



## REVISED MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2022

Dated: March 2, 2023

**Notice to reader:** American Aires Inc. (the "**Company**") has revised and restated its Management's Discussion and Analysis for the three months ended March 31, 2022 (the "**Revised MD&A**"). The Revised MD&A is being filed in connection with a continuous disclosure review of the Company's disclosure filings by the Ontario Securities Commission and is intended to replace and supersede in its entirety the original Management's Discussion and Analysis filed for the three months ended March 31, 2022 (the "**Original MD&A**").

The Revised MD&A provides more prominent disclosure in respect of the Company's operations including, among others:

- Details on the Company's principal markets;
- Description of the Company's business, products, inventory, production and distribution methods and pricing;
- Details with respect to the countries in which the Company operates and the risks related to those operations;
- Revised insights relating to the Company's sales, and trends and events impacting the Company's financial performance;
- The Company's focus on its current product line and updates and revisions to the Company's business objectives and plans;
- Details on the Company's outsourced relationships and risks relating to such relationships; and
- Correction of typographical errors.

The Original MD&A was filed by the Company on SEDAR on December 6, 2022. This Revised MD&A is available on SEDAR as filed on March 2, 2023 and no changes were made to the financial statements for the relevant period.

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of American Aires Inc. ("**Aires**" or the "**Company**") constitutes management's review of the factors that affected the Company's financial and operating performance for three months ended March 31, 2022. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2021 as well as the unaudited interim financial statements for the three months ended March 31, 2022, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Information contained herein is presented as at December 6, 2022 unless otherwise indicated.

### **Description of Business**

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 the business of production, distribution and sales of electromagnetic protection devices. The Company currently has a full suite of consumer products under the brand name "Lifetune".

The Company was formed to further research, develop and distribute devices intended to protect persons from the harmful effects of electromagnetic radiation ("**EMR**") that are emitted by modern electronic devices. Since incorporation and until the end of 2020, the Company continued the research and development that was started by the AIRES Human Genome Research Foundation ("**Aires Research**") and has manufactured its products in Europe, and sold its products primarily in North America and elsewhere throughout the world. Aires Research, a non-profit foundation based and governed pursuant to the laws of the Russian Federation, was founded by Igor Serov in 1998 to conduct research in various scientific areas, including controlling the harmful effects of EMR emissions. Mr. Igor Serov and Mr. Dimitry Serov established the Company to further develop the technology being used by the Company and to bring the technology to market. Neither the Company nor Aires Research is engaged in R&D activities at present, following the introduction of the latest suite of products in late 2020.

### Principal markets

The Company sells 100% of its products through the global platform Shopify Inc. ("**Shopify**"), catering to the entire world. The majority of orders originate from the USA and Canada. The Company's principal markets are outlined below by way of sales breakdown for Q1/2022:

<b>Country</b>	<b>Sales breakdown (%)</b>
United States	74%
Canada	15%
Australia	3%
United Kingdom	2%
New Zealand	1%
Singapore	1%
Germany	1%
Rest of World	3%

Distribution methods

The Company utilizes warehousing and fulfillment services offered by ShipBob, Inc. (“**ShipBob**”). ShipBob receives and stores the Company’s products at two of its locations: Texas (USA) and Altona (Australia). The Company expects to expand to a third ShipBob location in Gorzów Wielkopolski (Poland) in the next quarters. ShipBob receives instructions directly from Shopify with customer shipping and order details. ShipBob then picks up, packs and ships out the order using a set of carriers which include global players such as DHL, FedEx, USPS and others. All of the orders are fulfilled by ShipBob.

Description of Products

The Company has performed a rebranding of its product line as a result of the emergence of 5G. On January 7, 2020, the Company completed the design and development of four new key products designed specifically for the emergence of 5G cellular technology as consumers seek protection from the harmful effects of electromagnetic radiation. With the impact of Covid 19, the new products were launched in Q4 2020. The four products have been named Lifetune One, Lifetune Go, Lifetune Zone Max and Lifetune Zone. The previous generation of products, including Air Shield Extreme, Aires Black Crystal, Aires Defender Infinity, Aires Defender Automotive, Air Shield Pro, Air Defender Pro and Air Guardian were discontinued at the same time and are no longer manufactured and distributed.

There are four main products that the Company offers for sale and all of them are designed specifically to reduce the harmful effects of EMR emitted by technology and devices which has been proven to have a negative impact on human health:

**Lifetune One** is the “stick it and forget it” solution for everyday electronics. With its adhesive backing, it attaches directly to any device or protective case, including smartphones, tablets, and headphones.

**Lifetune Go** is a compact, wearable, and durable solution for personalized protection, designed with a small hole to be carried on keys, wear it as a pendant, or carry it in a purse or pocket.

**Lifetune Zone Max** is a wide-range solution to maximize the daily environment. With a sleek design and an extensive range of protection, Zone Max can be placed in the main living areas of homes or open spaces in offices.

**Lifetune Zone** is an extensive solution for surrounding protection in confined areas. With a minimalistic design, but a great amount of power, the Zone can be placed on desks while working, next to a bed while sleeping, or relocated from room to room in a home or office as needed.

The approximate sales breakdown by product for Q1/2022 is displayed below.

<b>Product</b>	<b>Sales Breakdown (%)</b>
Lifetune One	28%
Lifetune Go	20%
Lifetune Zone Max	36%
Lifetune Zone	16%

#### Regulatory requirements

There are no regulatory approvals required to operate the Company's business or sell the Company's products directly to consumers.

#### Outsourced relationships

The Company engages various consultants to help manage certain aspects of the business, including accounting, legal and other professional services consultants.

As mentioned above, the Company engaged ShipBob's warehousing and fulfillment services and Shopify's e-commerce platform and hosting services. The Company also engaged VaynerCommerce LLC, a US-based, recognized and awarded marketing agency with a well-known list of customers such as: Indeed, Unilever, UNICEF and PepsiCo, among others. Furthermore, as described in more detail below, the Company engaged UAB Technano as manufacturing broker for the Company's products.

#### Method of production/manufacturing processes

The production and manufacturing of the Company's products is overseen by the Company's senior management and fulfilled by UAB Technano, a manufacturing broker. The broker's responsibility is to plan and purchase raw materials and components as well as book manufacturing cycles with the final assembly line that assembles the products. Once assembled, the final products are shipped directly to ShipBob warehouses.

#### Customer base and sales channels

All products are sold through the Company's Shopify store where retail customers from around the world place their orders with a credit card or another form of payment.

#### Intellectual property and patents

All the intellectual property, trademark, industrial design patents and utility patents for invention relating to the products offered by the Company are owned by the Company.

#### Countries in which the Company operates

The Company sells its products to consumers around the world. Orders are fulfilled by ShipBob from warehouses located in the USA, Australia and, in the future, Poland. The majority of marketing and advertising operations take place in the USA. The Company's headquarters along with its founder and CEO are based in the Greater Toronto Area, Ontario, Canada.

#### Employees

There are currently 3 full-time employees and 3 full-time consultants forming the Company's management team. The bulk of the business is run with the use of professional services firms specialized in their respective fields.

#### Product development

The Company is not currently engaged in R&D initiatives. Having completed the initial product development and heavy R&D stages, the Company has streamlined the process of manufacturing the four products currently available for sale with an established manufacturing process, managed by a third party and overseen by management. The Company's products have already reached a relatively mature stage and do not require further advancements at this time. R&D is possible if the Company seeks to expand its product offering in the future, but management currently intends to focus on scaling up the

Company's sales channel for current products. There have been no changes in the manufacturing process and no changes are expected to be implemented, maintaining the process and product quality at the high level it is today.

#### Pricing and cost structures

The Company's manufacturing arrangement with UAB Technano is structured on a prepaid basis. The Company advances an agreed-upon sum of money in return for an agreed quantity of product at an agreed price. As the manufacturer delivers the product, the balance of the prepaid inventory decreases until another advance is made. The cost of major components is negotiated on a contract-by-contract basis and so is the final cost of the product. As it relates to pricing for the final sale to the consumer, the Company retains control over the pricing it charges. There is no third party involved in the price-setting mechanism. In the event of a manufacturing cost increase, the Company has the ability to pass through the incremental costs to the consumer in the form of higher retail pricing.

#### Inventory safeguarding

ShipBob is a recognized and established player in the global eCommerce fulfillment segment. It is also a reputable US-based business with 30 fulfillment centers and partnerships with Amazon, Shopify, Shopify Plus, BigCommerce, eBay, SquareSpace and Walmart, among others. The shipments of inventory from the manufacturer arrive at ShipBob's locations and are confirmed with the Company by item SKU and quantity to ensure all records match. Annually, as part of the Company's audit, an independent auditor verifies the inventory numbers reported in ShipBob's system against the actual physical inventory stored at its locations.

The Company's contractual obligations with ShipBob is governed by its terms of service agreement with ShipBob. ShipBob's services include: (a) providing technology solutions to support the receipt, counting, storage, picking and packaging of physical goods; (b) providing technology solutions to support the shipment of the goods by independent third-party carriers; and (c) access to ShipBob's proprietary platform and associated technology. ShipBob maintains detailed policies with respect to the goods lost in transit, damage claims and operations errors. If it is determined that ShipBob has made an error and lost inventory that they cannot account for, ShipBob will apply a credit for the manufacturing cost of the items lost. If it is determined that ShipBob has swapped orders (e.g., sent Customer A the package for Customer B and vice versa), ShipBob will credit the manufacturer's value of the products in the order and create reshipments to the proper recipients at their cost. In addition, ShipBob offers insurance up to \$100 of the total retail value of each order as a courtesy. In general, the service agreement with ShipBob covers indemnities and remedies for errors.

ShipBob maintains detailed policies and procedures that provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition or disposition of the Company's assets. Each warehouse is guarded by security guards at all times and there are cameras installed at each location with the video footage saved for up to 60 days. Each location performs detailed inventory counts on a quarterly basis and the results are shared with the Company. If any items are found missing, ShipBob reimburses the Company for the items lost. ShipBob maintains a controls assessment file which lists out the various controls at the organization and includes items such as access authorization, asset management, audit logging, business continuity, change management, cloud service, disaster recovery and many other areas. The Company is comfortable with the controls framework at ShipBob based on its review and assessment of controls.

As mentioned above in "Distribution Methods" and "Countries in which the Company operates", the Company intends to expand its operations to a third ShipBob location in Gorzów Wielkopolski, Poland. The Company acknowledges that Poland is an emerging market carrying higher operational risks compared to developed markets. With respect to legal and regulatory risks, in Poland, there are weaknesses relating to political and policy uncertainties as well as slow structure reform progress. However, Poland's European Union membership and proper institutional oversight commonly exercised

by Polish authorities mitigate these risks. As per the latest economic research and Country Risk Report published by Allianz Group in 2022<sup>1</sup>, Poland is ranked as an overall medium risk for enterprise and has low political and business environment risks. The Polish business environment is well above average, despite a perceived deterioration over the past years. The World Bank Institute's annual Worldwide Governance Indicators surveys<sup>2</sup> suggest that the regulatory framework is generally business-friendly though a certain level of corruption is still perceived at present and the legal framework has worsened since 2014. The Heritage Foundation's 2021 Index of Economic Freedom survey<sup>3</sup> assigns Poland rank 41 out of 184 economies, reflecting strong scores with regard to property rights, tax burden, trade freedom, investment freedom and financial freedom. However, weaknesses remain in particular with regard to judicial effectiveness. With respect to the movement and conversion of currency out of Poland, the Company sees minimal risks since Poland is a democratic country with an open market and a resilient banking sector overall. With respect to corruption, Poland is below the world average, but corruption is not insignificant. On the 2022 Corruption Perceptions Index of Transparency International<sup>4</sup>, Poland scored 55 on a scale from 0 ("highly corrupt") to 100 ("highly clean"). When ranked by score, Poland ranked 45th among the 180 countries in the index, where the country ranked first is perceived to have the most honest public sector. Despite the corruption rankings, the Company acknowledges that Poland scores high on the business environment front and there are no major direct factors that may negatively impact or disrupt business operations. Lastly, with respect to risks surrounding access to assets, title and potential expropriation of assets, the Company acknowledges that some risks exist but are considered insignificant given Poland's continued openness to conducting fair business and its high scores on the business environment. Poland maintains a stable relationship with the rest of the European Union countries and the collective West and continues to be a trusted and reliable partner on the global scale.

The Company has also performed an assessment of the impact of the war in Ukraine on its proposed activities in Poland. Management believes that there are minimal uncertainties related to the war that could materially affect the Company's financial condition, future revenue, expenses or projects. The warehousing facility that the Company intends to use is located in the city of Gorzów Wielkopolski which is close to the border with Germany and far away from the eastern border with Ukraine. Poland is a member of NATO and is not an official party to the conflict. While Poland has shown solidarity with the collective West, its fellow NATO countries and their allies around the World about the need to support Ukraine in its fight against foreign aggression, Poland remains a neutral country to the conflict. A direct war between Russia and any of the NATO countries is considered unlikely. The Company primarily sells its products in the US, Canada and Australia, with the Poland location intended to supply Western Europe and therefore there is minimum exposure to Eastern Europe and little risk of lost revenues. There have been no operational challenges with respect to the war in Ukraine. Poland is conveniently and centrally located in Europe and has access to the Baltic Sea. Since the start of the war in Ukraine, management has been following the situation in Europe closely and so far, has not seen any direct impact on ShipBob's warehousing facilities in Poland. Management considers Poland as a safe country to do business. Further, management has not identified any challenges relating to the flow of goods and funds that might not be as accessible as a result of the war. Poland remains open for business and is not a party to the conflict. The Company's products can be shipped freely to the rest of the European continent from Poland. Management believes that there are currently no financial reporting considerations including areas subject to significant judgment and measurement uncertainties relating to the war. When it comes to the Company's products to be stored in the warehousing facility in Poland, Management believes there is a very low risk of loss as a result of the war because of the reasons mentioned above. As a result, there has been no loss provisions set up. Management continues to monitor the situation closely and will adapt its plans swiftly as the situation unfolds.

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<sup>1</sup> To consult the full report, please visit: [https://www.allianz.com/en/economic\\_research/publications/country-risk/poland.html](https://www.allianz.com/en/economic_research/publications/country-risk/poland.html).

<sup>2</sup> For more information, please visit <https://databank.worldbank.org/source/worldwide-governance-indicators>.

<sup>3</sup> For more information, please visit: <https://www.heritage.org/index/>

<sup>4</sup> For more information, please visit: <https://www.transparency.org/en/cpi/2022>

## Highlights

Revenues increased 11% year over year (“YOY”) but were lower quarter over quarter (“QOQ”) by 27%. QOQ decline was largely expected due to the higher base effect on Q4/2021 being a seasonally stronger quarter due to the increased demand for products on the back of the gifting season. YOY results improved due to higher average order value which improved 31% YOY (as management continued to focus on increasing order value through targeted advertising and other strategic marketing initiatives as a part of the Company’s revamped marketing strategy) offset by weaker (15% lower YOY) order volume. QOQ, order volumes decreased 22% following seasonally stronger Q4/2021 while average order value softened 7% (largely due to a combination of product mix effect and relatively higher returns). QOQ decline was largely expected due to the higher base effect on Q4/2021 being a seasonally stronger quarter due to the increased demand for products on the back of the gifting season.

Advertising expenses were significantly lower YOY (-45%) as the Company’s revamped marketing strategy and advertising approach was completely reworked and streamlined relative to Q1/2021. However, sequentially the advertising expenses increased 177% as management continued to put more financial resources into the new marketing strategy, focusing on more efficient use of funds and requiring higher rates of return from the advertising campaign. Specifically, the Company placed a special focus on targeted influencer marketing and the development of affiliate programs and relationships.

The Company continued to streamline advertising expenses, looking for a more optimized approach to the business overall. As a result, advertising expenses lowered to \$692,127, 45% lower YOY. Net sales however increased 11% YOY as the Company introduced its renewed lineup of products which helped improve pricing and the average order value. Having brought Josh Bruni as the CRO in 2021 was an instrumental part of revamping the Company’s marketing approach. Mr. Bruni and his team are working along with the Company’s closest marketing partner, VaynerCommerce LLC on rolling out a new marketing strategy and vision.

In addition, the Company is pleased to announce that it has received inventory at ShipBob’s warehouse in Australia (as part of the overall strategy of using ShipBob to store and fulfill items) and has already shipped the first product from this warehouse. The Australian location is expected to open up the entire Oceania geography and create a new sales channel into this populous region. The ShipBob warehouse in Poland is expected to be launched in the coming quarters. While having a smaller footprint, the Poland location is still expected to add to the growth in sales and increase the Company’s exposure to the European market.

On May 28, 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 paid a finder's fee of \$47,094 and issued finders' warrants exercisable for 315,000 units with the same terms.

On August 31, 2021, the Company closed a non-brokered private placement raising gross proceeds of \$395,000 through the issuance of 3,950,000 common share units at a price of 10 cents per unit. Each unit was comprised of 1 common share and half of one common share purchase warrant exercisable at a price of \$0.15 for a period of 24 months from the date of closing. Pursuant to the closing, the Company incurred cash costs of \$35,650 and issued finders' warrants exercisable for 355,500 common shares at \$0.10.

On September 20, 2021, the Company closed a non-brokered private placement raising gross proceeds of \$387,500 through the issuance of 3,875,000 common share units at a price of 10 cents per unit. Each unit was comprised of one common share and half of one common share purchase warrant exercisable at a price of \$0.15 for a period of 24 months from the date of closing. Pursuant to the closing, the Company incurred cash costs of \$28,800 and issued finders' warrants exercisable for 288,000 common shares at \$0.10.

On December 17, 2021, the Company closed a non-brokered private placement raising gross proceeds of \$246,000 through the issuance of 2,460,000 units at a price of \$0.10 per unit. Each unit was comprised of one common share and one common share purchase warrant exercisable at a price of \$0.15 for a period of 12 months from the date of closing. Should the closing price at which the common shares trade on the Canadian Securities Exchange (or any such other stock exchange in Canada as the common shares may trade at the applicable time) exceed \$0.30 for 10 consecutive trading days at any time following the date of issuance, the Company may accelerate the warrant term (the “**reduced warrant term**”) such that the warrants shall expire on the date which is 30 business days following the date a press release is issued by the Company announcing the reduced warrant term. Pursuant to the closing, the Company incurred cash costs of \$39,642 and issued 193,500 finders' warrants.

#### Approval of New Design Patent

On October 7, 2020, the Company announced it was granted a design patent from the US Patent and Trademark Office to protect Aires' unique hardware design for the DEFENDER model (issued on September 1, 2020 under US D894,908). The design is also patent protected in Canada, Europe, and the Russian Federation and allows Aires to exclude other manufacturers from making, using, selling, or importing into the US a product like the one that Aires has created. The design patent is granted protection for 15 years.

#### Changes to Board of Directors

On December 10, 2019, the Company appointed Drew Green as the Chief Executive, President and a Director of INDOCHINO and is an expert in managing fast-paced, high growth companies. A visionary leader, Mr. Green has created one of the world's fastest growing apparel brands. Since 2015, he has established significant strategic capital and global alliances that has led to over 500% growth, market leadership and enhanced profitability. Previously nominated as Top 40 Under 40, as well as CEO of the year, Mr. Green has been recognized for his accomplishments throughout his career. In 2017, Mr. Green was awarded the Innovation in Retail award. In 2018, he was awarded Breakout Retailer of the Year, and was selected as the Entrepreneur of the Year by Ernst and Young, (EY) becoming a member of EY's Entrepreneur of the Year Hall of Fame in 2019.

On March 19, 2021, the Company announced the appointment of Mr. Andrew Michrowski to the Company's Board of Directors. Mr. Michrowski replaces outgoing director, Mr. Tony Di Benedetto. Mr. Michrowski attended the Politecnico di Milano, Architecture, Urbanism & Regional Planning, with engineering & sciences. He is currently a consultant with an international scientific NGO at the United Nations: Planetary Association for Clean Energy, which focuses on advanced clean energy systems and monitors technological threats. Prior thereto, Mr. Michrowski served as Chief Planner with Indian and Northern Affairs, and previously, he held positions as forecaster, policy analyst and program evaluator with the Secretary of State. He has headed multi-year Canadian EMF in housing study for the Canada Mortgage and Housing Corporation team.

On May 21, 2021, the Company announced the appointment of Mr. Josh Bruni as the Company's Chief Revenue Officer, effective July 1, 2021. Josh brings a wealth of strategic and executive level success from his 15+ years building and growing brands across a wide range of categories. He is known for being a forward thinker and having a mind for “what's next” in consumer behavior and culture. Most recently as Chief Strategy Officer with Reckitt Benckiser, he used this combination of diverse professional experience and intuition to lead the integration, transformation and growth of a recently acquired wellness brand.



Prior to his role with Reckitt, he was the Chief Growth Officer with Vendo, a growth marketing agency specializing in high-growth CPG brands. As CGO, he developed direct-to-consumer and integrated-omnichannel marketing strategies for top brands. Over his career he has garnered experience as an executive, strategist and entrepreneur in a variety of CPG categories as well as fashion & apparel, footwear, sports, fitness and tech industries.

On November 2, 2022, the Company announced the resignation of Chris Irwin from the Board of Directors.

#### Advisory Board Establishment

On April 15, 2021, the Company announced the establishment of an Advisory Board and that Dr. Arturas Jukna, Dr. Gennadi Lukyanov and Dr. Nataliya Dyuzhikova have been appointed as its initial members to assist the Company in furthering its product development initiatives. While the Board was involved in R&D activities associated with the latest 5G product launch, the Company is not currently engaged with the Board on any R&D projects and not expecting to engage in R&D activities or utilize this Board in the future.

The Advisory Board was formed during the R&D-heavy stages of the Company. While the Advisory Board continues to exist, it has not been utilized since late 2020 after the launch of the latest suite of 5G products was completed. There has been no R&D spending or activities and as such, the Advisory Board has remained inactive to date.

#### New E-Commerce Platform

On October 26, 2021, the Company announced the launch of their new e-commerce web portal, which has been built on Shopify's newly released Online Store 2.0 framework. By incorporating this newest technology, Aires can take full advantage of Shopify's platform in order to build, deploy and optimize features and experiences while keeping expedited deployment timelines.

#### 5G Product Launch

On January 7, 2020, the Company completed the design and development of four new key products designed specifically for the emergence of 5G cellular technology as consumers seek protection from the harmful effects of electromagnetic radiation. With the impact of Covid 19, the new products were launched in Q4 2020.

#### Lifetune Mini Product Launch

On October 21, 2021, the Company announced the launch of a new product, the "Lifetune Mini" in advance of the upcoming 2021 holiday season. With the new Lifetune Mini, customers will have the opportunity to benefit from "portable/wearable" protection against the harmful effects of electromagnetic radiation (EMR) / electromagnetic frequency (EMF).

#### Distribution Partnerships

During fiscal 2020, the Company established a number of distributions agreements with various corporations, including Amazon, eBay, Kmart, Sears and Best Buy.

On October 1, 2020, the Company announced its inclusion on an additional product sales fulfillment platform that allows Aires to deliver to customers directly from a globally recognized leader in online sales and fulfillment.

Upon assessing the performance of the above-noted channels, the Company concluded in early fiscal year 2021, that the Company will continue to focus exclusively on its own direct-to-consumer eCommerce store and will not utilize any of the distribution partners as management believes the direct-to-consumer channel provides greater sales scalability, cost control and marketing control over the Company's brand and products.

On February 22, 2021, the Company announced the launch of an additional purchasing option for customers through the implementation of a multi-year subscription plan for Aires products. The subscription option was made available to customers beginning in March 2021. On July 1, 2021 the Company terminated this purchasing option due to limited demand.

#### Call Centre

On January 31, 2020, the Company entered into a call centre service agreement (the "**Service Agreement**") effective January 28, 2020 with Answer 365, a Canadian call center, pursuant to which Answer 365 will outsource Aires' customer service providing 24-hour support. During fiscal year 2021, the Company made the decision to bring all customer service operations in-house in order to gain better control over the quality of customer service, as a part of a larger marketing strategy revamp.

#### Marketing Agreements

On August 16, 2021, the Company announced it had partnered with VaynerCommerce, a disruptive marketing company, to drive global customer growth. This partnership was designed to build an entirely new approach to marketing for Aires, with an agreement signed for 6 months, extendable. The move will integrate Aires' creative, media, and commerce initiatives to enhance speed, brand building and business results.

On July 8, 2020, the Company announced had engaged Investor Cubed to provide on-going investor relations and shareholder communications services pursuant to an agreement dated July 1, 2020 (the "**Agreement**").

Pursuant to the Agreement the Company has agreed to pay Investor Cubed a fee of \$7,000 per month for an initial term of twelve months and issue 400,000 options to purchase common shares of the Company at an exercise price of \$0.35 with 200,000 options vesting ninety days from execution of the agreement and 200,000 options vesting one hundred and eighty days from execution of the Agreement. Further the Company has agreed to pay Investor Cubed a one-time fee of \$7,500 upon execution of the Agreement. The Agreement replaces the agreement between the Company and Investor Cubed announced on June 15, 2020. On July 31, 2021, the Company terminated this agreement due to lack of expected need for such services in the near future.

On July 30, 2020, the Company announced its collaboration with Engage People, an innovative technology company in the loyalty and rewards industry. Aires has become a Technology Partner on the Engage People E-Commerce Platform and starting August 1<sup>st</sup>, 2020, Engage People will promote all Aires products through Canadian banking loyalty programs, such as TD rewards, Desjardins' loyalty program, RBC rewards and BMO rewards. These major banks will offer to their members the opportunity to buy Aires products in real-time either by redemption with credit card, or membership points. Shortly after the announcement, the Company and Engage People mutually terminated this collaboration due to lack of agreement on material terms and conditions.

On January 28, 2021, the Company announced the following marketing and digital service agreements:

- i) An agreement for electronic media and webcast services, design, development and dissemination services (the “**EMC Agreement**”) with Emerging Markets Consulting, LLC (“**EMC**”) with respect to EMC providing investor relations services to the Company. Effective February 1, 2021, the EMC Agreement has an initial term of 90 days, wherein the Company will pay EMC a non-refundable fee of \$150,000. EMC is a syndicate of investor relations consultants consisting of stock brokers, investment bankers, fund managers, and institutions that actively seek opportunities in the micro and small-cap equity markets. Neither EMC nor any of its principals currently own any securities, directly or indirectly, of the Company, or have any intention to acquire any securities of the Company. After the initial term of 90 days, the Company made the decision to not renew the services due to the lack of need for such services post the initial term.
- ii) an agreement for strategic digital media services, marketing, and data analytics services (the “**WM Agreement**”) with Winning Media LLC (“**WM**”) with respect to WM providing investor relations services to the Company. Effective February 1, 2021, the Company has the ability to terminate the WM Agreement at any time upon 30 days’ notice. Neither WM nor any of its principals currently own any securities, directly or indirectly, of the Company or have any intention to acquire any securities of the Company. The Company will pay WM a non-refundable fee of \$100,000. After the initial term of 30 days, the Company made the decision to terminate the services as the services were not needed for the near future.
- iii) An agreement with Hybrid Financial Ltd. (“**Hybrid**”) to provide marketing services for the Company. Hybrid has been engaged to heighten market and brand awareness for Aires and to broaden the Company’s reach within the investment community. Hybrid has agreed to comply with all applicable securities laws and the policies of the Canadian Securities Exchange (the “**Exchange**”) in providing the Services. Hybrid has been engaged by the Company for an initial period of 6 months starting February 1, 2021 (the “**Initial Term**”) and then shall be renewed automatically for successive three (3) month periods thereafter, unless terminated by the Company in accordance with the Agreement. Hybrid will be paid a monthly fee of \$38,333.34, plus applicable taxes, during the Initial Term. After consideration of the need for the services, the Company terminated this agreement on July 21, 2021.

### **Business Objectives and Milestones**

Over the next twelve months, the Company has the following business objectives:

Continued revenue and gross margin growth with a focus on increasing revenue per sale through market expansion, diminished use of discounts and cost reduction. The Company continues to see strong interest amongst influencers, celebrities and professional athletes and expects to further expand on and optimize these collaborative relationships.

With majority of products using similar parts, the Company expects to further improve its supply chain by building components in parallel allowing for backstock of individual parts rather than completed products. Thus, eliminating the need for holding completed inventory, eliminating long lead times and allowing for product forecasts to be based on real time demand.

The Company will drive to further expand into English speaking markets that have demonstrated strong product fit. Key markets include Australia, New Zealand, Ireland and the United Kingdom.

The Company will leverage recently opened Australia and EU-based fulfillment hubs with its third-party fulfillment provider, allowing for reduced costs in and out of fulfillment centers and further support international expansion.

To achieve its objectives and execute its business plan, the Company will require additional financing. The Company is actively seeking additional sources of liquidity.

### Summary of Quarterly Results

The selected financial information is derived from the Company's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Amounts are expressed in thousands of Canadian dollars, except for loss per share, which is rounded to the nearest cent.

	3/31/22	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20	9/30/20	6/30/20
Total Assets	2,119	2,267	2,863	2,932	3,328	2,124	2,364	2,927
Total Revenue	689	947	447	541	618	776	647	564
Net Loss	-1,470	-1,421	-1,597	-1,121	-1,948	-2,099	-1,505	-1,473
Net Loss per Share	-0.01	-0.00	-0.01	-0.01	-0.02	-0.03	-0.01	-0.01

Sales are largely driven by the intensity and effectiveness of advertising campaigns, creating demand for the Company's products. Given the growth in sales in Q1/2022, it may be difficult to discern the impact of seasonality versus the impact of streamlined and targeted advertising. Management believes advertising is largely responsible for the changes in YOY and QOQ revenues. However, the Company also acknowledges that like any retailer operating in North America, it experiences seasonality throughout the year. This seasonality is mostly associated with the gifting season occurring in December due to Christmas and New Year holidays. As a result, the demand for the Company's product is stronger in the weeks leading up to December, which is why it is normal to experience stronger sales in October and November, resulting in stronger Q4 sales. This should typically make Q4 a stronger sales quarter than Q1/Q2. Seasonality poses a risk for the Company's revenue as consumers typically spend less on purchases in Q1, post-holidays and, as such, the Company's revenues may face certain seasonal headwinds. Having said that, given the strong development on the marketing/advertising front and expected improvements in advertising spending effectiveness, it is possible that the Company's sales may not reflect strong seasonality until the advertising budget reaches a more stable and constant stage.

### Three Months Ended March 31, 2022 vs Three Months Ended March 31, 2021

For the three months ended March 31, 2022 the Company reported a net loss and comprehensive loss of \$1,470,349 compared with a net loss and comprehensive loss of \$2,072,811 during the three months ended March 31, 2021. The decline in the loss for the three months ended March 31, 2022 is primarily driven by a decline in advertising and promotion expenditures over the Comparative period

Device sales increased to \$688,503 for the three months ended March 31, 2022 from \$618,470 during the three months ended March 31, 2021, representing an 11% increase over the comparative period. QOQ decline was largely expected due to the higher base effect on Q4/2021 being a seasonally stronger quarter due to the increased demand for products on the back of the gifting season. YOY results improved due to higher average order value which improved 31% YOY (as management continued to focus on increasing order value through targeted advertising and other strategic marketing initiatives as a part of the Company's revamped marketing strategy) offset by weaker (15% lower YOY) order volume. QOQ, order volumes decreased 22% following seasonally stronger Q4/2021 while average order value softened 7% (largely due to a combination of product mix effect and relatively higher returns).

The Company achieved a gross margin of 44% during the three months ended March 31, 2022, compared with 20.2% for the three months ended March 31, 2021. During the fourth quarter of fiscal 2021, the Company saw benefits associated with its focus on targeted advertising, scaling back discounts, and focused reduction on manufactured product cost, in conjunction with the strategic

appointment of the Company's new Chief Revenue Officer mid fiscal 2021. The comparative period ended March 31, 2021 saw aggressive discounting offered to increase brand awareness, coupled with efforts to draw down the remaining 4G inventory with the launch of the Company's new 5G product line.

In conjunction with the strategy noted above, advertising and promotion expenses declined sharply during the three months ended March 31, 2022 to \$692,127 from \$1,262,765 during the three months ended March 31, 2021 when the Company increased consumer engagement to support the new 5G line. Advertising expenses were significantly lower YOY (-45%) as the Company's revamped marketing strategy and advertising approach was completely reworked and streamlined relative to Q1/2021. However, sequentially the advertising expenses increased 177% as management continued to put more financial resources into the new marketing strategy, focusing on more efficient use of funds and requiring higher rates of return from the advertising campaign. Specifically, the Company placed a special focus on targeted influencer marketing and the development of affiliate programs and relationships.

Travel expense increased to \$7,496 for the three months ended March 31, 2022 from \$3,746 for the three months ended March 31, 2021 as travel restrictions associated with the COVID-19 pandemic eased.

Office and general expenses increased to \$236,669 for three months ended March 31, 2022, from \$151,211 during the comparative three months ended March 31, 2021, primarily driven by additional bookkeeping staffing brought on during the period.

Professional fees increased to \$114,843 for the three months ended March 31, 2022 from \$28,590 for the three months ended March 31, 2021, driven primarily by increases in provisions for the fiscal 2022 year end audit, coupled with an increase in legal expenses associated with general corporate matters.

Salaries and benefits declined to \$97,851 during the three months ended March 31, 2022 compared with \$101,386 during the three months ended March 31, 2021, driven by movement of certain administrative functions from salaried to outsourced contractual relationships.

Consulting fees declined to \$280,429 during the three months ended March 31, 2022 from \$302,623 during the three months ended March 31, 2021. Variances are driven by cyclical variations in utilization of operational consultants.

Stock-based compensation declined to \$96,848 during the three months ended March 31, 2022 from \$192,218 for the three months ended March 31, 2021. The comparative period saw residual vesting of a large option grant, while the current period saw immediate vesting of a grant to a director, and residual vesting of a prior grant to a consultant.

Interest changes increased from \$2,074 during the three months ended March 31, 2021 to \$229,707 for the three months ended March 31, 2022, as the Company sourced alternative sources of working capital through a series of debt instruments.

### **Liquidity and Capital Resources**

The Company had a working capital deficiency of \$503,508 as at March 31, 2022 (December 31, 2021 – working capital of \$324,272), and cash and cash equivalent balance of \$155,938 (December 31, 2021 - \$275,696). The Company is actively seeking additional sources of liquidity required to fund operations until such point it is profitable.

During the three months ended March 31, 2022, 850,000 options were exercised yielding \$85,000 in proceeds to the Company.

On May 28, 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 paid a finder's fee of \$47,094 and issued finders' warrants exercisable for 315,000 units with the same terms.

On August 31, 2021, the Company closed a non-brokered private placement raising gross proceeds of \$395,000 through the issuance of 3,950,000 common share units at a price of 10 cents per unit. Each unit was comprised of 1 common share and half of one common share purchase warrant exercisable at a price of \$0.15 for a period of 24 months from the date of closing. Pursuant to the closing, the Company incurred cash costs of \$35,650 and issued finders' warrants exercisable for 355,500 common shares at \$0.10.

On September 20, 2021, the Company closed a non-brokered private placement raising gross proceeds of \$387,500 through the issuance of 3,875,000 common share units at a price of 10 cents per unit. Each unit was comprised of one common share and half of one common share purchase warrant exercisable at a price of \$0.15 for a period of 24 months from the date of closing. Pursuant to the closing, the Company incurred cash costs of \$28,800 and issued finders' warrants exercisable for 288,000 common shares at \$0.10.

On December 17, 2021, the Company closed a non-brokered private placement raising gross proceeds of \$246,000 through the issuance of 2,460,000 units at a price of \$0.10 per unit. Each unit was comprised of one common share and one common share purchase warrant exercisable at a price of \$0.15 for a period of 12 months from the date of closing. Should the closing price at which the common shares trade on the Canadian Securities Exchange (or any such other stock exchange in Canada as the common shares may trade at the applicable time) exceed \$0.30 for 10 consecutive trading days at any time following the date of issuance, the Company may accelerate the warrant term (the "**reduced warrant term**") such that the warrants shall expire on the date which is 30 business days following the date a press release is issued by the Company announcing the reduced warrant term. Pursuant to the closing, the Company incurred cash costs of \$39,642 and issued 193,500 finders' warrants.

As at December 31, 2021, the Company had manufacturing deposits of \$778,821 (December 31, 2020 - \$309,788) on account with its device manufacturing partner to satisfy lead time funding requirements required to produce and secure inventory.

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 of up to \$170,000 to be directly applied against operating expenses from approved vendors. On August 18, 2021 and November 24, 2021, the Company received additional eligible advances on the Marketing Loan Agreement totaling \$77,500 and \$80,000, resulting in aggregate available advances of \$327,500.

Under the terms of the Marketing Loan Agreement, the Company shall make repayments to the lender in the aggregate amount of \$366,800, 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.

As of December 31, 2021, the Company has applied \$287,782 of the eligible advances against operating expenses from approved vendors which have been included within changes in accounts payable and accrued liabilities in the consolidated statements of cash flows. Remaining eligible advances totaling \$39,718 are included in prepaids and sundry receivable on the consolidated statements of financial position as at December 31, 2021.

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. En 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.

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.

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. As of the date of these financial statements, the loan remains outstanding with its maturity date extended by the lender to February 7, 2023.

In February 2022, the Company issued 491,228 common shares in settlement of \$46,666 of debt.

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.

On March 15, 24 and April 5, 2022, the Company closed three tranches of a non-brokered private placement to the Company through the issuance of an aggregate of 3,050,000 units at a price of \$0.10 per unit for aggregate gross proceeds of \$305,000. 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 244,000 broker warrants exercisable for \$0.10 per broker 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 commissions of \$18,400 and legal fees of \$30,000 were paid.

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.

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.

Aside from the loan payable credit facilities with financial institutions. Accordingly, its financial instruments consist of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities, loan payable and Government loan payable. Unless otherwise noted, the Company does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of these financial instruments approximates their carrying values because of their short-term nature.

At this time, the Company is not anticipating an ongoing profit from operations in the immediate term, therefore it will be dependent on its ability to obtain equity or debt financing for growth. The Company may need additional capital, and may raise additional funds should the board of directors of the Company (the "**Board of Directors**") deem it advisable.

During the current and comparative Periods ended March 31, 2022 and March 31, 2021, the Company had negative operating cash flow because its revenues did not exceed its operating expenses. The Company expects cash flow from operations to be negative until revenues improve to offset its operating expenditures. The amounts set out above for use as working capital may be used to offset this anticipated negative operating cash flow.

### **Critical Accounting Estimates**

Application of the Company's accounting policies in compliance with IFRS requires the Company's management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made.

### **Critical Judgments Used in Applying Accounting Policies**

In the preparation of the financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

#### Income taxes and recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets. As at December 31, 2021 and 2020,



no deferred tax assets were recognized, as it is uncertain when sufficient taxable income will be available to realize the deferred tax assets.

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

#### Fair Value of Options and Warrants

Estimating fair value for granted stock options and warrants issued requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

#### Going Concern

Significant judgments are used in the Company's assessment of its ability to continue as a going concern.

#### Useful Life of Property and Equipment and Intellectual Property

Depreciation of property and equipment and intellectual property with finite lives are dependent upon estimates of useful lives and when the asset is available for use, which are determined through the exercise of judgment and are dependent upon estimates that take into account factors such as economic and market conditions, frequency of use, anticipated changes in laws and technological improvements.

#### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

#### **Financial Instruments**

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments.

For amounts receivable, subscriptions receivable, accounts payable and accrued liabilities, the amount is deemed to reflect the fair value, due to their short-term nature.

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents is level one.

### **Financial Risk Factors**

The Company's business is subject to certain risks, including but not restricted to risks related to: market risk for securities, future financing risks; going-concern risks; global economy risks; use of proceeds risks; volatility of the Company's share price following a listing on a public exchange and the lack of trading history for the Common Shares; increased costs of being a publicly traded company; limited operating history in an evolving industry and history of losses; lack of brand development; expectations with respect to advancement in technologies; currency fluctuations; interest rates; taxes on the Company and its products; liabilities that are uninsured or uninsurable; economic conditions, dependence on management and conflicts of interest; intellectual property rights; attracting and retaining quality employees; key personnel risk; management of growth; expansion risk; breach of confidential information; competition within the technology industry; corporate matters; issuance of debt; third party credit; short term investments; shares reserved for issuance; credit risk; liquidity risk; interest rate risk; and described from time to time in the Company's documents filed with Canadian securities regulatory authorities; and other factors beyond the Company's control.

#### Fair Values

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

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk).

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

#### Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, accounts receivables and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of cash at banks as well as money market instruments. The cash has been invested and held with reputable financial institutions, from which management believes the risk of loss to be remote. The Company's customer base is well diversified with no reliance on any one client. Sundry receivables consist primarily of federal government harmonized sales tax receivable, which management believes is fully collectible.

#### Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at March 31, 2022, the Company had a cash and cash equivalents balance of \$155,938 (December 31, 2021 - \$275,696) to settle current liabilities of \$2,128,692 (December 31, 2021 - \$1,418,919). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not generate revenue, managing liquidity risk is dependent upon the ability to secure additional financing, controlling expenses, and preserving cash.

#### Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

#### Interest Rate Risk

The Company has cash balances and regularly monitors its cash management policy. As a result, the Company is not subject to significant interest rate risk.

#### Foreign Exchange Risk

The Company's functional currency is the Canadian dollar, and it transacts major purchases primarily in Canadian dollars. To fund operations, it maintains United States dollar, Canadian dollar and Euro denominated bank accounts containing sufficient funds to support monthly forecasted cash outflows. Management believes the foreign exchange risk derived from currency conversions is minimal, and therefore does not hedge its foreign exchange risk. As at March 31, 2022, a 5% fluctuation in the foreign exchange rate would have an impact of approximately \$18,380 in the Company's consolidated statements of loss and comprehensive loss.

### **Capital Management**

The Company manages its capital with the following objectives:

- (i) To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- (ii) To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on a regular basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, and deficit, which at March 31, 2022 totaled a deficiency of \$9,487 (December 31, 2021 - \$848,347). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Information is provided to the Board of Directors of the Company. The Company is not constrained by externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended March 31, 2022.

### **Related Party Transactions**

<b>For the three months ended March 31</b>	<b>2022 (\$)</b>	<b>2021 (\$)</b>
Remuneration paid for key management	194,139	116,000
Stock based compensation related to key management	31,050	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:

- Robert D.B. Suttie, President of Marrelli Support, to act as Chief Financial Officer of the Company;
- Regulatory filing services; and
- 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.

### **Events Occurring after the Reporting Date**

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.

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.

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>

### **Risks and Uncertainties**

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to develop its business. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of inventory purchasing which could severely restrict the Company's sales. The Company will require new capital to continue to operate its business, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

### **Dependence on Outsourced Manufacturing Relationships**

As the Company engages and relies solely on UAB Technano, a third-party manufacturing broker, to manufacture its products, there are certain risks associated with an outsourced manufacturing model. These risks include but are not limited by the following:

- 1) In the event that the manufacturing broker experiences issues with procuring raw materials and components required for production, the production timeline and delivery of the completed products may be significantly delayed;
- 2) In the event that the manufacturing broker is not able to receive timely allocation of the production line required to assemble and pack the product, the production and delivery of such units may be significantly delayed;
- 3) In the event that the manufacturing broker experiences delays when shipping the products to the Company, the delivery of the products may be significantly delayed.; and

4) In the event that the manufacturing broker ceases its operations for any reason such as financial hardship or any other significant development that restricts its ability to continue manufacturing the Company's product, or the Company's relationship with the manufacturing broker breaks down – there may be a significant uncertainty with respect to the timing of inventory supply which could materially delay or prevent the manufacturing and supply of the Company's products to its customers and harm the Company's reputation. In this event, the Company may be forced to engage an alternative, arm's-length manufacturing broker to replace UAB Technano to produce the Company's products. While the process of setting up manufacturing with a new broker may take a significant amount of time, given the complexity of the manufacturing process – the Company's management believes that the components used in the production and the production methods employed are generally available components and production methods that are well understood and widely utilized in the global arena of high-tech manufacturing. UAB Technano is the Company's preferred manufacturing broker given its reliability and long-standing working relationship with the Company, but the Company is not bound or limited to this particular broker.

Management of the Company has always been involved and will continue being involved in the manufacturing process. Management constantly communicates with UAB Technano to ensure production is carried out as set out in the terms of the manufacturing agreement and any manufacturing issues, if raised, are dealt with promptly. The Company, however, is not physically involved in the manufacturing process as UAB Technano is a separate and unrelated party with which the Company has a professional working relationship.

As part of its agreement with UAB Technano, UAB Technano is responsible for carrying out quality control procedures to ensure final product is free of defects. Any products that don't pass the final quality inspection by UAB Technano are discarded at their expense and not the Company's. In the event of any quality issues – UAB Technano and the Company consult together and work alongside each other to resolve any issues in the manufacturing process. Quality inspection is performed at each step of the production process of components and raw materials. In the event of a significant quality issue, the Company may either get involved in the manufacturing process by advising UAB Technano of the required changes or choose to work with an alternative manufacturing broker if quality issues are not resolved to the Company's satisfaction.

Shipment details from UAB Technano include the item's name and quantity at the time of shipment. Those details are then verified against the count performed by the unrelated, receiving party – ShipBob's warehouse staff.

UAB Technano is an arm's-length manufacturing broker with which the Company has a market-based contractual agreement to procure required components and to assemble all of the Company's products. The Company advances an agreed amount of funds as a prepayment for inventory and then the broker provides final and completely assembled and packed product to the Company. Once the product is shipped and in the hands of the shipping company, the Company assumes ownership for the product in transit and the prepaid inventory balance held with UAB Technano is reduced by the sum equal to the pre-agreed price per product, multiplied by the product's quantity.

UAB Technano is not responsible or liable for any production delays from a legal or financial perspective. In the event the production or delivery of the final product to the Company is delayed for any reasons, it is the Company that holds responsibility for such a delay and there is no recourse to the manufacturing broker for the delay. As such, there is a potential risk that if the manufacturing broker is not able to complete production of the Company's product in time. If a significant delay were to occur, the Company's inventory position may be negatively and severely impacted and, as a result, the Company's sales may be negatively and severely impacted.

Raw materials and components as well as the actual manufacturing of products and storage of the final products is the complete responsibility of UAB Technano up until the point at which the responsibility is transferred to the shipping company. The Company uses globally recognized logistic companies such as DHL and FedEx. Once the products are in the hands of the shipper, the liability is transferred on to the shipper. Once the final product leaves UAB Technano's warehouse, the firm is no longer held responsible for any loss or damage to the products.

During all stages of production, from storing the raw materials, to the final assembly of the product, to storage of the final product, UAB Technano is liable for any loss of product. UAB Technano confirmed to have appropriate insurance coverage in place to cover the damage resulting from a partial or complete loss of product or components.

Once the product leaves UAB Technano's warehouse, the value of the shipment in transit is insured by the respective shipper's (DHL or FedEx) insurance policy while it's being transported to the ShipBob's destination warehouse. Once the product arrives at the ShipBob's destination warehouse, ShipBob is responsible for the storage of the product and, as such, is liable for product loss, with such liability covered by ShipBob's insurance policy. At no point in time the Company takes liability for the product as final product is shipped directly to ShipBob's warehouse from UAB Technano and then from ShipBob's warehouse to the final end user.

UAB Technano is not liable for any production delays associated with disruptions to the manufacturing and the Company does not have any insurance coverage in place to cover production disruption. As such, in the event of the disruptions to manufacturing, the Company is exposed to the risk associated with delays in inventory replenishment which could severely and negatively impact the Company's sales.

During all stages of the production, from storing the raw materials, to the final assembly of the product, to storage of the final product, UAB Technano is liable for any loss of product. UAB Technano confirmed to have appropriate insurance coverage in place to cover the partial or complete loss of product or components.

Once the product leaves UAB Technano's warehouse, the value of the shipment in transit is covered by the respective shipper's (DHL or FedEx) insurance policy while it's being transported to the ShipBob's destination warehouse. Once the product arrives at the ShipBob's destination warehouse, ShipBob is responsible for the storage of the product and, as such, is liable for product loss, with such liability covered by ShipBob's insurance policy. Liability for the for the production, safe storage, and transportation of the final product lies, at all times, with the third parties that the Company engages for the production, transportation, warehousing and delivery to end-users (UAB Technano – shipping companies – ShipBob). As a result, the Company does not have insurance coverage in place to cover product loss.

UAB Technano is not liable for any production delays associated with disruptions to the manufacturing and the Company does not have any insurance coverage in place to cover production disruption. As such, in the event of a disruption to manufacturing, the Company is exposed to the risk associated with delays in inventory replenishment which could severely and negatively impact the Company's sales.

### **Risks associated with manufacturing in Lithuania**

Lithuania joined the European Union as a member in 2004, however, its level of economic development is lower when compared to some of the more developed EU counties such as Germany or France, for example. To date, management has not experienced any noticeable differences or issues with its products being manufactured in Lithuania, as part of an ongoing relationships with UAB Technano since 2017. The Company purchases final goods manufactured by UAB Technano and as such has no operations, related parties or employees in the country. As detailed in the previous section, final products are shipped out of Lithuania using services of a global carrier with appropriate insurance coverage to protect the Company in case of a product loss.

Lithuania, being an emerging market, may present certain risks to the Company as the physical manufacturing of final product by UAB Technano takes place in Lithuania. Management acknowledges that manufacturing activities could be disrupted if unforeseen events take place in the country and impact UAB Technano's ability to manufacture. Such disruption could result in significant production delays and/or a complete loss of the prepaid Inventory balance held with UAB Technano in the most extreme event, which is more likely to occur in an emerging market when compared to Canada. Prepaid Inventory expense, the funds transferred to UAB Technano, for future production and the final product in possession of the shipping partner (DHL or FedEx) are the only assets exposed to such risks.

The Company is exposed to significant political and economic risk resulting from manufacturing of its final products taking place through an outsourced relationship and taking place in a developing country. These risks may have a significant impact on the ability of the Company to carry on business operations to an extent that if a negative event takes place and affects UAB Technano's ability to continue production or its ability to ship final products to the Company, the Company's sales may be negatively and significantly impacted by such a delay and/or could lead to a loss of prepaid Inventory balance as noted above. Such risks may include but are not limited to:

- regulatory risks that investors normally would not expect in Canada in connection with local corporate, customs, contract, and other laws;
- unusual terms, import and export and border control risks which could restrict movement of final products to the Company or increase their cost;
- political factors, including political instability and arbitrary or sudden changes to laws;
- the legal and regulatory framework in the foreign jurisdiction which may increase the likelihood that laws will not be enforced, and judgments will not be upheld;
- corruption, bribery, civil unrest and economic uncertainty, which may negatively impact and disrupt business operations of UAB Technano within the country and in turn negatively impact the Company's sales through reduced supply of inventory; and
- potential expropriation or nationalization of assets (prepaid Inventory balance held with UAB Technano).

One recent development that has affected countries world-wide has been the persistently high inflation, a risk factor especially sensitive in the less economically developed countries. Management acknowledges that there is risk stemming from high inflation which may lead to cost of products increasing. One of the mitigating options of higher product costs at the disposal of management would be to increase prices to the end user.

Another longer-term mitigating strategy that management could deploy to protect the continuity of the Company's ability to manufacture its products would be to engage with manufacturing brokers and/or manufacturing partners located in China or in a more stable jurisdiction, such as USA, should the need for this arise or geopolitical risk associated with Lithuania increase dramatically.

### **Risks related to intellectual property, product obsolescence, product liability and scientific uncertainty**

The Company recognizes the existence of risks related to intellectual property, product obsolescence, product liability and scientific uncertainty. The Company's products are dependent upon technologies which are susceptible to rapid and substantial changes. There can be no assurance that the Company's products will not be seriously affected by, or become obsolete as a result of, such technological changes. Further, as technology continuously advances over time, the Company's products will need to catch up to the expectations of the modern world and there can be no assurance that the Company's efforts will result in viable commercial products as originally conceived by the Company.



There is a risk that similar products which may include features more appealing to customers may be developed and that other products competing with the Company's products may use technologies not yet incorporated in the Company's products. The occurrence of any of these events could negatively impact interest in the Company's products and thus limit the potential revenues to be generated by the Company and make the products obsolete.

The ability of the Company to maintain or increase sales will depend in part on its ability to maintain and grow its brand equity through the use of its registered domain names and intellectual property. A loss of any of these may result in the Company's brand equity being diminished and thus a loss of potential customers. As protection, the Company usually requires its employees and independent contractors to enter into confidentiality agreements, however it cannot be assured that the obligations therein will be maintained and honoured. In spite of confidentiality agreements and other methods of protecting trade secrets, the Company's proprietary information could become known to or independently developed by competitors.

Further, the Company's competitors may have been granted patents protecting various product features, including methods and designs. If the Company's products employ these processes, or other subject matter that is claimed under its competitors' patents, or if other companies obtain patents claiming subject matter that the Company uses, those companies may bring infringement actions against us. Whether a product infringes a patent involves complex legal and factual issues, the determination of which is often uncertain. In addition, because patent applications can take many years to issue, there may be applications now pending of which the Company is unaware, which might later result in issued patents that the Company's products may infringe. If any of the Company's products infringes a valid patent, it could be prevented from distributing that particular product, unless and until it can obtain a license or redesign the product in question to avoid infringement. A license may not be available or may require us to pay substantial royalties. Additionally, the Company may not be successful in any attempt to redesign the infringing product. Infringement and other intellectual property claims, with or without merit, can be expensive and time-consuming to litigate, and the Company may not have the financial and human resources to defend ourselves against any infringement suits that may be brought against us. Moreover, due to the differences in foreign design, trademark, trade dress, copyright and/or other laws concerning proprietary rights, the Company's intellectual property may not receive the same degree of protection in foreign countries as it would in Canada. The Company's failure to possess, obtain or maintain adequate protection of its intellectual property rights for any reason in these jurisdictions could have a material adverse effect on its business, results of operations and financial condition.

### **Dependence on Key Employees**

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

The Company has a strong management team with significant experience in the development of EMR technology. The founder of the Company, Mr. Igor Serov, is well respected in the industry and has won numerous awards for his research and development in the field of EMR technology. Mr. Igor Serov is a valuable asset for management and other development team members. Accountability and oversight of the Company rests with the Board. The Board consists of the ideal mix of technology and capital market expertise so as to drive the value and performance of the Company from both a development standpoint and a shareholder value perspective. The Company will continue to evaluate and potentially expanded its management team to oversee the business development activities of the Company and perform all core functions.

### **Competitive Conditions**

The markets for the Company's products are competitive and rapidly changing, and a number of companies offer products similar to the Company's products and target similar customers. The Company believes its ability to compete depends upon many factors within and outside its control, including the overall competitiveness and appeal of its products relative to the competitors' offerings; product functionality, performance, price and reliability; customer service and support; sales and marketing efforts; and the introduction of new products and services by competitors.

At the global level, there are companies with similar products on the market. Some examples of competitors include: Pong, Sar Shield and Bodywell. However, the Company does not intend to focus on technology or products that other companies use or are developing.

### **Potential Dilution**

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

### **Current Global Financial Conditions and Trends**

Securities of technology companies in public markets have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of Companies in the technology sector are also significantly affected by proposed and newly enacted laws and regulations, currency exchange fluctuation and the political environment in the local, provincial and federal jurisdictions in which the Company does business. The economy remains in a period of volatility, primarily driven by the worldwide impact of Covid-19 and an uncertain socioeconomic and political climate in the United States. Significant volatility is expected in the near to mid term, the potential impact of which upon the Company is unknown at this time.

### **Management's Responsibility for Financial Information**

The Company's financial statements are the responsibility of the Company's management, and have been approved by the Board of Directors. The financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

### **Forward Looking Statements**

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws (forward-looking information being collectively hereinafter referred to as "forward-looking statements"). Such forward-looking statements are based on expectations, estimates and projections as at the date of this MD&A. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects", "is expected", "anticipates", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends", or variations of such words and phrases (including negative and grammatical variations), or stating that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements and information concerning:

the intentions, plans and future actions of the Company; statements relating to the business and future activities of the Company after the date of this MD&A; market position, ability to compete and future financial or operating performance of the Company after the date of this MD&A; anticipated developments in operations of the Company; the timing and amount of funding required to execute the Company's business plans; capital expenditures; the effect on the Company of any changes to existing or new legislation or policy or government regulation; the length of time required to obtain permits, certifications and approvals; the availability of labour; estimated budgets; currency fluctuations; requirements for additional capital; limitations on insurance coverage; the timing and possible outcome of litigation in future periods; the timing and possible outcome of regulatory and permitting matters; goals; strategies; future growth; the adequacy of financial resources; and other events or conditions that may occur in the future.

Forward-looking statements are based on the beliefs of the Company's management, as well as on assumptions, which such management believes to be reasonable based on information available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual results, performance or achievements to differ from those expressed or implied by the forward-looking statements, including, without limitation, related to the following: operational risks; regulation; evolving markets; industry growth; uncertainty of new business models; speed of introduction of products to the marketplace; undetected flaws; risks of operation in urban areas; marketing risks; geographical expansion; limited operating history; substantial capital requirements; history of losses; reliance on management and key employees; management of growth; risk associated with foreign operations in other countries; risks associated with acquisitions; electronic communication security risks; insurance coverage; tax risk; currency fluctuations; conflicts of interest; competitive markets; uncertainty and adverse changes in the economy; reliance on components and raw materials; change in technology; quality of products; maintenance of technology infrastructure; privacy protection; product defects; legal proceedings; reliance on business partners; protection of intellectual property rights; infringement by the Company of intellectual property rights; resale of shares; market for securities; dividends; and global financial conditions.

The lists of risk factors set out in this MD&A or in the Company's other public disclosure documents are not exhaustive of the factors that may affect any forward-looking statements of the Company. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out in this MD&A generally and certain economic and business factors, some of which may be beyond the control of the Company. In addition, the global financial and credit markets have experienced significant debt and equity market and commodity price volatility which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements. The Company does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, the Company's securityholders should not place undue reliance on forward-looking statements.

### **Additional Information**

Additional information relating to the Company is available on its website [www.airestech.com](http://www.airestech.com) or on [www.sedar.ca](http://www.sedar.ca)