

ATI AIRTEST TECHNOLOGIES INC.
Management Discussion and Analysis
For the year ended December 31, 2017

This Management Discussion and Analysis of ATI AirTest Technologies Inc. (the "Company") provides analysis of the Company's financial results for the year ended December 31, 2017. The following information should be read in conjunction with the accompanying audited financial statements and the notes to the audited financial statements for the year ended December 31, 2017.

1.0 Date of the Report

May 30, 2018

1.1 Introduction

The following management's discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for the Company and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017. Readers are encouraged to review the Company's consolidated financial statements in conjunction with this document, copies of which are filed on the SEDAR website at www.sedar.com. The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared in accordance with IFRS 1, "First-time Adoption of International Reporting Standards" as issued by the International Accounting Standards Board ("IASB").

Unless otherwise specified, all dollar amounts are expressed in Canadian dollars and have been prepared in accordance with IFRS.

This MD&A contains forward-looking statements. Forward-looking statements may also be made in the Company's other reports filed with or furnished to Canadian securities commissions. In addition, from time to time, the Company through its management may make oral forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from such statements. The words "aim," "anticipate," "believe," "continue," "could," "expect," "intend," "likely", "may," "optimistic," "plan," "potential", "predict", "should," "will," "would," and other similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance, and therefore you should not put undue reliance upon them. The material assumptions supporting these forward-looking statements include, among other things the Company's ability to:

- obtain any necessary financing on acceptable terms;
- keep pace with rapid changes in consumer demands;
- rely on third party manufacturers;
- manage expansion effectively;
- enforce its intellectual property rights;
- launch additional product lines;
- retain its skilled personnel;
- manage current tax and regulatory regimes;
- manage the fluctuation in foreign currency exchange rates and interest rates; and
- follow general economic and financial market conditions.

Some of the factors that may cause actual results to differ materially from those indicated in these statements are found in the section “Risk Factors” in this MD&A.

The forward-looking statements contained in this MD&A reflect our views and assumptions only as of the date of this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements after the date on which the statement is made, except as required by applicable laws, including the securities laws of Canada.

1.2 Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars. The Company’s functional currency is the United States dollar.

1.3 Overall Performance

For the year ended December 31, 2017 the Company had a 17.2% increase in sales over year 2016. The Company reported a Net Loss of \$398,781 for the year ended December 31, 2017. The Net Loss of \$398,781 represented a decrease of \$329,135 from the \$727,916 Net Loss reported for the year ended December 31, 2016. This difference in Net Loss resulted from an increase in Gross Profit of \$264,434 plus a gain on Other Items of \$256,684, less an increase in expenses of \$191,983.

The Company’s working capital deficiency increased from \$2,552,488 as at December 31, 2016 to \$3,208,229 as at December 31, 2017.

In the first half of 2017 sales were running 55% higher than the same period in 2016, however with the loss of a large OEM account and some volume loss due to slow delivery caused by the cash flow challenge the

Company faced in the second half of 2017, sales for the year ended up just under 20% over the 2016 sales. Lack of working capital caused the Company to restrict its marketing activity, and at the same time be more conservative in its inventory management.

General and administrative expenses increased by \$151,581, and Business Development and Marketing Expenses increased by \$40,399 due to the increase in cost of the US Dollar with most of our marketing expenses being in USA.

1.4 **Selected Annual Information**

The following tables provided selected financial information for the last three fiscal years.

Fiscal Year	2017	2016	2015
Net Sales	\$ 3,572,071	\$ 3,046,546	\$3,140,486
Net and Comprehensive Gain (Loss)	\$ (619,085)	\$ (662,257)	\$ (478,550)
Basic and diluted gain/(loss) per share	\$ 0.01	\$ 0.01	\$ 0.00
Total Assets	\$ 481,182	\$ 767,435	\$ 758,817
Total Long Term Liabilities	\$1,130,489	\$1,167,910	\$1,385,940
Cash dividends per common share	N/A	N/A	N/A

1.4 **Results of Operations**

Revenue

Sales for the year 2017 totaled \$3,572,071 up \$525,525 or 17.2% from sales for 2016 of \$3,046,546. During 2017, the Company was able to grow its core business, and start to promote its new wireless technology. The sales were somewhat compromised by the Company's inability to complete some R&D projects that would have resulted in product enhancements that would have contributed to additional growth. These projects had to be postponed due to lack of working capital. The shortage of working capital also caused some delivery delays on customer orders as the Company could not carry sufficient inventory to expedite orders to the complete satisfaction of our customers.

Gross Profit

Gross Profit on sales amounted to \$1,340,119 in 2017 compared to \$1,075,685 in 2016, an increase of \$264,434 or 24.6%. Gross margin as a percentage of sales increased from 35.3% to 37.5% for a gain of 2.2%.

Expenses

Total expenses for the year 2017 were \$1,533,301 compared to \$1,341,318 for the year 2016. Expenses in year 2017 increased by \$191,983 or 14.3% over year 2016. This increase resulted from an increase in General and Administrative expense of \$151,581 and Business Development and Marketing expense of \$40,402.

Profit

The Company recorded a net loss of \$398,781 for the year 2017 as compared to a net loss of \$727,916 for the same period in 2016.

With increased sales of its new combination package of the WiFi CO2 sensors and the RTUiLink control system as well as the introduction of its wireless chiller monitor and a new wireless solar powered CO2 transmitter, the Company anticipates some very strong growth through the next three years. The key to executing the Company's plan for growth will be its ability to finance its marketing program as well as the growth that will result from that program.

1.5 Summary of Quarterly Results

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales	\$715,874	\$ 804,773	\$1,122,615	\$ 928,809	\$958,439	\$ 755,326	\$ 741,012	\$ 591,769
Loss	\$217,062	\$ 91,229	\$ 7,210	\$ 83,280	\$428,542	\$ 142,308	\$ 54,087	\$ 102,979
Basic and diluted loss per share	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.00

1.6 Liquidity

In December, 2016 the Company received \$150,000 from Omni Marketing Global as a first tranche of a \$1,000,000 advance that was tied to a Sales Royalty Agreement to be completed in 2017. Although it took much longer than anticipated by Management, the Sales Royalty Agreement was finally completed and signed by both parties on December 29, 2017. Another \$300,000 was advanced during 2017 with the remaining \$550,000 to be advanced in the first quarter of 2018.

Management has continued to work with various sources of business capital in an effort to secure a level of financing that would enable the Company to aggressively pursue its business plan for the next 2-3 years and provide a reduction in current financing costs.

While it would be preferable to raise capital in the \$2.5 million range, management has been forced into doing some additional short term financing in the form of small Merchant Advances that provide sufficient working capital for us to continue marketing our new wireless technology, and at the same time work to finalize a more reasonable form of long term financing.

1.7 Capital Resources

The Company has no commitments for capital expenditures as of the end of 2017. Capital will be required for growth, and for completion of some remaining in-house product development projects. The necessary capital will be put in place through a combination of equity financing and development of non-equity financing which will become available once the Company is able to report consistent profitability.

1.8 Off-Balance Sheet Arrangements

As of December 31, 2017, the Company had no material off-balance sheet arrangements.

1.9 Transactions with Related Parties

- (a) During the year 2017, the Company paid or accrued salaries to directors and officers of \$Nil (2016 - \$Nil).
- (b) At December 31, 2017, \$116,346 is payable to directors and officers for accrued services and advances (2016 - \$173,694).

	Relationship	December 31, 2017	December 31, 2016
Murray Graham	CFO	\$ 285	\$ 524
George Graham	CEO	52,061	64,170
Ken Danderfer	Director	NIL	45,000
Darrel Taylor	Director	45,000	45,000
Robert Mebruer	Director	19,000	19,000
Total		\$ 116,346	\$ 173,694

Amounts becoming due to related parties in the normal course of operations, except where specifically stated, are non-interest bearing, unsecured, and without terms of repayment.

During the year ended December 31, 2017, the Company incurred salaries of \$120,000 to Murray Graham, CFO, and \$192,000 to George Graham, CEO, totaling \$312,000 (2016-\$312,000) to its key management personnel.

1.10 Proposed Transactions

There are currently no proposed transactions by the Company.

1.11 Contingency

During the year ended December 31, 2016, the Company was subject to a claim of \$100,000 in respect of an unpaid promissory note and no provision was recorded regarding this claim. During the year ended December 31, 2017, the Company settled the claim for \$57,500 and the settlement was included in professional fees under General and Administrative expenses.

1.12 Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, accounts receivable, an asset-based loan, a merchant advance loan, shareholder loans, advances from related parties, accounts payable and accrued liabilities.

The asset-based loan from Pivot Financial in Toronto is secured by the Company's accounts receivable. Both the shareholder loan and the advances from related parties have been advanced to the company from significant shareholders, therefore Company management is of the opinion that there is limited risk exposure with regard to these two financial instruments.

Because a high percentage of the Company's sales are made in United States, and also because the Company has three important suppliers based in Europe, there is an element of risk related to any large fluctuation

in the relationship between the Euro, the Canadian dollar and the US dollar.

1.13 Share Data

The number of common shares issued and outstanding as of the date of this filing is 34,705,581.

1.14 Evaluation and Effectiveness of Disclosure Controls and Procedures

Under National Instrument 52-109 management is now required to certify that they have caused the company to design suitable controls over external disclosure and financial reporting. Management must also undertake reviews of the effectiveness of such controls and discuss areas of significant weakness and the associated risks as well as their plans to address them.

The company has not had sufficient financial resources to maintain dedicated internal financial reporting and qualified professional accounting personnel. Accordingly, financial reporting controls and internal transaction controls are designed and provided primarily by management with limited involvement from external consultants and professionals. This approach has been determined by management to be the most cost effective to date. However, controls may not be as strong as other entities with access to greater resources.

Management and the audit committee have discussed and identified areas that need to be improved as the company expands its scope of operations and strives to meet current market and regulatory expectations relating to the effectiveness of controls.

When control weaknesses are identified there is increased risk of release of inappropriate disclosures. There is also increased risk of misstatement in financial reporting through errors, omissions or fraudulent activity that could occur and go undetected. The Company intends to direct additional resources to improving identified deficiencies and improve the overall control environment and governance processes within the company where deemed required.

The Company recognizes that its existing control measures do not comply with a recognized internal control framework such as COSO. The Company believes such a framework is not viable at this time due to the

limited number of personnel, volume of transactions, and lack of financial resources.

1.15 Risks and Uncertainties

The Company operates in a competitive market. The Company needs to deliver high quality, cost effective, components to market and meet the timelines required by customers. The Company must develop next generation components to satisfy the future needs of their customers. Should the Company be unable to continue to manufacture and develop their products or should a competitor beat them to the market this would adversely affect future sales.

The Company currently has limited working capital and incurs significant expenses on an on-going basis in its operations, and this represents a significant risk factor. The Company will require additional financing to continue to grow its business, and such financing may not be available when it is needed.

The Company does not have significant environmental risk and in fact makes a very positive contribution to improving the environment.