

**ATI AIRTEST TECHNOLOGIES INC.**  
**Management Discussion and Analysis**  
**For the quarter ended March 31, 2020**

*This Management Discussion and Analysis of ATI AirTest Technologies Inc. (the "Company") provides analysis of the Company's financial results for the quarter ended March 31, 2020. The following information should be read in conjunction with the accompanying unaudited financial statements and the notes to the unaudited financial statements for the quarter ended March 31, 2020.*

**1.1 Date of the Report**

July 15, 2020

**1.2 Overall Performance**

For the quarter ended March 31, 2020 the Company had a 4.1% increase in sales over the same period in 2019. The Company reported a net loss of \$206,453 for the quarter ended March 31, 2020 which was an increase of 211.4% over the \$66,308 operating loss reported for the quarter ended March 31, 2019.

The Company's working capital deficiency increased from \$3,740,537 as at March 31, 2019 to \$4,510,803 as at March 31, 2020.

The Sales Royalty Agreement signed between Omni Marketing Global and the Company which was approved by the TSX Venture Exchange in second quarter 2018 is still in effect, although the Company has been forced to accrue outstanding payments for several months pending completion of the long-term financing presently under way.

Company management continues to work with potential capital providers to arrange a more significant long term financing that will finance our growth, enable us to complete some pending R&D projects that will contribute strongly to our growth, and also provide capital for a marketing budget that will allow us to aggressively pursue our marketing plan including the promotion of our new wireless technologies.

The strengthening of the US dollar against both the Euro and the Canadian dollar has proven very beneficial to AirTest as more than 80% of the Company's sales are sold in USD.

### 1.3 Selected Annual Information

<b>Fiscal Year</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net Sales	\$3,480,868	\$2,703,073	\$3,572,071
Net and Comprehensive Loss	\$ 217,574	\$ 958,848	\$ 619,085
Basic and diluted loss/share	\$ 0.00	\$ 0.03	\$ 0.02
Total Assets	\$ 629,801	\$ 487,748	\$ 481,182
Total Long-Term Liabilities	\$1,193,444	\$1,351,632	\$1,130,489
Cash dividends per common share	N/A	N/A	N/A

### 1.4 Results of Operations

#### Revenue

Sales for the first quarter of 2020 totaled \$897,644, up from \$862,142 or a 4.1% increase over sales for the first quarter of 2019. This increase in sales was split quite evenly between the large OEM accounts and the regular accounts.

#### Gross Profit

Gross Profit on sales amounted to \$358,174 in the first quarter of 2020 compared to \$357,195 in the first quarter of 2019, an increase of \$979 or 0.3%. Gross margin as a percentage of sales decreased by 1.5% from the 2019 first quarter gross margin percentage.

#### Expenses

Total expenses for the first quarter of 2020 were \$564,628 compared to \$423,503 for the first quarter of 2019, an increase of \$141,125 or 33.3% over the same period in 2019. This increase resulted from a foreign exchange adjustment of \$93,349 plus an increase of \$40,534 in royalty expense and interest.

#### Profit & Loss

The Company recorded a net loss of \$206,453 for the quarter ended March 31, 2020 as compared to a loss of \$66,308 for the same period in 2019. The loss increase was all related to the increase in expenses as outlined above.

Company management expects to see continued sales growth for the next 9 months of 2020 with the ongoing promotion of its new line of WiFi sensor products along with the recently developed RTUiLink system as well as our new Chiller Monitoring System. Introduction of its new BACnet capability for the Parking Garage systems will also contribute greatly to sales growth starting in the third quarter of 2020. The key to executing the Company's plan for growth will be its ability to finance an aggressive marketing program as well as the cost of growth in accounts receivable and inventory..

## **1.5 Summary of Quarterly Results**

	<b>2020</b>	<b>2019</b>				<b>2018</b>		
	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<b>Net Sales</b>	\$897,644	\$865,131	\$ 727,185	\$1,026,410	\$862,142	\$673,570	\$ 719,917	\$ 726,733
<b>Loss</b>	\$206,453	\$ 18,965	(\$ 98,816)	(\$ 16,885)	(\$66,308)	(\$819,237)	(\$128,992)	(\$116,083)
<b>Basic and diluted loss per share</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.02	\$ 0.00	\$ 0.00

## **1.6 Liquidity**

The Company concluded a small share placement in January 2019 that raised \$300,000 through the issuance of 15 million shares.

AirTest management has maintained communication with several financial sources in an attempt to conclude a larger long-term financing that will enable the Company to aggressively pursue its business plan and take advantage of the outstanding growth opportunity it presently enjoys with its recently developed wireless technology.

## **1.7 Capital Resources**

The Company has no commitments for capital expenditures as of the end of the first quarter of 2020. Capital is required for growth, to clean up some pending liability obligations, and for completion of some in-house product development projects. Management is forced to consider further equity financing, but it will be done in stages to avoid excessive dilution to existing shareholders.

## **1.8 Off-Balance Sheet Arrangements**

As of March 31, 2020, the Company had no material off-balance sheet arrangements.

## **1.9 Transactions with Related Parties**

- (a) During the first quarter of 2020, the Company paid or accrued salaries to directors and officers of \$nil (2019 - \$nil).
- (b) At March 31, 2020, \$162,392 is payable to directors and officers for accrued services and advances. (2019 - \$164,391)
- (c) As at March 31, 2020, \$276,143 (Dec 2019 - \$276,143) is included in non-current loans payable owed to the CFO and President of the Company.

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.

## **1.10 Proposed Transactions**

There are currently no proposed transactions by the Company.

## **1.11 Changes in Accounting Policies including Initial Adoption**

January 1, 2010 was the date of transition to IFRS (Transition Date). Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP")

## **1.12 Financial Instruments and Other Instruments**

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

The asset-based loan from Pivot Financial in Toronto is secured by the Company's accounts receivable.

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 50,205,581.

### **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.

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 improve and update their product offering, this would have a negative impact on future growth.

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

The Company does not have any significant environmental risk.