



AmericanAires Inc.

Management Discussion and Analysis

Form 51-102F1

For the year ended December 31, 2024

AMERICAN AIRES INC.

Management's Discussion and Analysis

For the year ended December 31, 2024

(Expressed in Canadian Dollars)

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, 2024. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2024, together with the notes thereto. Information contained herein is presented as at April 25, 2025, unless otherwise indicated.

Description of Business

The Company was incorporated on May 15, 2012 and organized under the laws of Ontario, Canada. The registered office of the Company is located at 400 Applewood Crescent, Unit 100, Vaughan, Ontario, L4K 0C3. The Company 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".

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

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

On May 23, 2024, the Company announced the opening of the Company's newest international fulfillment center, located in Bardon Hill, UK. Our UK fulfillment center is yet another step in our journey to bring the benefits of the Aires technology to consumers around the world. The UK is a very similar market to the US, Canada and Australia, where we've seen significant sales growth. We're excited to have operations in the UK as we continue to optimize our infrastructure for rolling out our products and widening our distribution in each of the 60+ countries we currently sell to. We're also very excited about launching the UK fulfillment center and fine tuning our marketing strategy.

Notable changes in team structure in 2024

On March 20, 2024, the Company announced the appointment of Jamie Cochran to the Company's Board of Directors to replace the existing director, Ruslan Elensky. Early stages of any business are prone to volatility and uncertainty and as such, having the right foundational partners at this stage cannot be more crucial. Mr. Elensky, seeing the opportunity presented in front of Aires, provided that support, resilience and natural entrepreneurial spirit, helping in many ways to propel the Company from its formation to its position today in the life sciences industry. It is at this juncture that the Company's Board of Directors, management and Mr. Elensky came to the mutual understanding that a new board member, with experience more suited to Aires' current market position, would be in the best interest of the Company's future and its shareholders. Mr. Cochran's e-commerce experience and success combined with his relationships with public personas and celebrities in the health and wellness space completes the team as the Company is gearing up to widen and deepen its presence in that space. Mr. Cochran's expected contribution will be to foster strategic partnerships with trend-setting individuals and businesses.

Notable updates in 2024

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

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commitment to building Lifetune into a global brand. Aires' current direct-to-consumer business ships products to over 60 countries every month. With the majority of Aires' current order volume largely coming from North America, Europe and the UK, this milestone partnership incrementally adds to and extends Aires' already broad reach. Gaining access to and developing traction within these new markets can be challenging. In the initial pilot campaign, Pürland, which is based in Taiwan, demonstrated incredible competency and proficiency reaching and converting consumers into the Aires brand. During the initial test campaign, Pürland offered Aires' products to a small selection of their customers. Pürland saw higher than anticipated customer interest and overwhelming demand, exceeding forecasts. As a result, Pürland placed its second order almost immediately and nearly doubled its trial volumes to meet the current demand.

On March 5, 2024, the Company announced the launch of its new campaign, #airesathletes. This initiative aims to connect with professional athletes who, like many, have turned to Aires for the significant benefits its technology offers, particularly in terms of physiological optimization through EMF modulation as well as the proven protection from external EMF sources. Leading the charge as the first athlete partner in this exciting new campaign is none other than Maycee "The Future" Barber, a formidable presence in the Women's Flyweight division of the Ultimate Fighting Championship ("UFC"). Barber, known for her ambitious goal to become the youngest champion in UFC history, has already captivated fans worldwide with her skill, determination, and inspirational journey within the sport.

On March 18, 2024, the Company announced a strategic partnership with William Morris Endeavor Entertainment, LLC ("WME"), a titan in entertainment, sports, and fashion. This collaboration harnesses the growing interest from elite athletes and performers in Aires' innovative solutions, acclaimed for their EMF protection and enhancement of health and performance. WME, the leader in the global entertainment arena, brings to the table a vast network of world-class artists, athletes, and content creators. With its proven track record in talent management and strategic marketing, WME is perfectly positioned to elevate Aires' footprint, increasing brand reach, engagement and underlining the extensive benefits of Aires' solutions for wellness and performance optimization.

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

On April 24, 2024, the Company announced that it has been working with Rumble Inc. in an ongoing effort over the past year to test the traffic and conversion performance of their video platform, Rumble, which averaged global Monthly Active Users ("MAUs") of 67 million in Q4 2023, an 16% increase from Q3 2023. Rumble will also display pre-roll "run of network" ad placements before or after Brand's shows air on Rumble during the campaign. Aires will use the test campaign to determine the full potential of the Rumble platform for scaling up marketing efforts to drive increased sales.

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

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Uncensored with Dr. Drew" YouTube channel and website, and the Company's ability to fully promote the show, Aires expects to gain wider awareness and greater credibility among both consumers and investors.

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

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

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

On July 17, 2024, the Company announced that it partnered with Canada Basketball as an official EMF protection technology partner. This partnership underscores a significant step in the dedication of Aires' to performance and wellness innovation. The partnership components include such areas as marketing rights, co-branded content series, inside access to Canada Basketball, product promotion and others.

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

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

On October 3, 2024, the Company announced that it has been invited to appear on Military Makeover with Montel®, America's leading branded reality TV show that offers hope and a helping hand on the home front to members of America's military and their loved ones. The segment will include the Aires team incorporating Aires Tech electromagnetic field radiation protection products into the home of the episode's featured family.

On October 8, 2024, the Company announced a partnership with dynamic UFC Lightweight title contender Michael Chandler. Chandler will promote the Company's EMF protection technology that safeguards against radiation from wireless technologies and enhances recovery and overall well-being.

On October 15, 2024, the Company announced a partnership with MBM Motorsports, where a first-of-its-kind sponsorship integration will thunder into the NASCAR Cup Series as Chad Finchum will become the first-ever driver to shield himself from electromagnetic field radiation that emits from in-race communication systems.

On November 21, 2024, the Company marked a significant milestone in its partnership with UFC by co-hosting a first-of-its-kind symposium on the eve of UFC 309 on Friday, November 15, 2024. "The Next Frontier of UFC Training and Performance" event spotlighted the role of advanced technology in athlete care and peak performance, showcasing the Company's advanced solutions now integrated into the UFC Performance Institute.

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On December 11, 2024, the Company announced that it has advanced its mission to neutralize negative effects of EMF radiation by partnering with Toronto Maple Leafs forward Max Domi. Domi – renowned for his passion and dedication for wellness – will team with the tech pioneer to demonstrate how he uses Aires products to protect against wireless technology radiation and enhance his personal performance and wellness.

Notable updates on capital markets

On February 16, 2024, the Company closed on a private placement and issued an aggregate of 26,666,663 units at a price of \$0.15 per unit for gross proceeds of \$3,999,999. Each unit consists of one common share and one common share purchase warrant. The warrants issued have an exercise price of \$0.25 and expiry date of 2 years from closing of the offering.

On April 30, 2024, the Company announced that it was approved for trading under the symbol "AAIRF" on the OTCQB Venture Market ("OTCQB") effective May 2, 2024 and will be Depository Trust Company ("DTC") eligible. Listing Aires on the OTCQB market and making our shares DTC eligible marks another milestone toward enabling more investors to be part of our ongoing progress. With both DTC eligibility and listing on the OTCQB, trading of Aires' shares will be easier and made possible to a wider investor audience in the United States.

On May 16, 2024, the Company closed on a private placement and issued an aggregate of 3,968,911 units at a price of \$0.95 per unit for gross proceeds of \$3,770,465. Each unit consists of one common share and one common share purchase warrant. The warrants issued have an exercise price of \$1.20 and expiry date of 5 years from closing of the offering.

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 most of its products through the global platform Shopify Inc. ("Shopify"), catering to the entire world. In November 2024, the Company also launched sales of its products through a supplementary sales platform called GiddyUp. The majority of orders originate from the USA and Canada. During the year ended December 31, 2024, 80% of sales were to the US customers, 6% 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") and ShipMonk, Inc. ("ShipMonk"). ShipBob receives and stores the Company's products at its location in Carrollton (Texas, USA), Altona (Australia), Gorzów Wielkopolski (Poland) and Brampton (Canada). ShipMonk receives and stores the Company's products at its location in Bardon Hill (United Kingdom). ShipBob and ShipMonk receive instructions directly from Shopify and the other supplementary sales platform with customer shipping and order details. They then pick, pack and ship 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 and ShipMonk.

iii. Description of Product

The five products that the Company offers for sale are all designed specifically to reduce the harmful effects of electromagnetic radiation ("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.

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- 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, 2024, 74% of sales were from Lifetune One, 5% from Lifetune Go, 5% from Lifetune Zone, 5% from Lifetune Zone Max and 8% from Lifetune Flex and another 3% came from accessory products.

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 and ShipMonk'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 finished products are shipped directly to ShipBob and ShipMonk warehouses. In addition, the Company assesses, on an ongoing basis, opportunities to manufacture its finished products in other jurisdictions should the production cost or other strategic considerations make a strong case for either relocating manufacturing to or adding incremental capacity in another geography.

vii. Customer base and sales channels

Direct - to - Consumer (DTC)

The vast majority of 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. In November 2024, the Company also launched sales of its products through its supplementary sales platform called GiddyUp.

Distributors

Distributors, while relatively immaterial to the total revenues in 2024, represent a sales channel opportunity for the Company to sell its products on a wholesale basis. Although wholesale prices typically represent a discount relative

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to retail pricing, marketing, advertising and fulfilment costs are typically paid for by the distributor. The Company announced an exclusive distribution partnership with Purland in Taiwan, Hong Kong and Malaysia on February 29, 2024 and had successfully shipped several orders to Purland during the course of 2024.

OEM/Licensing/White Label

Original Equipment Manufacturer (OEM)/Licensing/White Label is another potential sales channel the Company is pursuing. A typical agreement within this sales channel would enable the Company to sell its products under brand name of another company (White Label) or enable a third-party to embed the Company's technology, components or finished products in the third-party's products (OEM/Licensing). On November 16, 2023, the Company announced its partnership with Arizona-based wellness-tech firm, OMSLEEP. This OEM collaboration integrated Aires' Lifetune EMF modulation technology into OMSLEEP's Om Mask aimed at delivering an improved sleep experience.

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 from ShipBob and ShipMonk warehouses located in the USA, Australia, Poland, UK 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 are 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 research and development ("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. Further 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, with management instead focusing on 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, be it due to increase in components' pricing, general inflation or import tariffs, the Company has the ability to pass through the incremental costs to the consumer in the form of higher retail pricing.

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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. ShipMonk is a well-recognized and trusted player in the global eCommerce fulfillment space. Headquartered in the United States, ShipMonk has earned a strong reputation with a growing network of over 12 fulfillment centers across North America and Europe. The shipments of inventory from the manufacturer arrive at ShipBob's and ShipMonk'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 2024, the Company was able to successfully build sufficient levels of inventory of finished product based on predetermined sales plan and forecast. The Company expects to further improve its synchronisation between advertising spending, sales growth and inventory production 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.

Reiterating 2025 Guidance

On January 27, 2025, the Company provided 2025 financial guidance of sales in the range of \$28 million to \$32 million and adjusted EBITDA in the range of \$2 million loss to \$2 million profit. The Company's 2025 sales and adjusted EBITDA guidance is based on several critical assumptions discussed below. Over the past three years, the Company has demonstrated consistent and substantial organic revenue growth, with year-over-year increases of 128% in 2022, 79% in 2023 (using the combined Aires and HUCK non-IFRS revenue figures for 2023), and 73% in 2024 (using the combined Aires and HUCK non-IFRS revenue figures for 2023). This historical performance provides the basis for the 2025 projection, with management anticipating a continued revenue growth in the range of 55% to 77%. This range of revenue growth reflects the Company's strategic focus on optimizing operational efficiency to improve profitability while maintaining healthy growth rates. As the year progresses and additional data on the efficiency and performance of the Company's growth initiatives becomes available, the Company will revise these ranges if appropriate.

Advertising expenses have been the primary driver of organic revenue growth, with a strong correlation between increased spending and higher sales. While the Company sees advertising expenses increasing year-over-year in 2025, management's strategic focus on optimizing advertising efficiency, and profitability in general, is expected to lower the advertising expenses as a percentage of revenue. This assumption is based on management's expectation that existing marketing initiatives and partnerships (from late 2024) will yield higher efficiency over time and are expected to contribute positively to the advertising expenses over revenues metric. Unlike previous years, the Company does not anticipate launching new high-profile and high-cost partnerships in 2025, which is expected

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to reduce the need for incremental advertising investment while still supporting revenue growth. Marketing expenses are expected to increase year-over-year, reflecting the high-profile partnerships the Company entered into in late 2024.

Lastly, management has initiated several cost-cutting measures which are expected to reduce cost of goods sold (through lower product costs, fulfillment costs and payment processing fees) and, as a result, improve gross margin percentage. Overhead expenses are expected to increase modestly with the overall increase in business activity.

Overview And Overall Performance Highlights

To date, the Company has sold over 400,000 units of its products in 93 countries. The Company's offerings are supported by over 30 years of R&D, \$20 million invested in R&D, 25+ clinical trials, 9 peer review studies, 22 global patents and 1 global patent pending. The Company's target market includes individuals who range from peak-performers, to certain symptom sufferers and everyday people. Over 40% of the public could be concerned about EMR¹.

In 2024, the Company continued to build on the strength in demand and produced record sales of \$18.0 million for the year ended December 31, 2024. In the previous year, the Company had sales of \$5.5 million for the period of January 1, 2023 to August 28, 2023 (prior to entering into a partnership agreement with HUCK) and 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. This represents a 73% increase year-over-year ("YOY"), and an approximately seven-fold increase in three years (from \$2.6 million reported in 2021). The Company's revenue growth, and unit sales volume attest to organic consumer demand and strong product-market fit for the Company's offerings. This organic revenue growth also highlights the Company's capability to evolve and meet growing product demand via a data-driven marketing model, leveraging decades of management experience. The success in 2024 underscores the team's commitment to our vision and further bolsters management's visibility in driving continued growth despite a challenging and volatile economic landscape.

While the Company has historically focused selling its offerings via Direct-to-Consumer channels, in 2025, the company also entered the Business-to-Business (B2B) via its newly launched Aires Certified Spaces™ standard, which sets the benchmark for EMR Friendly environments by verifying and certifying spaces that prioritize well-being. Potential target markets include stadiums & arenas, healthcare & wellness spaces, fitness facilities & gyms, corporate offices & coworking spaces, educational institutions, Airbnbs & vacation rentals, hotels & resorts, restaurants, coffee shops & community hubs.

In 2024, the Company raised total gross proceeds of \$7.77 million from two separate rounds of private placements, which were successful in a challenging period for capital markets. These equity raises significantly improved the Company's working capital position and allowed it to secure higher levels of inventory. As a result, the Company could confidently enter new strategic partnerships to drive organic revenue growth.

Discussion of Operations

Management notes that the comparative period in the table below only includes the financial results of the Company and excludes HUCK's financial results. As part of the partnership agreement, HUCK was responsible for all sales, inventory management, advertising and marketing for the period from August 29, 2023 to December 31, 2023. As mentioned previously, the agreement was cancelled as of January 1, 2024. Management used IFRS 10 guidance to determine whether it had control over HUCK and based on a number of judgements determined that no control

¹ Public's concern about risks of Electromagnetic Fields (EMFs): 30.2% concerned; 12.6% actively concerned. International Journal of Environmental Research and Public Health
https://www.researchgate.net/publication/317417783_RF_EMF_Risk_Perception_Revisited_Is_the_Focus_on_Concern_Sufficient_for_Risk_Perception_Studies

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existed due to the Company not having exposure or rights to variable returns from its involvement with HUCK. As a result, the Company had not consolidated the financial results of this segment of HUCK's business in its financial statements during the fiscal year ended 2023.

<u>Revenue</u>	2024	2023	YOY %
Sales	\$ 18,042,153	\$ 5,499,689	228%
Cost of sales	\$ (6,771,533)	\$ (2,081,563)	225%
Gross profit	\$ 11,270,620	\$ 3,418,126	230%
Gross margin %	62%	62%	
<u>Other income</u>			
Cash royalty income/(expense)	\$ -	\$ 283,427	-100%
Credit reimbursement income/(expense)	\$ -	\$ 197,183	-100%
<u>Expenses</u>			
Advertising and promotion	\$ (8,283,482)	\$ (2,210,866)	275%
Marketing	\$ (5,220,022)	\$ (1,307,692)	299%
Office and general, rent and travel	\$ (1,255,442)	\$ (540,264)	132%
Consulting, salaries and benefits	\$ (3,729,257)	\$ (1,931,288)	93%
Legal and professional	\$ (174,352)	\$ (392,190)	-56%
Share-based compensation	\$ (629,855)	\$ (554,744)	14%
Equity-based finance charge	\$ -	\$ (953,444)	-100%
Interest charges	\$ (257,076)	\$ (616,809)	-58%
Depreciation	\$ (133,619)	\$ (137,958)	-3%
Net Income (Loss)	\$ (8,412,485)	\$ (4,746,519)	77%

Management reconciliation to non-GAAP measures

Net Income (Loss)	\$ (8,412,485)	\$ (4,746,519)	77%
Interest charges	\$ 257,076	\$ 616,809	-58%
Depreciation	\$ 133,619	\$ 137,958	-3%
Equity-based finance charge	\$ -	\$ 953,444	-100%
Investor relations consulting	\$ 1,571,959	\$ -	N/A
Consulting fees settled in shares	\$ -	\$ 782,057	-100%
Performance-based consulting and payroll	\$ 725,917	\$ -	N/A
Share-based compensation	\$ 629,855	\$ 554,744	14%
Foreign exchange settlement	\$ 147,638	\$ 100,000	48%
Sales tax provision adjustment	\$ 442,575	\$ 146,707	202%
Cash royalty income/(expense)	\$ -	\$ (283,427)	-100%
Credit reimbursement income/(expense)	\$ -	\$ (197,183)	-100%
Adjusted EBITDA	\$ (4,503,847)	\$ (1,935,410)	133%

The Company reported sales of \$18.0 million for the year ended December 31, 2024, representing 228% increase YOY. If sales of the Company's products via the HUCK agreement in year 2023 (\$4.9 million) are included the combined result would be \$10.4 million of sales in 2023, representing a 73% YOY increase. This increase was driven largely by the continued execution of the marketing and advertising strategy focusing on effective and efficient deployment of advertising budgets, an increase in advertising expenses and additional marketing partnerships that the Company had entered into during the year. This growth was also achieved 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 2024 which is consistent with prior year and exemplifies continued focus on optimization of manufacturing and fulfillment costs.

While the appearance of the Company's CEO Josh Bruni National TV Series "Health Uncensored with Dr. Drew" aired on FOX Business Network noticeably contributed to sales growth in 2024, the Company notes that partnerships with the UFC, WWE, Canada Basketball, RJ Barrett, Max Domi, Michael Chandler and the Company's ability to integrate content and intellectual property from those organizations and individual athletes helped drive order volume and sales growth in fiscal 2024. Amongst other refinements to the Company's organic marketing and

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advertising strategy, which is part of the ongoing effort to continue innovating and searching for incremental revenue opportunities, management notes that collaboration with Gray Wolf on the public relations front provided Aires with the ability to hone and amplify our customer facing messaging and bring awareness of Aires technology and products to a wider audience both within the technology and sports worlds.

The results are consistent with management expectations and given the longer-term nature (contract length varies from one year to two years) of those agreements mentioned above, management anticipates that the Company should continue to realize incremental benefits from them over the length of the contract. Management also notes that each individual partnership requires some ramp up time to devise an effective strategy, create content, build, test and optimize advertising campaigns to reach the full potential in the way of order volume and sales growth.

Advertising and promotion expenses increased 275% YOY to \$8.3 million, partially amplified as a result of excluding HUCK post-transition period from the 2023 results. Advertising expenses increased as the company continued executing the strategy focused on strong sales growth and building Aires into a well-recognized brand in the EMF radiation protection segment. 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. Management also notes that an additional factor driving advertising expenses higher during 2024 was the political campaigning for presidential elections in the US. The increased media spend by political parties seemed to cause advertising rates to increase based on the advertising rates dynamic observed by management.

Marketing expenses increased 299% YOY to \$5.2 million, partially amplified as a result of excluding HUCK post-transition period from the 2023 results. This increase is reflective of new partnerships and collaborations the Company entered during the year as well as the addition of some new vendors aimed at amplifying the value of those partnerships.

Consulting, salaries and benefits increased 93% YOY to \$3.73 million as a result of engaging additional consultants in the customer service space in light of increased customer demand and also utilizing additional consultants and partners in the capital markets and investor relations space. In particular, \$1.57 million was expensed on investor relations consulting in 2024 compared to nil in 2023. Investor relations consulting expenses have increased in light of two equity financings undertaken in 2024 and substantial efforts by the management team to keep liquidity of its stock and meet investors' demands and expectations. The Company had entered into a number of contracts with investor relations consulting firms in 2024, thereby incurring additional costs. In addition, the current period consulting, salaries and benefits include the year-end performance bonuses to the management team. Legal and professional fees have decreased 56% YOY to \$0.17 million. The professional fees include services performed by legal firms, bookkeepers and auditors. The largest driver of this decrease was cost optimization where the bookkeeping function was taken in-house, and legal costs were reduced by way of a more careful spend planning. Office and general expenses (including rent and travel) have increased 132% YOY to \$1.26 million as a result of increased travel costs due to management team attending various investor relations events, conferences and marketing events in addition to an increased sales tax provision balance. Stock-based compensation has increased 14% YOY to \$0.63 million due to an increased need for such compensation amongst the staff and consultants. Interest charges have decreased 58% YOY to \$0.26 million as a result of a substantial portion of debt being restructured and converted into equity in 2023.

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The adjusted EBITDA loss (non-GAAP measure) was reported at \$4.5 million compared to \$1.9 million in the comparative period. Management anticipates that figure to improve over the coming quarters as the Company continues to realize incremental benefit from the already announced partnerships.

Cash as of December 31, 2024 was reported at \$1.52 million and inventory was reported at \$2.42 million.

Fourth Quarter

Q4/2024 set yet another quarterly record with \$8.6 million in sales. The record Q4/2024 sales performance continues the trend of high year-over-year growth the Company had previously reported. This growth is largely driven by the execution of strategic marketing partnerships entered into during 2024. Management notes that only a portion of the overall benefits from 2024 initiatives were realized in Q4 as the Company continued to ramp up sales partnerships during that period, and not all partnerships had yet begun contributing to sales. In addition, Q4/2024 represented significantly higher media costs and consumer behaviour distractions due to the US Presidential election, and a shorter than usual shipping window for the holiday shopping season. The level of partnerships and investments made earlier in the year enabled the Company to successfully balance promotional activity in order to maintain high margins and leverage pent-up demand without excessive discounting. In Q4/2023, 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 \$0.2 million which represents 4.5% on \$3.73 million (excluding shipping fee income) sales by HUCK. If Q4/2023 sales are combined with HUCK, the period over period ("POP") sales increase is 130%. Please refer to the section "Discussion of Operations" for the details around these results as the same commentary applies to this quarter.

<u>Revenue</u>		Q4 2024	Q4 2023	POP %
Sales	\$	8,621,317	\$ -	N/A
Cost of sales	\$	(3,181,022)	\$ -	N/A
Gross profit	\$	5,440,295	\$ -	N/A
Gross margin %		63%		

<u>Other income</u>				
Cash royalty income/(expense)	\$	-	\$ 168,392	-100%

<u>Expenses</u>				
Advertising and promotion	\$	(3,564,553)	\$ -	N/A
Marketing	\$	(2,813,725)	\$ -	N/A
Office and general, rent and travel	\$	(710,429)	\$ (289,840)	145%
Consulting, salaries and benefits	\$	(1,419,483)	\$ (941,599)	51%
Legal and professional	\$	(75,658)	\$ (120,937)	-37%
Share-based compensation	\$	(518,442)	\$ (554,744)	-7%
Interest charges	\$	(27,259)	\$ (27,843)	-2%
Depreciation	\$	(33,428)	\$ (34,489)	-3%
Net Income (Loss)	\$	(3,722,683)	\$ (1,801,060)	107%

Management reconciliation to non-GAAP measures

Net Income (Loss)	\$	(3,722,683)	\$ (1,801,060)	107%
Interest charges	\$	27,259	\$ 27,843	-2%
Depreciation	\$	33,428	\$ 34,489	-3%
Investor relations consulting	\$	270,095	\$ -	N/A
Consulting fees settled in shares	\$	-	\$ 782,057	-100%
Performance-based consulting and payroll	\$	725,917	\$ -	N/A
Share-based compensation	\$	518,442	\$ 554,744	-7%
Foreign exchange settlement	\$	75,545	\$ 100,000	-24%
Legal costs - restructuring	\$	-	\$ 20,000	-100%
Sales tax provision adjustment	\$	442,575	\$ 146,707	202%
Cash royalty income/(expense)	\$	-	\$ (168,392)	-100%
Adjusted EBITDA	\$	(1,629,422)	\$ (303,612)	437%

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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.

	2024	2023	2022	2021	2020
Total revenue (including other income)	\$ 18,042,153	\$ 5,980,299	\$ 5,822,140	\$ 2,553,061	\$ 2,313,656
Net loss and comprehensive loss for the year	\$ (8,453,125)	\$ (4,782,513)	\$ (4,082,902)	\$ (6,086,880)	\$ (7,588,239)
Total assets	\$ 6,034,287	\$ 349,458	\$ 1,520,964	\$ 2,267,266	\$ 2,124,202
Total non-current financial liabilities	\$ 60,000	\$ 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.

	12/31/24	9/30/24	6/30/24	3/31/24	12/31/23	9/30/23	6/30/23	3/31/23
Total Assets	\$ 6,034	\$ 8,667	\$ 10,022	\$ 4,958	\$ 349	\$ 1,330	\$ 1,488	\$ 1,327
Total Revenue	\$ 8,622	\$ 4,595	\$ 2,788	\$ 2,037	\$ 169	\$ 2,399	\$ 1,926	\$ 1,487
Net Loss	\$ (3,723)	\$ (1,961)	\$ (1,645)	\$ (1,083)	\$ (1,709)	\$ (235)	\$ (1,941)	\$ (861)
Net Loss per Share	\$ (0.04)	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ (0.10)	\$ (0.04)

Sales are largely driven by the intensity and effectiveness of advertising campaigns, creating demand for the Company's products. Given the strong growth in 2024 caused by the revamp and re-focus of the Company's marketing and advertising strategy, it may be difficult to discern the impact of seasonality versus the impact of streamlined and targeted advertising. Management believes advertising is largely responsible for the changes in YOY and QOQ revenues. However, the Company also acknowledges that like any retailer operating in North America, it experiences seasonality during the year. This seasonality is mostly associated with the gifting season occurring in December due to Christmas and New Year holidays. As a result, the demand for the Company's product is stronger in the weeks leading up to December, which usually leads to 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. Given the strong development on the marketing/advertising front in 2024 and expected increases in advertising spending effectiveness, it is possible that the Company's sales, especially in 2025 may not reflect strong seasonality until the advertising budget reaches a more stable and constant stage, leading to less pronounced seasonality in Q1 2025.

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.

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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, 2024.

At this time, the Company is not generating sufficient cash from operations and, therefore it will be dependent on equity or debt financing for growth. The Company may need additional capital and may raise additional funds should the Board of Directors deem it advisable. This lack of cashflow generation could restrict 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 could be boosted via issuance of equity. An equity raise or several rounds of equity raises may be at risk given the ongoing macro developments, geopolitical tensions and overall capital market weakness. These negative market sentiment factors could adversely affect, limit or severely restrict the Company's ability to raise money through equity raise(s). Another source of risk for the Company is the potential inability to secure debt-based financing, which may even further restrict its ability to purchase inventory and could further negatively impact sales and profitability.

During the year ended December 31, 2024, the Company received two working capital advances for a total of \$1,850,000 from its e-commerce service provider. Under the terms of the agreement, the Company had to remit an amount totaling \$2,074,500 as full repayment for principal and implied interest on the advance. Payments were required to be made daily based on 17% of the Company's daily sales until such time that the advances are repaid in full. As at December 31, 2024, both tranches were paid off in full.

On December 13, 2024, the Company entered into a loan agreement with a lender whereby the lender advanced \$520,000 USD at approximately 36% interest. The term of the loan is 6 months, repayable in weekly instalments of \$21,900 USD.

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

In addition, during the year ended December 31, 2024, 9,828,791 warrants were exercised. Those warrants had exercise prices ranging from \$0.15 to \$1.50 for which the Company received cash proceeds of \$2,781,282.

Transactions Between Related Parties

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

Year Ended December 31	2024	2023
Remuneration paid to key management	\$ 1,559,308	\$ 875,183
Stock-based compensation	\$ 340,200	\$ 536,358

The Company defines key management as the Company's directors and officers. As at December 31, 2024, amounts due to key management for remuneration totaled \$656,505 (2023- \$234,830) which is included in accounts payable.

Stock-based compensation in the table above includes \$340,200 being the cost of restricted shares issued to the management team during the year ended December 31, 2023 which vested in 2024.

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During the year ended December 31, 2024, the Company expensed \$1,302,859 (2023 - \$616,743) for digital marketing services provided by a firm controlled by the CEO of the Company, Josh Bruni. As at December 31, 2024, \$8,128 (2023 - \$nil) was included in accounts payable and accrued liabilities in connection with these services.

During the year ended December 31, 2024, the Company expensed \$100,000 for capital markets consulting services provided by a firm whose chief executive officer is the CFO of the Company. As at December 31, 2024, \$nil was included in accounts payable and accrued liabilities in connection with these services.

During the year ended December 31, 2024, the Company expensed \$54,625 as consulting fees for customer service work provided by the spouse of an officer of the Company and \$nil is due as of December 31, 2024.

On February 7, 2022, the Company obtained a \$500,000 loan from a lender whose CEO was also an officer of the Company. Interest of \$24,822 for the nine months ended September 30, 2023 was expensed. This loan was fully converted into a convertible debenture and subsequently into 6,652,366 common shares of the Company during the year ended December 31, 2023.

On January 24, 2023, the Company entered into a loan agreement with a related party whereby the lender agreed to advance \$150,000 to the Company. The CEO of the lending party is also an officer of the Company. Interest of \$6,263 for the nine months ended September 30, 2023 was expensed. This loan was fully converted into a convertible debenture and subsequently into 1,795,448 common shares of the Company during the year ended December 31, 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 were 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.

On August 28, 2023, the Company entered into a Sales & Licencing agreement (the agreement) with HUCK Project LLC which is a firm controlled by an officer of the Company. The Company undertook a number of transactions with HUCK on August 28, 2023 and during the period from August 29, 2023 to December 31, 2023. On January 1, 2024, the Company cancelled the agreement with HUCK and there were further related party transactions related to the unwinding process. Refer below for a full description of the agreement and the transactions between the two parties.

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 Sales and Licencing agreement ("Agreement") with HUCK Project LLC ("HUCK"), whereby HUCK became the Company's non-exclusive global retail-only distributor. 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 discussed in the press release dated August 28, 2023, 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 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

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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 structure allowed the Company to maintain ownership and control of its core assets while offloading retail execution and capital intensity to a partner better positioned to manage them, aligning both short-term growth needs and long-term strategic direction.

As per the 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 were 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 was entitled to receive royalty by way of a cash royalty, payable each month, and special royalty, which could only be levied upon prior agreement of both parties. The cash royalty amount was 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 was at the discretion of management.

During the year ended December 31, 2023 the Company recorded royalty income of \$283,427 and contributions towards loan repayments of \$197,183 from HUCK. At year-end on December 31, 2023 the Company had a balance payable to HUCK of \$215,305 resulting from all the transactions that transpired between August 28 to December 31, 2023.

On January 1, 2024, the Company cancelled the Agreement with HUCK. Below is a summary of the transactions with HUCK during the fiscal year ended December 31, 2024 that are related to the unwinding process.

Net payable balance as at December 31, 2023	\$	215,305
Subsequent Company related expenses paid by HUCK		359,957
Inventory on hand and inventory in-transit transferred to the Company on January 1, 2024		687,505
Subsequent HUCK related expenses and liabilities paid by the Company		(621,083)
Cash remitted to HUCK		(1,385,578)
Cash received from HUCK		708,497
Unrecoverable balance write-off		35,397
Net payable balance as at December 31, 2024	\$	-

As stated in the February 16, 2024 press release, the combination of the oversubscribed offering, the improved company valuation and the feedback that the Company received from investors over several months led management of the Company to believe that the primary objective of the partnership with HUCK announced on August 28, 2023 had been largely achieved. While the Company recognized that more R&D needs to be done to further solidify our scientific leadership in EMF modulation technology, management was satisfied with how the Company was positioned as a life sciences firm. This has been and remained the Company's primary objective. The secondary rationale of the HUCK outsourcing partnership was to transfer the inventory financing burden over to HUCK. The Company was satisfied that this rationale was also successfully addressed through the closing of the \$4 million offering on February 16, 2024. As a result of the above considerations, the Company no longer viewed the HUCK partnership necessary and was pleased to announce that it had terminated this partnership with HUCK on January 1, 2024 with both companies retaining a friendly relationship and agreeing to all terms and conditions. The Company confirms that there are no other ongoing contractual or other commitments resulting from the HUCK partnership agreement.

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Events Occurring after the Reporting Date

On January 7, 2025, the Company obtained another tranche of the e-commerce platform loan in the amount of \$2,770,000 for a total repayable amount of \$2,991,600 which includes a finance charge of \$221,600.

In the first quarter of 2025, the United States of America has made many announcements of its intention to levy tariffs on imports from most countries around the globe. There have been many amendments to the rates of tariffs imposed. The Company's products are manufactured in Europe which has a stated tariff of 20% but currently reduced to 10% for a limited period of time. It is unclear whether the Company's products will be subject to European or Canadian tariff rates. The Company is actively monitoring the situation although at present it is not possible to assess whether there will be a material impact on future sales or profitability.

Off-Balance Sheet Arrangements

As at December 31, 2024, the Company has entered into various non-cancellable marketing and advertising contracts, including agreements with professional athletes and sports organizations, to promote its products and brand. Most of these agreements are denominated in U.S. dollars and have been translated into Canadian dollars using the year-end exchange rate of 1.44. The following table summarizes the Company's undiscounted contractual commitments over the next five fiscal years:

<u>Commitments</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Marketing and advertising contracts	\$ 2,078,488	\$ 503,615	\$ -	\$ -	\$ -
Content creation agreements	310,802	-	-	-	-
Total	\$ 2,389,290	\$ 503,615	\$ -	\$ -	\$ -

All amounts above are presented in Canadian dollars (CAD). The U.S. dollar obligations total USD \$1,941,000 and Canadian dollar obligations total \$100,000.

Critical Accounting Estimates

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 that management has made which may result in a material adjustment to the carrying amounts of assets and liabilities 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 with respect to losses require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize losses before their expiry. As at December 31, 2024 and 2023 no deferred tax assets were recognized, as it is uncertain when sufficient taxable income will be available to realize the deferred tax assets.

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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 is required to pay sales taxes in many countries where its products are sold. Because of different laws and regulations and delays in filing required returns, estimates of sales tax liabilities may differ materially from the actual amounts payable when the required returns are submitted and assessed by the relevant authorities.

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

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

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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.

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, 2024, the Company had cash and cash equivalents of \$1,521,242 (2023 - \$29,366) to settle current liabilities of \$5,147,299 (2023 - \$2,384,913). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not yet generate cash from its operations, 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 and contractual commitments as at December 31, 2024 and 2023. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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December 31, 2024	Carrying amount	Contractual cash flows	2025	2026
Accounts payable & accrued liabilities	\$ 4,436,928	\$ 4,436,928	\$ 4,436,928	\$ -
Government loan	60,000	66,000	3,000	63,000
Current loans	695,263	695,263	695,263	-
Contractual commitments (Note 23)	-	2,892,905	2,389,290	503,615
	\$ 5,192,190	\$ 8,091,096	\$ 7,524,480	\$ 566,615

December 31, 2023	Carrying amount	Contractual cash flows	2024	2025	2026
Accounts payable & accrued liabilities	\$ 2,097,619	\$ 2,097,619	\$ 2,097,619	\$ -	\$ -
Government loan	60,000	69,000	3,000	3,000	63,000
Current loans	287,294	308,627	308,627	-	-
	\$ 2,444,913	\$ 2,475,246	\$ 2,409,246	\$ 3,000	\$ 63,000

Sales taxes payable include an estimated provision for interest and penalty for late payment of \$681,351 (2023 - \$238,776.)

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, 2024, a 5% fluctuation in the foreign exchange rate would have an impact of approximately \$297,523 (December 31, 2023 - \$49,944) 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

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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.

Tariffs, Tariff Uncertainty or Other International Trade Disputes

Our business is subject to risks associated with tariffs, and changes in economic conditions resulting from changes in uncertainties pertaining to tariffs and international trade disputes. This includes, but is not limited to, trade protection measures such as the imposition of or increase in tariffs. Future changes to trade or investment policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the Company's financial condition and results of operations.

Changes in cross-border tariffs between the United States and other nations could have an impact on our operations, costs, and competitiveness. Increased tariffs between countries in our, or our suppliers' supply-chains on raw materials, machinery or services essential to our operations may raise costs, disrupt supply chains, or delay delivery timelines.

Any escalation in trade disputes or the imposition of new tariffs could also create uncertainty in consumer spending. The Company continues to monitor trade policies and may need to adjust pricing, supply chain strategies, or operational structures to mitigate the financial and strategic risks posed by evolving tariff regulations.

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 and ShipMonk upon receipt.

UAB Technano manages procurement, production, and storage until product shipment. Liability transfers to shippers upon dispatch, with insurance covering transit. ShipBob and ShipMonk assume 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 that 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.

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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 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. 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

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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

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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 increased volatility in the global financial and credit markets could have a particularly significant, detrimental and unpredictable effect on the Company's 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.