American Aires Inc.

Management Discussion and Analysis

Form 51-102F1

For the Three Months Ended March 31, 2023

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of American Aires.("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, 2023. 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 consolidated financial statements of the Company for the year ended December 31, 2022, MD&A for the year ended December 31, 2022 and unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Information contained herein is presented as at May 18, 2023 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 conduct research, develop and distribute devices intended to protect persons from the harmful effects of electromagnetic radiation ("EMR" or "EMF") 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") a not-for-profit foundation, founded by Mr. 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 and to bring it to market. Neither the Company nor Aires Research are engaged in R&D activities at present, following the introduction of the latest suite of products in late 2020.

For three months ended March 31, 2023, there have been no significant changes to the Company's principal markets, distribution methods, products, regulatory requirements, outsourced relationships, methods of production and manufacturing processes, customer base and sales channels, intellectual property and patents, countries in which the Company operates, product development, pricing and cost structures and inventory safeguarding. For a detailed discussion and description of those areas, please refer to MD&A for the year ended December 31, 2022, that are available on SEDAR at www.sedar.com.

Notable changes in team structure for Q1 2023:

i) The chief operating officer ("COO") resigned from the Company in the beginning of January 2023 to pursue other opportunities. The COO was with the Company since April 2018 and was responsible for the day-to-day operations, managing inventory production, shipments and maintaining relationships with key stakeholders. The COO tasks and responsibilities have been fully absorbed by the other members of the management team and there have been no disruptions to the operations of the Company as a result of COO's departure.

ii) On March 1, 2023, the Company appointed Mr. Josh Bruni as its new chief executive officer ("CEO"). The CEO previously served as chief revenue officer and since joining the Company in late 2021, Mr. Bruni has led the Company to record growth. Additionally, Mr. Bruni has assembled a talented supporting team, including a strong partnership with marketing agencies, to assist in executing his vision. Under Mr. Bruni's lead, the Company expanded its global reach outside of North America, shipping products to customers in over 60 countries.

iii) On March 1, 2023, the outgoing CEO, Mr. Dimitriy Serov, took over the role of chief product officer ("CPO") and will continue in his role as president of the Company. Mr. Serov has built a solid operational foundation that has supported the rapid growth of the Company over the years. In addition, Mr. Serov led the development and launch of the Company's latest product, the Lifetune Flex. With this move, Mr. Serov will focus on full-time product development and supply chain management. Mr. Serov will continue to make efforts to reduce production time and costs and build relationships with new suppliers.

iv) On March 14, 2023, the Company announced the appointment of Jo-Anne Archibald, an experienced provider of corporate governance services, as corporate secretary of the Company. Ms. Archibald has over 30 years of experience working with private and public capital market companies, specifically in board governance, corporate secretarial services, investor relations, and consumer packaged goods marketing.

Business Objectives and Milestones

Over the next twelve months, the Company plans to achieve continued revenue and gross margin growth with a focus on increasing revenues through market expansion, more effective advertising spending 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 as well as engage in new relationships to explore integration of the Company's products into other brands' offerings.

Having enjoyed strong product demand in 2022 and Q1 2023, another critical objective for the Company remains building sufficient levels of inventory of final product based on predetermined sales plan and forecast. The Company expects to further improve its synchronisation between advertising spending, sales growth and inventory build to ensure consistent supply of product.

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 its Australia and EU-based fulfillment hubs allowing for reduced costs in and out of fulfillment centers and further support international expansion.

The Company is committed to expediting its path to profitability, recognizing the importance of financial resilience amid complex capital market conditions and global geopolitical dynamics. In the upcoming quarters, management will prioritize a balance between robust top-line growth, vigilant cost control, and targeted, disciplined advertising spending. To achieve its objectives and execute its business plan, the Company will require additional financing. The Company is actively seeking additional sources of liquidity.

Overall Performance and Highlights

The Company produced outstanding financial results in Q1 2023, building on strong demand in its products and realizing Q1 2023 sales of $1.49 million, 116% increase on a quarter-over-quarter basis ("QOQ") compared to Q1 2022. As the Company continues on its upward trajectory, it remains committed to delivering value to its shareholders, customers and employees. Despite facing the challenge of extraordinary product demand outpacing supply, the management team has worked diligently to increase inventory and maintain the growth momentum. This challenge underlines the rapid success the Company has achieved, and the management team is focused on meeting the ever-growing needs of the Company's valued customers.

On March 13, 2023, the Company was successful in its application to the Ontario Securities Commission, Alberta Securities Commission and British Columbia Securities Commission to revoke the failure-to-file cease trade order ("CTO") issued by the Ontario Securities Commission on May 6, 2022. As a result, the Company resumed trading on the stock exchange. This is a significant positive event for the Company giving it the ability to access capital markets and raise equity financing to fund its growth.

During the three months ended March 31, 2023, the Company generated positive cash flows from operations in the amount of $0.14 million (three months ended March 31, 2022 – negative $0.39 million). The management team considers this to be an achievement given that this is the first quarter with positive cash flows from operations. With explosive growth in sales and focus on cost optimization, the Company is well-positioned to continue growing its cash balance and improving its liquidity over time.

Discussion of Operations

During the three months ended March 31, 2023, the Company's sales increased 116% QOQ to $1.49 million from $0.69 million in Q1 2022. This performance highlights the unwavering dedication of the Company's team, the loyalty of its growing customer base and the effectiveness of its data-driven marketing strategies, which have driven consistent record growth over the past four quarters. In terms of headwinds, revenues were negatively impacted by the shortage of inventory during Q1 2023. The shortage of inventory was a direct result of the Company's inability to access capital markets to help it finance its growing working capital requirements as a result of strength in product demand. Gross margin increased 164% QOQ to $0.89 million from $0.34 million in Q1 2022 on the back of stronger sales as well as margin improvements. Gross margin percentage was reported at 60% in Q1 2023 versus 49% in the Q1 2022 as the Company focused further on effective pricing strategy and optimization of manufacturing and fulfillment costs.

During the three months ended March 31, 2023, advertising and promotion expenses increased 65% QOQ to $0.66 million as a result of a continued strategy to widen and deepen the relationship with affiliate partners as well as focus on more effective advertising campaigns. With more resources spent on broadening product awareness amongst both final consumers as well as influencers, the Company was able to better optimize advertising spending across its channels. Marketing expenses saw a modest increase of 9% QOQ to $0.44 million. The marketing expenses are based on contracts with a number of marketing agencies that provide services based on a fee as opposed to commissions. The Company's targeted marketing and advertising efforts have been instrumental in driving customer acquisition and retention.

During the three months ended March 31, 2023, consulting fees have decreased 37% QOQ to $0.19 million as a result of an overall cost optimization and a reduced need to engage consultants in the investor relations space given the CTO was in place for most of Q1 2023. Professional fees have decreased 38% QOQ to $0.09 million. The professional fees include services performed by the legal firms, bookkeepers and auditors. The largest driver of this decrease is the 2021 audit cost overrun which was booked in Q1 2022 and is not applicable to Q1 2023. The Company engaged a new auditor for its 2022 annual financial statements and was able to get through the audit in a timely and cost-efficient matter. Salaries and benefits have decreased 31% QOQ to $0.07 million due to a departure of COO in January 2023 and resignation of a customer service specialist in March 2023. Stock-based compensation declined by 100% QOQ due to an overall decreased need for such compensation amongst the staff and consultants and partially due to the CTO for almost the entire duration of Q1 2023.

During the three months ended March 31, 2023, interest charges have increased 257% QOQ to $0.19 million as a result of taking on new debt during the time of the CTO, comprising a grid promissory note, additional advances from the e-commerce platform provider and a brand-new loan taken in January 2023. The effect of taking on new debt has been partially offset by the Company paying off its marketing loan in full by the end of 2022 and also by not incurring any additional interest on its working capital loan. Please refer to the section "Liquidity and Capital Resources" for more details. This additional debt, offset by the payoffs mentioned above, has collectively added $0.14 million of additional interest and royalty expense. In addition, there were no equity-based finance charges in Q1 2023 compared to Q1 2022 where the promissory note had resulted in an equity-based finance charge of $0.35 million for the fair value of the warrants issued to the lender.

During the three months ended March 31, 2023, office and general expenses have decreased 29% QOQ to $0.73 million as a result of cost optimization which led to a decrease in internet and computer costs, reduced membership fees and subscription dues. For the same reason, rent expense and travel expense have decreased by 46% and 100% YOY, respectively, due to Company switching over to a more affordable intelligent office space and the decreased need for travel overall.

Summary of Quarterly Results

The selected financial information is derived from the Company's consolidated 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.

	3/31/23	12/31/22	9/30/22	6/30/22	3/31/22	12/31/21	9/30/21	6/30/21
Total Assets	1,327	1,521	1,251	2,243	2,119	2,267	2,863	2,932
Total Revenue	1,487	2,453	1,182	1,498	689	947	447	541
Net Loss	(861)	(108)	(1,322)	(963)	(1,690)	(1,421)	(1,597)	(1,121)
Net Loss per Share	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(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 strong growth in 2022 and Q1 2023 caused by the revamp and re-focus of the Company's marketing and advertising strategy, 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 during 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 much 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 increases 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.

Liquidity and Capital Resources

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and
- to maximize shareholder return through enhancing share value

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

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its operations. Information is provided to the Board of Directors of the Company. The Company is not subject to externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended March 31, 2023.

As mentioned above in the "Discussion of Operations" section, the Company's sales were negatively impacted by the shortage of inventory. This shortage of inventory was a result of growing sales and lack of access to capital markets to fund inventory purchases due to the CTO. The Company expects to continue experiencing working capital deficiencies which may impede future acquisitions of inventory and consequently impact sales volume. The Company's inventory supplier requires prepayment before it starts production and there is a time lag until delivery.

At this time, the Company is not generating sufficient cash from operations and, therefore it will be dependent on equity or debt financing for growth. The Company may need additional capital and may raise additional funds should the Board of Directors deem it advisable. This lack of cashflow generation restricts the Company's ability to repay its short-term and long-term debt and associated interest payments, which could result in a default and/or debt restructuring. While management is actively seeking external sources of financing in the form of short-term debt, inventory-based or revenue-based financing options, such options are temporary in nature. Management acknowledges that the working capital deficiency could be resolved via issuance of equity. An equity raise or several rounds of equity raises may be at risk given the ongoing macro developments, geopolitical tensions and overall capital market weakness. These negative market sentiment factors could adversely affect, limit or severely restrict the Company's ability to raise money through equity raise(s). Another source of risk for the Company is the potential inability to secure debt-based financing, which may even further restrict its ability to purchase inventory and could further negatively impact sales and profitability.

As mentioned in "Overall Performance and Highlights" section, CTO was lifted on March 13, 2023 therefore providing the Company an opportunity to raise capital in the equity markets. On March 21, 2023, the Company announced its intention to raise $2,500,000 through the issuance of 50,000,000 units of the Company for $0.05 each, comprising one common share and one common share warrant. The Company has been diligent in working with the investor community to close this equity financing deal at some point during Q2 2023.

On January 24, 2023, the Company entered into a loan agreement with a related party whereby the lender agreed to advance $150,000 to the Company. The rate of interest is 12% per annum and the loan is due on July 24, 2024 unless further extended by the lender for the additional three months. The CEO of the lending party is also an officer of the Company. The loan was primarily used to purchase inventory, positively impacting the sales towards the end of Q1 2023 and beyond.

Events Occurring after the Reporting Date

On April 4, 2023, the Company received a new working capital advance of $670,000 from its e-commerce service provider. Under the terms of the agreements, the Company shall remit $743,700 as full repayment for principal and implied interest on the advances. Payments are required to be made daily based on a percentage of the Company's daily sales (17%) until such time that the advances are repaid in full.

On April 14, 2023, the Company announced that it intends to extend the expiry date of an aggregate of 13,055,808 previously issued common share purchase warrants expiring in fiscal 2023 by one (1) year as the holders were unable to exercise their rights because of the CTO. The exercise price of these warrants will remain unchanged and the application to extend the exercise date is subject to all regulatory and corporate approvals.

On April 17, 2023, the Company, with the agreement of the option holders, cancelled 2,400,000 stock options with exercise prices ranging from $0.13 to $0.50 and expiry dates between December 10, 2024 and July 6, 2026. These stock options were fully vested but unexercised due to the stock price of the Company being lower than the exercise price of the options. After the cancellation 8,250,000 options remain issued and outstanding.

On April 28, 2023, the related party lender of the promissory note appointed of one of the officers of the Company as its chief executive officer. That position was previously held by one of the directors of the Company who has resigned both from the officer position at the lender and from the Board of Directors of the Company on April 21, 2023.

(Expressed in Canadian Dollars)

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.

Transactions Between Related Parties

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

For three months ended March 31		2023		2022
Remuneration paid for key management	$	190,030	$	194,139
Stock-based compensation	$	-	$	33,000

The Company defines key management as the Company's directors and officers of the Company. As at March 31, 2023, amounts due to key management for remuneration totaled $161,191 (December 31, 2022 - $ 54,408).

During the three months ended March 31, 2023, the Company expensed $198,788 (March 31, 2022 - $79,788) for digital marketing services provided by a firm controlled by an officer of the Company. As at March 31, 2023, $208,631 (December 31, 2022 - $195,666) was included in accounts payable and accrued liabilities in connection with these services.

On February 7, 2022, the Company obtained a $500,000 loan from a lender whose president is also a director of the Company. Interest of $14,795 for the three months ended March 31, 2023 was expensed but remains unpaid and has been added to the principal value of the loan. The details of this transaction are provided in Note 10 of the condensed consolidated interim financial statements.

On January 24, 2023, the Company entered into a loan agreement with a related party whereby the lender agreed to advance $150,000 to the Company. The CEO of the lending party is also an officer of the Company. Interest of $3,255 for the three months ended March 31, 2023 was expense but remains unpaid and has been added to the principal value of the loan. The details of this transaction are provided in Note 12 of the condensed consolidated interim financial statements.

During the three months ended March 31, 2022, the Company expensed $7,635 to Marrelli Support Services Inc., DSA Corporate Services Inc. and DSA Filing Services Limited ("Marrelli Group") for acting as chief financial officer, regulatory filing and corporate secretarial services. As of March 31, 2023, the Marrelli Group was owed $nil (December 31, 2022 - $nil). As of December 6, 2022, the Company no longer uses the services of the Marrelli Group and has appointed a new chief financial officer.

During the three months ended March 31, 2022, the Company expensed $46,288 for legal services provided by a firm, a partner of which was a director of the Company. As of March 31, 2023, $130,857 (December 31, 2022 - $82,270) was included in accounts payable and accrued liabilities. On November 2, 2022, this director resigned from his position, but the firm continues to provide legal services to the Company.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

Critical Accounting Estimates and Changes in Accounting Policy

For a detailed summary of the Company's critical accounting estimates and accounting policies, the readers are directed to Note 2 of the Notes to the audited consolidated financial statements for the year ended December 31, 2022, that are available on SEDAR at www.sedar.com. New IFRS accounting policies that came into force on January 1, 2023, were adopted and are described in Note 2 to the Condensed Consolidated Interim Financial

Statements for the quarter ended March 31, 2023. However, as stated, none of the new polices had any impact upon adoption.

Financial Instruments and Other Instruments

For a detailed summary of the Company's financial instruments and other instruments, readers are directed to note 4 of the Notes to the audited consolidated financial statements for the year ended December 31, 2022, that are available on SEDAR at www.sedar.com. There have been no changes in how the Company accounts for its financial instruments and other instruments during the three months ended March 31, 2023.

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; 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 all of the Company's financial instruments (assets and liabilities) approximate their fair values due to the 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 and prepaid and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are in accounts at reputable financial institutions, from which the risk of loss is remote. The Company's business model requires product to be paid for at the time of purchase. Sundry receivables consist primarily of advances to the Company's supplier of its electromagnetic protection devices. The Company has a long relationship with the supplier and assesses the risk of loss as low.

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 capital markets is hindered, whether due to the general state of the economy or conditions specific to the Company. As at March 31, 2023, the Company had cash and cash equivalents of $255,553 (December 31, 2022 - $196,103) to settle current liabilities of $3,881,299 (December 31, 2022 - $2,792,190). 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 yet generate profits, managing liquidity risk is dependent upon the ability to secure additional financing, controlling expenses, and preserving cash. The following table shows the remaining contractual maturities of financial liabilities as at March 31, 2023 and December 31, 2022, including the estimated interest and royalty payments of $670,943 (December 31, 2022 - $587,772). It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(Expressed in Canadian Dollars)

March 31, 2023	Carrying amount	Contractual cash flows	Current	Long term
Accounts payable & accrued liabilities	$ 2,375,421	$ 2,375,421	$ 2,375,421	$ -
Government loan	60,000	66,000	-	66,000
Current loans	1,111,574	1,704,517	1,704,517	-
Long term loans	721,803	799,803	-	799,803

December 31, 2022	Carrying amount	Contractual cash flows	Current	Long term
Accounts payable & accrued liabilities	$ 1,896,033	$ 1,896,033	$ 1,896,033	$ -
Government loan	60,000	66,000	-	66,000
Current loans	654,880	672,180	672,180	-
Long term loans	1,067,062	1,637,644	359,738	1,277,906

Market Risks

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

(i) Interest Rate Risk

The Company's borrowings are at fixed rates of interest. Although it is not exposed to interest rate risk on its current borrowings, because of its heavy reliance on borrowing there is a risk that future costs of borrowing will increase if interest rates rise further.

(ii) Foreign Exchange Risk

The Company's functional currency is the United States Dollar and it transacts all its sales and major purchases primarily in that currency. To fund its operations, the Company maintains United States Dollar, Canadian Dollar, British Pound and Euro denominated bank accounts, containing sufficient funds to support monthly forecasted cash outflows. Management does not hedge its foreign exchange risk. As at March 31, 2023, a 5% fluctuation in the foreign exchange rate would have an impact of approximately $62,908 (December 31, 2022 - $43,837) in the Company's condensed consolidated interim statements of loss and comprehensive loss.

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 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 current or proposed transactions of the Company. If a conflict of interest arises, any director in a conflict will disclose his/her interest and abstain from voting on such matter at any meeting where it is discussed.

In determining whether or not the Company will participate in any project or opportunity, the directors 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 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. For a detailed discussion and description of risks related to the Company's dependence on outsourced manufacturing relationships, please refer to the MD&A for the year ended December 31, 2022, available on SEDAR at www.sedar.com. During the three months ended March 31, 2023, there have been no changes or updates to the assessed risks in this area.

Risks associated with manufacturing in Lithuania

UAB Technano is located in Lithuania and manufactures the Company's products there. There are a number of risks associated with manufacturing products in an emerging economy. For a detailed discussion and description of risks related to manufacturing in Lithuania, please refer to the MD&A for the year ended December 31, 2022, available on SEDAR at www.sedar.com. During the three months ended March 31, 2023, there have been no changes or updates to the assessed risks in this area.

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. For a detailed discussion and description of these risks, please refer to the MD&A for the year ended December 31, 2022, available on SEDAR at www.sedar.com. During the three months ended March 31, 2023, there have been no changes or updates to the assessed risks in this area.

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 expand 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 options and warrants or additional common shares from time to time in the future. If it does, the ownership interest of the Company's shareholders at that time will 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 the war in Ukraine and an uncertain socioeconomic and political climate in the United States, Asia and Europe. 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 condensed consolidated 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 International Financial Reporting Standards (IFRS). 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; 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 securities holders 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 or on www.sedar.ca.