FORM 5A

ANNUAL LISTING SUMMARY

Introduction

The requirement to file this Form 5A does not apply to NV Issuers. NV Issuers must file a Form 51-102F2 Annual Information Form.

This Annual Listing Summary must be posted on or before the day on which the Issuer's annual financial statements are to be filed under the Securities Act. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies.

General Instructions

(a) Prepare this Annual Listing Summary using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Listed Issuer Name: American Aires Inc. **Website:** https://airestech.com/ **Listing Statement Date:** April 11, 2024 **Description(s) of listed securities(symbol/type):** WIFI / Common Class Shares
Brief Description of the Issuer's Business: 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".
Description of additional (unlisted) securities outstanding: N/A
Jurisdiction of Incorporation: Ontario
Fiscal Year End: December 31, 2023
Date of Last Shareholders' Meeting and Date of Next Shareholders' Meeting (if scheduled): Last meeting May 31, 2023, next meeting unscheduled yet

Financial Information as at: December 31, 2023		
	Current	**Previous**
Cash	$29,366	$196,103
Current Assets	$82,380	$1,115,927
Non-current Assets	$267,078	$405,036
Current Liabilities	$2,384,913	$2,792,190
Non-current Liabilities	$60,000	$1,127,062
Shareholders' equity	$(2,095,455)	(2,398,288)
Revenue	$5,980,299	$5,822,140
Net Income	$(4,782,513)	$(4,082,902)
Net Cash Flow from Operations	$(820,536)	$50,345

SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in the Schedules. If the required details are included in Schedule A or B, provide specific reference to the page or note.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

The Company classifies the following as related parties (as defined by IAS 24 paragraph 9) and all transactions with them during 2023, including amounts receivable and payable, have been disclosed in the 2023 Financial Statements.

- Mr. Dimitry Serov – President and Director ($250,207 total remuneration in 2023, $80,000 payable, $nil receivable, contractual payroll obligation under the employment contract, no contingencies). In addition, received $241,500 (2,300,000 common shares) as part of RSU issued on October 19, 2023.

- Mr. Josh Bruni - Chief Operating Officer ($413,257 total remuneration in 2023, $109,830 payable, $nil receivable, consultant contract to provide CEO services, no contingencies). In addition, received $157,500 (1,500,000 common shares) as part of RSU issued on October 19, 2023 and additional $442,057 as year-end bonus settled in shares (6,548,992 shares).

- Mr. Vitali Savitski – Chief Financial Officer ($128,000 total remuneration in 2023, $45,000 payable, $nil receivable, consultant contract, no contingencies). In addition, received $26,250 (250,000 common shares) as part of RSU issued on October 19, 2023 and additional $135,000 as year-end bonus settled in shares (2,000,000 shares).

- Mr. Drew Green – Director ($60,000 total remuneration in 2023, $nil payable, $nil receivable, consultant contract for chairman services, no contingencies). In addition, received stock options (300,000) with a fair value of $26,058 on October 19, 2023.

Other related party transactions as disclosed in the financial statements:

- On February 7, 2022, the Company obtained a $500,000 loan from a lender whose president is also an officer of the Company. Interest of $24,822 for the year ended December 31, 2023 was expensed and the entire balance of the loan was converted into a convertible debenture on June 9, 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 year ended December 31, 2023 was expensed and the entire balance of the loan was converted into a convertible debenture on June 9, 2023.

- On June 9, 2023, convertible debenture units were issued to the lenders of the promissory note payable and loan payable as part of the loan conversion process. Both lenders are related parties as described in the paragraphs above. As of December 31, 2023, none of the outstanding convertible debenture units are held by the related parties as those units were fully converted into the common shares of the Company on September 26, 2023. The total amount converted by the related parties was $760,303 at $0.09 per share for 8,447,814 common shares. Interest of $26,303 on the convertible debenture held by related parties for the year ended December 31, 2023 was expensed.

- During the year ended December 31, 2023, the Company expensed $616,743 (2022 - $659,243) for digital marketing services provided by a firm controlled by an officer of the Company. As at December 31, 2023, $nil (2022 - $195,666) was included in accounts payable and accrued liabilities in connection with these services.

- During the year ended December 31, 2023, the Company expensed $nil (2022 - $101,081) for legal services provided by a firm, a partner of which was a director of the Company. As at December 31, 2023, $131,507 (2022 - $82,270) was included in accounts payable and accrued liabilities. On November 2, 2022, this director resigned from his position, but his firm continues to provide legal services to the Company.

- During the year ended December 31, 2023, the Company expensed $nil (2022 - $75,678) 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 December 31, 2023, the Marrelli Group was owed $nil (2022 - $nil). As of December 6, 2022, the Company no longer uses the services of the Marrelli Group.

- On August 28, 2023, the Company entered into a partnership agreement with HUCK Project LLC which is a firm controlled by an officer of the Company. The Company has undertaken a number of related party transactions with HUCK on August 28, 2023 and during the period from August 29, 2023 to December 31, 2023.

- 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.

2. Summary of securities issued and options granted during the period.

Provide the following information for the Listed Issuer's fiscal year:

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
12/05/23	Common shares	Private placement	784,400	$0.50	$392,000	Cash	Arm's Length	$22,876
09/06/23	Convertible debentures*	Private placement	559	$1000	$559,000	In-Kind, converted from previous loans held by arm's length parties (grid promissory note)	Arm's Length	None

09/06/23	Convertible debentures*	Private placement	734	$1000	$734,000	In-Kind, converted from previous loans held by Birchtree Investments Ltd. – 578 units (promissory note) and VMS Corporate Services Limited – 156 units (loan payable)	Related Party - CEO of Birchtree is a CFO of the Listed Issuer - Owner of VMS is a CFO of the Listed Issuer	None
15/06/23	Convertible debentures*	Private placement	325	$1000	$325,000	Cash	Arm's Length	$19,500
22/09/23	Convertible debentures*	Private placement	537	$1000	$537,000	Cash	Arm's Length	$11,100
25/09/23	Convertible debentures*	Private placement	180	$1000	$180,000	Cash	Arm's Length	None
26/09/23	Common shares	Conversion of convertible debenture into common shares	8,447,814	$0.09	N/A	N/A, conversion of debt to equity	Related Party – see note above on VMS and Birchtree	None
26/09/23	Common shares	Conversion of convertible debenture into common shares	12,498,716	$0.09	N/A	N/A, conversion of debt to equity	Arm's Length	None
12/10/23	Common shares	Conversion of convertible debenture into common shares	3,713,144	$0.09	N/A	N/A, conversion of debt to equity	Arm's Length	None
13/10/23	Common shares	Conversion of convertible debenture into common shares	1,977,932	$0.09	N/A	N/A, conversion of debt to equity	Arm's Length	None
19/10/23	Common shares	Stock-based comp	4,050,000	$0.105	N/A	N/A, stock-based comp	Related party – stocks issued to management team	None
19/10/23	Common shares	Settlement of debt with shares	12,009,600	$0.0675	N/A	N/A, settlement of debt	8,972,562 shares issued to related parties (management team) and the rest was issued to arm's length consultants	None

* During the year ended December 31, 2023, all debenture holders converted their principal amount and accrued interest into the common shares of the Company. The total amount converted was $2,397,385 in exchange for 26,637,606 common shares at $0.09 per share.

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
10/19/23	50,000	N/A	Consultant	$0.095	10/12/23	$0.1050
10/19/23	440,000	300,000 to Drew Green, chairman of the Board and 35,000 to Ruslan Elensky, Director	The rest issued to various consultants	$0.095	06/07/26	$0.1050
11/23/23	10,000	N/A	Consultant	$0.210	06/07/26	$0.23

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of securities outstanding for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

	Common Shares Pre-Consolidation	Common Shares Post-Consolidation		Amount
Balance, December 31, 2022	**158,756,453**	**15,875,646**	**$**	**16,048,006**
Private placement, net of costs	7,844,000	784,400		369,124
Conversion of debt to equity	-	26,637,606		2,397,385
Issuance of warrants	-	-		(289,723)
Issuance of finders warrants	-	-		(16,973)
Stock-based compensation	-	4,050,000		425,250
Shares issued in settlement of debt	-	12,009,600		810,648
Balance, December 31, 2023	**-**	**59,357,252**	**$**	**19,743,717**

(b) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Warrants

	Warrants Pre-Consolidation	Warrants Post-Consolidation	Weighted Average Exercise Price
Balance, December 31, 2022	**22,501,808**	**2,250,181**	**$1.70**
Issued - May 12, 2023 private placement	7,844,000	784,400	$0.50
Issued - May 12, 2023 private placement (finders)	459,520	45,952	$0.50
Expired - finders warrants with May 28, 2023 maturity	(315,000)	(31,500)	$3.00
Issued - June 9, 2023 convertible debenture subscription	25,860,000	2,586,000	$0.50
Issued - June 15, 2023 convertible debenture subscription	6,500,000	650,000	$0.50
Expired - finders warrants with August 31, 2023 maturity	(355,500)	(35,550)	$1.00
Expired - finders warrants with September 20, 2023 maturity	(288,000)	(28,800)	$1.00
Expired - finders warrants with December 17, 2023 maturity	(193,500)	(19,350)	$1.50
Issued - September 22, 2023 convertible debenture subscription	-	1,074,000	$0.50
Issued - September 25, 2023 convertible debenture subscription	-	360,000	$0.50
Balance, December 31, 2023	**-**	**7,635,333**	**$0.84**

Expiry Date		Exercise Price Pre-Consolidation		Exercise Price Post-Consolidation	Weighted Average Life Remaining (Years)	Warrants Pre-Consolidation	Warrants Post-Consolidation		Black-Scholes Value
May 28, 2024	$	0.30	$	3.00	0.41	6,033,333	603,333	$	287,186
August 31, 2024	$	0.15	$	1.50	0.67	1,975,000	197,500	$	83,938
September 20, 2024	$	0.15	$	1.50	0.72	1,937,500	193,750	$	69,750
October 28, 2024	$	0.15	$	1.50	0.83	649,975	64,998	$	13,765
December 17, 2024	$	0.15	$	1.50	0.96	2,460,000	246,000	$	30,940
February 7, 2025	$	0.10	$	1.00	1.10	5,000,000	500,000	$	353,000
March 15, 2025	$	0.10	$	1.00	1.21	750,000	75,000	$	53,000
March 15, 2025	$	0.10	$	1.00	1.21	60,000	6,000	$	4,000
March 24, 2025	$	0.10	$	1.00	1.23	1,750,000	175,000	$	100,000
March 24, 2025	$	0.10	$	1.00	1.23	140,000	14,000	$	8,000
April 5, 2025	$	0.10	$	1.00	1.26	550,000	55,000	$	27,000
April 5, 2025	$	0.10	$	1.00	1.26	44,000	4,400	$	2,000
May 12, 2025	$	0.05	$	0.50	1.37	7,844,000	784,400	$	289,723
May 12, 2025	$	0.05	$	0.50	1.37	459,520	45,952	$	16,973
June 30, 2025	$	0.05	$	0.50	1.50	25,860,000	2,586,000	$	659,064
June 30, 2025	$	0.05	$	0.50	1.50	6,500,000	650,000	$	192,785
June 30, 2025			$	0.50	1.50	-	1,074,000	$	81,968
June 30, 2025			$	0.50	1.50	-	360,000	$	19,626
			$	**0.84**	**1.30**	**-**	**7,635,333**	**$**	**2,292,718**

Options

	Stock Options Pre-Consolidation	Stock Options Post-Consolidation	Weighted Average Exercise Price
Balance, December 31, 2022	**10,650,000**	**1,065,000**	**$1.90**
Cancelled - April 17, 2023	(2,400,000)	(240,000)	$2.50
Cancelled - October 19, 2023	-	(725,000)	$1.56
Granted - October 19, 2023	-	490,000	$0.10
Granted - November 23, 2023		10,000	$0.10
Balance, December 31, 2023	**-**	**600,000**	**$0.58**

Expiry Date	Exercise Price Pre-Consolidation	Exercise Price Post-Consolidation	Weighted Average Life Remaining	Stock Options Pre-Consolidation	Stock Options Post-Consolidation
December 10, 2024	$ 0.50	$ 5.00	0.94	500,000	50,000
December 10, 2024		$ 0.095	0.94		50,000
January 13, 2025	$ 0.10	$ 1.00	1.04	500,000	50,000
July 6, 2026		$ 0.095	2.52		440,000
July 6, 2026		$ 0.210	2.52		10,000
		$ 0.58	**2.13**		**600,000**

(c) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

None

4. List the names of the directors and officers and include the position(s) held and the date of appointment, as at the date this report is signed and filed.

- Drew Green, Appointed December 5, 2019
  - Chairman and Director
- Josh Bruni, Appointed March 1, 2023
  - Chief Executive Officer and Director
- Dimitry Serov, Appointed March 1, 2023
  - President, Chief Product Officer, Director and Former CEO and Secretary
- Vitali Savitski, Appointed December 12, 2022
  - Chief Financial Officer
- Jo-Anne Archibald, Appointed March 13, 2023
  - Corporate Secretary
- Ruslan Elensky, Appointed September 26, 2017 and Resigned March 20, 2024
  - Director
- Andrew Michrowski, Appointed March 19, 2021
  - Director
- Jacinto Vieira, Appointed December 24, 2021 and Resigned April 17, 2023
  - Director
- Jamie Cochran, Appoints March 20, 2024
  - Director

5. Financial Resources

a) State the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period;

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, 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 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.

b) Describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event;

- Equity or debt financing – Q3-Q4/2024, cost will vary depending on size and type
- Market expansion – Q3-Q4/2024, cost will depend on availability of available cash resources
- Sales growth and improvement in profitability – Q4/2024-Q1/2025, costs and revenues are subject to many factors and overall strategy that will be determined based on the available resources and market opportunities

c) Disclose the total funds available to the Issuer and the following breakdown of those funds:

(i) the estimated consolidated working capital (deficiency) as of the most recent month end prior to filing the Listing Statement, and

As of February 28, 2024, working capital is $1.6M (described as current assets minus current liabilities)

(ii) the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b); and

No other funds

(iii) describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer.

The funds will be used largely to secure new sales affiliate and advertising relationships, expanding into new markets and securing stable supply of inventory.

6. Status of Operations

During the fiscal year, did the Listed Issuer

(a) reduce or impair its principal operating assets; or

(b) cease or substantively reduce its business operations with respect to its stated business objectives in the most recent Listing Statement?

Provide details: No, N/A

7. Business Activity

a) Activity for a mining or oil and gas Listed Issuer

(i) For the most recent fiscal year, did the Listed Issuer have positive cash flow, significant revenue from operations, or $50,000 in exploration or development expenditures?

Provide details: No

(ii) If the response to (i) above is “no”, for the three most recent fiscal years did the Listed Issuer have an aggregate of $100,000 in exploration or development expenditures?

Provide details: N/A

b) Activity for industry segments other than mining or oil & gas

(i) For the most recent fiscal year, did the Listed Issuer have positive cash flow, or $100,000 in revenue from operations or $100,000 in development expenditures?

Provide details: The Listed Issuer had $5.98M revenue from operations

(ii) If the response to (i) above is “no”, for the three most recent fiscal years, did the Listed Issuer have either $200,000 in operating revenues or $200,000 in expenditures directly related to the development of the business?

Provide details: N/A

SCHEDULE A: AUDITED ANNUAL FINANCIAL STATEMENTS

SCHEDULE B: MANAGEMENT DISCUSSION AND ANALYSIS

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Annual Listing Summary.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated April 11, 2024.

Vitali Saviski
Name of Director or Senior Officer

Signature

CFO
Official Capacity

Issuer Details Name of Issuer American Aires Inc.	For Year Ended December 31, 2023	Date of Report YY/MM/DD 23/04/11
Issuer Address 400 Applewood Crescent, Suite 100		
City/Province/Postal Code Vaughan, Ontario, L4K 0C3	Issuer Fax No. ( )	Issuer Telephone No. (647) 404-4416
Contact Name Vitali Savitski	Contact Position CFO	Contact Telephone No. (416) 300-0625
Contact Email Address vitaliy@airestech.com	Web Site Address https://airestech.com/	

American Aires Inc.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **American Aires Inc.**

Opinion

We have audited the accompanying consolidated financial statements of **American Aires Inc.** (the "Company"), which comprise the statements of financial position as at December 31, 2023 and December 31, 2022, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **American Aires Inc.** as at December 31, 2023 and December 31, 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2023, and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

For the matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Sales and License Agreement

Key Audit Matter

As described in Note 18 to the consolidated financial statements, the Company entered into a partnership agreement with HUCK Project LLC (HUCK) to transfer, with effect from August 29, 2023, the entire revenue and related operating costs to HUCK in return for a royalty and reimbursement of the repayment the Company makes towards its working capital loan. HUCK is a related party as it is owned by the Company's CEO.

How We Addressed The Key Audit Matter

For this transaction we did the following audit procedures, among others:

- Tested royalty and payments due from HUCK;
- Tested transactions in the account with HUCK

- Assessed the adequacy of disclosures related to this transaction;
- Assessed reasonableness of the Company's basis for accounting for the transaction.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis and any other statutory or other reports which may include financial information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

AGT Partners LLP
Chartered Professional Accountants

the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditor's report is Umair Tasadduq.

AGT Partners LLP

Woodbridge, Canada
April 11, 2024

LICENSED PUBLIC ACCOUNTANTS

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

As at December 31			2023		2022
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**29,366**	$	196,103
Prepaid and sundry receivable	(Note 21)		**53,014**		410,000
Inventory	(Note 18)		**-**		509,825
			82,380		1,115,927
Non-current assets					
Furniture and equipment	(Note 6)		**10,793**		20,608
Intellectual property	(Note 5)		**256,285**		384,428
			267,078		405,036
Total assets		**$**	**349,458**	$	1,520,963
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	(Notes 17, 18, 23)	**$**	**2,097,619**	$	1,896,033
Deferred revenue			**-**		220,775
Provision for sales returns			**-**		20,502
Working capital loan payable	(Note 8)		**156,263**		480,170
E-commerce platform loan payable	(Note 9)		**-**		174,710
Grid promissory note payable	(Note 11)		**131,031**		-
			2,384,913		2,792,190
Non-current liabilities					
Government loan payable	(Note 7)		**60,000**		60,000
Promissory note payable	(Note 10)		**-**		553,753
Grid promissory note payable	(Note 11)		**-**		513,309
			60,000		1,127,062
Total Liabilities			**2,444,913**		3,919,252
Shareholders' equity					
Share capital	(Note 14)		**19,743,717**		16,048,006
Contributed surplus			**7,526,258**		6,136,624
Accumulated other comprehensive loss			**(210,047)**		(174,053)
Deficit			**(29,155,383)**		(24,408,865)
Total shareholders' equity			**(2,095,455)**		(2,398,288)
Total liabilities and shareholders' equity		**$**	**349,458**	$	1,520,964

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 24)

Approved on behalf of the Board of Directors:

"Dimitry Serov"
Director

"Drew Green"
Director

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

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

For the year ended December 31			2023		2022
Revenue					
Sales	(Note 19)	$	5,499,689	$	5,822,140
Cost of sales	(Note 22)		(2,228,270)		(2,286,410)
Gross margin			3,271,419		3,535,730
Other income					
Cash royalty	(Note 18)		283,427		-
Credit reimbursement income	(Note 18)		197,183		-
			480,610		-
Expenses					
Advertising and promotion			2,210,866		2,443,604
Marketing	(Note 17)		1,307,692		1,970,265
Consulting fees	(Note 17)		1,642,908		806,757
Interest charges	(Notes 9 to 13)		616,809		502,089
Equity-based finance charge	(Notes 10,13)		953,444		353,000
Office and general			379,400		329,180
Professional fees			392,190		283,864
Rent expense			6,091		16,420
Research and development			-		5,500
Salaries and benefits	(Note 17)		288,379		443,155
Travel expense			8,067		12,718
Stock-based compensation	(Notes 14, 16)		554,744		139,667
Depreciation	(Notes 5, 6)		137,958		138,359
			8,498,548		7,444,578
Net loss for the year			(4,746,519)		(3,908,848)
Other comprehensive loss					
Foreign exchange			(35,994)		(174,053)
Net loss and comprehensive loss for the year		$	(4,782,513)	$	(4,082,901)
Basic and diluted net loss per share	(Note 20)		(0.18)		(0.25)
Weighted average number of common shares outstanding, basic and diluted	(Note 20)		26,464,003		15,787,908

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

AMERICAN AIRES INC.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

		Number of Shares	Share Capital Amount	Contributed Surplus	Deficit	OCI/(L) (Note A)	Total
Balance, December 31, 2021		**15,436,523**	**$ 15,791,739**	**$ 5,556,624**	**$ (20,500,016)**	**$ -**	**$ 848,347**
Private placement, net of costs	(Note 14)	305,000	258,600	-	-	-	258,600
Issuance of warrants	(Note 15)	-	(180,000)	180,000	-	-	-
Issuance of finders warrants	(Note 15)	-	(14,000)	14,000	-	-	-
Stock-based compensation	(Note 14, 16)	49,123	46,667	93,000	-	-	139,667
Exercise of options	(Note 16)	85,000	145,000	(60,000)	-	-	85,000
Issuance of warrants in connection to debt	(Note 10)	-	-	353,000	-	-	353,000
Net loss for the year		-	-	-	(3,908,848)	-	(3,908,848)
Other comprehensive gain for the year		-	-	-	-	(174,053)	(174,053)
Balance, December 31, 2022		**15,875,646**	**$ 16,048,006**	**$ 6,136,624**	**$ (24,408,864)**	**$ (174,053)**	**$ (2,398,288)**
Private placement, net of costs	(Note 14)	784,400	369,124	-	-		369,124
Conversion of debt to equity	(Note 13, 14)	26,637,606	2,397,385	-	-	-	2,397,385
Issuance of warrants	(Note 15)	-	(289,723)	289,723	-	-	-
Issuance of finders warrants	(Note 15)	-	(16,973)	16,973	-	-	-
Issuance of warrants in connection to debt	(Note 13)	-	-	953,444	-	-	953,444
Stock-based compensation	(Notes 14, 16)	4,050,000	425,250	129,494	-	-	554,744
Shares issued in settlement of debt	(Note 14)	12,009,600	810,648				810,648
Net loss for the year		-	-	-	(4,746,519)	-	(4,746,519)
Other comprehensive loss for the year		-	-	-	-	(35,994)	(35,994)
Balance, December 31, 2023		**59,357,252**	**19,743,717**	**7,526,258**	**(29,155,383)**	**(210,047)**	**(2,095,455)**

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

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

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

For the Year Ended December 31		2023	2022
Operating activities			
Net loss and comprehensive loss for the period		**$ (4,782,513)**	$ (4,082,902)
Depreciation		**137,958**	138,359
Stock-based compensation		**554,744**	139,667
Equity-based finance charges		**953,444**	353,000
Consulting fees settled through issuance of shares		**782,057**	-
Interest expense		**616,809**	502,089
Non-cash working capital items:			
Accounts receivable		-	615
Prepaid and sundry receivable		**356,986**	647,598
Inventory		**509,825**	(100,543)
Deferred revenue		**(220,775)**	213,947
Accounts payable and accrued liabilities		**291,431**	2,218,013
Provision for sales returns		**(20,502)**	20,502
		(820,536)	50,345
Investing activities			
Acquisition of furniture and equipment		-	(20,448)
Proceeds on disposition of assets		-	1,128
		-	(19,320)
Financing activities			
Proceeds from issuance of shares	(Note 14)	**369,124**	343,600
Proceeds from promissory note	(Note 10)	-	500,000
Proceeds from grid promissory note	(Note 11)	-	500,000
Proceeds from e-commerce platform loan	(Note 9)	**1,065,000**	792,500
Proceeds from other loan	(Note 12)	**150,000**	-
Proceeds from convertible debenture	(Note 13)	**1,011,400**	-
Repayments on marketing loan payable		-	(649,534)
Repayments on working capital loan payable	(Note 8)	**(321,770)**	(595,413)
Repayments on grid promissory note	(Note 11)	**(184,000)**	(117,720)
Repayments on e-commerce platform loan	(Note 9)	**(1,239,710)**	(617,790)
Interest paid		**(196,245)**	(266,261)
		653,799	(110,618)
Net change in cash		**(166,737)**	(79,593)
Cash, beginning of the year		**196,103**	275,696
Cash, end of the year		**$ 29,366**	$ 196,103
Supplemental Disclosure of Non-Cash Transactions			
Accounts payable and accrued liabilities settled through loan payable		$ -	$ 971,027
Accounts payable and accrued liabilities settled through issuance of shares		28,591	-
Accrued interest settled through issuance of shares		61,253	-
Conversion of promissory note into convertible debenture		578,575	-
Conversion of grid promissory note into convertible debenture		559,294	-
Conversion of other loan payable into convertible debenture		156,263	-
Conversion of convertible debenture into equity		2,397,385	-

The accompanying notes are an integral part of these consolidated 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. On August 28, 2023, the Company entered into a partnership agreement ("Partnership Agreement") with HUCK Project LLC ("HUCK"), whereby HUCK became the Company's non-exclusive global retail-only distribution partner. With HUCK committing its resources to retail operations, the Company shifted focus to new product development and larger and more lucrative original equipment manufacturer ("OEM") deals.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. The Company has a deficit of $29,155,383 as of December 31, 2023 (2022 - $24,408,865) and incurred a loss of $4,746,519 for the year ended December 31, 2023 (2022 - $3,908,848). The Company had a working capital deficiency of $2,302,533 as at December 31, 2023 (2022 – deficiency $1,676,263).

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 consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing 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. Management believes the Company will be able to continue in operation for the foreseeable future and secure additional financing to satisfy its liabilities and commitments in the normal course of business. Accordingly, it is appropriate to prepare these financial statements on a going concern basis.

2. Material Accounting Policies

Basis of Preparation

These consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Chartered Professional Accountants of Canada (CPA) Handbook, as issued and effective for the year ended December 31, 2023.

These consolidated financial statements were approved by the Board of Directors on April 11, 2024.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements are using the accrual basis of accounting, except for cash flow information.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency whereas its functional currency is the US dollar. Due to the global nature of the Company's operations, the use of US dollars as functional currency is more efficient and appropriate. Accordingly, the Company's consolidated financial statements have been translated into its presentation currency according to IAS 21 on the following basis:

(a) assets and liabilities are translated to Canadian dollars at the closing rate at the date of the consolidated statement of financial position;

(b) income and expenses are translated at exchange rates at the dates of the transactions;

(c) all resulting exchange differences are recognised in other comprehensive income or loss.

The Company presents its consolidated financial statements in Canadian currency because its shares are listed on a Canadian stock exchange and its shareholders and sources of financing are largely Canadian based.

Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary, American Aires USA Inc. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Financial assets other than cash and cash equivalents are all classified and measured at amortized cost. Cash and cash equivalents are measured at fair value. All financial liabilities are classified and measured at amortized cost.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of financial position is comprised of cash at banks as well as money market instruments. The Company's cash and cash equivalents are maintained with major financial institutions. All funds are available on demand.

Inventory

Inventory consists of finished goods. The Company values inventory at the lower of cost and net realizable value. The inventory value is determined using the first-in-first-out method. Obsolete inventories are written down to their estimated net realizable value. There has been no impairment of inventory during the years ended December 31, 2023 and 2022.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. The Company has recorded a provision for sales returns of $nil as at December 31, 2023 (2022 - $20,502). In addition, the Company has recorded a provision for sales tax payable of $581,859 as December 31, 2023 (2022 - $301,747).

Income Taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to taxes with regards to previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset for losses is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance.

Furniture and Equipment

Furniture and equipment are recorded at cost less accumulated depreciation. Depreciation is provided over the estimated useful life of the furniture and computer equipment using the declining balance method at rates of 20% and 50%, respectively

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

Equity Instruments Issued with Warrants

The Company uses the residual method with respect to the measurement of common shares units that include warrants. The fair value of warrants is determined using the Black-Scholes option pricing model and the difference between the proceeds raised and the value assigned to the warrants is the residual fair value of the shares.

The value attributed to the warrants issued is credited to contributed surplus. If and when the warrants are exercised, the applicable amounts are credited to share capital along with the consideration received on the exercise of the warrants. For those warrants that are not exercised and expire the recorded value remains indefinitely in contributed surplus.

Warrants issued on a stand-alone basis are treated and valued as share-based payments and charged to expense.

Share-based Payments

Options granted to employees and others providing similar services to acquire the Company's shares are measured at fair value at the grant date using the Black-Scholes option pricing model. The fair value is recognized over the period in which options vest.

Share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Upon exercise of the options, consideration paid by the option holder together with the fair value amount previously recognized in contributed surplus are recorded as increases to share capital. For those options that expire after vesting, the recorded fair value remains indefinitely in contributed surplus.

Intellectual Property

Intellectual property is recorded at cost less amortization. Amortization is recorded on a straight-line basis over a period of nine years.

Loss Per Share

The Company presents basic loss per share data for its common shares outstanding, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the denominator to include the weighted average number of common shares outstanding plus the assumed conversion of all dilutive securities under the treasury stock method.

Revenue Recognition

The Company's revenue is substantially derived from the sale of electromagnetic protection devices. Revenue is recognized when the product is received by the customer and there is a reasonable expectation of collection. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognize revenue when (or as) the entity satisfies a performance obligation

Revenues generated from the sale of electromagnetic protection devices are recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer, inclusive of discounts and rebates offered.

The Company derives income from royalties calculated as a percentage of net product sales made by its affiliates. Royalty income is recognized on an accrual basis as sales occur, net of any applicable taxes and estimated allowances for returns, rebates, and other adjustments. Management continually assesses this policy to ensure compliance with IFRS and consistency with business practices.

Deferred Revenue

Deferred revenue relates to sales for which payment has been received but for which the corresponding product has not been delivered to the customer as at year end.

Impairment

<u>Non-financial assets</u>

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions, relate to, but are not limited to, the following:

Income Taxes and Recovery of Deferred Tax Assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of tax returns by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets. As at December 31, 2023 and 2022 no deferred tax assets were recognized, as it is uncertain when sufficient taxable income will be available to realize the deferred tax assets.

Fair Value of Options and Warrants

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

Sales Refunds

The Company maintains a provision for sales refunds based on historical sales experience.

Sales Taxes

The Company operates globally and uses its best efforts to comply with sales tax regimes of the many countries which its products are sold. Because of different laws and regulations estimates of sales taxes payable are made which may differ materially from the actual requirement upon filing.

Going Concern

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

Useful Life of Property and Equipment and Intellectual Property

Depreciation of property and equipment and intellectual property with finite lives are dependent upon estimates of useful lives which are determined through the exercise of judgment.

Accounting Pronouncements Adopted During the Year

In January 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 which were incorporated into Part I of the CPA Canada Handbook in April 2020. The amendments clarify the requirements for classifying liabilities as either current or non-current by specifying the conditions which exist at the end of the reporting period that determine if a right to defer settlement of a liability exists. The amendments apply on or after January 1, 2023. The Company adopted the amendments on January 1, 2023 and there was no impact on the consolidated financial statements upon adoption of this policy.

In February 2021, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgments" which were incorporated into Part I of the CPA Canada Handbook in September 2021. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general-purpose financial statements make on the basis of those financial statements. The amendments apply on or after January 1, 2023. The Company adopted the amendments on January 1, 2023 and there was no impact on the consolidated financial statements upon adoption of this policy.

In May 2021, the IASB issued amendments to the recognition exemptions under IAS 12 Income Taxes which were incorporated into Part I of the CPA Canada Handbook in September 2021.The amendments require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognizes both an asset and liability, for example leases and decommissioning liabilities. The amendments are effective on or after January 1, 2023. The Company adopted the amendments on January 1, 2023 and there was no impact on the consolidated financial statements upon adoption of this policy.

3. Capital Management

The Company manages its capital with the following objectives:

(a) to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and (b) 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 considers its capital to be equity, comprising share capital, contributed surplus, accumulated other comprehensive loss and deficit, which at December 31, 2023 was negative $2,095,455 (2022 – negative $2,398,288). 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 years ended December 31, 2023 and 2022.

4. 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 manufacturer 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 December 31, 2022, the Company had cash and cash equivalents of $29,366 (2022 - $196,103) to settle current liabilities of $2,384,913 (2021 - $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 December 31, 2023 and 2022. 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)

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		-

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 and Canadian dollar denominated bank accounts. Management does not hedge its foreign exchange risk. As at December 31, 2023, a 5% fluctuation in the foreign exchange rate would have an impact of approximately $49,944 (December 31, 2022 - $43,837) in the Company's consolidated statements of loss and comprehensive loss.

5. Intellectual Property

Balance, December 31, 2021	**$**	**512,571**
Depreciation		(128,143)
Balance, December 31, 2022	**$**	**384,428**
Depreciation		(128,143)
Balance, December 31, 2023	**$**	**256,285**

6. Furniture and Equipment

Cost		Furniture and Fixtures		Computer Equipment		Total
Balance, December 31, 2021		-		16,197		16,197
Additions		1,812		18,636		20,448
Dispositions		-		(1,770)		(1,770)
Balance, December 31, 2022		**1,812**		**33,063**		**34,875**
Additions		-		-		-
Dispositions		-		-		-
Balance, December 31, 2023	**$**	**1,812**	**$**	**33,063**	**$**	**34,875**

Accumulated Depreciation		Furniture and Fixtures		Computer Equipment		Total
Balance, December 31, 2021		-		4,693		4,693
Depreciation		181		10,035		10,216
Dispositions		-		(642)		(642)
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**

Carrying Value		Furniture and Fixtures		Computer Equipment		Total
At December 31, 2022	$	1,630	$	18,977	$	20,608
At December 31, 2023	**$**	**1,304**	**$**	**9,489**	**$**	**10,793**

(Expressed in Canadian Dollars)

During the year ended December 31, 2022, the Company disposed of a computer with a carrying value of $1,128 for gross proceeds of $1,770, resulting in a gain on disposition of assets totaling $642 recognized in the consolidated statements of loss and comprehensive loss.

7. 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 is interest free until December 31, 2023 and there is a forgivable portion of $20,000 if repaid on or before 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. The Company has not recognized any forgiveness revenue in the consolidated statement of loss and comprehensive loss in connection with this loan, as it has determined the full amount of the loan will be repayable.

8. Working Capital Loan Payable

During the years ended December 31, 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. During the year ended December 31, 2023, no new advances were taken. Part way through the year in 2022 the lender ceased charging interest on the amounts lent. In 2023, the Company made repayments of the previous principal totaling $321,770. Invoices paid by the lender on behalf of the Company have been included within changes in accounts payable and accrued liabilities in the consolidated statements of cash flows. In 2023, the Company recognized interest expense totaling $nil in the consolidated statements of loss and comprehensive loss.

Balance, December 31, 2021	**$**	**553,510**
Debt Issued		471,027
Repayments		(625,764)
Interest		30,351
Foreign Exchange		51,046
Balance, December 31, 2022	**$**	**480,170**
Repayments		(321,770)
Foreign Exchange		(2,137)
Balance, December 31, 2023	**$**	**156,263**

9. E-commerce platform loan payable

During the years ended December 31, 2023 and 2022, the Company received a series of working capital advances from its e-commerce service provider. Repayments are made daily based on a percentage (varies between 8% and 17% depending on the advance) of the Company's daily sales until such time that the advances are repaid in full. The financing charge related to the paid portion of the loan has been recorded as interest expense in the consolidated statements of loss and comprehensive loss for the years ended December 31, 2023 and 2022. The annualized interest rate on these advances is upwards of 27% although an exact rate cannot be determined because the period over which the loan must be repaid is not specified. The following is a continuity schedule of the e-commerce platform loan payable:

Balance, December 31, 2021	**$**	-
Advances		792,500
Repayments		(679,709)
Interest		61,919
Balance, December 31, 2022	**$**	**174,710**
Advances		1,065,000
Finance charge		127,573
Repayments		(1,367,283)
Balance, December 31, 2023	**$**	-

(Expressed in Canadian Dollars)

10. Promissory note payable

On February 7, 2022, the Company entered into a loan agreement with a related party (Note 17) whereby the lender advanced $500,000 via a promissory note. The maturity date of the loan was May 7, 2024. The rate of interest is 12% per annum. The loan was secured by a general security interest over the assets of the Company. During the year ended December 31, 2022, the Company incurred interest expense of $53,753 (unpaid as at December 31, 2022) and a financing fee of $20,000 (deducted from initial disbursement) and both have been recorded as interest expense in the consolidated statements of loss and comprehensive loss. The unpaid interest was added to the principal amount of the loan.

In connection with this loan, the Company issued the lender share purchase warrants to purchase up to 5,000,000 (pre-consolidation) common shares of the Company exercisable at $0.10 per share for a period of three years from the date of issue. A fair value of $353,000 was assigned to the warrants issued, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.095, expected volatility of 130%, a risk-free rate of return of 1.43% and an expected life of 3 years. The fair value of warrants issued was accounted for as an equity-based finance charge (as it was not related to raising capital) and expensed in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2022.

During the year ended December 31, 2023, the Company accrued interest expense of $24,822 and it has been recorded as interest expense in the consolidated statements of loss and comprehensive loss. On June 9, 2023, the promissory note payable was converted into a convertible debenture (Note 13) based on the outstanding balance as of May 31, 2023. The balance converted was $578,575 which includes the entire $500,000 principal balance and $78,575 cumulative accrued interest. The following is a continuity schedule of the promissory note payable:

Balance, December 31, 2021	**$**	-
Advances		500,000
Interest		53,753
Balance, December 31, 2022	**$**	**553,753**
Interest		24,822
Conversion into convertible debenture		(578,575)
Balance, December 31, 2023	**$**	-

11. Grid promissory note payable

The Company issued a grid promissory note dated May 26, 2022, amended on August 12, 2022 and December 7, 2022, with an arm's length lender for advances up to $500,000 (in $100,000 increments as needed). The loan matures on February 28, 2024 and bears interest at a rate of 8% per annum. In addition, the Company has agreed to pay a monthly royalty of 3.5% of net sales for every $100,000 loaned, subject to a maximum monthly royalty of $10,000 per $100,000. The royalty will exist until the loan is repaid in full. During the year ended December 31, 2023, the Company incurred interest expense of $22,016 and royalty expense of $339,000 and both have been recorded as interest expense in the consolidated statements of loss and comprehensive loss.

On June 9, 2023, $559,294 of the grid promissory note payable was converted into a convertible debenture (Note 13) based on the outstanding balance as of May 31, 2023. The remaining balance as at December 31, 2023 consists of the principal balance of $100,000 and the accrued combined interest and royalty expense of $31,031.

The unpaid cumulative interest and royalty of $31,031 have been added to the principal amount of the loan. The loan has been classified as a current liability due to its maturity within 12 months of December 31, 2023 (December 31, 2022 – $513,309 non-current liability).The following is a continuity schedule of the promissory note payable:

(Expressed in Canadian Dollars)

Balance, December 31, 2021	**$**	-
Advances		500,000
Repayments		(209,407)
Royalty		210,000
Interest		12,716
Balance, December 31, 2022	**$**	**513,309**
Repayments		(184,000)
Royalty		339,000
Interest		22,016
Conversion into convertible debenture		(559,294)
Balance, December 31, 2023	**$**	**131,031**

12. Loan Payable

On January 24, 2023, the Company entered into a loan agreement with a related party (Note 17) 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 an additional three months. The CEO of the lending party is also an officer of the Company. During the nine months ended September 30, 2023, the Company incurred interest expense of $6,263 which has been recorded as interest expense in the consolidated statements of loss and comprehensive loss.

On June 9, 2023, the loan payable was converted into a convertible debenture (Note 13) based on the outstanding balance as of May 31, 2023. The balance converted was $156,263 which includes the entire $150,000 principal balance and $6,263 cumulative accrued interest. The following is a continuity schedule of the loan payable:

Balance, December 31, 2022	**$**	-
Advance		150,000
Interest		6,263
Conversion into convertible debenture		(156,263)
Balance, December 31, 2023	**$**	-

13. Convertible Debenture

On June 9, 2023, the Company issued convertible debentures ("debentures") in the amount of $1,293,000 ("original tranche") to existing debt holders in exchange for amounts owed under promissory note, grid promissory note and loan payable (Notes 11, 12 and 13). The convertible debentures bear interest at a rate of 12% per annum, payable semi-annually in arrears on the last day of June and December in each year, with the first interest payment payable on June 30, 2023 and mature on June 30, 2025. The debentures are convertible into common shares of the Company at the market price of the common shares at the time of conversion, determined by the most recent closing price on the day of conversion, at the option of the holders at any time prior to maturity.

The convertible debentures were issued in units and each unit comprises $1,000 of principal and 20,000 common share purchase warrants (2,000 post-consolidation – Note 15). Each warrant shall entitle the holder thereof to acquire one common share at an exercise price of $0.05 ($0.50 post-consolidation) until June 30, 2025. In addition, the debentures are secured by all of the assets of the Company.

The total converted amount of $1,293,000 equated to 1,293 debenture units of which 734 units were issued to related parties (lenders of the previously held promissory note payable and loan payable) and 559 units were issued to the arm's length lender (grid promissory note).

On June 15, 2023, the Company issued an additional 325 debenture units at the same terms as described above to arm's length investors, for total cash proceeds of $325,000 ("Tranche 1"). The Company paid $19,500 in finder's fee as part of this financing which has been recorded as interest expense in the consolidated statements of loss and comprehensive loss.

On September 22, 2023 and September 25, 2023, the Company issued an additional 717 debenture units at the same terms as described above to arm's length investors, for total cash proceeds of $717,000 ("Tranche 2"). The Company paid $11,100 in finder's fee as part of this financing which has been recorded as interest expense in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

On September 26, 2023, $1,885,188 of convertible debentures were converted into 20,946,530 common shares at $0.09 per share. On October 12, 2023 and October 13, 2023, the remaining $512,197 of convertible debentures were converted into 5,691,076 common shares of the Company at $0.09 per share. The amounts converted include unpaid interest of $61,253

In connection with the original tranche and Tranche 1, the Company issued 32,360,000 (3,236,000 post-consolidation – Note 15) common share purchase warrants exercisable at a price of $0.05 per share ($0.50 post-consolidation) for a period of two years from the date of issue. A fair value of $851,849 was assigned to the warrants issued, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.04 to $0.045, expected volatility of between 133 and 134%, a risk-free rate of return of 4.49% and an expected life of 2 years. In connection with Tranche 2, the Company issued 1,434,000 common share purchase warrants exercisable at a price of $0.50 per share for a period of two years from the date of issue. A fair value of $101,595 was assigned to the warrants issued, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.095 to $0.125, expected volatility of between 184 and 185%, a risk-free rate of return of between 4.99% and 5.01% and an expected life of 2 years. The fair value of warrants issued for this transaction has been accounted for as an equity-based finance charge (as it is not related to raising capital) and expensed in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2023. The following is a continuity schedule of the debenture:

Balance, December 31, 2022	**$**	-
Advance by way of conversion of other debt		1,293,000
Advance - Tranche 1		325,000
Advance - Tranche 2		717,000
Interest		62,385
Conversion into equity		(2,397,385)
Balance, December 31, 2023	**$**	-

14. 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

On September 12, 2023, the Company performed a consolidation of its issued and outstanding share capital on the basis of one (1) new common share for every ten (10) outstanding common shares. The same 1:10 consolidation was performed for all outstanding warrants and stock options.

	Common Shares Pre-Consolidation	Common Shares Post-Consolidation		Amount
Balance, December 31, 2021	**154,365,225**	**15,436,523**	**$**	**15,791,739**
Private placement, net of costs	3,050,000	305,000		258,600
Issuance of warrants	-	-		(180,000)
Issuance of finders warrants	-	-		(14,000)
Shares issued as stock-based compensation	491,228	49,123		46,667
Exercise of stock options	850,000	85,000		145,000
Balance, December 31, 2022	**158,756,453**	**15,875,646**	**$**	**16,048,006**
Balance, December 31, 2022	**158,756,453**	**15,875,646**	**$**	**16,048,006**
Private placement, net of costs	7,844,000	784,400		369,124
Conversion of debt to equity	-	26,637,606		2,397,385
Issuance of warrants	-	-		(289,723)
Issuance of finders warrants	-	-		(16,973)
Stock-based compensation	-	4,050,000		425,250
Shares issued in settlement of debt	-	12,009,600		810,648
Balance, December 31, 2023	**-**	**59,357,252**	**$**	**19,743,717**

On March 15, March 24 and April 5, 2022, the Company closed three tranches of a non-brokered private placement and issued an aggregate of 3,050,000 units at a price of $0.10 per unit for gross proceeds of $305,000. Each unit comprises one common share and one common share purchase warrant which entitles the holder to purchase one common share for $0.10 ($1.00 post consolidation) for a period of thirty-six months from the closing of the offering. A fair value of $180,000 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.07 and $0.095, expected volatility of 130%, a risk-free rate of return of between 1.82% to 2.40% and an expected life of 3 years. Cash costs of issue amounted to $46,400 in aggregate. In addition the Company issued 244,000 finders warrants exercisable for $0.10 per warrant with identical terms as the non-brokered private placement warrants above. A fair value of $14,000 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.07 and $0.095, expected volatility of 130%, a risk-free rate of return of between 1.82% to 2.40% and an expected life of 3 years.

During the year ended December 31, 2022, the Company issued 491,228 common shares in exchange for services provided to the Company, valued at $46,667. The Company also issued 850,000 common shares, on the exercise of stock options for proceeds of $85,000. Upon exercise, an amount of $60,000 was transferred from contributed surplus to share capital.

On May 12, 2023, the Company closed a non-brokered private placement and issued an aggregate of 7,844,000 (784,400 post-consolidation) units at a price of $0.05 ($0.50 post-consolidation) per unit for gross proceeds of $392,000. Each unit comprises one common share and one common share purchase warrant which entitles the holder to purchase one common share for $0.05 (post-consolidation $0.50) for a period of twenty-four months from the closing of the offering. A fair value of $289,723 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.055, expected volatility of 130%, a risk-free rate of return of 3.73% and an expected life of 2 years. Cash costs of issue amounted to $22,876 in aggregate. In addition, the Company issued 459,520 (45,952 post-consolidation) finder's warrants exercisable for $0.05 ($0.50 post-consolidation) per warrant with identical terms as the non-brokered private placement warrants above. A fair value of $16,973 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.055, expected volatility of 130%, a risk-free rate of return of 3.73% and an expected life of 2 years.

During the year ended December 31, 2023, all debenture holders converted their principal amount and accrued interest into the common shares of the Company (Note 13). The total amount converted was $2,397,385 in exchange for 26,637,606 common shares at $0.09 per share.

During the year ended December 31, 2023, the Company issued 8,100,000 restricted shares representing a value of $850,500 or $0.105 per share. As part of this issuance, 50% vested immediately on October 19, 2023 and the remainder will vest one year after issuance. With respect to this award, the Company recognized $510,300 as stock-based compensation in 2023 which comprises $425,250 for the vested portion and $85,050 for the amortization of the unvested portion. In addition, the Company issued 12,009,600 shares in settlement of debt owed to various insiders and consultants of the Company for a total value of $810,648.

15. Warrants

On September 12, 2023, the Company performed a consolidation of its issued and outstanding share capital on the basis of one (1) new common share for every ten (10) outstanding common shares. The same 1:10 consolidation was performed for all outstanding warrants and stock options.

The following table reflects the continuity of warrants for the years ended December 31, 2023 and 2022:

(Expressed in Canadian Dollars)

	Warrants Pre-Consolidation	Warrants Post-Consolidation	Weighted Average Exercise Price
Balance, December 31, 2021	**14,207,583**	**1,420,758**	**$2.10**
Issued	8,294,000	829,400	$1.00
Balance, December 31, 2022	**22,501,583**	**2,250,158**	**$1.70**
Balance, December 31, 2022	**22,501,808**	**2,250,181**	**$1.70**
Issued - May 12, 2023 private placement	7,844,000	784,400	$0.50
Issued - May 12, 2023 private placement (finders)	459,520	45,952	$0.50
Expired - finders warrants with May 28, 2023 maturity	(315,000)	(31,500)	$3.00
Issued - June 9, 2023 convertible debenture subscription	25,860,000	2,586,000	$0.50
Issued - June 15, 2023 convertible debeture subscription	6,500,000	650,000	$0.50
Expired - finders warrants with August 31, 2023 maturity	(355,500)	(35,550)	$1.00
Expired - finders warrants with September 20, 2023 maturity	(288,000)	(28,800)	$1.00
Expired - finders warrants with December 17, 2023 maturity	(193,500)	(19,350)	$1.50
Issued - September 22, 2023 convertible debenture subscription	-	1,074,000	$0.50
Issued - September 25, 2023 convertible debenture subscription	-	360,000	$0.50
Balance, December 31, 2023	-	**7,635,333**	**$0.84**

The following table reflects warrants outstanding as at December 31, 2023:

Expiry Date	Exercise Price Pre-Consolidation	Exercise Price Post-Consolidation	Weighted Average Life Remaining (Years)	Warrants Pre-Consolidation	Warrants Post-Consolidation	Black-Scholes Value
May 28, 2024	$ 0.30	$ 3.00	0.41	6,033,333	603,333	$ 287,186
August 31, 2024	$ 0.15	$ 1.50	0.67	1,975,000	197,500	$ 83,938
September 20, 2024	$ 0.15	$ 1.50	0.72	1,937,500	193,750	$ 69,750
October 28, 2024	$ 0.15	$ 1.50	0.83	649,975	64,998	$ 13,765
December 17, 2024	$ 0.15	$ 1.50	0.96	2,460,000	246,000	$ 30,940
February 7, 2025	$ 0.10	$ 1.00	1.10	5,000,000	500,000	$ 353,000
March 15, 2025	$ 0.10	$ 1.00	1.21	750,000	75,000	$ 53,000
March 15, 2025	$ 0.10	$ 1.00	1.21	60,000	6,000	$ 4,000
March 24, 2025	$ 0.10	$ 1.00	1.23	1,750,000	175,000	$ 100,000
March 24, 2025	$ 0.10	$ 1.00	1.23	140,000	14,000	$ 8,000
April 5, 2025	$ 0.10	$ 1.00	1.26	550,000	55,000	$ 27,000
April 5, 2025	$ 0.10	$ 1.00	1.26	44,000	4,400	$ 2,000
May 12, 2025	$ 0.05	$ 0.50	1.37	7,844,000	784,400	$ 289,723
May 12, 2025	$ 0.05	$ 0.50	1.37	459,520	45,952	$ 16,973
June 30, 2025	$ 0.05	$ 0.50	1.50	25,860,000	2,586,000	$ 659,064
June 30, 2025	$ 0.05	$ 0.50	1.50	6,500,000	650,000	$ 192,785
June 30, 2025		$ 0.50	1.50	-	1,074,000	$ 81,968
June 30, 2025		$ 0.50	1.50	-	360,000	$ 19,626
		$ 0.84	**1.30**	-	**7,635,333**	**$ 2,292,718**

The warrants with previous expiry dates of May 28, 2023 (6,033,333 warrants, 603,333 post-consolidation), August 31, 2023 (1,975,000 warrants, 197,500 post-consolidation), September 20, 2023 (1,937,500 warrants, 193,750 post-consolidation), October 28, 2023 (649,975 warrants, 64,998 post-consolidation) and December 17, 2023 (2,460,000 warrants, 246,000 post-consolidation) have had their expiry dates extended by exactly one (1) year to allow more time for the holders to exercise their rights. The exercise price of these warrants remained unchanged (except due to a 1:10 consolidation impact) and the Company chose to adopt the option available under IAS 32 and did not change their valuation. In addition, 315,000 (31,500 post-consolidation) finder's warrants (expiry date of May 28, 2023), 355,500 (35,550 post-consolidation) finder's warrants (expiry date August 31, 2023), 288,000 (28,800 post-consolidation) finder's warrants (expiry date September 20, 2023) and 193,500 (19,350 post-consolidation) finder's warrants (expiry date December 17, 2023) expired unexercised.

16. Stock Options

On September 12, 2023, the Company performed a consolidation of its issued and outstanding share capital on the basis of one (1) new common share for every ten (10) outstanding common shares. The same 1:10 consolidation was performed for all outstanding warrants and stock options.

The following table reflects the continuity of stock options for the years ended December 31, 2023 and 2022:

(Expressed in Canadian Dollars)

	Stock Options Pre-Consolidation	Stock Options Post-Consolidation	Weighted Average Exercise Price
Balance, December 31, 2021	**10,150,000**	**1,015,000**	**$2.00**
Granted	1,350,000	135,000	$1.00
Exercised	(850,000)	(85,000)	$1.00
Balance, December 31, 2022	**10,650,000**	**1,065,000**	**$1.90**
Balance, December 31, 2022	**10,650,000**	**1,065,000**	**$1.90**
Cancelled - April 17, 2023	(2,400,000)	(240,000)	$2.50
Cancelled - October 19, 2023	-	(725,000)	$1.56
Granted - October 19, 2023	-	490,000	$0.10
Granted - November 23, 2023		10,000	$0.10
Balance, December 31, 2023	-	**600,000**	**$0.58**

On January 13, 2022, the Company granted 500,000 options to a director of the Company exercisable at a price of $0.10 for a three-year term. A fair value of $33,000 was assigned to these options, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.10, expected volatility of 130%, a risk-free rate of return of 1.21% and an expected life of 3 years. The options vested immediately upon grant.

On February 18, 2022, the Company granted 850,000 options to a consultant exercisable at a price of $0.10 for a three-year term. A fair value of $60,000 was assigned to these options, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.095 expected volatility of 130%, a risk-free rate of return of 1.57% and an expected life of 3 years. The options vested immediately upon grant. These options were exercised during the year and the Company issued 850,000 common shares for proceeds of $85,000. On exercise, $60,000 was transferred from contributed surplus to share capital.

On April 17, 2023, the Company, with the agreement of the option holders, cancelled 2,400,000 (240,000 post-consolidation) stock options with exercise prices ranging from $0.13 to $0.50 ($1.30 to $5.00 post-consolidation) and expiry dates between December 9, 2024 and February 4, 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.

On October 19, 2023, the Company, with the agreement of the option holders, cancelled 725,000 (7,250,000 pre-consolidation) stock options with exercise prices ranging from $1.30 to $5.00 ($0.13 to $0.50 pre-consolidation) 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.

On October 19, 2023, the Company granted 490,000 stock options to certain insiders and arm's length parties exercisable at a price of $0.095, with 50,000 of the options expiring on December 10, 2024 and 440,000 of the options expiring on July 6, 2026. The options vested immediately. A fair value of $42,522 was assigned to these options, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.1050, expected volatility of between 158% to 242%, a risk-free rate of return of between 4.79% and 5.12% and an expected life of between 1.15 years to 2.72 years.

On November 23, 2023, the Company granted 10,000 stock options to an insider exercisable at a price of $0.095 and expiring on July 6, 2026. The options vested immediately. A fair value of $1,922 was assigned to these options, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.23, expected volatility of between 165%, a risk-free rate of return of 4.32% and an expected life of between 2.62 years.

Expiry Date		Exercise Price Pre-Consolidation		Exercise Price Post-Consolidation	Weighted Average Life Remaining	Stock Options Pre-Consolidation	Stock Options Post-Consolidation
December 10, 2024	$	0.50	$	5.00	0.94	500,000	50,000
December 10, 2024			$	0.095	0.94		50,000
January 13, 2025	$	0.10	$	1.00	1.04	500,000	50,000
July 6, 2026			$	0.095	2.52		440,000
July 6, 2026			$	0.210	2.52		10,000
			$	**0.58**	**2.13**		**600,000**

(Expressed in Canadian Dollars)

17. Related Party Balances and Transactions

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

Year Ended December 31		2023		2022
Remuneration paid to key management	$	875,183	$	841,158
Stock-based compensation	$	536,358	$	33,000

The Company defines key management as the Company's directors and officers. As at December 31, 2023, amounts due to key management for remuneration totaled $234,830 (2022- $54,408). Stock-based compensation in the table above relates to the restricted shares issued to the management team (Note 14) as well as the stock options issued to one of the directors on October 19, 2023. The Company issued 8,100,000 restricted shares representing a value of $850,500 or $0.105 per share. As part of this issuance, 50% vested immediately on October 19, 2023 and the remainder will vest one year after issuance. With respect to this award, the Company recognized $510,300 as stock-based compensation in 2023 which comprises $425,250 for the vested portion and $85,050 for the amortization of the unvested portion. The stock options issued to one of the directors were valued at $26,058 using the Black-Scholes model (see Note 16).

On February 7, 2022, the Company obtained a $500,000 loan from a lender whose president is also an officer of the Company. Interest of $24,822 for the year ended December 31, 2023 was expensed and the entire balance of the loan was converted into a convertible debenture on June 9, 2023. The details of this transaction are provided in Note 10 to these consolidated 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 $6,263 for the year ended December 31, 2023 was expensed and the entire balance of the loan was converted into a convertible debenture on June 9, 2023. The details of this transaction are provided in Note 12 to these consolidated financial statements.

On June 9, 2023, convertible debenture units were issued to the lenders of the promissory note payable (Note 10) and loan payable (Note 12) as part of the loan conversion process. Both lenders are related parties as described in the paragraphs above. The details of this transaction are provided in Note 13 to these consolidated financial statements. As of December 31, 2023, none of the outstanding convertible debenture units are held by the related parties as those units were fully converted into the common shares of the Company on September 26, 2023. The total amount converted by the related parties was $760,303 at $0.09 per share for 8,447,814 common shares. Interest of $26,303 on the convertible debenture held by related parties for the year ended December 31, 2023 was expensed.

During the year ended December 31, 2023, the Company expensed $616,743 (2022 - $659,243) for digital marketing services provided by a firm controlled by an officer of the Company. As at December 31, 2023, $nil (2022 - $195,666) was included in accounts payable and accrued liabilities in connection with these services.

During the year ended December 31, 2023, the Company expensed $nil (2022 - $101,081) for legal services provided by a firm, a partner of which was a director of the Company. As at December 31, 2023, $131,507 (2022 - $82,270) was included in accounts payable and accrued liabilities. On November 2, 2022, this director resigned from his position, but his firm continues to provide legal services to the Company.

During the year ended December 31, 2023, the Company expensed $nil (2022 - $75,678) 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 December 31, 2023, the Marrelli Group was owed $nil (2022 - $nil). As of December 6, 2022, the Company no longer uses the services of the Marrelli Group.

On August 28, 2023, the Company entered into a partnership agreement with HUCK Project LLC which is a firm controlled by an officer of the Company. The Company has undertaken a number of related party transactions with HUCK on August 28, 2023 and during the period from August 29, 2023 to December 31, 2023. Refer to Note 18 for a full description of the partnership agreement and the related party transactions.

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.

18. Sales and License Agreement

On August 28, 2023, the Company entered into a partnership agreement ("Partnership Agreement") with HUCK Project LLC ("HUCK"), whereby HUCK became the Company's non-exclusive global retail-only distribution partner. HUCK is a US-based digital marketing firm that is owned by a director and officer of Company and is therefore a related party.

As per the Partnership Agreement, the Company transferred the operation of its e-commerce site to HUCK, including advertising and marketing activities and, without limitation, the duty to reimburse the Company for all outstanding costs, debts, liabilities, and payments associated with the Company's obligations related to or otherwise associated with the e-commerce site. Proceeds from revenues from the sale of all products as well as expenses related to the cost of goods sold, marketing, advertising, commissions are the responsibility of HUCK subsequent to August 28, 2023. HUCK also undertook to maintain sufficient inventory to ensure the ongoing operation of the e-commerce site in a commercially reasonable manner. In return, the Company is entitled to receive royalty by way of a cash royalty, payable each month, and special royalty, which can only be levied upon prior agreement of both parties. The cash royalty amount is calculated on HUCK's tiered monthly sales in US$ using a royalty range for each tier. The actual percentage rate applied from within the royalty range is at the discretion of management.

As part of the agreement HUCK also undertook to reimburse the Company for repayments made by it towards its e-commerce platform loan from September 29, 2023.

At the end of day on August 28, 2023 and during the period from August 29, 2023 to December 31, 2023, the Company recorded the following related party transactions with HUCK as per the Partnership Agreement:

- Transfer of existing inventory on hand and prepaid inventory in transit to HUCK on August 28, 2023 in the amount of $684,038. The value of existing inventory transferred was $159,215 and the value of inventory in transit was $524,823. As a result of this transfer, there remains a $nil balance of inventory on hand and $22,847 in manufacturing deposits. The manufacturing deposits balance is part of the prepaid and sundry receivable balance on the consolidated statements of financial position.

- During the period from August 29, 2023 to December 31, 2023, the Company made two additional payments for inventory on behalf of HUCK in the amount of $688,008.

- During the period from August 29, 2023 to December 31, 2023, the Company paid various expenses which belong to HUCK as per the Partnership Agreement in the amount of $667,337. These were for marketing, advertising, commissions, shipping, fulfillment, consulting and other fees.

- During the period from August 29, 2023 to December 31, 2023, HUCK paid various expenses which belong to the Company in the amount of $348,252.These were for marketing, advertising and other, which were incurred prior to August 28, 2023.

- During the period from August 29, 2023 to September 30, 2023, HUCK reimbursed the Company $197,183 representing the Company's repayments of its e-commerce platform loan and this has been recorded as income and charged to HUCK.

- During the period from August 29, 2023 to December 31, 2023, the Company collected $4,897,704 in sales proceeds (inclusive of sales tax and shipping fees) on behalf of HUCK. In the same time period, the Company transferred $2,510,658 to HUCK in settlement of this payable balance.

- During the period from August 29, 2023 to December 31, 2023, HUCK reported total net sales of $4,874,704 (exclusive of tax and shipping fee income) and the Company accrued cash royalty in the amount of $283,427 and no special royalty. In November 2023, the Company provided a rebate of $17,773 on the previous royalty charged to HUCK based on holistic review of HUCK's sales activity. Please refer to the table below for the breakdown of the cash royalty by month.

(Expressed in Canadian Dollars)

Cash Royalty Income

Year 2023		Net Sales (CAD)	Rate		Royalty		Rebate		Net Royalty
August (August 29 to August 31)	$	128,463	10%	$	12,846	$	-	$	12,846
September	$	1,020,753	10%	$	102,075	$	-	$	102,075
October	$	926,880	5%	$	46,344	$	-	$	46,344
November	$	1,988,119	5%	$	99,406	$	17,773	$	81,633
December	$	810,576	5%	$	40,529	$	-	$	40,529
								$	**283,427**

- The table below provides a summary of all the transactions with HUCK during the year ended December 31, 2023. The net payable balance of $215,305 has been included in the accounts payable and accrued liabilities balance on the consolidated statements of financial position as at December 31, 2023.

Due from HUCK		**December 31, 2023**
Inventory on hand and prepaid inventory transfer to HUCK on August 28, 2023	$	684,038
Subsequent inventory purchase paid by the Company on behalf of HUCK		688,008
Cash royalty		283,427
Subsequent HUCK related expenses paid by the Company		667,337
Credit reimbursement		197,183
Subtotal	**$**	**2,519,993**
Due to HUCK		**December 31, 2023**
Sales proceeds received by the Company and payable to HUCK	$	4,897,704
Transfer of sales proceeds to HUCK		(2,510,658)
Subsequent Company related expenses paid by HUCK		348,252
Subtotal	**$**	**2,735,298**
Net Payable Balance	**$**	**215,305**

Management used IFRS 10 guidance to determine whether it has control over HUCK and based on a number of judgements determined that no control exists due to the Company not having exposure or rights to variable returns from its involvement with HUCK. As a result, the Company has not consolidated the financial results of this segment of HUCK's business in its financial statements.

19. Segmented Information

The Company's operations consist of a single operating segment, located in Canada. During the year ended December 31, 2023, 79% (2022 - 78%) of sales were to US customers and 7% (2022 - 9%) being sold to customers in Canada. The Company's remaining customers are distributed widely throughout the world.

20. Net Loss Per Share

The calculation of basic and diluted loss per share for the year ended December 31, 2022 was based on the loss attributable to common shareholders of $4,782,513 (2022 - $3,908,848), and the weighted average number of common shares outstanding of 26,464,003 (2022 – 15,787,908). Options and warrants have been excluded from the calculation of weighted average number of common shares outstanding as they are antidilutive.

21. Prepaid and Sundry Receivable

		December 31, 2023		December 31, 2022
Refundable GST/HST	**$**	-	$	6,656
Prepaid expenses		**30,167**		62,994
Manufacturing deposits		**22,847**		340,350
	$	**53,014**	$	410,000

(Expressed in Canadian Dollars)

22. Cost of Goods Sold

Cost of goods sold is comprised of the following:

For the year ended December 31		2023		2022
Manufactured product cost	$	1,390,326	$	1,269,369
Shipping expenses		112,911		207,619
Fulfillment services		309,757		417,439
E-commerce fees		268,569		317,463
Other		146,707		74,520
	$	2,228,270	$	2,286,410

All of the Company's products are manufactured by a sole supplier located overseas. The Company has dealt with the same supplier since its inception 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.

23. Accounts Payable and Accrued Liabilities

		December 31, 2023		December 31, 2022
Accounts payable and accrued liabilities	$	1,275,938	$	1,553,805
Due to HUCK (Note 18)		215,305		-
Insurance loan payable		24,516		40,481
Other		581,859		301,747
	$	2,097,618	$	1,896,033

Other accounts payable as at December 31, 2023 represents provisions for sales taxes payable.

24. Subsequent Events

As of January 1, 2024, the Company has terminated the Partnership Agreement with HUCK (see Note 18 for details of the agreement). The combination of stronger financial position, improved company valuation and feedback that the Company received from investors led the management of the Company to believe that the primary objective of the partnership with HUCK, announced on August 28, 2023, has been largely achieved. Both companies have retained a friendly relationship and agreed to all terms and conditions.

On January 20, 2024, the Company obtained another tranche of the e-commerce platform loan in the amount of $800,000 for a total repayable amount of $888,000 which includes a finance charge of $88,000.

On February 16, 2024, the Company closed a non-brokered private placement of 26,666,663 units of the Company at a price of $0.15 per unit for aggregate gross proceeds of approximately $4,000,000. Each unit is comprised of one common share in the Company and one common share purchase warrant being exercisable into one common share at a price of $0.25 per share for a period of 24 months from closing of the offering.

On March 20, 2024, the Company announced the appointment of Jamie Cochran to the Company's Board of Directors who will replace the existing director, Ruslan Elensky.

25. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2022 -26.5%) to the effective rate is as follows:

		2023		2022
Loss before income taxes	$	(4,782,513)	$	(4,082,902)
Expected income tax expense (recovery)	$	(1,267,367)	$	(1,081,969)
Stock based compensation and non-deductible expenses		457,972		130,858
Change in tax benefits not recognized		809,395		951,111
Income tax expense (recovery)	$	-	$	-

(Expressed in Canadian Dollars)

Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		2023		2022
Property, plant and equipment	$	**60,280**	$	50,464
Intangible assets		**686,487**		558,344
Share issuance costs		**131,255**		301,341
Non-capital losses carried forward		**22,963,822**		19,707,398
Other temporary differences		**-**		20,000
	$	**23,841,844**	$	20,637,458

The Canadian non-capital loss carry forwards expire as noted in the below table. Share issue and financing costs will be fully amortized in 2027. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been fully recognized in respect of these items because it is not probable that future profit will be available against which the Company can use the benefits therefrom.

2033	$	58,916
2034		31,623
2035		35,506
2037		1,531,715
2038		1,661,560
2039		1,066,686
2039		1,576,987
2040		4,614,056
2041		5,036,183
2042		4,210,464
2043		3,140,126
	$	**22,963,822**

American Aires Inc.

Management Discussion and Analysis

Form 51-102F1

For the year ended December 31, 2023

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of American Aires Inc. ("Aires" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 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, 2023, together with the notes thereto. Information contained herein is presented as at April 11, 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. From inception to August 28, 2023, the Company was 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". Subsequent to August 28, 2023, the Company entered a partnership agreement ("Partnership Agreement") with HUCK Project LLC ("HUCK"), whereby HUCK became the Company's non-exclusive global retail-only distribution partner. With HUCK committing its resources to retail operations, the Company has shifted focus on new product development and engaging into larger and more lucrative original equipment manufacturer ("OEM") deals.

Notable changes to the Company's operating model in 2023:

On August 28, 2023, the Company announced a partnership agreement with HUCK Project LLC ("HUCK") whereby HUCK became the Company's non-exclusive global retail-only distribution partner. HUCK is a US-based digital marketing and advertising consulting and execution group. HUCK is a related party because it is controlled by the CEO of the Company. It was engaged in 2021 to devise the plan for and execute on brand development and sales growth initiatives.

This partnership agreement bears a two-fold rationale. Firstly, management believes that this outsourcing strategically positions the Company as a pure biotechnology firm. With HUCK committing its resources to retail operations, the Company plans to focus on R&D, new product development and engaging into larger and more lucrative Original Equipment Manufacturer ("OEM") deals. This new focus and royalty-based revenues are anticipated to re-shape the Company's operations and investor perception, improving the Company's valuation as it transforms from a working-capital heavy consumer product firm into an R&D-heavy entity with its business core rooted in deep technological and scientific expertise protected by patents. Secondly, by outsourcing retail operations to HUCK, the Company transfers the inventory financing burden over to HUCK, a US-based entity which is better positioned to source financing options to support the growing inventory investments.

The partnership agreement was largely an extension of the working relationships already established between the Company and HUCK as it has been managing day-to-day operations of the Company's Shopify store and overseeing the entire sales, marketing and advertising functions since 2021. The agreement also gives complete flexibility over partnership economics to the Company through a set of two royalties, both to be set monthly by the Company. All of the intellectual property, trademarks and patents, including the Shopify store remain with the Company. Please refer below for the key points of the agreement:

- The Company granted to HUCK a non-exclusive, sublicensable licence to make, use, advertise, sell, promote, manufacture, the intellectual property, and to offer the retail e-commerce services, worldwide.
- HUCK acquired from the Company all inventory of the Company (including current, in-transit and pending inventory) for the sum of $684,038.

- HUCK shall maintain sufficient inventory to ensure the ongoing operation of the Company's store in a commercially reasonable manner.
- The Company permits HUCK to submit orders directly to UAB Technano for the manufacture of Lifetune-branded products.
- HUCK shall pay to the Company a monthly royalty based upon sales by it of the Company's products. The royalty shall comprise a cash royalty portion and a special royalty portion based on the agreed upon pricing structure. The royalty amount is based on a tiered matrix structure and depends on the level of monthly sales reported by HUCK. The cash royalty varies between 5% to 30% and is payable to the Company on a monthly basis. The special royalty varies between 0% to 10% and can only be levied by prior agreement between the parties.
- HUCK shall reimburse the Company for any repayments made by the Company with respect to its e-commerce platform loan unless any portion is forgiven by the Company.

As of January 1, 2024, the Company has terminated the Partnership Agreement with HUCK. The combination of a stronger financial position, improved company valuation and feedback that the Company received from investors led the Company to believe that the primary objective of the partnership with HUCK, has been largely achieved. Both companies have retained a friendly relationship and agreed to all terms and conditions.

Notable changes in team structure in 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. Dimitry 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.

v) On April 21, 2023, the Company announced the resignation of one of its directors, Jacinto Vieira. The Company has a sufficient number of directors on its Board of Directors and therefore this resignation has not had any impact on its governance, operations and decision-making.

Notable updates in technology and research in 2023:

i) On April 13, 2023, The Company announced the publication of a peer-reviewed research paper, titled "Computer Simulation of the Response of a Semiconductor Wafer with a Self-Affine Pattern in the Form of a System of Coupled Ring Grooves to Electromagnetic Radiation." The research was also presented in London, UK at the 7th International Congress on Information and Communication Technology (ICICT). The study demonstrates that the semiconductor wafer with a self-affine pattern, the core of Lifetune products, can modulate electromagnetic fields in a controllable and tunable way. The research results reveal that the unique pattern greatly impacts the electromagnetic field distribution in the wafer, changing both the strength and phase of the radiation. This pattern causes a customizable phase shift in the radiation based on wavelength, which can be adjusted by modifying the pattern's geometry. This research supports the findings that Lifetune products can modify electromagnetic fields (EMFs) to make them less harmful to living organisms, such as humans. The Company currently sells products designed to protect humans and other biological organisms from the harmful effects of long-term exposure to electromagnetic radiation (EMR) and EMFs produced by man-made technology, cellular, and wireless technologies. The research sets the Company's products apart from competitors, as it provides credible scientific evidence for the effectiveness of Lifetune technology.

ii) On April 27, 2023, the Company announced significant progress on a global technology patent that bolsters its intellectual property portfolio. The functional patent, titled "Method for Protecting Biological Objects from the Negative Influence of Technogenic Electromagnetic Radiation", focuses on safeguarding living organisms from harmful electromagnetic radiation without interfering with the functioning of electronic devices. After nearly four years of collaboration with multiple government patent offices and examiners, the patent has received Patent Pending status in the following jurisdictions – a) WIPO, which includes a total of 36 countries including all of the EU, b) Canada and c) USA. The patent describes the technology already integrated into the Company's current product lineup called Lifetune. The patent specifically describes a method that employs a fractal-matrix structure to generate a protective field surrounding the living organism. This structure, consisting of ring-shaped patterns forming a grid-like arrangement, functions as a converter, harmonizing and reorganizing electromagnetic radiation into a more coherent and biologically friendly form. The patent further describes a protective converter which can be placed directly on the living organism or between the organism and the radiation source, providing flexibility and versatility in delivering electromagnetic radiation protection. This patent and the Aires technology advances Aires' mission to enhance well-being and environmental safety through science-led innovation, education, and advocacy. This significant progress on the Company's global patent filing signifies a major milestone, showcasing its dedication to continuous innovation and development in the field of EMF protection. The Lifetune technology has been in the market for several years and this patent will help ensure its long-term success, while distinguishing the Company from competitors with less scientific rigor. The Company remains focused on providing advanced EMF protection solutions built on rigorous scientific research and development. The Company already holds over 20 patents and is committed to staying at the forefront of the industry through furthering its science and innovation.

Notable updates on business partnerships in 2023

On November 16, 2023, the Company entered into a partnership with Arizona-based wellness-tech firm, OMSLEEP. This OEM collaboration integrates Aires' Lifetune EMF modulation technology into OMSLEEP's soon-to-be-launched Om Mask, significantly enhancing its feature set and bolstering OMSLEEP's vision to deliver the best sleep experience. This represents a key milestone in Aires' evolution. The integration of the Company's EMF modulation technology into the Om Mask reflects management's strategic shift towards technology development and licensing across various business categories where bio-protection and bio-correction needs are evident. This collaboration signifies the Company's commitment to this larger vision and highlights the demand for and adaptability of our technology within many market sectors.

Additional description of business

i. Principal markets

All of the Company's products are manufactured in Europe and sold primarily in North America and elsewhere throughout the world. The Company sells 100% of its products through the global platform Shopify Inc. ("Shopify"), catering to the entire world. The majority of orders originate from the USA and Canada. During the year ended December 31, 2023, 79% of sales were to the US customers, 7% to Canadian customers and the remaining customers are distributed widely throughout the world.

ii. Distribution methods

The Company utilizes warehousing and fulfillment services offered by ShipBob, Inc. ("**ShipBob**"). ShipBob receives and stores the Company's products at its location in Carrollton (Texas, USA), Altona (Australia), Gorzów Wielkopolski (Poland) and Brampton (Canada). ShipBob receives instructions directly from Shopify with customer shipping and order details. ShipBob then picks, packs and ships out the order using a set of carriers which include global players such as DHL, FedEx, USPS and others. All of the orders are fulfilled by ShipBob.

iii. Description of Product

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

- Lifetune One is the "stick it and forget it" solution for everyday electronics. With its adhesive backing, it attaches directly to any device or protective case, including smartphones, tablets, and headphones.
- Lifetune Go is a compact, wearable, and durable solution for personalized protection, designed with a small hole to be carried on keys, worn as a pendant, or carried in a purse or pocket.
- Lifetune Zone is an extensive solution for surrounding protection in confined areas. With a minimalistic design, but a great amount of power, the Zone can be placed on desks while working, next to a bed while sleeping, or relocated from room to room in a home or office as needed.
- Lifetune Zone Max is a wide-range solution to maximize the daily environment. With a sleek design and an extensive range of protection, Zone Max can be placed in the main living areas of homes or open spaces in offices.
- Lifetune Flex is a versatile and resilient solution for customizable protection throughout the day and night. Designed for flexibility, whether you want to carry it with you or place it by your side, the Flex is your right-hand companion.

During the year ended December 31, 2023, 70% of sales were from Lifetune One, 6% from Lifetune Go, 7% from Lifetune Zone, 7% from Lifetune Zone Max and 10% from Lifetune Flex.

iv. Regulatory requirements

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

v. Outsourced relationships

The Company engages various consultants to help manage certain aspects of the business, including accounting, legal and other professional services. As mentioned above, the Company engaged ShipBob's warehousing and fulfillment services and Shopify's e-commerce platform and hosting services. The Company also engaged VaynerCommerce LLC, a US-based, recognized and award-winning marketing agency with a well-known list of customers. Furthermore, as described in more detail below, the Company engaged UAB Technano as manufacturing broker for the Company's products.

vi. Method of production/manufacturing processes

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

vii. Customer base and sales channels

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

viii. Intellectual property and patents

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

ix. Countries in which the Company operates

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

x. Employees

There is currently 1 full-time employee and 2 full-time consultants forming the Company's management team. The bulk of the business is run with the use of professional services firms specialized in their respective fields.

xi. Product development

The Company is currently not heavily engaged in R&D initiatives. Having completed the initial product development and heavy R&D stages, the Company has streamlined the process of manufacturing the five products currently available for sale with an established manufacturing process, managed by a third party and overseen by management. The Company's products have already reached a relatively mature stage and do not require further advancements at this time. R&D is possible if the Company seeks to expand its product offering in the future, but management currently intends to focus on scaling up the Company's sales channel for current products. There have been no changes in the manufacturing process and no changes are expected to be implemented, maintaining the process and product quality at the high level it is today.

xii. Pricing and cost structures

The cost of major components is negotiated on a contract-by-contract basis and so is the final cost of the product. With respect to pricing for the final sale to the consumer, the Company retains control over the pricing it charges. There is no third party involved in the price-setting mechanism. In the event of a manufacturing cost increase, the Company has the ability to pass through the incremental costs to the consumer in the form of higher retail pricing.

xiii. Inventory safeguarding

ShipBob is a recognized and established player in the global eCommerce fulfillment segment. It is also a reputable US-based business with 30 fulfillment centers and partnerships with Amazon, Shopify, Shopify Plus, BigCommerce, eBay, SquareSpace and Walmart, among others. The shipments of inventory from the manufacturer arrive at ShipBob's locations and are confirmed with the Company by item SKU and quantity to ensure all records match.

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, 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 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.

Overall Performance and Highlights

The Company continued to build on the strength in demand and produced record sales of $5.5 million for the period from January 1, 2023 to August 28, 2023, prior to entering into a partnership agreement with HUCK. For the remainder of the year, HUCK sales amounted to $4.9 million and therefore the combined sales for the year ended December 31, 2023 were $10.4 million, representing a 79% increase year-over-year ("YOY"). 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 Combined information demonstrates significant reduction in core net loss compared to the prior year. Please refer to section "Discussion of Combined Operations" for additional details on the revenue growth and other financial performance metrics.

Key capital markets highlights

- On May 12, 2023, the Company closed a non-brokered private placement and issued an aggregate of 7,844,000 (784,400 post-conversion) units at a price of $0.05 per unit for gross proceeds of $392,000.
- On June 9, 2023, the Company converted $1.29 million of its existing debt into a convertible debenture which bears interest at a rate of 12% per annum, payable semi-annually in arrears and with a maturity date of June 30, 2025.
- On June 15, 2023, the Company issued additional units of convertible debenture to arm's length investors for gross proceeds of $325,000. On September 22, 2023 and September 25, 2023, the Company issued additional convertible debenture units to arm's length for gross proceeds of $717,000. These transactions have provided the Company with a much needed cash injection to secure more inventory production in the times of rapidly growing sales.
- On September 26, 2023, the vast majority of the debenture holders converted their principal amount and accrued interest into the common shares of the Company. The total amount converted was $1,885,188 in exchange for 20,946,530 common shares at $0.09 per share. On October 12, 2023 and October 13, 2023, the remaining units were converted into the commons shares of the Company. The amount converted was

(Expressed in Canadian Dollars)

$512,197 for 5,691,076 commons shares at $0.09 per share. This equity conversion has improved the Company's working capital position by substantially reducing its liabilities.

- On September 12, 2023, the Company performed a consolidation of its issued and outstanding share capital on the basis of one (1) new common share for every ten (10) outstanding common shares. The same 1:10 consolidation was performed for all outstanding warrants and stock options.

Discussion of Operations

Management notes that the table below only includes the financial results of the Company and excludes HUCK's financial results. As part of the partnership agreement, HUCK is responsible for all sales, inventory management, advertising and marketing for the period from August 29, 2023 to December 31, 2023. Management used IFRS 10 guidance to determine whether it has control over HUCK and based on a number of judgements determined that no control exists due to the Company not having exposure or rights to variable returns from its is involvement with HUCK. As a result, the Company has not consolidated the financial results of this segment of HUCK's business in its financial statements.

Revenue		2023		2022	YOY %
Sales	$	5,499,689	$	5,822,140	-6%
Cost of sales	$	(2,081,563)	$	(2,211,890)	-6%
Gross margin	**$**	**3,418,126**	**$**	**3,610,250**	**-5%**
Gross margin %		62%		62%	
Core expenses					
Advertising and promotion	$	(2,210,866)	$	(2,443,604)	-10%
Marketing	$	(1,307,692)	$	(1,970,265)	-34%
Core Net Income (Loss)	**$**	**(100,432)**	**$**	**(803,619)**	**-88%**
Overhead costs					
Office and general	$	(293,558)	$	(363,818)	-19%
Consulting and payroll	$	(1,149,230)	$	(1,249,912)	-8%
Legal and professional	$	(392,190)	$	(283,864)	38%
Adjusted EBITDA	**$**	**(1,935,410)**	**$**	**(2,701,213)**	**-28%**
Other					
Cash royalty income	$	283,427	$	-	N/A
Credit reimbursement income	$	197,183	$	-	N/A
Stock-based compensation	$	(554,744)	$	(139,667)	297%
Interest charges	$	(616,809)	$	(502,089)	23%
Equity-based finance charge	$	(953,444)	$	(353,000)	170%
Consulting fees settled in shares *(1)*	$	(782,057)	$	-	N/A
Depreciation	$	(137,958)	$	(138,359)	0%
Foreign exchange settlement *(2)*	$	(100,000)	$	-	N/A
Sales tax provision *(3)*	$	(146,707)	$	(74,520)	97%
Net Income (Loss)	**$**	**(4,746,519)**	**$**	**(3,908,848)**	**21%**

(1) "Consulting fees settled in shares" is presented as part of "Consulting fees" in audited financial statements
(2) "Foreign exchange settlement" is presented as part of "Office and general" in audited financial statements
(3) "Sales tax provision" is presented as part of "Cost of sales" in audited financial statements
(4) Terms like Core Net Income (Loss) and Adjusted EBITDA are non-GAAP measures and are reconciled to Net Income (Loss) which is a GAAP measure

The Company reported sales of $5.5 million for the period from January 1, 2023 to August 28, 2023, prior to entering into a partnership agreement with HUCK. The 6% decrease YOY is solely attributable to comparing results for approximately eight months to a full year. If sales of the Company's products via the HUCK agreement for the remainder of the year ($4.9 million) are included the combined result would be $10.4 million, representing a 79% YOY increase. We continued to enjoy the tailwinds from the advertising and promotion strategy revamp which commenced in August 2021 and remained on track for a continuous and gradual increase in advertising spending throughout 2022 and 2023. 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 percentage was reported at 62% in 2023 which is consistent with prior year and exemplifies continued focus on optimization of manufacturing and fulfillment costs.

Post-transition to the partnership agreement (August 29, 2023 to December 31, 2023), the Company also recorded revenue of $0.28 million from cash royalty charged to HUCK which represents a blended rate of 5.8% of the net sales (excluding shipping fee income) reported by HUCK during that period. In addition, $0.2 million of e-commerce loan repayments that have been reimbursed by HUCK were recorded as income.

Advertising and promotion expenses decreased 10% YOY to $2.2 million, solely as a result of excluding HUCK post-transition period from the results. Overall, the Company pursued a continued strategy of revamping the entire approach to advertising. The major focus of the management team during this process was 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, we were able to better optimize advertising spending across channels. By deepening and putting more resources behind partnerships, we were able to ensure higher conversion rates and greater success of the influencers promoting our products, leading to a more fruitful and supportive long-term relationship. Overall, the advertising campaign oversight and reporting were improved to ensure a more accurate tracking of return on investment.

Marketing expenses decreased 34% YOY to $1.3 million, solely as a result of excluding HUCK post-transition period from the results. The marketing expenses are based on contracts with a number of marketing agencies that provide services based on a fee as opposed to commissions and therefore it is not expected to increase in the same proportion to sales.

Consulting and payroll expenses decreased 8% YOY to $1.1 million as a result of overall cost optimization and offset by utilizing consultants in the investor relations space, given that the Company had resumed trading on the stock exchange. In addition, salaries and benefits have gone down due to a departure of COO in January 2023 and resignation of a customer service specialist in March 2023.

Legal and professional fees have increased 38% YOY to $0.39 million. The professional fees include services performed by legal firms, bookkeepers and auditors. The increase is mainly attributed to using legal firms more in 2023 due to a private placement in May 2023 and various tranches of a convertible debenture issuances.

Office and general expenses (including rent and travel) have decreased 19% YOY to $0.29 million as a result of overall cost optimization which led to a decrease in internet and computer costs, absence of recruitment costs for senior management, reduced membership fees and subscription dues.

Stock-based compensation has increased 297% YOY to $0.55 million due to an increased need for such compensation amongst the staff and consultants in light of the Company resuming trading on the stock exchange. On October 19, 2023 and November 23, 2023, the Company cancelled previous stock options and re-issued new stock options to a number of directors, consultants and insiders. On October 19, 2023, the Company also issued restricted share units to management.

Interest charges have increased 23% YOY to $0.62 million as a result of taking on new debt during the year. During the year ended December 31, 2023, the Company entered into a new loan with a related party, received two new tranches of e-commerce platform loan and issued convertible debenture units. 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. In addition, the Company converted a substantial portion of its grid promissory note into a convertible debenture therefore saving on the royalty payments. In addition, the entire balance of the convertible debenture was eventually converted into the shares of the Company. Please refer to the section "Liquidity and Capital Resources" for more details. Equity-based finance charge has increased 170% to $0.95 million which relates to the value of warrants issued in connection with debt (the convertible debentures).

Fourth Quarter

In this quarter the Company did not record any sales or related costs as these had been transferred to HUCK. During this period, the Company recorded royalty revenue of $169K which represents 4.5% on $3.73 million (excluding shipping fee income) sales by HUCK. The sales are a 4th quarter record showing an increase of 53% on a quarter-over-quarter basis ("QOQ") compared to Q4 2022. The success is largely attributed to the revamped marketing and advertising strategy as was already mentioned in the previous sections. When compared to the previous quarters of 2023, high sales volumes are expected due to the seasonality. The following are the major highlights from the fourth quarter:

- Issuance of stock options to directors, insiders and consultants in the amount of $44,444 (vested amount)
- Issuance of restricted share units to management in the amount of $510,300 (vested amount)
- Settlement of $810,648 debt to consultants and management by issuing 12,009,600 common shares
- Conversion of $512,197 convertible debenture for 5,691,076 commons shares at $0.09 per share

Selected Annual Information

The selected financial information is derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The table below excludes the financial results of HUCK.

		2023		2022		2021		2020
Total revenue	$	5,980,298	$	5,822,140	$	2,553,061	$	2,313,656
Net loss and comprehensive loss for the year	$	(4,782,513)	$	(4,082,902)	$	(6,086,880)	$	(7,588,239)
Total assets	$	349,458	$	1,520,964	$	2,267,266	$	2,124,202
Total non-current financial liabilities	$	60,000	$	1,127,062	$	60,000		-

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"). The table below excludes the financial results of HUCK. Amounts are expressed in thousands of Canadian dollars, except for loss per share, which is rounded to the nearest cent.

		12/31/23		9/30/23		6/30/23		3/31/23		12/31/22		9/30/22		6/30/22		3/31/22
Total Assets	$	349	$	1,330	$	1,488	$	1,327	$	1,521	$	1,251	$	2,243	$	2,119
Total Revenue	$	169	$	2,399	$	1,926	$	1,487	$	2,453	$	1,182	$	1,498	$	689
Net Loss	$	(1,709)	$	(235)	$	(1,941)	$	(861)	$	25	$	(1,273)	$	(949)	$	(1,712)
Net Loss per Share	$	(0.03)	$	(0.01)	$	(0.10)	$	(0.04)	$	0.00	$	(0.08)	$	(0.06)	$	(0.11)

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 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 or Q3. 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 year ended December 31, 2023.

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.

Debt and Equity Transactions in 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 was due on July 24, 2024 unless further extended by the lender for an 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. The entire balance of the loan was converted into a convertible debenture on June 9, 2023.

On May 12, 2023, the Company closed a non-brokered private placement and issued an aggregate of 7,844,000 (784,400 post-consolidation) units at a price of $0.05 per unit for gross proceeds of $392,000. Each unit comprises one common share and one common share purchase warrant which entitles the holder to purchase one common share for a period of twenty-four months from the closing of the offering. The 7,844,000 (784,400 post-consolidation) warrants issued have an exercise price of $0.05 ($0.50 post-consolidation) and a two-year term. A fair value of $289,723 was assigned to these warrants. Cash costs of issue amounted to $23,076 in aggregate. In addition, the

(Expressed in Canadian Dollars)

Company issued 459,520 (45,952 post-consolidation) finder's warrants exercisable for $0.05 ($0.50 post-consolidation) per warrant with identical terms as the non-brokered private placement warrants above. A fair value of $16,973 was assigned to these warrants.

On June 9, 2023, the Company issued convertible debentures ("debentures") in the amount of $1,293,000 which bear interest at a rate of 12% per annum, payable semi-annually in arrears on the last day of June and December in each year, with the first interest payment payable on June 30, 2023. The maturity date is June 30, 2025. The debentures are convertible into common shares of the Company at the market price of the common shares at the time of conversion, determined by the most recent closing price on the day of conversion, at the option of the holders at any time prior to maturity. The convertible debentures were issued in units and each unit comprises $1,000 of principal and 20,000 common share purchase warrants (2,000 post-consolidation). Each warrant shall entitle the holder thereof to acquire one common share at an exercise price of $0.05 ($0.50 post-consolidation) until June 30, 2025. In addition, the debentures are secured by all of the assets of the Company. The original tranches ("original tranche") of this debenture were issued in-kind as part of the conversion of the promissory note payable, grid promissory note payable and loan payable. The total amount converted of $1,293,000 equated to 1,293 debenture units of which 734 units were issued to the related parties (lenders of the previously held promissory note payable and loan payable) and 559 units were issued to the arm's length investors (lenders of the previously held grid promissory note).

On June 15, 2023, the Company issued additional 325 debenture units at the same terms as described above to the arm's length investors, for total gross proceeds of $325,000 ("Tranche 1"). The Company paid $19,500 in finder's fee as part of this financing which has been recorded as interest expense in the consolidated statements of loss and comprehensive loss.

On September 22, 2023 and September 25, 2023, the Company issued additional 717 debenture units at the same terms as described above to the arm's length investors, for total gross proceeds of $717,000 ("Tranche 2"). The Company paid $11,100 in finder's fee as part of this financing which has been recorded as interest expense in the consolidated statements of loss and comprehensive loss.

On September 26, 2023, the vast majority of the debenture holders converted their principal amount and accrued interest into the common shares of the Company. The total amount converted was $1,885,188 in exchange for 20,946,530 common shares at $0.09 per share. On October 12, 2023 and October 13, 2023, the remaining units were converted into the commons shares of the Company. The amount converted was $512,197 for 5,691,076 commons shares at $0.09 per share.

In connection with the original tranche and Tranche 1, the Company issued 32,360,000 (3,236,000 post-consolidation) common share purchase warrants exercisable at a price of $0.05 per share ($0.50 post-consolidation) for a period of two years from the date of issue. A fair value of $851,849 was assigned to the warrants In connection with Tranche 2, the Company issued 1,434,000 common share purchase warrants exercisable at a price of $0.50 per share for a period of two years from the date of issue. A fair value of $101,595 was assigned to the warrants issued. The fair value of warrants issued for this transaction has been accounted for as an equity-based finance charge (as it is not related to raising capital) and expensed in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2023.

Transactions Between Related Parties

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

Year Ended December 31		2023		2022
Remuneration paid to key management	$	**875,183**	$	841,158
Stock-based compensation	$	**536,358**	$	33,000

The Company defines key management as the Company's directors and officers. As at December 31, 2023, amounts due to key management for remuneration totaled $234,830 (2022- $54,408). Stock-based compensation in the table above relates to the restricted share unit issuance to the management team as well as the stock options issued to one of the directors on October 19, 2023. The Company issued 8,100,000 restricted shares representing a value of $850,500 or $0.105 per share. As part of this issuance, 50% vested immediately on October 19, 2023 and the remainder will vest one year after issuance. With respect to this award, the Company recognized $510,300 as stock-based compensation in 2023 which comprises $425,250 for the vested portion and $85,050 for the amortization of the unvested portion. The stock options issued to one of the directors were valued at $26,058 using the Black-Scholes model.

On February 7, 2022, the Company obtained a $500,000 loan from a lender whose president is also an officer of the Company. Interest of $24,822 for the year ended December 31, 2023 was expensed and the entire balance of the loan was converted into a convertible debenture on June 9, 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 year ended December 31, 2023 was expensed and the entire balance of the loan was converted into a convertible debenture on June 9, 2023.

On June 9, 2023, convertible debenture units were issued to the lenders of the promissory note payable and loan payable as part of the loan conversion process. Both lenders are related parties as described in the paragraphs above. As of December 31, 2023, none of the outstanding convertible debenture units are held by the related parties as those units were fully converted into the common shares of the Company on September 26, 2023. The total amount converted by the related parties was $760,303 at $0.09 per share for 8,447,814 common shares. Interest of $26,303 on the convertible debenture held by related parties for the year ended December 31, 2023 was expensed.

During the year ended December 31, 2023, the Company expensed $616,743 (2022 - $659,243) for digital marketing services provided by a firm controlled by an officer of the Company. As at December 31, 2023, $nil (2022 - $195,666) was included in accounts payable and accrued liabilities in connection with these services.

During the year ended December 31, 2023, the Company expensed $nil (2022 - $101,081) for legal services provided by a firm, a partner of which was a director of the Company. As at December 31, 2023, $131,507 (2022 - $82,270) was included in accounts payable and accrued liabilities. On November 2, 2022, this director resigned from his position, but his firm continues to provide legal services to the Company.

During the year ended December 31, 2023, the Company expensed $nil (2022 - $75,678) 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 December 31, 2023, the Marrelli Group was owed $nil (2022 - $nil). As of December 6, 2022, the Company no longer uses the services of the Marrelli Group.

On August 28, 2023, the Company entered into a partnership agreement with HUCK Project LLC which is a firm controlled by an officer of the Company. The Company has undertaken a number of related party transactions with HUCK on August 28, 2023 and during the period from August 29, 2023 to December 31, 2023. Refer to Sales and Licensing Agreement section of this document.

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.

Sales and License Agreement

On August 28, 2023, the Company entered into a partnership agreement ("Partnership Agreement") with HUCK Project LLC ("HUCK"), whereby HUCK became the Company's non-exclusive global retail-only distribution partner.

HUCK is a US-based digital marketing firm that is owned by a director and officer of Company and is therefore a related party.

As per the Partnership Agreement, the Company transferred the operation of its e-commerce site to HUCK, including advertising and marketing activities and, without limitation, the duty to reimburse the Company for all outstanding costs, debts, liabilities, and payments associated with the Company's obligations related to or otherwise associated with the e-commerce site. Proceeds from revenues from the sale of all products as well as expenses related to the cost of goods sold, marketing, advertising, commissions are the responsibility of HUCK subsequent to August 28, 2023. HUCK also undertook to maintain sufficient inventory to ensure the ongoing operation of the e-commerce site in a commercially reasonable manner. In return, the Company is entitled to receive royalty by way of a cash royalty, payable each month, and special royalty, which can only be levied upon prior agreement of both parties. The cash royalty amount is calculated on HUCK's tiered monthly sales in US$ using a royalty range for each tier. The actual percentage rate applied from within the royalty range is at the discretion of management.

As part of the agreement HUCK also undertook to reimburse the Company for repayments made by it towards its e-commerce platform loan from September 29, 2023.

At the end of day on August 28, 2023 and during the period from August 29, 2023 to December 31, 2023, the Company recorded the following related party transactions with HUCK as per the Partnership Agreement:

- Transfer of existing inventory on hand and prepaid inventory in transit to HUCK on August 28, 2023 in the amount of $684,038. The value of existing inventory transferred was $159,215 and the value of inventory in transit was $524,823. As a result of this transfer, there remains a $nil balance of inventory on hand and $22,847 in manufacturing deposits. The manufacturing deposits balance is part of the prepaid and sundry receivable balance on the consolidated statements of financial position.

- During the period from August 29, 2023 to December 31, 2023, the Company made two additional payments for inventory on behalf of HUCK in the amount of $688,008.

- During the period from August 29, 2023 to December 31, 2023, the Company paid various expenses which belong to HUCK as per the Partnership Agreement in the amount of $667,337. These were for marketing, advertising, commissions, shipping, fulfillment, consulting and other fees.

- During the period from August 29, 2023 to December 31, 2023, HUCK paid various expenses which belong to the Company in the amount of $348,252.These were for marketing, advertising and other, which were incurred prior to August 28, 2023.

- During the period from August 29, 2023 to September 30, 2023, HUCK reimbursed the Company $197,183 representing the Company's repayments of its e-commerce platform loan and this has been recorded as income and charged to HUCK.

- During the period from August 29, 2023 to December 31, 2023, the Company collected $4,897,704 in sales proceeds (inclusive of sales tax and shipping fees) on behalf of HUCK. In the same time period, the Company transferred $2,510,658 to HUCK in settlement of this payable balance.

- During the period from August 29, 2023 to December 31, 2023, HUCK reported total net sales of $4,874,704 (exclusive of tax and shipping fee income) and the Company accrued cash royalty in the amount of $283,427 and no special royalty. In November 2023, the Company provided a rebate of $17,773 on the previous royalty charged to HUCK based on holistic review of HUCK's sales activity. Please refer to the table below for the breakdown of the cash royalty by month.

(Expressed in Canadian Dollars)

Cash Royalty Income

Year 2023		Net Sales (CAD)	Rate		Royalty		Rebate		Net Royalty
August (August 29 to August 31)	$	128,463	10%	$	12,846	$	-	$	12,846
September	$	1,020,753	10%	$	102,075	$	-	$	102,075
October	$	926,880	5%	$	46,344	$	-	$	46,344
November	$	1,988,119	5%	$	99,406	$	17,773	$	81,633
December	$	810,576	5%	$	40,529	$	-	$	40,529
								$	**283,427**

- The table below provides a summary of all the transactions with HUCK during the year ended December 31, 2023. The net payable balance of $215,305 has been included in the accounts payable and accrued liabilities balance on the consolidated statements of financial position as at December 31, 2023.

Due from HUCK		December 31, 2023
Inventory on hand and prepaid inventory transfer to HUCK on August 28, 2023	$	684,038
Subsequent inventory purchase paid by the Company on behalf of HUCK		688,008
Cash royalty		283,427
Subsequent HUCK related expenses paid by the Company		667,337
Credit reimbursement		197,183
Subtotal	**$**	**2,519,993**
Due to HUCK		**December 31, 2023**
Sales proceeds received by the Company and payable to HUCK	$	4,897,704
Transfer of sales proceeds to HUCK		(2,510,658)
Subsequent Company related expenses paid by HUCK		348,252
Subtotal	**$**	**2,735,298**
Net Payable Balance	**$**	**215,305**

Management used IFRS 10 guidance to determine whether it has control over HUCK and based on a number of judgements determined that no control exists due to the Company not having exposure or rights to variable returns from its is involvement with HUCK. As a result, the Company has not consolidated the financial results of this segment of HUCK's business in its financial statements.

Events Occurring after the Reporting Date

As of January 1, 2024, the Company has terminated the Partnership Agreement with HUCK. The combination of stronger financial position, improved company valuation and feedback that the Company received from investors led the management of the Company to believe that the primary objective of the partnership with HUCK, announced on August 28, 2023, has been largely achieved. Both companies have retained a friendly relationship and agreed to all terms and conditions.

On February 16, 2024, the Company closed a non-brokered private placement of 26,666,663 units of the Company at a price of $0.15 per unit for aggregate gross proceeds of approximately $4,000,000. Each unit is comprised of one common share in the Company and one common share purchase warrant being exercisable into one common share at a price of $0.25 per share for a period of 24 months from closing of the offering.

On February 29, 2024, the Company announced its regionally-exclusive distribution partnership with a Taiwan-based arms-length tech health & wellness firm, Pürland Co., Ltd. ("Pürland"). This distribution collaboration highlights ubiquity of demand for Aires' Lifetune EMF modulation technology and supports management's commitment to building Lifetune into a global brand.

On March 20, 2024, the Company announced the appointment of Jamie Cochran to the Company's Board of Directors who will replace the outgoing director, Ruslan Elensky.

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.

Critical Accounting Estimates

The preparation of consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions, relate to, but are not limited to, the following:

Income Taxes and Recovery of Deferred Tax Assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets. As at December 31, 2023 and 2022 no deferred tax assets were recognized, as it is uncertain when sufficient taxable income will be available to realize the deferred tax assets.

Fair Value of Options and Warrants

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

Sales Refunds

The Company maintains a provision for sales refunds based on historical sales experience.

Sales Taxes

The Company operates globally and uses its best efforts to comply with sales tax regimes of the many countries which its products are sold. Because of different laws and regulations estimates of sales taxes payable are made which may differ materially from the actual requirement upon filing.

Going Concern

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

Useful Life of Property and Equipment and Intellectual Property

Depreciation of property and equipment and intellectual property with finite lives are dependent upon estimates of useful lives which are determined through the exercise of judgment.

Functional and Reporting Currencies

Due to the growth of the Company and the volume of foreign transactions, it was concluded in 2022 that the functional currency of the Company is US Dollars whereas the presentation currency is Canadian Dollars. Management also assessed this in prior years and concluded that the amount was immaterial to change the presentation of the financial statements. As a result of this change, the foreign exchange loss has been presented as part of other comprehensive loss in the consolidated statements of loss and comprehensive loss. The consolidated statements of financial position and changes in shareholders' equity also reflect accumulated other comprehensive loss as part of the equity section.

The Company's consolidated financial statements have been translated into its presentation currency according to IAS 21 on the following basis:

(a) assets and liabilities are translated to Canadian dollars at the closing rate at the date of the statement of financial position;

(b) income and expenses are translated at exchange rates at the dates of the transactions;

(c) all resulting exchange differences are recognised in other comprehensive income or loss.

The Company presents its consolidated financial statements in Canadian currency because its shares are listed on a Canadian stock exchange and its shareholders and sources of financing are largely Canadian based.

Financial Instruments and Other Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Financial assets other than cash and cash equivalents are all classified and measured at amortized cost. Cash and cash equivalents are measured at fair value. All financial liabilities are classified and measured at amortized cost.

Financial Risk Factors

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

Fair Values

The carrying value of all of the Company's financial instruments (assets and liabilities) approximate their fair values due to the short-term maturity of these financial instruments.

(Expressed in Canadian Dollars)

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. Prepaid expenses consist primarily of advances to the Company's supplier of its electromagnetic protection devices and prepaid insurance. The Company has a long relationship with the supplier and assess 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 December 31, 2022, the Company had cash and cash equivalents of $29,366 (2022 - $196,103) to settle current liabilities of $2,384,913 (2021 - $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 December 31, 2023 and 2022. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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		-
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 and Canadian Dollar denominated bank accounts. Management does not hedge its foreign exchange risk. As at December 31, 2023, a

5% fluctuation in the foreign exchange rate would have an impact of approximately $49,944 (December 31, 2022 - $43,837) in the Company's consolidated 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. The Company will require new capital to continue to operate its business, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

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

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

Dependence on Outsourced Manufacturing Relationships

The Company relies solely on UAB Technano for manufacturing its products, introducing risks including delayed production due to raw material shortages or assembly line allocation issues, potential delays in shipping, and uncertainties if the broker ceases operations. While UAB Technano is preferred for its reliability, the Company may engage alternative brokers if necessary.

Management maintains oversight of the manufacturing process, ensuring adherence to quality standards, although physically uninvolved. UAB Technano conducts quality inspections at each production step, with any defects addressed jointly with the Company. Shipment details are verified by ShipBob upon receipt.

UAB Technano manages procurement, production, and storage until product shipment. Liability transfers to shippers upon dispatch, with insurance covering transit. ShipBob assumes responsibility upon arrival, ensuring storage safety. The Company lacks insurance for production disruptions, leaving sales vulnerable to inventory delays.

Risks associated with manufacturing in Lithuania

To date, management has not experienced any noticeable differences or issues with its products being manufactured in Lithuania, as part of an ongoing relationships with UAB Technano since 2017. The Company purchases finished goods manufactured by UAB Technano and as such has no operations, related parties or employees in the country. As detailed in a previous section, final products are shipped out of Lithuania using services of global carriers with appropriate insurance coverage to protect the Company in case of a product loss.

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

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

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

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

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 then current shareholders 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 the Middle East 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 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 in other countries; risks associated with acquisitions; electronic communication security risks; insurance coverage; tax risk; currency fluctuations; conflicts of interest; competitive markets; uncertainty and adverse changes in the economy; reliance on components and raw materials; change in technology; quality of products; maintenance of technology infrastructure; privacy protection; product defects; legal proceedings; reliance on business partners; protection of intellectual property rights; infringement by the Company of intellectual property rights; resale of shares; market for securities; dividends; and global financial conditions.

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

Additional Information

Additional information relating to the Company is available on its website www.airestech.com or on www.sedarplus.ca.