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**AMERICAN AIRES INC.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED**  
**JUNE 30, 2021 AND 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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## **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,<br>2021    | December 31,<br>2020 |
|--|---------------------|----------------------|
| <b>ASSETS</b>                                      |                     |                      |
| <b>Current assets</b>                              |                     |                      |
| Cash and cash equivalents                          | \$ 419,658          | \$ 501,884           |
| Prepaid and sundry receivable (note 13)            | 1,457,560           | 715,488              |
| Accounts receivable                                | 618                 | 691                  |
| Inventory  | 472,382             | 264,456              |
|  | <b>2,350,218</b>    | <b>1,482,519</b>     |
| <b>Furniture and equipment</b> (note 4)            | <b>5,386</b>        | <b>969</b>           |
| <b>Intellectual property</b> (note 3)              | <b>576,642</b>      | <b>640,714</b>       |
|  | <b>2,932,246</b>    | <b>2,124,202</b>     |
| <b>Total assets</b>                                | <b>\$ 2,932,246</b> | <b>\$ 2,124,202</b>  |
| <b>LIABILITIES AND EQUITY</b>                      |                     |                      |
| <b>Current liabilities</b>                         |                     |                      |
| Accounts payable and accrued liabilities (note 10) | \$ 422,234          | \$ 627,666           |
| Government loan payable (note 5)                   | 60,000              | 40,000               |
| Deferred revenue                                   | 2,403               | 68,204               |
| Loan payable (note 6)                              | 605,022             | -                    |
|  | <b>1,089,659</b>    | <b>735,870</b>       |
| <b>Shareholders' equity</b>                        |                     |                      |
| Share capital (note 7)                             | 15,210,215          | 11,690,924           |
| Contributed surplus                                | 4,114,030           | 4,110,543            |
| Deficit  | (17,481,658)        | (14,413,135)         |
|  | <b>1,842,587</b>    | <b>1,388,332</b>     |
| <b>Total shareholders' equity</b>                  | <b>1,842,587</b>    | <b>1,388,332</b>     |
| <b>Total liabilities and shareholders' equity</b>  | <b>\$ 2,932,246</b> | <b>\$ 2,124,202</b>  |

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

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

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

|  | <b>Three Months Ended<br/>June 30,</b> |                      | <b>Six Months Ended<br/>June 30,</b> |                      |
|--|--|----------------------|--------------------------------------|----------------------|
|  | <b>2021</b>                            | <b>2020</b>          | <b>2021</b>                          | <b>2020</b>          |
| <b>Revenue</b>   |  |                      |                                      |                      |
| Sales  | \$ 540,953                             | \$ 563,883           | \$ 1,159,423                         | \$ 890,503           |
| Cost of sales  | (351,710)                              | (300,411)            | (845,058)                            | (470,731)            |
| Gross margin   | 189,243                                | 263,472              | 314,365                              | 419,772              |
| <b>Expenses</b>  |  |                      |                                      |                      |
| Advertising and promotion  | 581,225                                | 443,306              | 1,843,990                            | 1,282,136            |
| Consulting fees (note 10)  | 227,661                                | 171,758              | 530,284                              | 525,386              |
| Foreign exchange   | (2,665)                                | (22,248)             | (19,278)                             | 24,381               |
| Interest charges   | 2,553                                  | 20,932               | 4,627                                | 31,975               |
| Office and general   | 174,593                                | 120,793              | 325,802                              | 221,363              |
| Professional fees  | 117,334                                | 76,772               | 145,924                              | 106,146              |
| Rent expense   | 12,934                                 | 1,751                | 25,622                               | 6,365                |
| Research and development   | -                                      | 30,094               | -                                    | 188,205              |
| Salaries and benefits (note 10)  | 106,636                                | 98,543               | 208,022                              | 250,924              |
| Travel   | 3,024                                  | 1,921                | 6,770                                | 68,258               |
| Stock based compensation (note 9)  | 53,909                                 | 748,955              | 246,127                              | 1,618,197            |
| Interest and other income  | (14)                                   | (1,697)              | (109)                                | (11,054)             |
| Depreciation   | 32,886                                 | 46,131               | 65,104                               | 92,262               |
|  | 1,310,079                              | 1,737,011            | 3,382,888                            | 4,404,544            |
| <b>Net loss and comprehensive loss for the period</b>  | <b>\$(1,120,836)</b>                   | <b>\$(1,473,539)</b> | <b>\$(3,068,523)</b>                 | <b>\$(3,984,772)</b> |
| <b>Basic and diluted net loss per share (note 12)</b>  | <b>\$ (0.01)</b>                       | <b>\$ (0.01)</b>     | <b>\$ (0.02)</b>                     | <b>\$ (0.04)</b>     |
| <b>Weighted average number of common shares<br/>outstanding, basic and diluted (note 12)</b> | <b>128,906,577</b>                     | <b>110,618,630</b>   | <b>125,623,460</b>                   | <b>110,169,315</b>   |

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

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

|   | Share Capital      |                      | Contributed         | Deficit                | Total               |
|---|--------------------|----------------------|---------------------|------------------------|---------------------|
|   | Number             | Amount               | Surplus             |                        |                     |
| <b>Balance, December 31, 2019</b>               | <b>109,720,000</b> | <b>\$ 10,278,164</b> | <b>\$ 1,226,995</b> | <b>\$ (6,824,896)</b>  | <b>\$ 4,680,263</b> |
| Exercise of warrants                            | 1,000,000          | 154,400              | (14,400)            | -                      | 140,000             |
| Stock-based compensation                        | -                  | -                    | 1,618,197           | -                      | 1,618,197           |
| Net loss for the period                         | -                  | -                    | -                   | (3,984,772)            | (3,984,772)         |
| <b>Balance, June 30, 2020</b>                   | <b>110,720,000</b> | <b>10,432,564</b>    | <b>2,830,792</b>    | <b>(10,809,668)</b>    | <b>2,453,688</b>    |
| Balance, December 31, 2020                      | 118,870,000        | 11,690,924           | 4,110,543           | (14,413,135)           | 1,388,332           |
| Private placement, net of costs                 | 6,033,333          | 857,651              | -                   | -                      | 857,651             |
| Stock-based compensation                        | -                  | -                    | 246,127             | -                      | 246,127             |
| Exercise of warrants                            | 16,850,000         | 2,601,640            | (242,640)           | -                      | 2,359,000           |
| Shares issued on settlement of accounts payable | 285,714            | 60,000               | -                   | -                      | 60,000              |
| Net loss for the period                         | -                  | -                    | -                   | (3,068,523)            | (3,068,523)         |
| <b>Balance, June 30, 2021</b>                   | <b>142,039,047</b> | <b>\$ 15,210,215</b> | <b>\$ 4,114,030</b> | <b>\$ (17,481,658)</b> | <b>\$ 1,842,587</b> |

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

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

| <b>For the Six Months Ended June 30,</b> | <b>2021</b>        | <b>2020</b>        |
|--|--------------------|--------------------|
| <b>Operating activities</b>              |                    |                    |
| Net loss for the period                  | \$ (3,068,523)     | \$ (3,984,772)     |
| Depreciation                             | 65,104             | 92,262             |
| Stock-based compensation (note 13)       | 246,127            | 1,618,197          |
| Non-cash working capital items:          |                    |                    |
| Accounts receivable                      | 73                 | (8,264)            |
| Prepaid and sundry receivable            | (742,072)          | (323,238)          |
| Deferred revenue                         | (65,801)           | -                  |
| Accounts payable and accrued liabilities | (145,432)          | 13,224             |
| Inventory                                | (207,926)          | (44,712)           |
|  | <b>(3,918,450)</b> | <b>(2,637,303)</b> |
| <b>Investing activities</b>              |                    |                    |
| Acquisition of furniture and equipment   | (5,449)            | -                  |
|  | <b>(5,449)</b>     | <b>-</b>           |
| <b>Financing activities</b>              |                    |                    |
| Proceeds from issuance of shares         | 3,216,651          | 140,000            |
| Proceeds received from loan payable      | 605,022            | -                  |
| Government loan                          | 20,000             | -                  |
| Lease obligation expense                 | -                  | (24,839)           |
|  | <b>3,841,673</b>   | <b>115,161</b>     |
| <b>Net change in cash</b>                | <b>(82,226)</b>    | <b>(2,522,142)</b> |
| <b>Cash, beginning of the period</b>     | <b>501,884</b>     | <b>3,198,335</b>   |
| <b>Cash, end of the period</b>           | <b>\$ 419,658</b>  | <b>\$ 676,193</b>  |

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

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**AMERICAN AIRES INC.**  
**Notes to Condensed interim Financial Statements**  
**Six Months Ended June 30, 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**1. Nature of Operations and Going Concern**

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

The Company is currently engaged in business of production, distribution and sales of electromagnetic protection devices.

These condensed interim consolidated 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 \$17,481,658 at June 30, 2021 (December 31, 2020 - 14,413,135) and incurred a loss of \$3,068,523 (six months ended June 30, 2020 - \$3,984,772) for the six months ended June 30, 2021. The Company has working capital of \$1,260,559 at June 30, 2021 (December 31, 2020 - \$746,649).

At June 30, 2021, the Company did not have sufficient cash on hand to fully execute its business plan for the next twelve months. The Company plans to raise additional capital, however the Company may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

The above factors indicate the existence of material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern.

The condensed interim consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing capital, the Company's assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material.

Covid-19 Impact

Due to the worldwide COVID-19 outbreak, material uncertainties may come into existence that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Global commodity prices;
- The severity and the length of potential measures taken by governments to manage the spread of the virus and their effect on labour availability and supply lines;
- Availability of essential supplies;
- Purchasing power of the Canadian dollar; and
- Ability to obtain funding

At the date of the approval of these consolidated financial statements, the Canadian government has not introduced measures which impede the activities of the Company. Management believes the business will continue and accordingly, the current situation bears no impact on management's going concern assumption. However, 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.

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**AMERICAN AIRES INC.****Notes to Condensed interim Financial Statements****Six Months Ended June 30, 2021****(Expressed in Canadian Dollars)****(Unaudited)**

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**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, 2020.

These financial statements were approved by the Board of Directors on August 30, 2021.

**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.

**3. Intellectual Property**

|                                   |                   |
|-----------------------------------|-------------------|
| <b>Balance, December 31, 2019</b> | <b>\$ 768,857</b> |
| Depreciation                      | (128,143)         |
| <hr/>                             |                   |
| <b>Balance, December 31, 2020</b> | <b>\$ 640,714</b> |
| Depreciation                      | (64,072)          |
| <hr/>                             |                   |
| <b>Balance, June 30, 2021</b>     | <b>\$ 576,642</b> |



**AMERICAN AIRES INC.**  
**Notes to Condensed interim Financial Statements**  
**Six Months Ended June 30, 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**4. Furniture and Equipment**

| <b>Cost</b>                     | <b>Furniture<br/>and Fixtures</b> | <b>Computer<br/>Equipment</b> | <b>Total</b>    |
|---------------------------------|-----------------------------------|-------------------------------|-----------------|
| Balance, December 31, 2019      | \$ 42,082                         | \$ 3,461                      | \$ 45,543       |
| Dispositions                    | (42,082)                          | -                             | (42,082)        |
| Balance, December 31, 2020      | \$ -                              | \$ 3,461                      | \$ 3,461        |
| Additions                       | -                                 | 5,449                         | 5,449           |
| <b>Balance, June 30, 2021</b>   | <b>\$ -</b>                       | <b>\$ 8,910</b>               | <b>\$ 8,910</b> |
| <b>Accumulated Depreciation</b> |                                   |                               |                 |
| Balance, December 31, 2019      | \$ 15,151                         | \$ 1,765                      | \$ 16,916       |
| Depreciation                    | 4,271                             | 727                           | 4,998           |
| Dispositions                    | (19,422)                          | -                             | (19,422)        |
| Balance, December 31, 2020      | \$ -                              | \$ 2,492                      | \$ 2,492        |
| Depreciation                    | -                                 | 1,032                         | 1,032           |
| <b>Balance, June 30, 2021</b>   | <b>\$ -</b>                       | <b>\$ 3,524</b>               | <b>\$ 3,524</b> |
| <b>Carrying Value</b>           |                                   |                               |                 |
| At December 31, 2020            | \$ -                              | \$ 969                        | \$ 969          |
| <b>At June 30, 2021</b>         | <b>\$ -</b>                       | <b>\$ 5,386</b>               | <b>\$ 5,386</b> |

**5. Government Loan**

During the year ended December 31, 2020, the Company applied for and received a Canadian Emergency Business Account ("CEBA") loan, and during the three months ended March 31, 2021, the Company applied for and received an additional \$20,000, or \$60,000 in aggregate. The CEBA loan was implemented by the Government of Canada to provide financial relief measures to small businesses adversely effected by COVID-19. Under the terms of the CEBA loan, proceeds received are interest-free up until December 31, 2022. If a minimum of 75% of the principal balance on the loan is repaid on, or prior to, December 31, 2022, the remaining 25% shall be forgiven. All principal amounts unpaid and outstanding subsequent to December 31, 2022 shall bear interest at a rate of 5% per annum, payable and compounding monthly.

The Company has not recognized any grant revenue or interest benefit in the consolidated statement of loss and comprehensive loss in connection with this loan, as it has determined the full amount of the loan will be repayable.

**6. Loan Payable**

During the six months ended June 30, 2021, the Company secured an operating credit facility for the primary purpose of financing inventory purchases and certain marketing initiatives. Credit is extended on an expenditure by expenditure basis, bears interest at 1% per month, and is due on demand. During the three and six months ended June 30, 2021, the Company incurred interest charges of \$23,421 and \$48,020, respectively (three and six months ended June 30, 2020 - \$nil)

**AMERICAN AIRES INC.**  
**Notes to Condensed interim Financial Statements**  
**Six Months Ended June 30, 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**7. Share Capital**

(a) *Authorized*

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

(b) *Issued and outstanding - Common Shares*

|   | <b>Number of<br/>common<br/>shares</b> | <b>Amount</b>        |
|---|--|----------------------|
| Balance, December 31, 2020                      | 109,720,000                            | \$ 10,278,164        |
| Exercise of warrants                            | 1,000,000                              | 154,400              |
| <b>Balance, June 30, 2020</b>                   | <b>110,720,000</b>                     | <b>\$ 10,432,564</b> |
| Balance, December 31, 2020                      | 118,870,000                            | \$ 11,690,924        |
| Exercise of warrants                            | 16,850,000                             | 2,601,640            |
| Shares issued on settlement of accounts payable | 285,714                                | 60,000               |
| Private placement, net of costs                 | 6,033,333                              | 857,651              |
| Issuance of warrants                            | -                                      | (287,187)            |
| Issuance of finders warrants                    | -                                      | (14,994)             |
| <b>Balance, June 30, 2021</b>                   | <b>142,039,047</b>                     | <b>\$ 14,908,034</b> |

On January 11, 2021, the Company issued 285,714 common shares in settlement of \$60,000 owing to a consultant.

On May 29, 2021, the Company closed the first tranche of a non-brokered private placement raising gross proceeds of \$905,000 through the issuance of 6,033,333 common share units at a price of 15 cents per unit. Each unit was comprised of 1 common share and one common share purchase warrant exercisable at a price of \$0.30 for a period of 24 months from the date of closing. Pursuant to the closing, the Company incurred cash costs of \$47,349 and issued finders' warrants exercisable for 315,000 units with the same terms.

The 6,033,333 warrants issued in conjunction with the private placement, have an exercise price of \$0.30 and a two year term. A fair value of \$287,186 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 0.32% and an expected life of 2 years.

The 315,000 finders warrants issued in conjunction with the private placement, have an exercise price of \$0.30 and a two year term. A fair value of \$14,994 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 0.32% and an expected life of 2 years.

## AMERICAN AIRES INC.

### Notes to Condensed interim Financial Statements Six Months Ended June 30, 2021 (Expressed in Canadian Dollars) (Unaudited)

#### 8. Warrants

The following table reflects the continuity of warrants for the six months ended June 30, 2021 and 2020:

|                               | Number of<br>Warrants<br>Outstanding | Weighted Average<br>Exercise Price |
|-------------------------------|--------------------------------------|------------------------------------|
| Balance, December 31, 2019    | 28,016,000                           | \$ 0.15                            |
| Exercised                     | (1,000,000)                          | \$ 0.14                            |
| <b>Balance, June 30, 2020</b> | <b>27,016,000</b>                    | <b>\$ 0.15</b>                     |
| Balance, December 31, 2020    | 18,866,000                           | \$ 0.16                            |
| Issued                        | 6,348,333                            | \$ 0.30                            |
| Exercised                     | (16,850,000)                         | \$ 0.14                            |
| <b>Balance, June 30, 2021</b> | <b>8,364,333</b>                     | <b>\$ 0.30</b>                     |

The following table reflects warrants outstanding as at June 30, 2021:

| Expiry Date      | Exercise<br>Price | Weighted<br>Average<br>Life<br>Remaining | Warrants<br>Outstanding | Black-Scholes<br>Value |
|------------------|-------------------|--|-------------------------|------------------------|
| November 6, 2021 | \$ 0.30           | 0.35 years                               | 2,016,000               | \$ 319,536             |
| May 29, 2023     | \$ 0.30           | 1.92 years                               | 6,348,333               | \$ 302,181             |
|                  | \$ 0.30           | 1.54 years                               | 8,364,333               | \$ 621,717             |

#### 9. STOCK OPTIONS

The following table reflects the continuity of stock options for the three months ended March 31, 2021 and 2020:

|                               | Number of<br>Stock Options<br>Outstanding | Weighted Average<br>Exercise Price |
|-------------------------------|---|------------------------------------|
| Balance - December 31, 2019   | 9,950,000                                 | 0.50                               |
| Granted                       | 500,000                                   | 0.35                               |
| <b>Balance, June 30, 2020</b> | <b>10,450,000</b>                         | <b>\$ 0.50</b>                     |
| Balance, December 31, 2020    | 10,850,000                                | 0.49                               |
| Granted                       | 1,000,000                                 | 0.42                               |
| Cancelled                     | (11,850,000)                              | (0.49)                             |
| <b>Balance, June 30, 2021</b> | <b>-</b>                                  | <b>\$ -</b>                        |

On February 4, 2021, the Company granted 500,000 options to a director of the Company, exercisable at \$0.34 per share, expiring February 4, 2026. Each option is exercisable at a price of \$0.34 for a five year term. A fair value of \$127,900 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of \$0.35 expected volatility of 100%, a risk-free rate of return of 0.47% and an expected life of 5 years. The options vest at a rate of one third every six months from the date of grant.

**AMERICAN AIRES INC.**  
**Notes to Condensed interim Financial Statements**  
**Six Months Ended June 30, 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**9. STOCK OPTIONS (Continued)**

On March 19, 2021 the Company granted 500,000 options to a director of the Company, exercisable at \$0.50 per share, expiring March 19, 2024. Each option is exercisable at a price of \$0.50 for a three year term. A fair value of \$56,300 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of \$0.24 expected volatility of 100%, a risk-free rate of return of 0.53% and an expected life of 3 years. The options vest at a rate of one third every six months from the date of grant.

In June 2021, all of the issued and outstanding options were cancelled.

**10. Related Party Balances and Transactions**

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

|                                      | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |            |
|--------------------------------------|--------------------------------|-----------|------------------------------|------------|
|                                      | 2021                           | 2020      | 2021                         | 2020       |
| Remuneration paid for key management | \$ 116,000                     | \$ 65,000 | \$ 232,000                   | \$ 130,000 |
| Stock-based compensation             | \$ 53,909                      | \$ -      | \$ 246,127                   | \$ 133,500 |

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

As at June 30, 2021, amounts due to key management totaled \$3,203 (December 31, 2020 - \$80,000) pertaining to amounts payable for key management remuneration, and reimbursement of expenses paid on behalf of the Company. Included in prepaid and sundry receivables is \$6,532 (December 31, 2020 - \$11,532), pertaining to expense advances.

During the three and six months ended June 30, 2021, the Company expensed \$14,020 and \$25,120, respectively (three and six months ended June 30, 2020 - \$7,500 and \$15,000, respectively) to Marrelli Support Services Inc. and DSA Corporate Services Inc. ("Marrelli Group") and for:

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

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

As of June 30, 2021, the Marrelli Group was owed \$14,946 (December 31, 2020 - \$7,500). These amounts are included in accounts payable.

During the three and six months ended June 30, 2021, the Company expensed \$39,484 (three and six months ended June 30, 2020 - \$1,717 and \$21,131, respectively) for legal services provided by a firm, a partner of which is a director of the Company. As at June 30, 2021, \$14,577 (December 31, 2020 - \$9,172) 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.

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**AMERICAN AIRES INC.****Notes to Condensed interim Financial Statements****Six Months Ended June 30, 2021****(Expressed in Canadian Dollars)****(Unaudited)**

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**11. Segmented Information**

The Company's operations consist of a single operating segment, located in Canada. During six months ended June 30, 2021, 75% (six months ended June 30, 2020 - 67%) of sales were to US customers and 17% (six months ended June 30, 2020 - 18%) being sold to customers in Canada. The Company's remaining customers are distributed widely throughout the world.

**12. Net Loss Per Share**

The calculation of basic and diluted loss per share for the six months ended June 30, 2021 was based on the loss attributable to common shareholders of \$3,068,523 (six months ended June 30, 2020 - \$3,984,772), and the weighted average number of common shares outstanding of 125,623,460 (six months ended June 30, 2020 - 110,169,315).

**13. Prepaid and Sundry receivable**

|                        | <b>June 30,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|------------------------|--------------------------|------------------------------|
| Refundable GST/HST     | \$ 508,440               | \$ 328,809                   |
| Prepaid expenses       | 101,433                  | 108,638                      |
| Manufacturing deposits | 847,687                  | 278,041                      |
|                        | <b>\$ 1,457,560</b>      | <b>\$ 715,488</b>            |

**14. Subsequent Events**

On July 6, 2021, the Company 8,150,000 options to purchase common shares of the Company exercisable at a price of \$0.13 per common share and expiring on July 6, 2026, to officers, directors and consultants of the Company.