# ATI AIRTEST TECHNOLOGIES INC.

## Management Discussion and Analysis

## For the quarter ended June 30, 2015

*This Management Discussion and Analysis of ATI AirTest Technologies Inc. (the "Company") provides analysis of the Company's financial results for the quarter ended June 30, 2015. 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 June 30, 2015.*

### 1.1 Date of the Report

August 31, 2015

### 1.2 Overall Performance

For the quarter ended June 30, 2015 the Company had an 11.0% decrease in sales from the same period in 2014. The Company reported a net loss before Other Comprehensive Income, of $63,600 for the quarter ended June 30, 2015 which was down 9.6% from the $70,370 operating loss reported for the quarter ended June 30, 2014.

The Company's working capital deficiency increased from $1,408,597 as at December 31, 2014 to $1,492,216 as at June 30, 2015.

The Company closed a small private placement in the amount of $132,500 well short of planned subscriptions in January, 2015. This was followed by a $250,000 convertible debt bridge financing in April, 2015. In the 3rd quarter of this year, the Company has been in negotiations to conclude a more significant long term financing that will finance our growth and also enable the Company to aggressively pursue its business plan which includes the marketing of a new WiFi Carbon Dioxide sensor. There has been a pent up demand for a wireless CO2 product and the Company has developed a unique package of WiFi based products that includes a tested and proven WiFi CO2/Temp sensor/transmitter.

One risk that could have a negative impact on the Company relates to two strong product lines being imported from Sweden and Austria respectively. The ability for the Company to be price competitive in the North American market and still enjoy healthy gross margins for these two product lines is dependent on the US dollar holding or improving on its current exchange level with the Euro. A downward shift of 10% or less will have little effect on the Company's performance.

## 1.3 Selected Annual Information

| Fiscal Year | 2014 | 2013 | 2012 |
|---|---|---|---|
| Net Sales | $3,111,052 | $2,681,844 | $2,797,931 |
| Net and Comprehensive Gain/(Loss) | $ 360,088 | $(691,265) | $(538,515) |
| Basic and diluted loss/share | $ 0.03 | $ (0.02) | $ (0.02) |
| Total Assets | $ 822,680 | $ 780,036 | $ 798,980 |
| Total Long Term Liabilities | $ NIL | $ NIL | NIL |
| Cash dividends per common share | N/A | N/A | N/A |

## 1.4 Results of Operations

Revenue

Sales for the second quarter of 2015 totaled $738,450, down $91,464 or 11.0% below sales for the second quarter of 2014 of $829,914. In this quarter, the reduction in sales compared to the previous year was primarily due to the loss of a customer who had a major contract that finished in the summer of 2014. The Company sold them $290,000 worth of products in the second quarter of 2014 with no sales in 2015.

Gross Profit

Gross Profit on sales amounted to $280,365 in the second quarter of 2015 compared to $249,428 in the second quarter of 2014, an increase of $30,937 or 12.4%. Gross margin as a percentage of sales increased by 8.0% from 2014 second quarter numbers. Most of this increase is attributable to the strengthening of the US dollar against both the Canadian dollar and the Euro. Also the loss of the large customer whose contract ended in mid 2014 had a bearing on the gross margin percentage being higher as their pricing returned a gross margin much lower than the average of our other sales.

Expenses

Total expenses for the second quarter of 2015 were $343,965 compared to $319,798 for the second quarter of 2014, an increase of $24,167 or 7.6% over the same period in 2013. Of this increase, $19,207 is due to increased business development and marketing expenses related to our new WiFi technology.

Profit & Loss

The Company recorded a net loss of $63,600 for the quarter ended June 30, 2015 as compared to a profit of $61,554 for the same period in 2014. The 2014 profit included a gain on debt recovery of $131,924.

The Company's new WiFi sensors have a very large market demand which will stimulate abnormal growth commencing in the second half of 2015. The new low power $CO_2$ sensor line will also meet some niche market applications and will complement the Company's existing $CO_2$ sensor offering. The key to executing the Company's plan for growth will be its ability to finance that growth.

## 1.5 Summary of Quarterly Results

| | 2015 | | 2014 | | | | 2013 | |
|---|---|---|---|---|---|---|---|---|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Net Sales | $738,450 | $1,046,685 | $757,277 | $671,354 | $829,914 | $852,507 | $880,044 | $536,008 |
| Loss | $ 63,600 | $ 26,628 | ($498,413) | $ 63,791 | ($61,554) | $136,088 | $ 7,843 | $238,500 |
| Basic and diluted loss per share | $ 0.00 | $ 0.00 | Profit ($ 0.02) | $ 0.00 | Profit | $ 0.01 | $ 0.00 | $ 0.01 |

## 1.6 Liquidity

A private placement announced in 2013 was closed in January, 2015 with subscriptions totaling only $132,500. Any form of equity financing for small cap public companies has proven to be very difficult in recent years.

In April, 2015 the Company raised some bridge capital in the form of a $250,000 convertible debt financing.

The Company has been negotiating a major debt financing in the third quarter of 2015 following the successful launching of our new WiFi technology. This financing will provide working capital to enable us to execute our marketing plan, to cover our anticipated growth, and also to finance some important product development projects that are expected to have a major impact on future revenues.

## 1.7 Capital Resources

The Company has no commitments for capital expenditures as of the end of the second quarter of 2015. Capital will be required for growth, and for completion of several in-house product development projects. The necessary capital will be put in place through a non-equity financing currently under negotiation.

## 1.8 Off-Balance Sheet Arrangements

As of June 30, 2015, the Company had no material off-balance sheet arrangements.

## 1.9 Transactions with Related Parties

(a) During the second quarter of 2015, the Company paid or accrued salaries to directors and officers of $nil (2014 - $9,000).

(b) At June 30, 2015, $158,535 is payable to directors and officers for accrued services and advances.

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, advances from related parties, accounts payable and accrued liabilities.

The asset-based loan from BFI 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.

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 significant environmental risk.