American Aires Inc.

Management Discussion and Analysis

Form 51-102F1

For the Six Months Ended June 30, 2024

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 six months ended June 30, 2024. 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, 2023, MD&A for the year ended December 31, 2023 and unaudited condensed consolidated interim financial statements for the six months ended June 30, 2024, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Information contained herein is presented as at August 26, 2024 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".

For the six months ended June 30, 2024, 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, 2023, that are available on SEDAR at www.sedarplus.com.

Notable changes to the Company's operating model in Q2 2024:

On May 23, 2024, the Company announced the opening of the Company's newest international fulfillment center, located in Bardon Hill, UK. Our UK fulfillment center is yet another step in our journey to bring the benefits of the Aires technology to consumers around the world. The UK is a very similar market to the US, Canada and Australia, where we've seen significant sales growth. We're excited to have boots on the ground in the UK as we continue to optimize our infrastructure for rolling out our product and widening our distribution in each of the 60+ countries we currently sell to. We're also very excited about launching the UK fulfillment center early enough in the year so we can position our inventory and fine tune our marketing strategy to take full advantage of the upcoming holiday season's buying rush.

Notable updates on marketing, advertising and promotion campaigns in Q2 2024:

On April 17, 2024, the Company announced its newest world-class #airesathletes awareness campaign partner: Tiki Barber, former NFL running back for 10 seasons with the New York Giants, retired as the Giants' all-time rushing and reception leader, 3 time NFL Pro Bowler, inducted into the Virginia Sports Hall of Fame, former national media presence on NBC's The Today Show and Football Night in America/Sunday Night Football, and author of 11 books. The #airesathletes initiative connects with professional athletes who, like many thousands of happy customers across 93 countries, have turned to Aires for the significant benefits its technology offers, particularly physiological optimization through Electromagnetic Frequency (EMF) modulation and proven protection from the external EMF sources that surround us all today.

On April 24, 2024, the Company announced that it has been working with Rumble Inc. in an ongoing effort over the past year to test the traffic and conversion performance of their video platform, Rumble, which averaged global Monthly Active Users (MAUs) of 67 million in Q4 2023, an increase of 16% from Q3 20231. That groundwork has now culminated in Aires officially launching a pilot test that consists of a paid ad campaign on Rumble that will feature one of Rumble's most popular influencers, English comedian, actor, and influencer, Russell Brand, reading 1 Aires ad per week over multiple episodes of the Brand's show on Rumble, which has 1.87 million followers.

Rumble will also display pre-roll "run of network" ad placements before or after Brand's shows air on Rumble during the campaign. Aires will use the test campaign to determine the full potential of the Rumble platform for scaling up marketing efforts to drive increased sales.

On May 5, 2024, the Company's CEO, Josh Bruni, appeared in the "Health Uncensored with Dr. Drew" National Television Series episode airing on FOX Business Network. Mr. Bruni was invited to be interviewed by one of the world's most recognized leading authorities on health and wellness, Dr. Drew Pinsky (aka Dr. Drew), which was part of a full feature, category-exclusive segment in a program episode focused on "Breakthroughs in Medical Technology". The episode was also included on the "Health Uncensored with Dr. Drew" YouTube channel, which is also embedded on the program's website. Aires has full licensing rights to the Company's segment as aired, as well as all B-roll footage shot on location. Between the national Sunday show, its inclusion on the "Health Uncensored with Dr. Drew" YouTube channel and website, and the Company's ability to fully promote the upcoming show, Aires expects to gain wider awareness and greater credibility among both consumers and investors.

On May 30, 2024, the Company announced a new global marketing partnership with UFC, the world's premier mixed martial arts organization, that will showcase Aires Tech branding within UFC's biggest events. Aires will receive prominent placement within the broadcasts of all UFC's monthly Pay Per Views, recognized throughout the sport as the biggest events in mixed martial arts, providing Aires with meaningful visibility before more than 700 million fans in 170 countries, as well as in an estimated 975 million households that receive UFC's broadcasts.

On June 5, 2024, the Company announced the Company's 3rd world-class #airesathletes awareness campaign partner: John Tavares, the No. 1 NHL draft pick in 2009, 6-time NHL All-Star, former Captain of the New York Islanders, current Captain of the Toronto Maple Leafs, Olympic gold medal winner, and Founder of the John Tavares Foundation alongside his wife, Aryne. In turn, Tavares will become a Company shareholder as the majority of the partnership compensation will be in the form of American Aires shares.

Notable updates on capital markets in Q2 2024:

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. Listing Aires on the OTCQB market and making our shares DTC eligible marks another milestone toward enabling more investors to be part of our ongoing progress. With both DTC eligibility and listing on the OTCQB, trading of Aires' shares will be easier and made possible to a wider investor audience in the United States.

On May 16, 2024, the Company closed on a private placement and issued an aggregate of 3,968,911 units at a price of $0.95 per unit for gross proceeds of $3,770,465. 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.

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 into new relationships to explore integration of the Company's products into other brands' offerings.

Having enjoyed strong product demand in 2023 and Q1/Q2 2024, the Company was able to successfully build 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, UK 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.

(Expressed in Canadian Dollars)

Overall Performance and Highlights

The Company continued to build on the strength in demand and produced record sales of $4.83 million in the first half of 2024, representing a 41% increase period-over-period ("POP"). Consumer demand attests to the genuine market need for the product offerings. This accomplishment highlights the capacity to evolve and innovate. The success in this period underscores the team's commitment to our vision and further bolsters management's confidence in its ability to drive growth in a challenging and volatile market landscape. In addition, the Company was able to improve its cost of sales by way of cost optimization and operational improvements such as the opening of a new fulfillment center in the UK. The gross margin % has improved from 59% to 61%, which is a great achievement.

The first half of 2024 was also highly successful on the capital markets front, where the Company was able to raise total gross proceeds of $7.77 million from two separate rounds of private placements. These equity raises have significantly improved the Company's working capital position and allowed it to secure more inventory and enter into the various strategic partnerships.

Discussion of Operations

Revenue		Q1/Q2 2024		Q1/Q2 2023	POP %
Sales	$	4,825,883	$	3,413,012	41%
Cost of sales	$	(1,901,450)	$	(1,386,679)	37%
Gross margin	**$**	**2,924,434**	**$**	**2,026,333**	**44%**
Gross margin %		61%		59%	
Core expenses					
Advertising and promotion	$	(2,454,464)	$	(1,487,920)	65%
Marketing	$	(1,218,697)	$	(926,557)	32%
Core Net Income (Loss)	**$**	**(748,727)**	**$**	**(388,144)**	**93%**
Overhead costs					
Office and general	$	(255,709)	$	(180,754)	41%
Consulting and payroll	$	(641,138)	$	(507,412)	26%
Legal and professional	$	(62,522)	$	(188,050)	-67%
Adjusted EBITDA	**$**	**(1,708,096)**	**$**	**(1,264,360)**	**35%**
Other					
Investor relations consulting	$	(864,611)	$	(90,000)	861%
Interest charges	$	(91,083)	$	(455,375)	-80%
Equity-based finance charge	$	-	$	(923,672)	-100%
Depreciation	$	(66,762)	$	(68,979)	-3%
Net Income (Loss)	**$**	**(2,730,552)**	**$**	**(2,802,386)**	**-3%**

During the six months ended June 30, 2024, the Company's sales increased 41% POP to $4.83 million from $3.41 million in the same period last year. 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 growth. This growth was achieved primarily through expanded spending on social media platforms and further spending on developing affiliate relationships to promote our products. Gross margin increased 44% POP to $2.92 million from $2.03 million in the same period last year on the back of stronger sales as well as margin improvements. Gross margin percentage was reported at 61%, an improvement from 59% in the same period last year, and the Company is focused on further improving the gross margin through an effective pricing strategy and optimization of manufacturing and fulfillment costs.

(Expressed in Canadian Dollars)

During the six months ended June 30, 2023, advertising and promotion expenses increased 65% POP to $2.45 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. Management notes that a significant portion of the advertising and promotion cost in Q1/Q2 2024 relates to brand and content creation which will have an impact on sales in the upcoming quarters.

Marketing expenses saw an increase of 32% POP to $1.22 million. The main reason for the increase was due to one of the marketing partners switching from getting paid 30 days after the end of the month to being paid upfront in the beginning of the month. This has resulted in one of the months showing a higher than usual marketing expense. In addition, the Company incurred additional marketing costs linked to the new partnerships and the brand refresh. In general, 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.

Consulting and payroll (excluding investor relations consulting) have increased 26% POP to $0.64 million as a result of engaging additional consultants in the customer service space in light of increased customer demand. Otherwise, ongoing consulting fees and payroll costs have remained flat.

Legal and professional fees have decreased 67% POP to $0.06 million. The professional fees include services performed by the legal firms, bookkeepers and auditors. The largest driver of this decrease was cost optimization where the bookkeeping function was taken in-house and legal costs were reduced by way of a more careful spend planning.

Office and general expenses have increased 41% POP to $0.26 million as a result of increased travel costs due to management team attending various investor relations events and conferences and increased other public company costs in light of the Company being listed on OTCQB Venture Market ("OTCQB").

Interest charges have decreased 80% POP to $0.91 million as a result of a substantial portion of debt being restructured and converted into equity in 2023. The interest charge balance for the six months ended June 30, 2024 is primarily related to the e-commerce platform loan that the Company took in January 2024.

Current Quarter

Revenue		Q2 2024		Q2 2023	POP %
Sales	$	2,788,488	$	1,925,640	45%
Cost of sales	$	(1,089,584)	$	(790,894)	38%
Gross margin	**$**	**1,698,904**	**$**	**1,134,746**	**50%**
Gross margin %		61%		59%	
Core expenses					
Advertising and promotion	$	(1,370,616)	$	(824,196)	66%
Marketing	$	(652,452)	$	(489,651)	33%
Core Net Income (Loss)	**$**	**(324,164)**	**$**	**(179,101)**	**81%**
Overhead costs					
Office and general	$	(127,124)	$	(103,231)	23%
Consulting and payroll	$	(336,324)	$	(250,786)	34%
Legal and professional	$	(41,334)	$	(96,387)	-57%
Adjusted EBITDA	**$**	**(828,946)**	**$**	**(629,505)**	**32%**
Other					
Investor relations consulting	$	(736,782)	$	(90,000)	719%
Interest charges	$	(46,201)	$	(263,767)	-82%
Equity-based finance charge	$	-	$	(923,672)	-100%
Depreciation	$	(33,428)	$	(34,489)	-3%
Net Income (Loss)	**$**	**(1,645,357)**	**$**	**(1,941,433)**	**-15%**

During the three months ended June 30, 2024, the Company's sales increased 45% POP to $2.79 million from $1.93 million, gross margin increased 50% POP to $1.70 million from $1.13 million and gross margin percentage was reported at 61% versus 59% in the same period last year. During the three months ended June 30, 2023, advertising and promotion expenses increased 66% POP to $1.37 million and marketing expenses saw an increase of 33% POP to $0.65 million. Please refer to the section "Discussion of Operations" for the details around these results as the same commentary applies to this quarter.

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.

	6/30/24	3/31/24	12/31/23	9/30/23	6/30/23	3/31/23	12/31/22	9/30/22
Total Assets	$ 10,022	$ 4,958	$ 349	$ 1,330	$ 1,488	$ 1,327	$ 1,521	$ 1,251
Total Revenue	$ 2,788	$ 2,037	$ 169	$ 2,399	$ 1,926	$ 1,487	$ 2,453	$ 1,182
Net Loss	$ (1,645)	$ (1,083)	$ (1,709)	$ (235)	$ (1,941)	$ (861)	$ 25	$ (1,273)
Net Loss per Share	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.01)	$ (0.10)	$ (0.04)	$ 0.00	$ (0.08)

Sales are largely driven by the intensity and effectiveness of advertising campaigns, creating demand for the Company's products. Given the strong growth in 2023 and Q1/Q2 2024 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 six months ended June 30, 2024.

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.

During the first half of 2024, the Company received working capital advances of $1,850,000 from its e-commerce service provider. Under the terms of the agreement, the Company shall remit an amount totaling $2,074,500 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.

In addition, as discussed in Section "Overall Performance and Highlights", the Company closed on two rounds of private placements on February 16, 2024 and May 16, 2024 for total gross proceeds of $7.77 million which has greatly improved its working capital position.

Events Occurring after the Reporting Date

On July 11, 2024, the Company announced a new partnership with Canada Basketball. Partnering with Canada Basketball allows us to engage their fans and equip players with advanced radiation-modulation technology. Our partnerships with elite sports organizations like Canada Basketball and UFC, along with individual athletes, demonstrate the real-world applicability and effectiveness of our EMF protection technology. Our peer-reviewed research shows Aires products have significant benefits in areas crucial to athletic performance, including improved sleep quality, recovery times, and cognitive function. By showcasing these benefits in competitive environments, we validate our technology and its potential to improve lives across society.

On July 16, 2024, the Company announced strategic partnership with Gray Wolf Agency, LLC ("Gray Wolf"), a first-of-its-kind earned media firm designed to amplify partnerships and sponsorships. Gray Wolf will leverage Aires' sports partnerships and #AiresAthletes campaign to amplify its PR and marketing efforts, driving earned media attention to underscore Aires' strategy to dominate the EMF protection segment and drive sales growth.

On July 26, 2024, the Company welcomed Toronto Raptors and Canada Basketball star RJ Barrett as its newest brand partner and #AiresAthletes campaign ambassador. Barrett will promote the company's EMF protection technology, which safeguards against radiation from wireless technologies and enhances recovery and overall well-being for athletes.

On August 1, 2024, the Company announced a new partnership with WWE, which unveiled a momentous new partnership aimed at bolstering the personal performance regimens of WWE Superstars. The collaboration will educate fans worldwide about safeguarding against ubiquitous electromagnetic frequency (EMF) sources' potential long-term health effects and support WWE Superstars in enhancing their physical performance, maintenance, and recovery.

(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:

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	**2024**	2023
Remuneration paid to key management	**$ 237,400**	$ 213,219	**$ 472,197**	$ 403,249
Stock-based compensation	**$ -**	$ -	**$ -**	$ -

The Company defines key management as the Company's directors and officers of the Company. As at June 30, 2024, amounts due to key management for remuneration totaled $37,455 (December 31, 2023 - $234,830).

During the six months ended June 30, 2024, the Company expensed $652,133 (2023 - $457,361) for digital marketing services provided by a firm controlled by an officer of the Company. As at June 30, 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 $24,822 for the six months ended June 30, 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 $6,263 for the six months ended June 30, 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.

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 June 30, 2024 is a receivable of $41,100.

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, 2023, that are available on SEDAR at www.sedarplus.ca. New IFRS accounting policies that came into force on January 1, 2024, were adopted and are described in Note 2 to the Condensed Consolidated Interim Financial Statements for the six months ended June 30, 2024. 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, 2023, that are available on SEDAR at www.sedarplus.ca. There have been no changes in how the Company accounts for its financial instruments and other instruments during the six months ended June 30, 2024.

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 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 June 30, 2024, the Company had cash and cash equivalents of $3,758,319 (December 31, 2023 - $29,366) to settle current liabilities of $6,508,554 (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 June 30, 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.

(Expressed in Canadian Dollars)

June 30, 2024		Carrying amount		Contractual cash flows		Current		Long term
Accounts payable & accrued liabilities	$	5,124,329	$	5,124,329	$	3,976,829	$	1,147,500
Government loan		60,230		64,747		-		64,747
Current loans		1,255,807		1,255,807		1,255,807		-

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		-

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 June 30, 2024, a 5% fluctuation in the foreign exchange rate would have an impact of approximately $214,708 (December 31, 2023 - $49,944) 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, 2023, available on SEDAR at www.sedarplus.ca. During the six months ended June 30, 2024, 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, 2023, available on SEDAR at www.sedarplus.ca. During the six months ended June 30, 2024, 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, 2023, available on SEDAR at www.sedarplus.ca. During the six months ended June 30, 2024, 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 has a strong management team with significant experience in the development of EMR technology. 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 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.sedarplus.ca.