American Aires Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company for issuance to the shareholders. Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

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

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

As at			March 31 2024		December 31 2023
ASSETS					
Current assets					
Cash and cash equivalents		$	**2,322,891**	$	29,366
Prepaid and receivable	(Note 15)		**1,487,528**		53,014
Inventory			**911,745**		-
			4,722,163		82,380
Non-current assets					
Furniture and equipment	(Note 5)		**11,994**		10,793
Intellectual property	(Note 4)		**224,250**		256,285
			236,243		267,078
Total assets		$	**4,958,406**	$	349,458
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	(Notes 12, 17)	$	**3,049,574**	$	2,097,619
Deferred revenue			**135,186**		-
Provision for sales returns			**4,055**		-
Working capital loan payable	(Note 7)		**90,263**		156,263
E-commerce platform loan payable	(Note 8)		**584,347**		-
Grid promissory note payable			-		131,031
			3,863,425		2,384,913
Non-current liabilities					
Government loan payable	(Note 6)		**60,230**		60,000
Total Liabilities			**3,923,654**		2,444,913
Shareholders' equity					
Share capital	(Note 9)		**22,265,217**		19,743,717
Contributed surplus			**9,236,769**		7,526,258
Accumulated other comprehensive loss			**(228,910)**		(210,047)
Deficit			**(30,238,325)**		(29,155,383)
Total shareholders' equity			**1,034,751**		(2,095,455)
Total liabilities and shareholders' equity		$	**4,958,406**	$	349,458

Nature of Operations and Going Concern (note 1)
Subsequent Events (note 18)

Approved on behalf of the Board of Directors:

"Dimitry Serov"
Director

"Drew Green"
Director

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

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

Three Months Ended March 31			2024		2023
Revenue					
Sales	(Note 13)	**$**	**2,037,395**	$	1,487,372
Cost of sales	(Note 16)		**(811,865)**		(595,754)
Gross margin			**1,225,529**		891,619
Expenses					
Advertising and promotion			**1,083,848**		663,724
Marketing	(Note 12)		**554,874**		437,243
Consulting fees	(Note 12)		**368,505**		188,937
Interest charges	(Notes 8)		**44,882**		191,608
Office and general			**107,172**		73,315
Professional fees			**21,187**		91,663
Rent expense			**694**		4,224
Salaries and benefits	(Note 12)		**71,600**		67,689
Travel expense			**22,376**		-
Depreciation	(Notes 4, 5)		**33,334**		34,489
			2,308,472		1,752,893
Net loss for the year			**(1,082,942)**		(861,274)
Other comprehensive loss					
Foreign exchange			**(18,863)**		(76,389)
Net loss and comprehensive loss for the year		**$**	**(1,101,805)**	$	(937,663)
Basic and diluted net loss per share	(Note 14)		**(0.01)**		(0.05)
Weighted average number of common shares outstanding, basic and diluted	(Note 14)		**72,822,383**		15,875,645

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

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

		Number of Shares	Share Capital Amount	Contributed Surplus	Deficit	OCI/(L) (Note A)	Total
Balance, December 31, 2022		**158,756,453**	**$ 16,048,006**	**$ 6,136,624**	**$ (24,408,865)**	**$ (174,053)**	**$ (2,398,288)**
Net loss for the period		-	-	-	(861,274)	-	(861,274)
Other comprehensive loss for the period		-	-	-	-	(76,389)	(76,389)
Balance, March 31, 2023		**158,756,453**	**16,048,006**	**6,136,624**	**(25,270,139)**	**(250,442)**	**(3,335,951)**
Balance, December 31, 2023		**59,357,252**	**$ 19,743,717**	**$ 7,526,258**	**$ (29,155,383)**	**$ (210,047)**	**$ (2,095,455)**
Private placement, net of costs	(Note 9)	26,666,663	2,018,020	-	-		2,018,020
Issuance of warrants	(Notes 9, 10)	-	-	1,870,905	-	-	1,870,905
Issuance of finders warrants	(Notes 9, 10)	-	-	20,979	-	-	20,979
Issuance of warrants on exercise of finders warrants	(Notes 9, 10)	-	(15,484)	15,484	-	-	-
Exercise of warrants	(Notes 9, 10)	506,062	448,987	(163,456)	-	-	285,531
Exercise of options	(Notes 9, 11)	385,000	69,977	(33,402)	-	-	36,575
Net loss for the period		-	-	-	(1,082,942)	-	(1,082,942)
Other comprehensive loss for the period		-	-	-	-	(18,863)	(18,863)
Balance, March 31, 2024		**86,914,977**	**22,265,217**	**9,236,769**	**(30,238,325)**	**(228,910)**	**1,034,751**

Note A: OCI/(L) = Other Comprehensive Income/(Loss)

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

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

Three Months Ended March 31		2024	2023
Operating activities			
Net loss and comprehensive loss for the period		**$ (1,101,805)**	$ (937,663)
Depreciation		**33,334**	34,489
Interest expense		**44,882**	191,608
Non-cash working capital items:			
Prepaid and sundry receivable		**(1,434,514)**	261,671
Inventory		**(911,745)**	(42,897)
Deferred revenue		**135,186**	163,830
Accounts payable and accrued liabilities		**995,304**	478,451
Provision for sales returns		**4,055**	(10,803)
		(2,235,302)	138,686
Investing activities			
Acquisition of furniture and equipment		**(2,499)**	-
Proceeds on disposition of assets		**-**	-
		(2,499)	-
Financing activities			
Proceeds from issuance of shares	(Note 9)	**3,778,873**	-
Proceeds from e-commerce platform loan	(Note 8)	**800,000**	-
Proceeds from other loan		-	150,000
Proceeds from exercise of warrants	(Note 10)	**285,531**	-
Proceeds from exercise of options	(Note 11)	**36,575**	-
Repayments on working capital loan payable	(Note 7)	**(66,000)**	(80,929)
Repayments on e-commerce platform loan	(Note 8)	**(258,771)**	(112,821)
Interest paid		**(44,882)**	(35,485)
		4,531,326	(79,236)
Net change in cash		**2,293,525**	59,450
Cash, beginning of the period		**29,366**	196,103
Cash, end of the period		**$ 2,322,891**	$ 255,552

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

1. Nature of Operations and Going Concern

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

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. The Company has a deficit of $30,238,325 as of March 31, 2024 (December 31, 2023 - $29,155,383) and incurred a loss of $1,082,942 for the three months ended March 31, 2024 (March 31, 2023 - $861,274). The Company had a positive working capital of $858,738 as at March 31, 2024 (December 31, 2023 – working capital deficiency of $2,302,533).

Management has taken steps to improve the Company's financial position, including the implementation of cost-cutting measures, capital-raising efforts, and the exploration of strategic alternatives.

The Company's ability to continue as a going concern is dependent on its ability to generate sufficient cash flows from operations to meet its obligations, obtain additional financing, and ultimately achieve profitable operations. There can be no assurance that the Company will be successful in these efforts. If the Company is unable to generate sufficient cash flows from operations, obtain additional financing or achieve profitable operations, it may be required to curtail or cease operations, which could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

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

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

2. Basis of Presentation

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023.

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim financial statements are using the accrual basis of accounting, except for cash flow information. In addition, these condensed interim consolidated financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited consolidated financial statements for the year ended December 31, 2022, except that they do not include all the disclosures required for the annual audited consolidated financial statements.

In the preparation of these condensed consolidated interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

These condensed consolidated interim financial statements were approved by the Board of Directors on May 23, 2024.

(Expressed in Canadian Dollars)

Accounting Standards Issued and Adopted

The following new accounting standards and amendments have been issued effective for annual periods beginning on or after January 1, 2024:

- Non-current Liabilities with Covenants – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
- IFRS S1 and IFRS S2 (Sustainability-related Disclosures)

The Company has evaluated the potential impact of these new standards and amendments and concluded that they are either not applicable or not expected to have a significant impact on the Company's financial statements.

3. Financial Instruments and Risk Management

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 customer base is well diversified with no reliance on any one client. 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, 2024, the Company had cash and cash equivalents of $2,322,891 (December 31, 2023 - $29,366) to settle current liabilities of $3,863,425 (December 31, 2023 - $2,384,913). 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, 2024 and December 31, 2023. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

March 31, 2024	Carrying amount	Contractual cash flows	Current	Long term
Accounts payable & accrued liabilities	$ 3,049,574	$ 3,049,574	$ 3,049,574	$ -
Government loan	60,230	65,500	-	65,500
Current loans	674,610	674,610	674,610	-

December 31, 2023	Carrying amount	Contractual cash flows	Current	Long term
Accounts payable & accrued liabilities	$ 2,097,619	$ 2,097,619	$ 2,097,619	$ -
Government loan	60,000	66,000	-	66,000
Current loans	287,294	308,627	308,627	-

(Expressed in Canadian Dollars)

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 $54,371 (December 31, 2023 - $49,944) in the Company's condensed consolidated interim statements of loss and comprehensive loss.

4. Intellectual Property

Balance, December 31, 2022	**$**	**384,428**
Depreciation		(128,143)
Balance, December 31, 2023	**$**	**256,285**
Depreciation		(32,036)
Balance, March 31, 2024	**$**	**224,250**

5. Furniture and Equipment

Cost		Furniture and Fixtures		Computer Equipment		Total
Balance, December 31, 2022		**1,812**		**33,063**		**34,875**
Additions		-		-		-
Dispositions		-		-		-
Balance, December 31, 2023	**$**	**1,812**	**$**	**33,063**	**$**	**34,875**
Additions		-		2,499		2,499
Dispositions		-		-		-
Balance, March 31, 2024	**$**	**1,812**	**$**	**35,562**	**$**	**37,374**

Accumulated Depreciation		Furniture and Fixtures		Computer Equipment		Total
Balance, December 31, 2022		**181**		**14,086**		**14,267**
Depreciation		326		9,489		9,815
Dispositions		-		-		-
Balance, December 31, 2023	**$**	**507**	**$**	**23,575**	**$**	**24,082**
Depreciation		65		1,233		9,815
Dispositions		-		-		-
Balance, March 31, 2024	**$**	**572**	**$**	**24,808**	**$**	**33,897**

Carrying Value		Furniture and Fixtures		Computer Equipment		Total
At December 31, 2023	$	1,304	$	9,489	$	10,793
At March 31, 2024	**$**	**1,239**	**$**	**10,755**	**$**	**11,994**

6. Government Loan

As a response to COVID-19, the Canadian Federal government introduced the CEBA for businesses that met various eligibility requirements. The purpose of the CEBA loan was to support businesses and employers to meet their non-deferrable expenses. The loan was interest free until December 31, 2023 after which the unpaid balance is subject to interest of 5% per annum and the loan is due on December 31, 2025. For the three months ended March 31, 2024, the Company recognized interest expense of $492 in the consolidated statement of loss and comprehensive loss in connection with this loan.

(Expressed in Canadian Dollars)

7. Working Capital Loan Payable

In previous years (2022 and 2021), the Company entered into a series of working capital loan facility agreements whereby the lender paid select invoices on the Company's behalf, with the ensuing debt repayable after a period of up to 120 days, in 30-day increments with interest at 1% for each 30-day period. Part way through the year 2022, the lender ceased charging interest on the amounts lent. The Company recognized interest expense totaling $nil in the condensed consolidated interim statements of loss and comprehensive loss for the three months ended March 31, 2024 (three months ended March 31, 2023 - $nil). The following is a continuity of the working capital loan payable:

Balance, December 31, 2022	**$**	**480,170**
Repayments		(321,770)
Foreign Exchange		(2,137)
Balance, December 31, 2023	**$**	**156,263**
Repayments		(66,000)
Balance, March 31, 2024	**$**	**90,263**

8. E-commerce platform loan payable

During the three months ended March 31, 2024, the Company received a working capital advance of $800,000 from its e-commerce service provider. Under the terms of the agreement, the Company shall remit an amount totaling $880,000 as full repayment for principal and implied interest on the advance. Payments are required to be made daily based on 17% of the Company's daily sales until such time that the advances are repaid in full. The financing charge in the amount of $44,000 related to the paid portion of the loan has been recorded as interest expense in the condensed consolidated interim statements of loss and comprehensive loss for the three months ended March 31, 2024 (2023 - $11,172). The annualized interest rate on these advances is upwards of 27%. The exact interest amount and therefore rate cannot be determined as there is insufficient information to amortize repayments made between principal and interest. The following is a continuity of the e-commerce platform loan payable:

Balance, December 31, 2022	**$**	**174,710**
Advances		1,065,000
Finance charge		127,573
Repayments		(1,367,283)
Balance, December 31, 2023	**$**	-
Advances		800,000
Finance charge		88,000
Repayments		(303,653)
Balance, March 31, 2024	**$**	**584,347**

9. Share Capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and outstanding - Common Shares

	Common Shares		Amount
Balance, December 31, 2022	**15,875,646**	**$**	**16,048,006**
No transactions	-		-
Balance, March 31, 2023	**15,875,646**	**$**	**16,048,006**
Balance, December 31, 2023	**59,357,252**	**$**	**19,743,717**
Private placement, net of costs	26,666,663		2,018,020
Issuance of warrants on exercise of finders warrants	-		(15,484)
Exercise of warrants	506,062		448,987
Exercise of options	385,000		69,977
Balance, March 31, 2024	**86,914,977**	**$**	**22,265,217**

(Expressed in Canadian Dollars)

On February 16, 2024, the Company closed on a private placement and issued an aggregate of 26,666,663 units at a price of $0.15 per unit for gross proceeds of $3,999,999. Each unit consists of one common share and one common share purchase warrant. Cash costs of this private placement amounted to $90,095 in aggregate. Refer to Note 10 for further discussion on the fair value assigned to the warrants.

During the three months ended March 31, 2024, the Company issued 506,062 common shares on exercise of warrants and 385,000 common shares on exercise of stock options. The fair values of those warrants and stock options, originally recognized in the contributed surplus, have been reversed into the share capital. Refer to Note 10 and Note 11 for further details on those exercised warrants and stock options.

10. Warrants

The following table reflects the continuity of warrants for the three months ended March 31, 2024 and 2023:

	Warrants	WAEP (Note A)
Balance, December 31, 2022	**2,250,181**	**$1.70**
No transactions	-	-
Balance, March 31, 2023	**2,250,181**	**$1.70**
Balance, December 31, 2023	**7,635,333**	**$0.84**
Issuance of warrants	26,666,663	$0.25
Issuance of finders warrants	289,100	$0.15
Issuance of warrants on exercise of finders warrants	21,952	$0.50
Exercise of warrants	(506,062)	$0.56
Balance, March 31, 2024	**34,106,986**	**$0.38**

Note A: WAEP = Weighted Average Exercise Price

The following table reflects warrants outstanding as at March 31, 2024:

Expiry Date	Exercise Price	Life Remaining	Warrants	Value
May 28, 2024	$ 3.00	0.16	603,333	$ 287,186
August 31, 2024	$ 1.50	0.42	197,500	$ 83,938
September 20, 2024	$ 1.50	0.47	178,750	$ 64,350
October 28, 2024	$ 1.50	0.58	64,998	$ 13,765
December 17, 2024	$ 1.50	0.71	246,000	$ 30,940
February 7, 2025	$ 1.00	0.85	500,000	$ 353,000
March 15, 2025	$ 1.00	0.96	75,000	$ 53,000
March 15, 2025	$ 1.00	0.96	6,000	$ 4,000
March 24, 2025	$ 1.00	0.98	140,000	$ 80,000
March 24, 2025	$ 1.00	0.98	14,000	$ 8,000
April 5, 2025	$ 1.00	1.01	55,000	$ 27,000
April 5, 2025	$ 1.00	1.01	4,400	$ 2,000
May 12, 2025	$ 0.50	1.12	510,000	$ 188,371
May 12, 2025	$ 0.50	1.12	24,000	$ 8,865
May 12, 2025	$ 0.50	1.12	2,242	$ 919
June 30, 2025	$ 0.50	1.25	2,586,000	$ 659,064
June 30, 2025	$ 0.50	1.25	600,000	$ 177,955
June 30, 2025	$ 0.50	1.25	984,000	$ 75,100
June 30, 2025	$ 0.50	1.25	360,000	$ 19,626
February 16, 2026	$ 0.25	1.88	26,666,663	$ 15,382,950
February 16, 2026	$ 0.15	1.88	289,100	$ 172,496
	$ 0.38	**1.70**	**34,106,986**	**$ 17,692,525**

The 26,666,663 warrants issued have an exercise price of $0.25 and a two-year term. A fair value of $15,382,950 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.65, expected volatility of 181%, a risk-free rate of return of 4.29% and an expected life of 2 years. In addition, the Company issued 289,100 finders warrants exercisable for $0.15 per warrant with identical terms as the private placement warrants above. A fair value of $172,496 was assigned to these warrants, estimated using the same assumptions as above.

(Expressed in Canadian Dollars)

During the three months ended March 31, 2024, the Company issued new warrants as a result of certain finders warrants getting exercised. A fair value of $15,484 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.85 to $0.91, expected volatility of 203%, a risk-free rate of return of between 4.59% to 4.60% and an expected life of 1.21 to 1.22 years.

During the three months ended March 31, 2024, the Company had 506,062 warrants getting exercised. Those warrants had exercise prices ranging from $0.50 to $1.50 for which the Company received cash proceeds of $285,531.

11. Stock Options

The following table reflects the continuity of stock options for the three months ended March 31, 2023 and 2022:

	Stock Options	WAEP (Note A)
Balance, December 31, 2022	**1,065,000**	**$1.90**
No transactions	-	-
Balance, March 31, 2023	**1,065,000**	**$1.90**
Balance, December 31, 2023	**600,000**	**$0.58**
Exercise of options	(385,000)	$0.10
Balance, March 31, 2024	**215,000**	**$1.45**

Note A: WAEP = Weighted Average Exercise Price

The following table reflects stock options outstanding as at March 31, 2024:

Expiry Date		Exercise Price	Life Remaining	Stock Options
December 10, 2024	$	5.00	0.69	50,000
January 13, 2025	$	1.00	0.79	50,000
July 6, 2026	$	0.095	2.27	105,000
July 6, 2026	$	0.210	2.27	10,000
	$	**1.45**	**1.56**	**215,000**

During the three months ended March 31, 2024, the Company had 385,000 stock options getting exercised. Those stock options had an exercise price of $0.095 for which the Company received cash proceeds of $36,575.

12. Related Party Balances and Transactions

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

Three Months Ended March 31		2024		2023
Remuneration paid to key management	**$**	**234,797**	$	190,030
Stock-based compensation	**$**	**-**	$	-

The Company defines key management as the Company's directors and officers of the Company. As at March 31, 2024, amounts due to key management for remuneration totaled $200,824 (December 31, 2023 - $234,830).

During the three months ended March 31, 2024, the Company expensed $381,229 (2023 - $198,788) for digital marketing services provided by a firm controlled by an officer of the Company. As at March 31, 2024, $nil (December 31, 2023 - $nil) 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 CEO is also an officer of the Company. Interest of $14,795 for the three months ended March 31, 2023 was expensed. This loan was fully converted into a convertible debenture and subsequently converted into 6,652,366 common shares of the Company during the year ended December 31, 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 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 expensed. This loan was fully converted into a convertible debenture and subsequently converted into 1,795,448 common shares of the Company during the year ended December 31, 2023.

(Expressed in Canadian Dollars)

On January 1, 2024, the Company unwound the partnership agreement with HUCK Project LLC ("HUCK"). Under the terms of the agreement, HUCK became the Company's non-exclusive global retail-only distribution partner for the period from August 29, 2023 to December 31, 2023. HUCK is a US-based digital marketing firm that is owned by a director and officer of the Company and is therefore a related party. The total amount payable to HUCK as part of this agreement on December 31, 2023 was $215,305 and upon unwinding of the agreement, the final balance as of March 31, 2024 is a receivable of $45,341.

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

13. Segmented Information

The Company's operations consist of a single operating segment, located in Canada. During the three months ended March 31, 2024, 79% (2023 - 79%) of sales were to US customers and 8% (2023 - 7%) being sold to customers in Canada. The Company's remaining customers are distributed widely throughout the world.

14. Net Loss Per Share

The calculation of basic and diluted loss per share for the three months ended March 31, 2024 was based on the loss attributable to common shareholders of $1,082,942 (2022 - $861,274) and the weighted average number of common shares outstanding of 72,822,383 (2023 – 15,875,645). The impact of conversion of options and warrants have been excluded from the weighted average number of common shares calculation as it would be antidilutive.

15. Prepaid and receivable

		March 31, 2024		December 31, 2023
Sales receivable		53,598		-
Prepaid expenses		1,411,083		30,167
Manufacturing deposits		22,847		22,847
	$	1,487,528	$	53,014

16. Cost of Goods Sold

Cost of goods sold is comprised of the following:

Three Months Ended March 31		2024		2023
Manufactured product cost	$	565,359	$	340,084
Shipping expenses		23,002		67,119
Fulfillment services		121,310		104,072
E-commerce fees		102,194		84,479
	$	811,865	$	595,754

All of the Company's products are manufactured by a sole supplier located overseas. Since inception the Company has dealt with the same supplier and enjoys a good relationship. Management believes that should the relationship cease abruptly, it may cause a temporary disruption in supply, but alternate sources could be developed to manufacture the product.

17. Accounts Payable and Accrued Liabilities

		March 31, 2024		December 31, 2023
Accounts payable and accrued liabilities	$	2,284,463	$	1,275,938
Due (from) to HUCK (Note 16)		(45,341)		215,305
Insurance loan payable		-		24,516
Other		810,452		581,859
	$	3,049,574	$	2,097,618

Other accounts payable represents provisions for sales taxes payable.

18. Subsequent Events

On April 30, 2024, the Company announced that it was approved for trading under the symbol "AAIRF" on the OTCQB Venture Market ("OTCQB") effective May 2, 2024 and will be Depository Trust Company ("DTC") eligible.

On May 16, 2024, the Company closed on a private placement and issued an aggregate of 2,894,500 units at a price of $0.95 per unit for gross proceeds of $2,749,775. Each unit consists of one common share and one common share purchase warrant. The warrants issued have an exercise price of $1.20 and expiry date of 5 years from closing of the offering.

On May 22, 2024, the Company closed on another tranche of private placement and issued an aggregate of 1,074,411 units at a price of $0.95 per unit for gross proceeds of $1,020,690. Each unit consists of one common share and one common share purchase warrant. The warrants issued have an exercise price of $1.20 and expiry date of 5 years from closing of the offering.