445,385)
Tax rate changes and other adjustments	73,937	-
Share-based compensation and non-deductible expenses	67,326	100
Share issuance cost booked directly to equity	(314,577)	(19,119)
Change in tax benefits not recognized	1,074,229	464,404
Income tax expense (recovery)	$ -	$ -

Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Deferred tax assets and liabilities are attributable as follows:

	2019	2018
Property, plant and equipment	$ 61,926	$ 49,910
Intangible assets	464,143	336,000
Share issuance costs	1,032,676	117,297
Non-capital losses carried forward	5,543,005	2,553,184
Other temporary differences	8,335	-
	$ 7,110,085	$ 3,056,391

The Canadian non-capital loss carryforwards expire as noted in the above table. Share issue and financing costs will be fully amortized in 2023. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been fully recognized in respect of these items because it is not probable that future profit will be available against which the Company can use the benefits therefrom.

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

2033	$ 66,300
2034	31,600
2035	35,506
2037	887,186
2038	1,532,584
2039	2,989,829
	$ 5,543,005

16. Segmented Information

The Company's operations consist of a single operating segment, located in Canada. During the year ended December 31, 2019, 68% (2018 - 80%) of sales were to US customers and 16% (2018 - 19%) being sold to customers in Canada. The Company's remaining customers are distributed widely throughout the world.

17. Subsequent Events

Subsequent to December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

On February 10, 2020 the Company granted 500,000 options to purchase common shares of the Company exercisable at a price of $0.37 per share for a period of five years, to a consultant pursuant to the Company's stock option plan. The options vest at a rate of 1/3 every six months from the date of grant.