

ATI AIRTEST TECHNOLOGIES INC.
Management Discussion and Analysis
For the quarter ended June 30, 2019

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, 2019. 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, 2019.

1.1 Date of the Report

August 29, 2019

1.2 Overall Performance

For the quarter ended June 30, 2019 the Company had a 41.2% increase in sales from the same period in 2018. The Company reported a net loss before Other Comprehensive Income, of \$16,885 for the quarter ended June 30, 2019 which was only 14.5% of the \$116,083 operating loss reported for the quarter ended June 30, 2018.

The Company's working capital deficiency increased from \$3,559,593 as at December 31, 2018 to \$3,757,307 as at June 30, 2019.

Company management have continued to pursue some significant long term financing, but have been forced to acquire some short term funding in the form of Merchant Advances in order to maintain our existing business and at the same time continue the promotion of our new wireless sensor technology to the market. We had a very strong second quarter this year with a positive EBITDA for the first time thanks to a 41% growth in sales over the same period last year.

One risk that could have a negative impact on the Company relates to the 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	2018	2017	2016
Net Sales	\$2,703,273	\$3,572,071	\$3,046,546
Net and Comprehensive Gain/(Loss)	\$(958,848)	\$(619,085)	\$(662,257)
Basic and diluted loss/share	\$ 0.03	\$ 0.02	\$ 0.02
Total Assets	\$ 487,748	\$ 481,182	\$ 767,435
Total Long Term Liabilities	\$1,351,632	\$1,130,489	\$1,167,910
Cash dividends per common share	N/A	N/A	N/A

1.4 Results of Operations

Revenue

Sales for the second quarter of 2019 totaled \$1,026,410, an increase of \$299,677 or 41.2% above sales for the second quarter of 2018 of \$726,733.

Gross Profit

Gross Profit on sales amounted to \$388,271 in the second quarter of 2019 compared to \$289,147 in the second quarter of 2018, an increase of \$99,124 or 34.3%. Gross margin as a percentage of sales decreased by 2.0% from 2017 second quarter numbers. This increase is attributable to the change in our sales mix with our large OEM accounts, which are high volume but lower margin accounts, contributing to the increase in sales for the period.

Expenses

Total expenses for the second quarter of 2019 were \$405,156 compared to \$405,230 for the second quarter of 2018, basically the same for both years..

Profit & Loss

The Company recorded a net loss of \$16,885 for the quarter ended June 30, 2019 as compared to a net loss of \$116,083 for the same period in 2018.

Promotion of the Company's new wireless sensors, RTUiLink package, and chiller monitoring package that have recently been introduced to the market was stifled to a degree by the Company's lack of working capital to

adequately fund an aggressive marketing program. With the development of the required working capital going forward, these products should stimulate accelerated growth commencing in the fourth quarter of 2019 and the first half of 2020. The new low power CO2 sensor line will also meet some niche market applications and will complement the Company's existing CO2 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

	2019		2018			2017		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Sales	\$1,026,410	\$862,142	\$673,570	\$ 719,917	\$ 726,733	\$ 582,853	\$715,874	\$ 804,773
Loss	\$ 16,885	\$ 66,308	\$819,237	\$ 128,992	\$ 116,083	\$ 235,576	\$217,062	\$ 91,229
Basic and diluted loss per share	\$ 0.00	\$ 0.00	\$ 0.02	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.00

1.6 Liquidity

Company management has been thwarted in its efforts to secure the level of long term financing that would enable the Company to aggressively pursue its marketing plan. However management has utilized a series of small short term loans to assist with peak cash demand periods. At this time management is taking advantage of the current new technology sales to put the Company back in position for a substantial equity financing provided it can be completed without undue dilution to the Company's existing shareholders. The financing will have to be strong enough to provide working capital that will enable management to execute our marketing plan, to cover our anticipated growth, and also to finance some important product development projects that will have a very positive 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 2019. 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 debenture offering currently being pursued.

1.8 Off-Balance Sheet Arrangements

As of June 30, 2019, the Company had no material off-balance sheet arrangements.

1.9 Transactions with Related Parties

- (a) During the second quarter of 2019, the Company paid or accrued no salaries to directors and officers.
- (b) At June 30, 2019, \$224,129 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 Pivot Financial Inc. 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 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 49,655,581.

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.