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**AMERICAN AIRES INC.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**  
**(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	March 31, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 155,938	\$ 275,696
Prepaid and sundry receivable (note 16)	913,430	1,057,598
Accounts receivable	10,767	615
Inventory	545,049	409,282
	<b>1,625,184</b>	<b>1,743,191</b>
<b>Furniture and equipment</b> (note 4)	<b>13,486</b>	<b>11,504</b>
<b>Intellectual property</b> (note 3)	<b>480,535</b>	<b>512,571</b>
	<b>\$ 2,119,205</b>	<b>\$ 2,267,266</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 13)	\$ 826,341	\$ 649,047
Government loan payable (note 5)	60,000	60,000
Deferred revenue	8,184	6,828
Marketing loan payable (note 6)	115,355	149,534
Loan payable (note 7)	566,959	553,510
Note payable (note 8)	508,712	-
Working capital loan (note 9)	43,141	-
	<b>2,128,692</b>	<b>1,418,919</b>
<b>Shareholders' equity</b>		
Share capital (note 10)	16,038,127	15,791,739
Contributed surplus	5,922,751	5,556,624
Deficit	(21,970,365)	(20,500,016)
	<b>(9,487)</b>	<b>848,347</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,119,205</b>	<b>\$ 2,267,266</b>

Nature of Operations and Going Concern (note 1)  
Subsequent Events (note 19)

Approved on behalf of the Board of Directors:

"Dimitry Serov"  
Director

"Drew Green"  
Director

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

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

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<b>For the Three Months Ended March 31,</b>	<b>2022</b>	<b>2021</b>
<b>Revenue</b>		
Sales	\$ 688,503	\$ 618,470
Cost of sales (note 17)	(384,046)	(493,348)
Gross margin	304,457	125,122
<b>Expenses</b>		
Advertising and promotion	692,127	1,262,765
Consulting fees (note 13)	280,429	302,623
Foreign exchange	(21,580)	(16,613)
Interest charges	229,707	2,074
Office and general	236,669	151,211
Professional fees	114,843	28,590
Rent expense	7,830	12,688
Salaries and benefits (note 13)	97,851	101,386
Travel	7,496	3,746
Stock based compensation	96,848	192,218
Interest and other income	-	(95)
Depreciation	32,586	32,218
	1,774,806	2,072,811
<b>Net loss and comprehensive loss for the period</b>	<b>\$(1,470,349)</b>	<b>\$(1,947,689)</b>
<b>Basic and diluted net loss per share (note 15)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding, basic and diluted (note 15)</b>	<b>155,168,830</b>	<b>122,340,343</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 (Deficiency)****(Expressed in Canadian Dollars)****(Unaudited)**

	Number	Share Capital Amount	Contributed Surplus	Deficit	Total
Balance, December 31, 2020	118,870,000	\$ 11,690,924	\$ 4,110,543	\$ (14,413,135)	\$ 1,388,332
Shares issued on settlement of debt	285,714	60,000	-	-	60,000
Exercise of warrants	16,850,000	2,601,640	(242,640)	-	2,359,000
Stock-based compensation	-	-	192,218	-	192,218
Net loss for the period	-	-	-	(1,947,689)	(1,947,689)
<b>Balance, March 31, 2021</b>	<b>136,005,714</b>	<b>\$ 14,352,564</b>	<b>\$ 4,060,121</b>	<b>\$ (16,360,824)</b>	<b>\$ 2,051,861</b>
Balance, December 31, 2021	154,365,225	\$ 15,791,739	\$ 5,556,624	\$ (20,500,016)	\$ 848,347
Private placement, net of costs	2,500,000	208,000	-	-	208,000
Issuance of warrants	-	(132,175)	132,175	-	-
Issuance of finders warrants	-	(10,574)	10,574	-	-
Stock based compensation	-	-	96,848	-	96,848
Shares issued on settlement of debt	491,228	46,667	-	-	46,667
Exercise of options	850,000	134,470	(49,470)	-	85,000
Shares issued in exchange for services	-	-	176,000	-	176,000
Net loss for the period	-	-	-	(1,470,349)	(1,470,349)
<b>Balance, March 31, 2022</b>	<b>158,206,453</b>	<b>\$ 16,038,127</b>	<b>\$ 5,922,751</b>	<b>\$ (21,970,365)</b>	<b>\$ (9,487)</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 Three Months Ended March 31,</b>	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Net loss for the period	\$ (1,470,349)	\$ (1,947,689)
Depreciation	32,586	32,218
Stock-based compensation	96,848	192,218
Shares issued in exchange for services	46,667	-
Foreign exchange	21,580	-
Interest expense	138,512	-
Non-cash working capital items:		
Accounts receivable	(10,152)	73
Prepaid and sundry receivable	144,168	(885,697)
Deferred revenue	1,356	(64,553)
Accounts payable and accrued liabilities	182,294	(305,046)
Inventory	(135,767)	(212,163)
	<b>(952,257)</b>	<b>(3,190,639)</b>
<b>Financing activities</b>		
Proceeds from issuance of shares	335,000	2,359,000
Proceeds received from loan payable	-	950,080
Repayments on marketing loan payable	(43,501)	-
Repayments on loan payable	13,449	-
Government loan	-	20,000
Proceeds on note payable	500,000	-
Proceeds received from working capital loan	120,000	-
Repayment of working capital loan	(92,449)	-
	<b>832,499</b>	<b>3,329,080</b>
<b>Net change in cash</b>	<b>(119,758)</b>	<b>138,441</b>
<b>Cash, beginning of the period</b>	<b>275,696</b>	<b>501,884</b>
<b>Cash, end of the period</b>	<b>\$ 155,938</b>	<b>\$ 640,325</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**  
**Three Months Ended March 31, 2022**  
**(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 \$21,970,365 at March 31, 2022 (December 31, 2021 - \$20,500,016) and incurred a loss of \$1,470,349 (three months ended March 31, 2021 - \$2,072,811) for the three months ended March 31, 2022. The Company had a working working capital deficiency of \$503,508 on March 31, 2022 (December 31, 2021 - working capital of \$324,272).

At March 31, 2022, 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**  
**Three Months Ended March 31, 2022**  
**(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, 2021.

These financial statements were approved by the Board of Directors on December 6, 2022

**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, 2020</b>	<b>\$ 640,714</b>
Depreciation	(128,143)
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<b>Balance, December 31, 2021</b>	<b>\$ 512,571</b>
Depreciation	(32,036)
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<b>Balance, March 31, 2022</b>	<b>\$ 480,535</b>



**AMERICAN AIRES INC.**  
**Notes to Condensed interim Financial Statements**  
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**4. Furniture and Equipment**

<b>Cost</b>	<b>Furniture and Fixtures</b>	<b>Computer Equipment</b>	<b>Total</b>
Balance, December 31, 2020	\$ -	\$ 3,461	\$ 3,461
Additions	-	12,736	12,736
Balance, December 31, 2021	\$ -	\$ 16,197	\$ 16,197
Additions	-	2,532	2,532
<b>Balance, March 31, 2022</b>	<b>\$ -</b>	<b>\$ 18,729</b>	<b>\$ 18,729</b>
<b>Accumulated Depreciation</b>			
Balance, December 31, 2020	\$ -	\$ 2,492	\$ 2,492
Depreciation	-	2,201	2,201
Balance, December 31, 2021	\$ -	\$ 4,693	\$ 4,693
Depreciation	-	550	550
<b>Balance, March 31, 2022</b>	<b>\$ -</b>	<b>\$ 5,243</b>	<b>\$ 5,243</b>
<b>Carrying Value</b>			
At December 31, 2021	\$ -	\$ 11,504	\$ 11,504
<b>At March 31, 2022</b>	<b>\$ -</b>	<b>\$ 13,486</b>	<b>\$ 13,486</b>

**AMERICAN AIRES INC.**  
**Notes to Condensed interim Financial Statements**  
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**5. Government Loan**

As a response to COVID-19, the Canadian Federal government introduced the CEBA for businesses that meet various eligibility requirements. The purpose of the CEBA is to support businesses and employers to meet their non-deferrable expenses. The non-repayable portion of the CEBA is considered a form of government grant. During the year ended December 31, 2020, the Company had applied for and received CEBA funding for an initial \$40,000. Under the terms of the initial funding, if 75% of the loan is repaid on or before December 31, 2022, the remaining 25% of the balance will be forgiven. During the year ended December 31, 2021, the Company applied for and received the expansion offered on the CEBA for an additional \$20,000. Under the terms of the additional funding, if 50% of the loan is repaid by December 31, 2022, the remaining 50% of the balance will be forgiven. Both the initial and expansion loan are non-interest bearing up until December 31, 2022, after which the outstanding balance will be subject to interest at a rate of 5% per annum.

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. Marketing Loan Payable**

On June 9, 2021, the Company entered into a marketing and advertising working capital loan facility agreement (the "Marketing Loan Agreement"), providing the Company with eligible advances.

Under the terms of the Marketing Loan Agreement, the Company shall make repayments to the lender with an implied interest rate of 12% per annum if repaid over a one-year term. Repayments on the Marketing Loan Agreement are to be made daily based on 20% of the Company's daily sales. Advances taken on the Marketing Loan Agreement are subject to a 6% discount, provided that no event of default occurs throughout the term of the arrangement.

The following is a continuity of the marketing loan payable:

Balance, December 31, 2020	\$ -
Eligible advances	327,500
Repayments	(190,110)
Interest	12,144
<b>Balance, December 31, 2021</b>	<b>\$ 149,534</b>
Repayments	(38,840)
Interest	4,661
<b>Balance, March 31, 2022</b>	<b>\$ 115,355</b>

**AMERICAN AIRES INC.**  
**Notes to Condensed interim Financial Statements**  
**Three Months Ended March 31, 2022**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**7. Loan Payable**

During the year ended December 31, 2021, the Company entered into a series of working capital loan facility agreements (the "Working Capital Loan Agreements") whereby the lender pays select invoices on the Company's behalf, with the ensuing debt repayable after a period of up to 120 days, in 30 day increments at the approval of the lender. Ensuing debt shall bear interest at a rate of 1% for each 30 day period. During the year ended December 31, 2021, the lender paid invoices on behalf of the Company amounting to USD \$1,303,076 (CAD \$1,648,084) of which the Company made repayments of both principal and interest on totaling USD \$927,099 (CAD \$1,153,085). Invoices paid by the lender on behalf of the Company have been included within changes in accounts payable and accrued liabilities in the consolidated statements of cash flows. In connection with the Working Capital Loan Agreements, the Company recognized interest expense totaling \$81,490 in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2021. Subsequent to March 31, 2022, the Company entered into a revised settlement agreement as described in note 18(iii).

The following is a continuity of the loan payable:

Balance, December 31, 2020	\$ -
Debt issued	1,648,084
Repayments	(1,153,086)
Interest	81,490
Foreign exchange	(22,978)
<b>Balance, December 31, 2021</b>	<b>\$ 553,510</b>
Foreign exchange	13,101
<b>Balance, March 31, 2022</b>	<b>\$ 566,959</b>

**8. Note Payable**

On February 7, 2022, the Company entered into a loan agreement with an arm's length lender whereby the lender agreed to advance \$500,000 under the terms of a promissory note. The maturity date of the loan was three months from the date of the promissory note, which could be further extended by the lender for an additional three months. The rate of interest is 12% per annum. The loan will be secured by a general security interest over the assets of the Company. Under the general security agreement, the Company will agree, among other things, to not sell, lease or otherwise dispose of its assets, other than in the normal course, without prior written consent of the note holders. In connection with the loan, the Company issued to the lender common share purchase warrants to purchase up to 5,000,000 common shares of the Company exercisable at a price of \$0.10 per share for a period of three years from the date of issuance. During the three months ended March 31, 2022, the Company incurred interest and administration charges of \$28,712. As of the date of these financial statements, the loan remains outstanding with its maturity date extended by the lender to February 7, 2023.

The warrants issued in conjunction with this debt have an exercise price of \$0.10 and a one year term. A fair value of \$176,000 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of \$0.095, expected volatility of 100%, a risk-free rate of return of between 1.27% and an expected life of 1 year.

**9. Working Capital Loan**

During the three months ended March 31, 2022, the Company received working capital advances from its e-commerce service provider, receiving upfront advancements totaling \$120,000. Under the terms of the agreements, the Company shall remit amounts totaling \$135,600 as full repayment for principal and implied interest on the advancements. Payments are required to be made daily based on 15% and 9% of the Company's daily sales until such time that the remittances are repaid in full. As at March 31, 2022, the balance outstanding was \$43,141, with repayments of \$92,449 having been made. The financing charge of \$15,600 has been recorded as interest.

**AMERICAN AIRES INC.**  
**Notes to Condensed interim Financial Statements**  
**Three Months Ended March 31, 2022**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**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, 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
<b>Balance, March 31, 2021</b>	<b>136,005,714</b>	<b>\$ 14,352,564</b>
Balance, December 31, 2021	154,365,225	15,791,739
Private placement, net of costs (i)	2,500,000	208,000
Issuance of warrants (i)	-	(132,175)
Issuance of finders warrants (i)	-	(10,574)
Shares issued on settlement of debt (ii)	491,228	46,667
Exercise of stock options	850,000	134,470
<b>Balance, March 31, 2022</b>	<b>158,206,453</b>	<b>\$ 16,038,127</b>

(b) *Issued and outstanding - Common Shares (Continued)*

- i. On March 15 and 24 2022, the Company closed two tranches of a non-brokered private placement to the Company through the issuance of an aggregate of 2,500,000 units at a price of \$0.10 per unit for aggregate gross proceeds of \$250,000. Each unit consists of one common share and one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share at a price of \$0.10 per common share for a period of thirty-six months from the closing of the offering. In connection with the private placement, the Company issued 200,000 finders warrants exercisable for \$0.10 per finder warrant into an additional unit with identical terms to those seen in the non-brokered private placement for a period of 36 months from the date of grant. Cash costs of issue amounted to \$42,000 in aggregate.

The 2,500,000 warrants issued in aggregate in conjunction with the private placement, have an exercise price of \$0.10 and a three year term. A fair value of \$132,175 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of between \$0.08 and \$0.095, expected volatility of 100%, a risk-free rate of return of between 1.82% to 2.16% and an expected life of 3 years.

The 200,000 finders warrants issued in aggregate in conjunction with the private placement, have an exercise price of \$0.10 and a three year term. A fair value of \$10,574 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of between \$0.08 and \$0.095, expected volatility of 100%, a risk-free rate of return of between 1.82% to 2.16% and an expected life of 3 years.

- ii. During the three months ended March 31, 2022, the Company issued 491,228 common shares, fair valued at \$46,667 in settlement of \$46,667 of debt owing to a consultant.

**AMERICAN AIRES INC.**  
**Notes to Condensed interim Financial Statements**  
**Three Months Ended March 31, 2022**  
**(Expressed in Canadian Dollars)**  
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**11. Warrants**

The following table reflects the continuity of warrants for the three months ended March 31, 2022 and 2021:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance, December 31, 2020	18,866,000	\$ 0.16
Exercised	(16,850,000)	\$ 0.14
<b>Balance, March 31, 2021</b>	<b>2,016,000</b>	<b>\$ 0.30</b>
Balance, December 31, 2021	14,207,583	\$ 0.16
Issued	7,700,000	\$ 0.10
<b>Balance, March 31, 2022</b>	<b>21,907,583</b>	<b>\$ 0.17</b>

The following table reflects warrants outstanding as at March 31, 2022:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Warrants Outstanding	Black-Scholes Value
May 28, 2023	\$ 0.30	1.16 years	6,033,333	\$ 287,186
May 28, 2023	\$ 0.15	1.16 years	315,000	\$ 24,666
August 31, 2023	\$ 0.15	1.42 years	1,975,000	\$ 83,938
August 31, 2023	\$ 0.10	1.42 years	355,500	\$ 18,567
September 20, 2023	\$ 0.15	1.47 years	1,937,500	\$ 69,750
September 20, 2023	\$ 0.10	1.47 years	288,000	\$ 12,726
October 25, 2023	\$ 0.10	1.57 years	649,750	\$ 13,765
December 17, 2022	\$ 0.15	0.72 years	2,460,000	\$ 30,940
December 17, 2023	\$ 0.15	1.72 years	193,500	\$ 4,644
March 15, 2025	\$ 0.10	2.96 years	,750,000	\$ 43,800
March 15, 2025	\$ 0.10	2.96 years	60,000	\$ 3,504
March 24, 2025	\$ 0.10	2.98 years	1,750,000	\$ 88,375
March 24, 2025	\$ 0.10	2.98 years	140,000	\$ 7,070
February 7, 2023	\$ 0.10	0.86 years	5,000,000	\$ 176,000
	<b>\$ 0.17</b>	<b>1.34 years</b>	<b>21,907,583</b>	<b>\$ 864,931</b>

**AMERICAN AIRES INC.**  
**Notes to Condensed interim Financial Statements**  
**Three Months Ended March 31, 2022**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**12. STOCK OPTIONS**

The following table reflects the continuity of stock options for the three months ended March 31, 2022 and 2021:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2020	10,850,000	\$ 0.49
Granted	1,000,000	0.42
<b>Balance, March 31, 2021</b>	<b>11,850,000</b>	<b>\$ 0.49</b>
Balance, December 31, 2021	10,150,000	\$ 0.20
Granted	1,350,000	0.10
Exercised	(850,000)	0.10
<b>Balance, March 31, 2022</b>	<b>10,650,000</b>	<b>\$ 0.19</b>

On January 13, 2022, the Company granted 500,000 options to a director. Each option is exercisable at a price of \$0.10 for a three year term. A fair value of \$31,050 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of \$0.10 expected volatility of 100%, a risk-free rate of return of 1.21% and an expected life of 3 years. The options vested immediately upon grant.

On February 18, 2022, the Company granted 850,000 options to a consultant. Each option is exercisable at a price of \$0.10 for a three year term. A fair value of \$49,470 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of \$0.095 expected volatility of 100%, a risk-free rate of return of 1.57% and an expected life of 3 years. The options vested immediately upon grant.

During the three months ended March 31, 2022, the Company recognized aggregate stock based compensation expense of \$96,848 (three months ended March 31, 2021 - \$192,218).

Expiry Date	Exercise Price	Weighted Average Life Remaining	Options Outstanding
December 9, 2024	\$ 0.50	2.70 years	1,500,000
February 4, 2026	0.34	3.85 years	500,000
July 6, 2026	0.13	4.27 years	8,150,000
January 13, 2025	0.10	2.79 years	500,000
	<b>\$ 0.19</b>	<b>3.96 years</b>	<b>10,650,000</b>

Of the 10,650,000 options issued and outstanding, 9,150,000 were exercisable at March 31, 2022.

**AMERICAN AIRES INC.**  
**Notes to Condensed interim Financial Statements**  
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**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**13. Related Party Balances and Transactions**

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

<b>For the Three Months Ended March 31,</b>	<b>2022</b>		<b>2021</b>	
Remuneration paid for key management	\$	<b>194,139</b>	\$	116,000
Stock-based compensation	\$	<b>31,050</b>	\$	192,218

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

As at March 31, 2022, amounts due to key management totaled \$52,978 (December 31, 2021 - \$21,040) 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 \$5,000 (December 31, 2021 - \$10,000), pertaining to expense advances.

During the three months ended March 31, 2022 the Company expensed \$7,635, (three months ended March 31, 2021 - \$11,100) 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 March 31, 2022, the Marrelli Group was owed \$16,927 (December 31, 2021 - \$21,040). These amounts are included in accounts payable and accrued liabilities.

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 three months ended March 31, 2022, the two consultants who are shareholders of the Company were paid \$nil (three months ended March 31, 2021 - \$42,150) for additional financial, strategic and advisory services to the Company. As at March 31, 2022, \$nil (December 31, 2021 - \$nil) was included in accounts payable and accrued liabilities pertaining to these fees. Included in stock-based compensation is \$nil (three months ended March 31, 2021 - \$33,814) pertaining to the value of stock options granted to the two Consultants during the periods then ended.

During the three months ended March 31, 2022, the Company expensed \$46,288 (three months ended March 31, 2021 - \$39,484) for legal services provided by a firm, a partner of which is a director of the Company. As at March 31, 2022, \$65,518 (December 31, 2021 - \$42,938) was included in accounts payable and accrued liabilities.

During the three months ended March 31, 2022, the Company expensed \$79,788 (three months ended March 31, 2021 - \$nil) for digital marketing services provided by a firm controlled by an officer of the Company. As at March 31, 2022, \$nil (December 31, 2021 - \$nil) was included in accounts payable and accrued liabilities in connection with these services.

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

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### 14. Segmented Information

The Company's operations consist of a single operating segment, located in Canada. During the three months ended March 31, 2022, 74% (three months ended March 31, 2021 - 73%) of sales were to US customers and 15% (three months ended March 31, 2021 - 16%) being sold to customers in Canada. The Company's remaining customers are distributed widely throughout the world.

### 15. Net Loss Per Share

The calculation of basic and diluted loss per share for the three months ended March 31, 2022 was based on the loss attributable to common shareholders of \$1,470,349 (three months ended March 31, 2021 - \$1,947,689), and the weighted average number of common shares outstanding of 155,168,830 (three months ended March 31, 2021 - 122,340,343). Options and warrants have been excluded from the weighted average number of common shares outstanding as they are antidilutive.

### 16. Prepaid and Sundry receivable

	March 31, 2022	December 31, 2021
Refundable GST/HST	\$ 249,006	\$ 214,815
Prepaid expenses	18,176	24,244
Manufacturing deposits	645,585	778,821
Eligible advances (note 6)	663	39,718
	<b>\$ 913,430</b>	<b>\$ 1,057,598</b>

### 17. Cost of Goods Sold

Cost of goods sold is comprised of the following:

For the Three Months Ended March 31,	2022	2021
Manufactured product cost	\$ 284,623	\$ 268,281
Shipping expenses	40,304	133,436
Fulfillment services	53,644	6,279
Commissions	33,627	33,745
E-commerce fees	24,035	51,607
	<b>\$ 436,233</b>	<b>\$ 493,348</b>

### 18. Subsequent Events

- i. On May 26, 2022, the Company issued a grid promissory note dated May 26, 2022 and amended on August 12, 2022 with an arm's length lender whereby the lender agreed to advance up to \$500,000 (in \$100,000 increments if and as needed) to the Company. The loan will primarily be used for working capital purposes, taking the form of a promissory note in favour of the Lender, maturing on May 1, 2023. bearing interest at a rate of 8% per annum. The Company has agreed to pay a monthly royalty of 3.5% from net sales for every \$100,000 loaned to the Company, subject to a maximum monthly royalty of \$10,000 per \$100,000. The royalty will exist until the Loan is repaid in full. To date, \$300,000 has been drawn from this promissory note.



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**AMERICAN AIRES INC.**  
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**Three Months Ended March 31, 2022**  
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**18. Subsequent Events (Continued)**

- ii. On August 12, 2022, and amended on November 23, 2022,, the Company entered into a revised settlement agreement with respect to the loan payable described in note 7, whereby a structured repayment plan was established, with repayments commencing as follows:

August 31, 2022 (paid subsequent to March 31, 2022)	\$ 20,000 USD
September 30, 2022 (paid subsequent to March 31, 2022)	20,000 USD
October 31, 2022 (paid subsequent to March 31, 2022)	20,000 USD
November 30, 2022(paid subsequent to March 31, 2022)	20,000 USD
December 31, 2022	30,000 USD
January 31, 2023	30,000 USD
February 28, 2023	156,717 USD
March 31, 2023	156,717 USD
	<hr/>
	<b>\$ 453,434 USD</b>

- iii. Subsequent to March 31, 2022, the Company entered into two working capital advances from its e-commerce service provider, receiving upfront advancements totaling \$152,500 and \$315,000. Under the terms of the agreements, the Company shall remit amounts totaling \$167,750 and \$355,950 respectively as full repayment for principal and implied interest on the advancements. Payments are required to be made daily based on 15% and 9% of the Company's daily sales until such time that the remittances are repaid in full.