
AMERICAN AIRES INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2020 AND 2019
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

NOTICE TO READER

The accompanying condensed interim financial statements of the Company have been prepared by and are the responsibility of management. The financial statements have not been reviewed by the Company's auditors.

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

As at	June 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 676,193	\$ 3,198,335
Prepaid and sundry receivable	840,250	517,012
Accounts receivable	10,999	2,735
Inventory	602,307	557,595
	2,129,749	4,275,677
Leasehold Improvements (note 5)	34,175	36,454
Furniture and equipment (note 4)	24,896	28,627
Intellectual property (note 3)	704,785	768,857
Right-of-use asset (note 6)	33,028	55,210
Total assets	\$ 2,926,633	\$ 5,164,825
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	\$ 434,249	\$ 421,026
Lease obligation (note 7)	38,696	40,056
	472,945	461,082
Non-Current liabilities		
Lease obligation (note 7)	-	23,480
Total liabilities	472,945	484,562
Shareholders' equity		
Share capital (note 8)	10,432,564	10,278,164
Contributed surplus	2,830,792	1,226,995
Deficit	(10,809,668)	(6,824,896)
Total shareholders' equity	2,453,688	4,680,263
Total liabilities and shareholders' equity	\$ 2,926,633	\$ 5,164,825

Nature of Operations (note 1)

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue				
Sales	\$ 563,883	\$ 174,663	\$ 890,503	\$ 338,965
Cost of sales	(300,411)	(68,446)	(470,731)	(135,240)
Gross margin	263,472	106,217	419,772	203,725
Expenses				
Advertising and promotion	443,306	64,157	1,282,136	118,482
Consulting fees (note 12)	171,758	28,562	525,386	45,325
Foreign exchange	(22,248)	2,384	24,381	5,303
Impairment of intellectual property	-	-	-	279,000
Interest charges	20,932	7,562	31,975	14,586
Office and general	120,792	50,235	221,362	97,580
Professional fees	76,772	115,357	106,146	116,969
Rent expense	1,751	5,445	6,365	18,480
Research and development	30,094	6,000	188,205	12,000
Salaries and benefits (note 12)	98,543	106,502	250,924	210,266
Travel	1,921	2,406	68,258	39,644
Stock based compensation (Note 10)	748,955	-	1,618,197	-
Interest income	(1,697)	-	(11,054)	-
Depreciation	46,131	41,626	92,262	97,673
	1,737,011	430,236	4,404,544	1,055,308
Net loss and comprehensive loss for the period	\$(1,473,539)	\$ (324,019)	\$(3,984,772)	\$ (851,583)
Basic and diluted net loss per share (note 11)	\$ (0.01)	\$ (0.00)	\$ (0.04)	\$ (0.01)
Weighted average number of common shares outstanding, basic and diluted (note 11)	110,618,630	84,520,000	110,169,315	87,317,644

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

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

	Share Capital Number	Share Capital Amount	Shares to be Issued	Contributed Surplus	Deficit	Total
Balance, December 31, 2018	90,100,000	\$ 4,184,249	\$ -	\$ 374,400	\$ (3,425,216)	\$ 1,133,433
Cancellation of shares issued for intellectual property	(5,580,000)	(279,000)	-	279,000	-	-
Net loss for the period	-	-	-	-	(851,583)	(851,583)
Balance, June 30, 2019	84,520,000	\$ 3,905,249	\$ -	\$ 653,400	\$ (4,276,799)	\$ 281,850
Balance, December 31, 2019	109,720,000	10,278,164	-	1,226,995	(6,824,896)	4,680,263
Stock-based compensation (note 10)	-	-	-	1,618,197	-	1,618,197
Exercise of warrants	1,000,000	154,400	-	(14,400)	-	140,000
Net loss for the period	-	-	-	-	(3,984,772)	(3,984,772)
Balance, June 30, 2020	110,720,000	\$ 10,432,564	\$ -	\$ 2,830,792	\$ (10,809,668)	\$ 2,453,688

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

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

For the Six Months Ended June 30,	2020	2019
Operating activities		
Net loss for the period	\$ (3,984,772)	\$ (851,583)
Impairment of intellectual property	-	279,000
Depreciation	92,262	104,252
Stock-based compensation	1,618,197	-
Non-cash working capital items:		
Accounts receivable	(8,264)	832
Prepaid and sundry receivable	(323,238)	(56,957)
Accounts payable and accrued liabilities	13,224	149,745
Inventory	(44,712)	113,249
	(2,637,303)	(261,462)
Financing activities		
Proceeds from issuance of shares	140,000	-
Shareholder loan	-	280,000
Lease obligation expense	(24,839)	(22,153)
	115,161	257,847
Net change in cash	(2,522,142)	(3,615)
Cash, beginning of the period	3,198,335	63,227
Cash, end of the period	\$ 676,193	\$ 59,612

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

AMERICAN AIRES INC.
Notes to Condensed interim Financial Statements
Three and Six Months Ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

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 \$10,809,668 at June 30 2020 and incurred a loss of \$3,984,772 for the six months ended June 30, 2020. The Company has working capital of \$1,656,804 at June 30, 2020 (December 31, 2019 - \$3,814,595).

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. Accounting Policies

Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2019.

These financial statements were approved by the Board of Directors on August 31, 2020.

Basis of Measurement

These condensed interim 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.

Accounting Pronouncements Adopted During the Period

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 Company adopted this standard at January 1, 2020 and there was no material 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 Company adopted this standard at January 1, 2020 and there was no material impact on the Company's financial statements.

AMERICAN AIRES INC.
Notes to Condensed interim Financial Statements
Three and Six Months Ended June 30, 2020
(Expressed in Canadian Dollars)
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2. Accounting Policies (Continued)

Accounting Pronouncements Adopted During the Period (Continued)

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 Company adopted this standard at January 1, 2020 and there was no material impact on the Company's financial statements.

3. Intellectual Property

Balance, December 31, 2018	\$ 1,176,000
Impairment	(279,000)
Depreciation	(128,143)
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Balance, December 31, 2019	\$ 768,857
Depreciation	(64,072)
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Balance, June 30, 2020	\$ 704,785

4. Furniture and Equipment

Cost	Furniture and Fixtures	Computer Equipment	Total
Balance, December 31, 2018	\$ -	\$ -	\$ -
Additions	42,082	3,461	45,543
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Balance, December 31, 2019	\$ 42,082	\$ 3,461	\$ 45,543
Additions	-	-	-
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Balance, June 30, 2020	\$ 42,082	\$ 3,461	\$ 45,543
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Accumulated Depreciation			
Balance, December 31, 2018	\$ 8,418	\$ 1,038	\$ 9,456
Depreciation	6,733	727	7,460
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Balance, December 31, 2019	\$ 15,151	\$ 1,765	\$ 16,916
Depreciation	3,367	364	3,731
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Balance, June 30, 2020	\$ 18,518	\$ 2,129	\$ 20,647
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Carrying Value			
At December 31, 2019	\$ 26,931	\$ 1,696	\$ 28,627
At June 30, 2020	\$ 23,564	\$ 1,332	\$ 24,896

AMERICAN AIRES INC.

Notes to Condensed interim Financial Statements
Three and Six Months Ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

5. Leasehold Improvements

Cost	Leasehold Improvements
December 31, 2018 and 2019 and June 30, 2020	\$ 45,568
Accumulated Depreciation	
December 31, 2018 Depreciation	\$ 4,557 4,557
December 31, 2019 Depreciation	\$ 9,114 2,279
June 30, 2020	\$ 11,393
Carrying Value	
At December 31, 2019	\$ 36,454
At June 30, 2020	\$ 34,175

6. Right-of-use Assets

Balance, December 31, 2018	\$ -
Adoption of IFRS 16	99,573
Depreciation	(44,363)
Balance, December 31, 2019	\$ 55,210
Depreciation	(22,182)
Balance, June 30, 2020	\$ 33,028

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

Maturity Analysis - Contractual Undiscounted Cash Flows

As at June 30, 2020	
Less than one year	\$ 40,989
Greater than one year	-
Total undiscounted lease obligation	\$ 40,989

AMERICAN AIRES INC.
Notes to Condensed interim Financial Statements
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7. Lease Obligation

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

Balance, December 31, 2018	\$	-
Adoption of IFRS 16		99,573
Accretion		17,545
Lease payments		(53,582)
Balance, December 31, 2019	\$	63,536
Accretion		2,272
Lease payments		(27,112)
Balance, June 30, 2020	\$	38,696
As at June 30, 2020:		
Less than one year	\$	38,696
Greater than one year		-
Total lease obligation	\$	38,696

8. Share Capital

(a) *Authorized*

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

(b) *Issued and outstanding - Common Shares*

	Number of common shares	Amount
Balance, December 31, 2018	90,100,000	\$ 4,184,249
Cancellation of shares issued for intellectual property	(5,580,000)	(279,000)
Balance, June 30, 2019	84,520,000	3,905,249
Balance, December 31, 2019	109,720,000	\$ 10,278,164
Exercise of warrants	1,000,000	154,400
Balance, June 30, 2020	110,720,000	10,432,564

AMERICAN AIRES INC.
Notes to Condensed interim Financial Statements
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(Unaudited)

9. Warrants

The following table reflects the continuity of warrants for the six months ended June 30, 2020 and 2019:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance, December 31, 2018 and June 30, 2019	26,000,000	\$ 0.14
Balance, December 31, 2019	28,016,000	\$ 0.15
Exercised	(1,000,000)	\$ 0.14
Balance, June 30, 2020	27,016,000	\$ 0.15

The following table reflects warrants outstanding as at June 30, 2020:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Warrants Outstanding	Black-Scholes Value
January 26, 2021	\$ 0.14	0.57 years	25,000,000	\$ 360,000
November 6, 2021	\$ 0.30	1.35 years	2,016,000	\$ 319,536
	\$ 0.15	0.63 years	27,016,000	\$ 679,536

10. STOCK OPTIONS

The following table reflects the continuity of stock options for the six months ended June 30, 2020 and 2019

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - December 31, 2018 and June 30, 2019	-	-
Balance, December 31, 2019	9,950,000	\$ 0.50
Granted	500,000	0.37
Balance, June 30, 2020	10,450,000	\$ 0.50

On February 10, 2020, the Company granted 500,000 options to purchase common shares of the Company to a director. Each option is exercisable at a price of \$0.37 for a five year term. A fair value of \$133,500 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of \$0.36 expected volatility of 100%, a risk-free rate of return of 1.31% 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 three months ended March 31, 2020, the Company recognized \$22,525 in relation to this grant.

AMERICAN AIRES INC.
Notes to Condensed interim Financial Statements
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10. STOCK OPTIONS (Conitnued)

The following table reflects options outstanding as at June 30, 2020:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Options Outstanding
December 9, 2024	0.50	4.45 years	9,950,000
February 10, 2025	0.37	4.61 years	500,000
	\$ 0.50	4.44 years	10,450,000

11. Net Loss Per Share

The calculation of basic and diluted loss per share for the six months ended June 30, 2020 and 2019 was based on the loss attributable to common shareholders of \$3,984,772, and \$851,583, respectively and the weighted average number of common shares outstanding of 110,169,315 and 87,317,644, respectively.

12. Related Party Balances and Transactions

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Remuneration paid for CEO	\$ 57,500	\$ 57,500	\$ 115,000	\$ 115,000
Remuneration paid for CFO	\$ 7,500	\$ 7,500	\$ 15,000	\$ 15,000
Stock-based compensation	\$ -	\$ -	\$ 133,500	\$ -

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

As at June 30, 2020, amounts due to CEO totaled \$nil (December 31, 2019 - \$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 (December 31, 2019 - \$6,532), pertaining to expense advances.

During the three and six months ended June 30, 2020, the Company paid \$48,001 and \$68,539, respectively (three and six months ended June 30, 2019 - \$25,000 and \$50,000, respectively) in consulting fees to Igor Serov, a director of the Company. Included in accounts payable and accrued liabilities was \$nil (December 31, 2019 - \$20,000) in relation to these fees.

During the three and six months ended June 30, 2020, the Company expensed \$7,500 and 15,000, respectively, (three months and six months ended June 30, 2019 - \$7,500 and \$15,000, respectively) 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 June 30, 2020, the Marrelli Group was owed \$nil (December 31, 2019 - \$7,500). These amounts are included in accounts payable.

AMERICAN AIRES INC.
Notes to Condensed interim Financial Statements
Three and Six Months Ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

12. Related Party Balances and Transactions (Continued)

During the three and six months ended March 31, 2020, the Company expensed \$1,717 and \$21,231, respectively (three and six months ended June 30, 2019 - \$76,567) for legal services provided by a firm, a partner of which is a director of the Company. As at June 30, 2020, \$9,595 (December 31, 2019 - \$12,691) 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.

13. Segmented Information

The Company's operations consist of a single operating segment, located in Canada. During the six months ended June, 2020, 67% (six months ended June 30, 2019 - 74%) of sales were to US customers and 18% (six months ended June 30, 2019 - 13%) being sold to customers in Canada. The Company's remaining customers are distributed widely throughout the world.

14. Subsequent Events

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.

Subsequent to June 30, 2020, 1,500,000 \$0.14 warrants were exercised for gross proceeds of \$210,000.