ATI AIRTEST TECHNOLOGIES INC.

Management Discussion and Analysis

QUARTERLY REPORT – For the year ended December 31, 2004

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, 2004. 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, 2004.

1.1 Date of the Report

April 29, 2005

1.2 Overall Performance

For the year ended December 31, 2004 the Company experienced sales growth of 3% in its core products over year 2003. Overall sales were down by 14% due to the Company ceasing its service operations in the first quarter of the current year in order to focus the Company’s resources on its core product sales. The Company operated at a loss and its cash deficiency at the end of 2004 stood at $1,024,634. This cash deficiency has severely restricted the Company’s opportunity to grow despite its improved market presence and new marketing initiatives. Company management has been working with financial consultants and investment sources in an effort to raise sufficient capital to allow the Company to aggressively pursue its business plan. It was anticipated that new financing would have been in place prior to or during this reporting period, however due to the delay in realizing additional investment the expected change in the Company’s performance has not occurred as yet.

The Company requires further interim or bridge financing as well as some significant long-term investment in order to achieve its projected growth and sustain that growth through 2007.

1.3 Selected Annual Information

Fiscal Year	2004	2003	2002
Net Sales	$ 921,948	$1,075,647	$937,012
Loss	$ 833,775	$ 854,392	$822,531
Basic and diluted loss/share	$ 0.07	$ 0.07	$ 0.08
Net Loss	$ 833,775	$ 854,392	$822,531
Basic and diluted net loss per share	$ 0.07	$ 0.07	$ 0.08
Total Assets	$ 296,880	$ 487,078	$552,122
Total Long Term Liabilities	$ NIL	$ 36,544	$ 72,473
Cash dividends per common share	N/A	N/A	N/A

1.4 Results of Operations

Revenue

Sales for the year 2004 totaled $921,948 with product sales representing 96% of all sales reported. Total sales were down $153,699 or 14% under 2003 sales of $1,075,647. Core product sales were up $28,468 or 3% over the year ended December 31, 2003.

Gross Profit on sales amounted to $391,976 in 2004 compared to $427,949 in 2003, which represented a decrease of $35,973 or 8%.

Expenses

Total expenses for the year 2004 were $1,246,782 compared to $1,282,341 for the year 2003. Expenses in year 2004 decreased by $35,559 or 2.8% from year 2003.

Loss

The Company recorded an operating loss of $833,775 for the year 2004 as compared to a loss of $854,392 for year 2003.

The market for the Company's product offering continues to grow, and the Company is well positioned to take advantage of the growth opportunity. The key to executing the Company's plan for growth will be its ability to finance that growth as well as reduce its cash deficiency.

1.5 Summary of Quarterly Results

		2004				2003			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales		207,863	$271,776	$231,273	$211,036	$390,218	$318,012	$221,450	$145,967
Loss		287,777	$188,244	$154,679	$203,075	$292,176	$159,960	$191,205	$211,052
Basic and diluted loss per share		$0.02	$0.02	$0.01	$0.02	$0.03	$0.01	$0.02	$0.02

During the first quarter of 2004 the Company discontinued its mobile air monitoring service in Alberta. This part of the Company's business contributed $118,945 to sales in the fourth quarter, 2003 ,$22,580 in the second quarter of 2003, and $78,400 in the third quarter of 2003. Mobile air monitoring revenue was NIL in the last half of 2004.

1.6 Liquidity

In order to generate sufficient amounts of cash to maintain its capacity, the Company initiated a private placement in the second quarter of 2004. This placement provided $402,000 working capital to the Company.

Management is also working with financial consultants and several investment sources to develop long term investment of $2,600,000 that will enable the Company to aggressively pursue its business plan and finance projected growth through 2007.

For a list of lease commitments please refer to Note 13 of the financial statements for the year ended December 31, 2004.

1.7 Capital Resources

The Company has no commitments for capital expenditures as of the end of third quarter, 2004.

In order to raise capital to meet its ongoing cash flow demands, the Company will seek additional bridge financing or first stage long term financing in the first half of 2005.

1.8 Off-Balance Sheet Arrangements

As of December 31, 2005, the Company had no material off-balance sheet arrangements.

1.9 Transactions with Related Parties

During 2004 the Company leased equipment from Key West Ford Sales, a company controlled by Al Backman, one of the Company's insiders. These transactions were recorded at the exchange amount of $24,865.

As at December 31, 2004, advances of $287,440 which are non-interest bearing and repayable on demand, have been received from companies controlled by directors or insiders. The advancing companies are 257353 BC Ltd., a company controlled by Al Backman, and Cormudan Enterprises Ltd., a company controlled by George Graham.

1.11 Proposed Transactions

As of December 31, 2004 there are no proposed transactions being pursued or negotiated by the Company.

1.13 Changes in Accounting Policies including Initial Adoption

There was no change in the Company's accounting policies during 2004.

1.14 Financial Instruments and Other Instruments

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

The bank indebtedness is fully secured by directors and insiders of the company. The asset-based loan, which was transferred in the third quarter from BFI in California to BCBF locally in Vancouver, 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.

A large increase in interest rates would create considerable pressure on the Company's cash flow and increase the risk of the Company not being able to satisfy its financial commitments.

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.

1.15 Share Data

The balance of common shares issued and outstanding as of December 31, 2004 was 12,328,160. During 2004 there were no shares issued. There were 115,000 stock options issued to new director, Darrel Taylor and 30,000 stock options were cancelled. In 2004 673,500 shares came out of escrow. Please refer to the December 31, 2004 financial statements for a breakdown of the share position as at December 31, 2004.

George Graham
President and CEO

ATI AIRTEST TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

DALE MATHESON
CARR-HILTON LABONTE
CHARTERED ACCOUNTANTS

Partnership of:

Vancouver	Robert J. Burkart, Inc.	James F. Carr-Hilton, Ltd.	Alvin F. Dale, Ltd.
	Peter J. Donaldson, Inc.	Reginald J. LaBonte, Ltd.	
	Robert J. Matheson, Inc.		
Surrey	Peter J. Donaldson, Inc.	Fraser G. Ross, Ltd.	
Port Coquitlam	Wilfred A. Jacobson, Inc.	Brian A. Shaw, Inc.	Anthony L. Soda, Inc.
	Fraser G. Ross, Ltd.		

AUDITORS' REPORT

To the Shareholders of ATI Airtest Technologies Inc.

We have audited the consolidated balance sheets of ATI Airtest Technologies Inc. as at December 31, 2004 and 2003 and the consolidated statements of operations and deficit, and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Refer to Note 2 to the financial statements)

signed: ***"DALE MATHESON CARR-HILTON LABONTE"***

DALE MATHESON CARR-HILTON LABONTE
CHARTERED ACCOUNTANTS

Vancouver, B.C.
April 20, 2004

A MEMBER OF MGI INTERNATIONAL, A WORLDWIDE NETWORK OF INDEPENDENT ACCOUNTANTS AND BUSINESS ADVISORS

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ATI AIRTEST TECHNOLOGIES INC.

CONSOLIDATED BALANCE SHEETS

		December 31, 2004		December 31, 2003
ASSETS				
CURRENT ASSETS				
Accounts receivable (Note 6(b))	$	129,122	$	239,916
Inventory (Note 4)		98,324		145,064
Prepaid expenses		5,839		8,266
		233,285		393,246
Equipment (Note 5)		63,595		93,832
	$	296,880	$	487,078
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
CURRENT LIABILITIES				
Bank Indebtedness (Note 6(a))	$	1,024,634	$	1,003,492
Accounts payable and accrued liabilities		1,331,828		1,172,268
Customer deposits		49,460		-
Loan (Note 6(b))		88,573		149,361
Convertible debt (Note 6(c))		402,000		-
Advances (Note 6(d))		90,150		-
Shareholder loans (Note 12(b))		500,000		500,000
Advances from related parties (Note 12(c))		287,440		249,942
Current portion of capital lease obligations (Note 13)		4,284		35,929
		3,778,369		3,110,992
Capital lease obligations (Note 13)		-		36,544
		3,778,369		3,147,536
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 7)		4,186,807		4,186,807
Contributed surplus (Note 8)		563,426		550,682
Deficit		(8,231,722)		(7,397,947)
		(3,481,489)		(2,660,458)
	$	296,880	$	487,078

Future operations (Note 2)
Commitments (Note 13)
Subsequent event (Note 16)

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

APPROVED ON BEHALF OF THE BOARD

signed: *"George Graham"* **Director**

signed: *"Darrel R. Taylor"* **Director**

ATI AIRTEST TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
REVENUES (Note 15)		
Product sales	$ 884,182	$ 855,722
Services	37,766	219,925
	921,948	1,075,647
COST OF GOODS SOLD:		
Product sales	504,782	488,385
Services	25,190	159,313
	529,972	647,698
GROSS PROFIT	391,976	427,949
EXPENSES		
Amortization	31,730	44,035
Automotive	7,881	8,867
Bad debts	6,993	2,763
Bank charges and interest	173,738	123,642
Freight	12,321	13,261
Insurance	35,073	42,880
Maintenance	1,399	731
Office and general	28,866	48,975
Professional and management fees	86,533	50,568
Investor relations	11,195	42,000
Rent and property tax	53,720	46,401
Research and development (Note 9)	80,974	120,866
Salaries and benefits	272,439	270,175
Sales, marketing and promotion	415,018	396,508
Shop supplies	5,779	3,493
Stock-based compensation (Note 8)	12,744	-
Telephone	6,876	11,220
Write-down of inventory	3,503	55,956
Total expenses	(1,246,782)	(1,282,341)
OTHER ITEMS		
Gain on disposal of equipment	21,031	-
	21,031	-
NET LOSS FOR THE YEAR	(833,775)	(854,392)
Deficit, beginning of year	(7,397,947)	(6,543,555)
Deficit, end of year	$ (8,231,722)	$ (7,397,947)
Basic and diluted loss per share	$ (0.07)	$ (0.07)
Weighted average number of common shares outstanding	12,428,160	11,341,859

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

ATI AIRTEST TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
CASH PROVIDED BY (USED IN):		
Operations:		
Net loss for the year	$ (833,775)	$ (854,392)
Items not involving cash:		
Amortization	31,730	44,035
Write-down of inventory	3,503	55,956
Gain on disposal of equipment	(21,031)	-
Stock-based compensation	12,744	-
Changes in non-cash working capital items:		
Accounts receivable	110,794	(33,258)
Inventory	46,740	(6,107)
Prepaid expenses	2,427	4,418
Accounts payable and accrued liabilities	156,061	562,867
Net cash used in operating activities	(490,807)	(226,481)
Investing:		
Purchase of testing equipment	(12,721)	-
Proceeds on disposal of equipment	32,255	-
Net cash from investing activities	19,534	-
Financing:		
Loan	(60,788)	149,361
Convertible debt issued	402,000	-
Advances from related parties	37,498	78,164
Deferred revenue	49,460	-
Share capital issuance	-	41,663
Advances	90,150	-
Capital lease obligation payments	(68,189)	(35,929)
Net cash from financing activities	450,131	233,259
Increase (decrease) in cash	(21,142)	6,778
Cash deficiency, beginning of year	(1,003,492)	(1,010,27
Cash deficiency, end of year	$ (1,024,634)	(1,003,49

Supplementary cash flow information (Note 10)

1. Business activities:

ATI Airtest Technologies Inc. (the "Company") was incorporated under the Company Act of British Columbia on March 13, 1996. The primary business activity is the manufacture and sale of air testing equipment and related services in Canada and the United States.

2. Future operations:

These financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. They do not include adjustments, if any, that may be required to either the realization of assets or the settlement of liabilities should the Company be unable to continue as a going concern. The Company has experienced significant losses since its inception and has a working capital deficiency at December 31, 2004 of $3,545,084 (2003 - $2,717,746). In addition, the Company has effectively used its available lines of credit (Notes 6, 12, and 16). The Company has financed its operations through equity, shareholder loans and through asset-based factoring. Future operations are dependent upon the Company's ability to obtain additional financing, continued support of existing creditors and lendors, continuing financial support from related parties, and attaining profitable operations. The ultimate realization of amounts reported for inventory is dependent upon market acceptance of the Company's products and services and generation of future profitable operations.

Management believes the Company has the ability to sustain future operations and meet financial requirements through sales growth, support of related parties, and bridge financing.

3. Significant accounting policies:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of ATI Airtest Technologies Inc. and its wholly owned subsidiaries Airwave Environmental Technologies Inc. ("Airwave") and Airtest Technologies Corp. Inter-company transactions and balances have been eliminated upon consolidation.

(b) Inventories:

All inventories are recorded at the lower of cost and net realizable value.

Raw materials inventory is stated at cost. Finished goods inventory is stated at estimated net realizable value. Work in progress includes the cost of raw materials and labour.

(c) Equipment:

Equipment is stated at cost. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Mobile equipment	straight-line	20%
Computer hardware	declining-balance	20%
Office furniture and fixtures	declining-balance	20%
Assembly equipment	declining-balance	30%
Testing equipment	declining-balance	30%

Management reviews the carrying value of equipment whenever events or changes in circumstance occur that may indicate an impairment has occurred. Impairment is assessed by management with reference to the estimated recoverable value based on factors including estimated undiscounted future cash flows, financial operating conditions, obsolescence and value in use.

3. Significant accounting policies (continued):

(c) Equipment (continued):

Should management determine that the carrying value of an asset or group of assets is impaired, an impairment charge is recorded in the period so determined.

(d) Revenue recognition:

Product revenue is recognized when the risk of ownership passes to the customer, which is when products are shipped.

Service revenue is recognized when the service has been completed to the customer's specification.

(e) Research and development:

Research and development costs are expensed as incurred.

(f) Stock-based compensation:

On January 1, 2003, the Company adopted the accounting recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, regarding stock-based compensation and other stock based payments. The standard requires that all stock based awards made to employees and non-employees be measured and recognized using a fair value based method.

The Company has an incentive share option plan that is described in Note 7(c).

(g) Measurement uncertainty:

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period. Significant areas requiring the use of management estimates relate to the valuation of inventory, recoverable values and useful lives for equipment, fair values of stock options, and the impact of any uncertainty relating to future operations. Actual results could differ from these estimates. (See also Note 2)

(h) Risk management

Currency risk

The Company is potentially exposed to currency risk as a portion of its assets and liabilities are held in foreign currencies. The Company does not use hedges or derivative instruments to reduce its exposure to currency risk.

Liquidity risk

The Company is not holding significant long-term assets; however inventory may be subject to liquidity risk. (See also Note 2)

Credit risk

The Company is potentially exposed to moderate credit risk due to concentration of the majority of its accounts receivable with a small number of customers. As at December 31, 2004, four customers represent approximately 30% (2003 – 61%) of accounts receivable. Management performs a periodic assessment of the credit worthiness of its customers.

3. Significant accounting policies (continued):

(i) Loss per share:

Basic loss per share is calculated using the weighted average number of shares outstanding during the period.

The Company follows the CICA Handbook Section 3500 standards for calculating diluted earnings per share. The standard requires the use of the treasury stock method for computing diluted earnings per share. The treasury stock method assumes that any proceeds obtained upon exercise of options and warrants would be used to purchase common shares at the average market price during the year.

As the average market price per share during the year was less than the exercise price of all options, warrants, and conversion features, the effect of the application of the accounting treatment would be anti-dilutive. Accordingly, no dilution adjustment has been presented.

(j) Future income tax:

Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that the enactment or substantive enactment occurs. A valuation allowance is recognized against any future income tax assets if it is more likely than not that the assets will not be realized.

(k) Asset retirement obligations

On January 1, 2004, the Company adopted recent accounting pronouncements of the CICA Handbook Section 3110, relating to the recognition and disclosure of liabilities for long lived asset retirement obligations and associated asset retirement costs. Management has reviewed the anticipated obligations and retirement costs of long lived assets for known obligations under contract, common practice, or laws and regulations in effect or anticipated. The adoption of the accounting policy has had no effect on these financial statements.

(l) Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

(m) Foreign currency translation

The functional currency of the Company is Canadian dollars. Monetary assets and liabilities owing in a foreign currency are translated into Canadian dollar equivalents at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rates in effect at the transaction date. Revenues and expenses are translated at rates approximating exchange rates in effect at the time of the transactions. Exchange gains or losses arising on translation are included in operations for the year.

4. Inventory:

Inventory at year end consists of the following:

	2004	2003
Finished goods	$ 20,715	$ 71,614
Work-in-progress	627	795
Raw materials	76,982	72,655
	$ 98,324	$ 145,064

As referred in Note 2, the Company's continuance as a going concern is based on achieving profitable operations and additional financing. If the Company is unable to continue as a going concern, there is uncertainty over the realization of the carrying value of inventory.

5. Equipment:

2004	Cost	Accumulated amortization	Net book value
Mobile equipment	$ 167,367	$ 130,075	$ 37,292
Computer hardware	65,007	55,880	9,127
Office furniture and fixtures	24,239	19,269	4,970
Testing equipment	17,967	6,223	11,744
Assembly equipment	5,087	4,625	462
	$ 279,667	$ 216,072	$ 63,595

2003	Cost	Accumulated amortization	Net book value
Mobile equipment	$ 199,627	$ 127,154	$ 72,473
Computer hardware	65,007	51,968	13,039
Office furniture and fixtures	24,239	18,091	6,148
Testing equipment	5,245	3,916	1,329
Assembly equipment	5,087	4,244	843
	$ 299,205	$ 205,373	$ 93,832

At December 31, 2004, included in equipment is mobile equipment under capital lease with a cost of $167,367 (2003 -$199,627) and a net book value of $37,292 (2003 - $72,473).

In August of 2004, the mobile equipment under capital lease was returned to the lessor for resale. The Company remains obligated under the lease contract for any loss or deficiency. No amortization has been charged against the mobile equipment since August 2004. Management has determined that its equity in the recoverable value of the equipment is not materially different from the carrying value.

6. Bank Indebtedness, loan, convertible debt, and advances:

(a) Bank Operating loan:

The Company has a $1,000,000 operating line of credit. Outstanding amounts under the line of credit bear interest at the bank prime rate and are secured by a Collateral Security Agreement providing a first charge over the assets of the Company and guarantees from companies controlled by directors and officers. (See Note 16)

(b) Loan:

During July 2004, the Company entered into a lending arrangement whereby the Company may borrow up to 77% of accounts receivable that are less than 90 days overdue. The specified trade receivables are pledged as security for the arrangement, with full recourse against the Company for any amounts that become longer than 90 days over due. The loans bear interest at 1.5% for the first 30 days outstanding, and 2% per month for the period outstanding greater than 31 days up to 90 days.

There is a 3% processing charge for all accounts receivable factored.

(c) Convertible debt:

From June to December 2004, the Company issued convertible debt instruments for total proceeds of $402,000. The debt instruments are unsecured and bear interest at 1.5% per month. Each of the instruments mature nine months following the date of issue, after which they are repayable on demand.

The debt holders have the right to convert all or a portion of the outstanding principal balance to common shares at a rate of $0.20 per common share.

Application of the provisions of the CICA accounting recommendation 3860 “Financial Instruments” to the above convertible loan debt instrument resulted in an immaterial equity component being attributed to the instrument. Accordingly, the entire instrument has been classified as debt.

(d) Advances:

During the year, the Company received two advances totaling US$75,000 from an unrelated party. The advances bear interest at the bank prime rate plus one percent, are unsecured, and repayable on demand.

7. Share capital:

(a) Authorized:

100,000,000 common shares without par value

(b) Issued and outstanding:

	Number of shares	Amount
Balance, December 31, 2002	10,728,160	$ 4,145,145
Shares issued on private placement (Note 7(f))	1,600,000	41,662
Shares held for cancellation (Note 7(g))	100,000	-
Balance, December 31, 2003 and 2004	12,428,160	$ 4,186,807

(c) Stock options:

The Company's Board of Directors may, from time to time, grant stock options, subject to regulatory terms and approval, to employees, officers, directors and consultants. The exercise price of each option can be set at no less than the closing market price of the common shares on the TSX Venture Exchange on the date of grant. Options terminate 30 days following the termination of the optionee's employment. Vesting and the option terms are set at the discretion of the Board at the time the options are granted. The following summarizes the changes in the Company's stock options for the year:

	December 31, 2004		December 31, 2003	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	941,700	$ 0.23	961,700	$ 0.23
Granted	115,000	0.10	-	-
Expired	-	-	-	-
Cancelled	(30,000)	0.24	(20,000)	0.24
Outstanding, end of year	1,026,700	$ 0.22	941,700	$ 0.23

As at December 31, 2004, all options are exercisable by the holders. The following table summarizes information about share options outstanding at December 31, 2004:

Number of outstanding shares	Exercise price	Weighted average life to expiry
115,000	$ 0.10	4.6 years
200,000	0.20	2.3 years
711,700	0.24	1.8 years
1,026,700		2.2 years

7. Share capital (continued):

(d) Share purchase warrants:

During the year ended December 31, 2003, the Company issued 1,600,000 share purchase warrants, in connection with a private placement. Each warrant is exercisable into one common share at $0.23 per share until May 10, 2004. All of these warrants expired unexercised during the current year.

(e) Escrow shares:

At December 31, 2004, there are 449,003 (2003 – 1,122,503) shares held in escrow, which may not be transferred, traded or exchanged without regulatory approval.

(f) Private placement:

During the year ended December 31, 2002, the Company announced a private placement of 1,700,000 units, priced at $0.15 per unit. Each unit consists of one share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one additional common share for a term of 180 days from the date the shares are issued. Prior to December 31, 2002, the Company received cash proceeds of $194,935 and incurred $24,679 of financing fees in advance of completion of the private placement. During the year ended December 31, 2003, the private placement closed and the Company received additional cash proceeds of $45,065 and incurred $3,402 of additional financing costs upon completion of the private placement. There were 1,600,000 units issued upon closure of the private placement.

(g) Shares held for cancellation:

A share certificate for 100,000 shares was issued and held in trust for an investor in connection with the private placement described in (f) above. The issuance was subsequently cancelled and the share certificate is to be returned to treasury for cancellation.

8. Stock-based compensation and contributed surplus:

On June 29, 2004, the Company granted 115,000 stock options to a director in accordance with the Company's stock option plan. The options are exercisable at $0.10 per common share and expire 5 years from the date of grant. The fair value of the options was estimated at $12,744 ($0.11 per option) was charged as stock-based compensation recorded in the year and credited to contributed surplus.

The fair value of the stock options was estimated using the Black-Scholes option pricing model, under the following current assumptions: Risk free interest rate 4.05%, volatility 150%, expected life of 5 years, and a 0% dividend yield.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

9. Research and development:

Research and development costs have been charged to operations and consist of the following:

	2004	2003
Labour	$ 73,928	$ 73,591
Product development/certification	3,861	46,011
Other	3,185	1,264
	$ 80,974	$ 120,866

The Company's primary work in product development during the year was the development of a wireless transmitter to be used in conjunction with its CO and CO2 sensors.

10. Statement of cash flows:

(a) Cash deficiency:

Cash deficiency included in the cash flow statement is comprised as follows:

	2004	2003
Cash on hand and balances in bank	$ (24,634)	$ (3,492)
Operating line of credit (Notes 6 (a) and 16)	(1,000,000)	(1,000,000)
	$ (1,024,634)	$ (1,003,492)

(b) Non-cash transactions:

There were no significant non-cash transactions during the 2004 fiscal year.

During the year ended December 31, 2003, the Company settled an amount owing to an employee of the Company of $15,000 by issuing 100,000 shares of the Company as part of the private placement described in Note 7 (f).

(c) Supplemental information:

	2004	2003
Interest paid during period	$ 153,822	$ 108,521
Income taxes paid during period	-	-

11. Income Taxes

Income tax recovery attributable to net loss before income tax recovery differs from the amounts computed by applying the combined Canadian federal and provincial income tax rate of 35.6% (2003 – 38%) to income before income taxes as follows:

		2004		2003
Loss before income taxes	$	(833,775)	$	(854,392)
Expected income tax recovery	$	(296,824)	$	(324,669)
Tax effect on:				
Change in valuation allowance		207,489		309,338
Change in substantively-enacted tax rates		(19,640)		-
Change in loss carry forwards		220,131		120,732
Other		(111,156)		(105,401)
		296,824		324,669
	$	-	$	-

As at December 31, 2004, significant components of the Company's future tax assets are as follows:

		2004		2003
Future tax assets:				
Losses carried forward	$	2,235,000	$	2,004,869
Financing fees		27,538		49,198
Equipment		31,300		27,770
Total tax assets		2,293,838		2,081,837
Valuation allowance 100% (2003 – 100%)		(2,293,838)		(2,081,837)
	$	-	$	-

The Company has cumulative income tax loss carry forwards at December 31, 2004 of approximately $ 6,250,000, which are available to offset taxable income to 2014. As the Company has not established sufficient likelihood of profitability, a valuation allowance of 100% (2003 – 100%) has been recorded against the potential future tax recovery.

12. Related party transactions:

The Company entered into the following transactions with related parties:

(a) The Company rented equipment from certain directors or companies controlled by them and recorded the transactions at the exchange amount of $24,865 (2003 - $51,075).

(b) The Company has lines of credit available through shareholders totaling $500,000 (2003 - $500,000), which are repayable on demand and bear interest at the bank prime rate plus 1%. As at December 31, 2004, $500,000 (2003 - $500,000) has been drawn on these lines of credit, which are reflected as shareholder loans. Interest of $25,099 (2003 - $28,438) is reflected in the statement of operations.

(c) As at December 31, 2004, advances of $287,440 (2003 - $249,942) which are non-interest bearing and repayable on demand, are outstanding to directors and companies controlled by directors.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts becoming due to or due from related parties in the normal course of operations are non-interest bearing, unsecured and without terms of repayment.
(See Note 16)

13. Lease obligations and commitments:

Future minimum payments, by year and in aggregate, for mobile equipment under capital lease are as follows:

Total minimum lease payments (2005)	$	20,039
Less: Amounts representing interest		(3,476)
Less: Amount credited to residual value		(12,279)
Net minimum lease payments		4,284
Current portion		(4,284)
	$	-

The Company is committed under a lease for office premises to 2007. Annual anticipated lease payments are as follows:

2005	$	40,633
2006		37,630
2007		19,561
	$	97,824

14. Financial instruments:

Fair value:

The fair values of accounts receivable, bank indebtedness, accounts payable and accrued liabilities and other arms length loans approximate their carrying values due to their short terms to maturity. Management has determined that the fair values of long-term debt and capital lease obligations are not materially different from their carrying values based on market rates of interest. The fair value of the shareholder loans and advances from related parties is not determinable with sufficient reliability to assess fair value adjustments to carrying value due to the lack of readily available arms length markets for such instruments.

15. Segmented information:

The Company operates in one reportable segment being the manufacture and sale of gas detection equipment and related services. During the year, the Company reduced the scope of its service operations and concentrated activity on manufacturing and sales. Substantially all of the Company's assets are located in Canada. The Company sells its products primarily in Canada and the U.S.A. Geographic information with respect to sales, based on the domicile of the customer, is as follows:

	2004	2003
Canada	$ 325,366	$ 594,362
U.S.A.	556,261	440,655
Other	40,321	40,630
	$ 921,948	$ 1,075,647

16. Subsequent event:

On March 31, 2005, the Company extinguished its $1,000,000 line of credit included in bank indebtedness Note 6(a), and issued shareholder promissory notes. These promissory notes, totalling $1,000,000, bear interest at the bank prime rate, with interest payable quarterly.

FORM 52-109FT2

CERTIFICATION OF INTERIM FILINGS DURING TRANSITION PERIOD

I, Ken Danderfer, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of ATI Airtest Technologies Inc. dated November 29, 2004, for the interim period ending September 30, 2004.

2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings; and

3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings.

Date: November 29, 2004

"Ken Danderfer"

Ken Danderfer
Director and signing as CFO

FORM 52-109FT2

CERTIFICATION OF INTERIM FILINGS DURING TRANSITION PERIOD

I, George Graham, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of ATI Airtest Technologies Inc. dated November 29, 2004, for the interim period ending September 30, 2004.

2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings; and

3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings.

Date: November 29, 2004

"George Graham"

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George Graham
Director & CEO