ATI AIRTEST TECHNOLOGIES INC.

Management Discussion and Analysis

QUARTERLY REPORT – For the year ended December 31, 2005

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, 2005. 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, 2005.

1.1 Date of the Report

November 8, 2006

1.2 Overall Performance

For the year ended December 31, 2005 the Company experienced sales growth of 14% over year 2004. The Company operated at a loss however it eliminated its cash deficiency of $1,024,634 from December 31, 2004. The cash deficiency had severely restricted the Company's opportunity to grow despite its improved market presence and new marketing initiatives. There is a significant working capital deficiency that must be addressed in order for the Company to raise sufficient capital to enable it 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 anticipated growth and hence improvement 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 2008.

1.3 Selected Annual Information

Fiscal Year	2005	2004	2003
Net Sales	$1,046,984	$ 921,948	$1,075,647
Loss	$ 750,501	$ 833,775	$ 854,392
Basic and diluted loss/share	$ 0.06	$ 0.07	$ 0.07
Net Loss	$ 783,508	$ 833,775	$ 854,392
Basic and diluted net loss per share	$ 0.06	$ 0.07	$ 0.07
Total Assets	$ 365,074	$ 296,880	$ 487,078
Total Long Term Liabilities	$ NIL	$ NIL	$ 36,544
Cash dividends per common share	N/A	N/A	N/A

1.4 Results of Operations

Revenue

Sales for the year 2005 totaled $1,046,984, up $125,036 or 14% over sales for 2004 of $921,948. Core product sales were up $162,802 or 18% over the year ended December 31, 2004. The Company discontinued its mobile air monitoring service in the first quarter of 2004.

Gross Profit on sales amounted to $459,380 in 2005 compared to $391,976 in 2004, an increase of $67,404 or 17%.

Expenses

Total expenses for the year 2005 were $1,209,881 compared to $1,246,782 for the year 2004. Expenses in year 2005 decreased by $36,901 or 3% from year 2004.

Loss

The Company recorded an operating loss of $750,501 for the year 2005 as compared to an operating loss of $854,806 for year 2004.

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 eliminate its working capital deficiency.

1.5 Summary of Quarterly Results

		2005				2004			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales		284,692	$319,819	$234,610	$232,023	$207,863	$271,776	$231,273	$211,036
Loss		328,078	$170,665	$120,295	$131,463	$287,777	$188,244	$154,679	$203,075
Basic and diluted loss per share		$0.03	$0.01	$0.01	$0.01	$0.02	$0.02	$0.01	$0.02

1.6 Liquidity

In order to generate sufficient amounts of cash to maintain its capacity, the Company received an inventory advance of $154,000 from an insider and Company management was also able to arrange some purchase order financing to a maximum level of $100,000 during the third and fourth quarter of 2005.

Management has been working with financial consultants and several investment sources to develop long term investment of $2,500,000 that will enable the Company to aggressively pursue its business plan and finance projected growth through 2008. This investment is to be staged with $800,000 to be raised in the first stage in 2006, and a further $1,700,000 over two more stages scheduled for 2007.

For a list of lease commitments please refer to Note 13 of the financial statements for the year ended December 31, 2005.

1.7 Capital Resources

The Company has no commitments for capital expenditures as of the 2005 year end. Capital will be required for growth and will be put in place through an equity financing in the second half of 2006.

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 2005 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 $15,301.

As at December 31, 2005, advances of $457,416 which are payable on demand and bear interest at the bank prime rate plus 2% have been received from companies controlled by directors or insiders.

On March 31, 2006, the Company issued two promissory notes to related parties in the total amount of $1,000,000. These notes bear interest at bank prime rate, with interest payable quarterly. These notes were issued as a result of the related parties extinguishing the Company's $1,000,000 bank line of credit.

1.10 Fourth Quarter

At the year end the Company adjusted for accrued interest in the amount of $108,847 and accrued payroll in the amount of $87,785.

The Company wrote off leasehold assets in the amount of $37,292 to account the loss on disposal of capital equipment related to the mobile air monitoring program that was terminated during 2005.

1.11 Proposed Transactions

As of December 31, 2005 there is a proposed unsecured loan from an unrelated party in the amount of $250,000.00 that will provide interim financing while the Company pursues its long term financing.

1.13 Changes in Accounting Policies including Initial Adoption

There was no change in the Company's accounting policies during 2005.

1.14 Financial Instruments and Other Instruments

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

The asset-based loan from 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, 2005 was 12,428,160. During 2005 there were no shares issued. Please refer to the December 31, 2004 financial statements for a breakdown of the share position as at December 31, 2004.

ATI AIRTEST TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

DALE MATHESON
CARR-HILTON LABONTE
CHARTERED ACCOUNTANTS

Partnership of:

Vancouver	Robert J. Burkart Inc.	James F. Carr-Hilton Ltd.	Alvin F. Dale Ltd.
	Reginald J. LaBonte Ltd.	Robert J. Matheson Inc.	Rakesh I. Patel Inc.
South Surrey	Hardy Baxter Inc.	Michael K. Braun Inc.	Rick Carabetta Inc.
	Peter J. Donaldson Inc.		
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, 2005 and 2004 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, 2005 and 2004 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)

DMCL

Vancouver, B.C.
October 23, 2006

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

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, 2005	December 31, 2004
ASSETS		
CURRENT ASSETS		
Cash	$ 46,483	$ -
Accounts receivable (Note 6(b))	208,895	129,122
Inventory (Note 4)	80,135	98,324
Prepaid expenses	10,765	5,839
	346,278	233,285
Equipment (Note 5)	18,796	63,595
	$ 365,074	$ 296,880
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Bank indebtedness (Note 6(a))	$ -	$ 1,024,634
Accounts payable and accrued liabilities	1,647,193	1,331,828
Customer deposits	21,828	49,460
Loans (Notes 6(b) & 16)	378,772	88,573
Convertible debt (Note 6(c))	476,082	402,000
Advances (Note 6(d))	90,150	90,150
Due to related parties and affiliates (Note 12(b))	2,016,046	787,440
Capital lease obligations (Note 5)	-	4,284
	4,630,071	3,778,369
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 7)	4,186,807	4,186,807
Contributed surplus (Note 8)	563,426	563,426
Deficit	(9,015,230)	(8,231,722)
	(4,264,997)	(3,481,489)
	$ 365,074	$ 296,880

Future operations (Note 2)
Commitments (Note 13)
Subsequent events (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, 2005 AND 2004

	2005	2004
REVENUES (Note 15)		
Product sales	$ 1,046,984	$ 884,182
Services	-	37,766
	1,046,984	921,948
COST OF GOODS SOLD:		
Product sales	583,981	504,782
Services	3,623	25,190
	587,604	529,972
GROSS PROFIT	459,380	391,976
EXPENSES		
Amortization	7,508	31,730
Automotive	8,252	7,881
Bad debts	1,089	6,993
Bank charges and interest	341,805	173,738
Foreign exchange (gain) loss	(30,754)	4,781
Freight	16,286	12,321
Insurance	1,853	35,073
Maintenance	811	1,399
Office and general	17,497	24,085
Professional and management fees	47,887	86,533
Regulatory fees	10,354	11,195
Rent and property tax	48,357	53,720
Research and development (Note 9)	86,328	80,974
Salaries and benefits	292,815	272,439
Sales, marketing and promotion	346,980	415,018
Shop supplies	3,279	5,779
Stock-based compensation (Note 8)	-	12,744
Telephone	5,391	6,876
Write-down of inventory	4,143	3,503
Total expenses	(1,209,881)	(1,246,782)
LOSS BEFORE OTHER ITEMS	(750,501)	(854,806)
OTHER ITEMS		
Gain (loss) on disposal of equipment	(33,007)	21,031
NET LOSS FOR THE YEAR	(783,508)	(833,775)
Deficit, beginning of year	(8,231,722)	(7,397,947)
Deficit, end of year	$ (9,015,230)	$ (8,231,722)
Basic and diluted loss per share	$ (0.06)	$ (0.07)
Weighted average number of common shares outstanding	12,428,160	12,428,160

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, 2005 AND 2004

	2005	2004
CASH PROVIDED BY (USED IN):		
Operations:		
Net loss for the year	$ (783,508)	$ (833,775)
Items not involving cash:		
Amortization	7,508	31,730
Write-down of inventory	4,143	3,503
(Gain) loss on disposal of equipment	33,007	(21,031)
Stock-based compensation	-	12,744
Changes in non-cash working capital items:		
Accounts receivable	(79,773)	110,794
Inventory	14,046	46,740
Prepaid expenses	(4,926)	2,427
Accounts payable and accrued liabilities	315,365	156,061
Net cash used in operating activities	(494,138)	(490,807)
Investing:		
Purchase of testing equipment	-	(12,721)
Proceeds on disposal of equipment	-	32,255
Net cash from investing activities	-	19,534
Financing:		
Loans	290,199	(60,788)
Convertible debt issued	74,082	402,000
Due to related parties	1,228,606	37,498
Customer deposits	(27,632)	49,460
Advances	-	90,150
Capital lease obligation payments	-	(68,189)
Net cash from financing activities	1,565,255	450,131
Increase (decrease) in cash	1,071,117	(21,142)
Cash deficiency, beginning of year	(1,024,634)	(1,003,492)
Cash (deficiency), end of year	$ 46,483	$ (1,024,634)

Supplementary cash flow information (Note 10)

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

1. Business activities:

The primary business activity is the manufacture and sale of air testing equipment in Canada and the United States.

Although the Company's shares traded during the reporting period, a Cease Trade Order was issued by the British Columbia Securities Commission on May 9, 2006 and by the Alberta Securities Commission on September 13, 2006. The cease trade orders resulted from the late filing of financial information by the Company. The Company has advised the TSX Venture Exchange that it is taking the necessary steps to complete the filing of all outstanding financial reports to bring it into compliance before the end of November 2006.

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, 2005 of $4,283,793 (2004 - $3,545,084). In addition, the Company has effectively used its available lines of credit at year end. 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 lenders, continuing financial support from related parties, and attaining profitable operations. The ultimate realization of amounts reported for operating assets is dependent upon market acceptance of the Company's products and services and generation of future profitable operations.

Management is of the opinion that the Company has the ability to sustain future operations and meet ongoing financial requirements through continued sales growth, restructuring of debt, a planned refinancing and support of related parties and debt holders. The Company plans to complete an equity private placement in the amount of $500,000 immediately following revocation of the Cease Trade Orders referred to in Note 1 above. The Company also intends to convert between 80% and 90% of its current liabilities to equity through execution of a series of Debt Agreements with creditors to convert their debt to shares. This restructuring of the Balance Sheet needs to be completed prior to the equity private placement.

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 account balances have been eliminated upon consolidation.

(b) Equipment and amortization:

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%

3. Significant accounting policies (continued):

(c) Inventories:

All inventories are recorded at the lower of average cost and net realizable value.
Raw materials inventory is stated at average cost. Finished goods inventory is stated at estimated net realizable value. Work in progress includes the cost of raw materials and labour.

(d) Revenue recognition:

Product revenue is recognized when goods are shipped and the risk of ownership passes to the customer with reasonable expectation of payment.

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:

The Company follows 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 exposed to currency risk as a significant portion of its sales, assets and liabilities are denominated in foreign currencies. The Company does not use hedges or derivative instruments to reduce 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 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, 2005, four customers represent approximately 52% (2004 – 30%) 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 common shares outstanding during the period.

The Company follows the CICA Handbook Section 3500 standards for calculating and reporting 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 where likelihood of realization is not high.

(k) Asset retirement obligations

The Company follows the accounting recommendations 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.

(n) Long-lived assets

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate that the recoverable value may be less than the carrying amount. Recoverable value determinations are based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

Assets with indefinite or indeterminable lives are not amortized and are reviewed for impairment on a reporting period basis using fair value determinations based on management's estimate of recoverable value.

4. Inventory:

Inventory at year-end consists of the following:

	2005	2004
Finished goods	$ 20,366	$ 20,715
Work-in-progress	2,093	627
Raw materials	57,676	76,982
	$ 80,135	$ 98,324

5. Equipment:

2005	Cost	Accumulated amortization	Net book value
Computer hardware	$ 65,007	$ 58,618	$ 6,389
Office furniture and fixtures	24,239	20,212	4,027
Testing equipment	17,967	9,746	8,221
Assembly equipment	5,087	4,928	159
	$ 112,300	$ 93,504	$ 18,796

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

At December 31, 2005, included in equipment is mobile equipment under capital lease with a cost of $Nil (2004 -$167,367) and a net book value of $Nil (2004 - $37,292).

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. During the year, the equipment was sold at a loss of $33,007. The Company has a continuing obligation to the lessor of $30,000.

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

(a) Bank Operating loan:

On March 31, 2005, the Company extinguished its $1,000,000 line of credit with the bank by way of related party promissory notes. These promissory notes, totaling $1,000,000, bear interest at the bank prime rate, with interest payable quarterly.

(b) Loan:

During July 2004, the Company entered into a factoring arrangement to factor 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 overdue. 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. During the year the Company paid $50,849 (2004 - $39,998) through factoring arrangements.

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

(c) Convertible debt:

From June 2004 to January 2005, the Company issued convertible debt instruments for total proceeds of $414,600. 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 2004, 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.

(See also Note 16)

7. **Share capital:**

(a) Authorized:

100,000,000 common shares without par value

(b) Issued and outstanding:

	Number of shares	Amount
Balance, December 31, 2005 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, 2005		December 31, 2004	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	1,026,700	$ 0.22	941,700	$ 0.23
Granted			115,000	0.10
Expired	(211,200)	0.24	-	-
Cancelled			(30,000)	0.24
Outstanding, end of year	815,500	$ 0.21	1,026,700	$ 0.22

As at December 31, 2005, all options outstanding are exercisable by the holders. The following table summarizes information about share options outstanding at December 31, 2005:

Number of outstanding options	Exercise price	Weighted average life to expiry
115,000	$ 0.10	3.6 years
200,000	$ 0.20	1.3 years
500,500	$ 0.24	1.4 years
815,500		1.7 years

7. Share capital (continued):

(d) Share purchase warrants:

There are no share purchase warrants outstanding.

(e) Escrow shares:

At December 31, 2005, there are Nil (2004 – 449,003) shares held in escrow, which may not be transferred, traded or exchanged without regulatory approval.

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 2004 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:

	2005	2004
Labour	$ 74,926	$ 73,928
Product development/certification	10,496	3,861
Other	906	3,185
	$ 86,328	$ 80,974

The Company's research and development work in 2005 included modifications to existing products plus the development of two new products. The largest project was the development of a carbon dioxide control system for the hobby greenhouse market. The other significant project was the development of the capability for our carbon dioxide and carbon monoxide sensors to communicate with LON control system protocol that is used in many building control systems.

10. Supplementary cash flow information:

(a) Cash deficiency:

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

	2005	2004
Cash on hand and balances in bank	$ 46,483	$ (24,634)
Operating line of credit (Note 6 (a))	-	(1,000,000)
	$ 46,483	$ (1,024,634)

(b) Non-cash transactions:

There were no significant non-cash transactions during the 2005 fiscal year.

(c) Supplemental information:

	2005	2004
Interest paid during year	$ 103,084	$ 153,822
Income taxes paid during year	-	-

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% (2004 – 35.6%) to income before income taxes as follows:

		2005		2004
Loss before income taxes	$	(783,508)	$	(833,775)
Expected income tax recovery	$	(278,929)	$	(296,824)
Tax effect on:				
Change in valuation allowance		272,262		207,489
Change in substantively-enacted tax rates		-		(19,640)
Change in loss carry forwards		257,835		220,131
Other		(251,168)		(111,156)
		278,929		296,824
	$	-	$	-

As at December 31, 2005, significant components of the Company's future tax assets are as follows:

		2005		2004
Future tax assets:				
Losses carried forward	$	2,492,835	$	2,235,000
Financing fees		44,800		27,538
Equipment		31,300		31,300
Total tax assets		2,568,935		2,293,838
Valuation allowance 100% (2004 – 100%)		(2,568,935)		(2,293,838)
	$	-	$	-

The Company has cumulative income tax loss carry forwards at December 31, 2005 of approximately $7,000,000, which are available to offset taxable income to 2015. As the Company has not established sufficient likelihood of future profitability to utilize available losses, a valuation allowance of 100% (2004 – 100%) has been recorded against the potential future tax recovery.

12. Related party transactions:

The Company entered into the following transactions with related parties during the year:

(a) The Company rented equipment from certain directors or companies controlled by them and recorded the transactions at the exchange amount of $15,301 (2004 - $24,865).

(b) Due to related parties and affiliated

(i) The Company has lines of credit available through an affiliate totaling $500,000 (2004 - $500,000), which is repayable on demand and bears interest at the bank prime rate plus 1%. As at December 31, 2005, the outstanding balance including interest is $525,144 (2004 - $500,000), which has been reflected as a loan from an affiliated party. Interest of $26,983 (2004 - $25,099) is reflected in the statement of operations.

(ii) As at December 31, 2005, advances of $457,416 (2004 - $287,440) which is repayable on demand and bears interest at the bank prime rate plus 2% . As at December 31, 2005 interest of $13,825 (2004 - $Nil) has been accrued in the account. .

(iii) On March 31, 2005, the Company extinguished its $1,000,000 line of credit included in bank indebtedness Note 6(a), and issued promissory notes to related parties. These promissory notes, totaling $1,000,000, bear interest at the bank prime rate, with interest payable quarterly. Interest of $33,486 has been accrued and reflected in the statement of operations.

(c) During the year the Company paid or accrued salaries to directors and officers of $169,000 (2004 - $165,000)

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

13. Commitments:

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

2006	$ 37,630
2007	19,561
	$ 57,191

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:

	2005	2004
Canada	$ 680,540	$ 325,366
U.S.A.	324,565	556,261
Other	41,879	40,321
	$ 1,046,984	$ 921,948

16. Subsequent event:

Subsequent to the year end, the Company issued 500,000 shares at $0.10 per share as a bonus for receiving a short term loan of $250,000. The loan bears interest at 15% per annum, is unsecured, and is payable on demand. At December 31, 2005, the outstanding balance of principal and interest was $251,643.

MODIFIED FORM 52-109F1

CERTIFICATION OF ANNUAL FILINGS

I Ken Danderfer, a Director of ATI Airtest Technologies Inc. certify that:

1. I have reviewed the annual 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. (the issuer) for the period ending December 31, 2005;

2. Based on my knowledge, the annual 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 annual filings;

3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual 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 annual filings; and

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have:

   (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared; and
   (b) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation.

Date: November 28, 2006

"Ken Danderfer"

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Director

MODIFIED FORM 52-109F1

CERTIFICATION OF ANNUAL FILINGS

I George Graham, a Director and CEO of ATI Airtest Technologies Inc. certify that:

1. I have reviewed the annual 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. (the issuer) for the period ending December 31, 2005;

2. Based on my knowledge, the annual 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 annual filings;

3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual 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 annual filings; and

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have:

   (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared; and
   (b) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation.

Date: November 28, 2006

"George Graham"

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Director & CEO