ATI AIRTEST TECHNOLOGIES INC.

Management Discussion and Analysis

For the year ended December 31, 2006

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, 2006. 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, 2006.

1.1 Date of the Report

April 27, 2007

1.2 Overall Performance

For the year ended December 31, 2006 the Company experienced a 3.1% reduction in sales from year 2005. The Company's net loss was slightly more (2.9%) than in 2005 due to the sales restrictions imposed by its continuing lack of capital.

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. The deficiency in working capital amounted to $5,035,183 as at December 31, 2006. As of December 31, 2005 the working capital deficiency was $4,283,793. The increase in working capital deficiency was primarily a result of the following factors;

-reduction in accts receivable, inventory	$ 68,577
-increase in accounts payable	282,108
-advances from related parties	122,444
-increase in loans payable	155,853

The Company has required long term financing of a minimum of $1,000,000 to enable it to aggressively pursue its business plan. Although the Company has engaged qualified financial consultants with strong track records in raising capital for public companies, their programs did not result in the necessary capital infusion. The principal barrier has consistently been the large debt load carried by the Company. Therefore the Company has taken steps to eliminate most of its debt through a debt for shares conversion. The first step was the elimination of the $1,000,000 bank loan as indicated above, followed by a commitment on the part of the related party lenders to convert their demand loans to shares. This conversion program has been continued through 2006 and into the first quarter of 2007 with the expectation of converting more than $3,500,000 from current liabilities to equity. As of the date of this filing, the TSX Venture Exchange has given conditional approval to a list of debt conversions totaling $3,501,194. Company management expects to convert another $200,000 from debt to equity and postpone repayment of another $600,000 thereby moving that amount from a Current Liability to a Long Term Liability.

As of the date of this filing the Company has received conditional approval of the TSX Venture Exchange to raise $750,000 through a brokered private placement which is in progress at this time.

The business outlook continues very positive due to the trend towards energy saving in all areas of the Company's market. With sufficient financing to meet current cash flow requirements as well as providing cash for anticipated growth, the Company is well positioned to enjoy a stable and profitable ongoing business.

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	**2006**	**2005**	**2004**
Net Sales	$1,014,826	$1,046,984	$ 921,948
Loss	$ 805,988	$ 750,501	$ 833,775
Basic and diluted loss/share	$ 0.06	$ 0.06	$ 0.07
Net Loss	$ 805,988	$ 783,508	$ 833,775
Basic and diluted net loss per share	$ 0.06	$ 0.06	$ 0.07
Total Assets	$ 240,818	$ 365,074	$ 296,880
Total Long Term Liabilities	$ NIL	$ NIL	$ NIL
Cash dividends per common share	N/A	N/A	N/A

The Company's core product business grew 20% in 2005 over 2004, however it leveled off in 2006 due to the sales restrictions resulting from a severe working capital deficiency.

1.4 Results of Operations

Revenue

Sales for the year 2006 totaled $1,014,826, down $32,158 or 3.1% from sales for 2005 of $1,046,984. This result was reflective of the Company's inability to offer timely delivery of products due to limited capital resources.

Gross Profit

Gross Profit on sales amounted to $439,770 in 2006 compared to $459,380 in 2005, a decrease of $19,610 or 4.3%. Gross margin as a percentage of sales remained the same as in 2005.

Expenses

Total expenses for the year 2006 were $1,245,758 compared to $1,209,881 for the year 2005. Expenses in year 2006 increased by $35,877 or 3.0% from year 2005. The expense areas with the greatest variance from 2005 to 2006 and the reason for those variances are as follows;

Expense Increases

(a) Bank charges and factoring fees increased by $29,483 or 51.1%. This was due to the need to maximize use of factoring through most of 2006.

(b) Foreign Exchange – this account reflects the adjustment for changes in exchange rates on outstanding debt in foreign currency. The gain shown in 2005 of $30,754 resulted from the strengthening of the CAD against the USD and the Euro. However in 2006 this trend reversed creating a loss of $35,036 for foreign exchange. Therefore the net increase in expense for this category amounted to $65,790.

Expense Decreases

(a) Salaries and Benefits expense reduced by $30,038 or 10.3% from 2005 to 2006. The company reduced one employee in July of 2006.

(b) Sales, Marketing and Promotion expense also reduced by $27,815 or 8.0% from 2005 to 2006. This reduction was due to less travel expense caused by the weak cash position of the Company.

Loss
The Company recorded a net loss of $805,988 for the year 2006 as compared to a net loss of $783,508 for year 2005. The slight increase in net loss was a result of the combination of an increase of $36K in expenses, a reduction of $20K in gross profit, and elimination of a $33K loss on disposal of equipment that added to the net loss in 2005.

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, thereby also significantly reducing its ongoing bank charges and interest expense. As of the date of this filing, the debt conversion program is pending shareholder approval at the Company's AGM scheduled for June 27, 2007. Once shareholder approval is received, the Company will have effectively eliminated 90% of its 2006 interest expense for year 2007.

Also as of the date of this filing, the private placement referred to in section 1.2 above is fully subscribed. This financing will enable the Company to aggressively pursue its marketing plan and provide the necessary delivery capability to take advantage of the increased demand for the its products.

1.5 Summary of Quarterly Results

		2006				2005			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales		**$259,669**	**$266,661**	**$225,862**	**$262,634**	**$284,692**	**$319,819**	**$234,610**	**$232,023**
Loss		**$232,507**	**$160,870**	**$190,650**	**$221,961**	**$328,078**	**$170,665**	**$120,295**	**$131,463**
Basic and diluted loss per share		**$0.02**	**$0.01**	**$0.01**	**$0.02**	**$0.03**	**$0.01**	**$0.01**	**$0.01**

The quarterly sales results over the past eight quarters show a fairly consistent trend. The third quarter increase in 2005 resulted from the demand for CO2 sensors for school conversions during the July/August period each year. This seasonal factor was not as evident in 2006 due to the Company's inability to provide enough CO2 sensors to meet the demand. It is expected the seasonal nature of the school business will be noticeable again in 2007.

The variance in loss from Q2 of 2005 to Q3 of 2005 was due to an increase in the following expense categories;

-bank charges and interest increased $20K due to an increase in factor fees.

-professional fees increased $27K largely due to a $20K fee for financial consulting.

Another factor contributing to the increase in loss from Q2 to Q3, 2005 was a 4% reduction in gross profit percentage of sales. This partially offset the effect sales growth should have had on the net loss figures.

The significant increase in the loss reported for Q4 of 2005 over the three previous quarters was primarily due to an increase in Bank Charges and Interest expense of $170K. This amount resulted from an auditors' adjustment to pick up accrued interest on several outstanding loans where payments were not paid during the year.

The loss reported for Q4 of 2006 was greater than Q3 of 2006 by $72K. Of this increase, $56K was due to year end audit adjustments to pick up interest that was not accrued during the year.

1.6 Liquidity

In the first quarter of 2006 the Company received bridge financing in the form of a $250,000 loan from an arms length shareholder. At that time Company management was working with capital resource consultants to raise some longer term financing that would enable the Company to implement its full marketing plan and at the same time support the expected growth that would result.

In its attempts to raise long-term financing, Company management was again frustrated, primarily because of the Company's large debt load and accompanying working capital deficiency as reported in the Company's balance sheet. The Company has taken steps to convert a high percentage of its debt to equity thereby eliminating its working capital deficiency and greatly reducing its expense base in the area of bank charges and interest. As of the date of this filing the TSX Venture Exchange has conditionally approved the conversion of $3,501,194 from debt to shares pending approval of disinterested shareholders at the Company's AGM scheduled for June 27, 2007.

As of the date of this filing the Company has also received conditional approval of the TSX Venture Exchange to raise $750,000 through a brokered private placement which is in progress at this time.
The Company has recently signed a Letter of Intent with a marketing partner in California. The LOI outlines the terms to be included in a

Private Label Agreement between the two companies. One of the terms provides for the California partner to advance $350,000 USD as an interest free loan in exchange for the Company's commitment to private label its manufactured products and offer a favourable pricing structure to the partner. The loan will only be repaid at the rate of 10% of purchases, therefore when the partner has purchased $3,500,000 of goods from the Company their loan will be fully repaid.

The combination of the two financing programs will yield over $1,000,000 net to the Company and will provide sufficient liquidity for the Company to aggressively pursue its business plan through 2007.

The Company currently is in default in the following areas;

- Outstanding CRA source deduction remittances which including penalties and interest amount to $140,000.
- Interest payments on various loans outstanding against the Company which will be included with the principal in the debt conversion program.

1.7 Capital Resources

The Company has no commitments for capital expenditures as of the 2006 year end. Capital will be required for growth and will be put in place through an equity financing in the second quarter of 2007. This financing program is outlined in detail in Sect. 1.6 above.

1.8 Off-Balance Sheet Arrangements

As of December 31, 2006, the Company had no material off-balance sheet arrangements.

1.9 Transactions with Related Parties

On March 31, 2005, the Company repaid one half of its $1,000,000 line of credit by issuance of a promissory note to a company controlled by a director. This promissory note, totaling $500,000, bears interest at the bank prime rate, with interest payable quarterly. In 2006, interest of $42,097 has been accrued and reflected in the statement of operations.

During 2006 the Company paid or accrued salaries to directors and officers for a total of $172,000.

At December 31, 2006, $382,482 is payable to directors and officers for accrued services and advances.

1.10 Fourth Quarter

At the year end the Company adjusted for accrued interest in the amount of $56,361. There was also a year end adjustment to reduce salaries expense in the amount of $30,000 due to an over accrual for an employee who retired from the Company in July of 2006.

1.11 Proposed Transactions

As of December 31, 2006 there were no proposed transactions.

1.13 Changes in Accounting Policies including Initial Adoption

There was no change in the Company's accounting policies during 2006.

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.

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 number of common shares issued and outstanding as of the date of this filing is 12,928,160.

Evaluation and Effectiveness of Disclosure Controls and Procedures

The Company has established and maintains disclosure controls and procedures. The certifying officers have evaluated the effectiveness of the issuer's disclosure controls and procedures as of December 31, 2006 and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in annual filings.

ATI AIRTEST TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

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, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DMCL"

Vancouver, B.C.
April 4, 2007

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

ATI AIRTEST TECHNOLOGIES INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash	$ -	$ 46,483
Accounts receivable (Note 6(b))	163,087	208,895
Inventory (Note 4)	57,366	80,135
Prepaid expenses	6,167	10,765
	226,620	346,278
Equipment (Note 5)	14,198	18,796
	$ 240,818	$ 365,074
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Bank Indebtedness	$ 3,889	$ -
Accounts payable and accrued liabilities	1,657,126	1,375,018
Customer deposits	27,904	21,828
Loans (Notes 6(b), (d))	2,077,375	1,921,522
Convertible debt (Note 6(c))	537,444	476,082
Due to related parties (Note 11)	958,065	835,621
	5,261,803	4,630,071
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 7)	4,236,807	4,186,807
Contributed surplus	563,426	563,426
Deficit	(9,821,218)	(9,015,230)
	(5,020,985)	(4,264,997)
	$ 240,818	$ 365,074

Future operations (Note 2)
Commitments (Note 12)
Subsequent events (Note 15)

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

APPROVED ON BEHALF OF THE BOARD

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

signed: "*Kenneth Danderfer*" **Director**

ATI AIRTEST TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
REVENUES (Note 14)		
Product sales	$ 1,014,826	$ 1,046,984
COST OF GOODS SOLD:		
Product sales	575,056	583,981
Services	-	3,623
	575,056	587,604
GROSS PROFIT	439,770	459,380
EXPENSES		
Amortization	4,598	7,508
Automotive	4,790	8,252
Bad debts	3,642	1,089
Bank charges and factoring fees	87,136	57,653
Foreign exchange (gain) loss	35,036	(30,754)
Freight	18,515	16,286
Interest from loans and convertible debt	288,684	284,152
Office and general	27,963	28,831
Professional and management fees	42,031	47,887
Regulatory fees	10,858	10,354
Rent and property tax	52,370	48,357
Research and development (Note 8)	83,954	86,328
Salaries and benefits	262,777	292,815
Sales, marketing and promotion	319,165	346,980
Write-down of inventory	4,239	4,143
Total expenses	(1,245,758)	(1,209,881)
OTHER ITEMS		
Loss on disposal of equipment	-	(33,007)
NET LOSS FOR THE YEAR	(805,988)	(783,508)
Deficit, beginning of year	(9,015,230)	(8,231,722)
Deficit, end of year	$ (9,821,218)	$ (9,015,230)
Basic and diluted loss per share	$ (0.06)	$ (0.06)
Weighted average number of common shares outstanding	12,761,493	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, 2006 AND 2005

	2006	2005
CASH PROVIDED BY (USED IN):		
Operations:		
Net loss for the year	$ (805,988)	$ (783,508)
Items not involving cash:		
Accrued interest	236,352	74,082
Amortization	4,598	7,508
Write-down of inventory	4,239	4,143
Loss on disposal of equipment	-	33,007
Shares issued for bonus	50,000	-
Changes in non-cash working capital items:		
Accounts receivable	45,808	(79,773)
Customer deposits	6,076	(27,632)
Inventory	18,530	14,046
Prepaid expenses	4,598	(4,926)
Accounts payable and accrued liabilities	385,415	315,365
Net cash used in operating activities	(50,372)	(447,688)
Financing:		
Loan proceeds	-	290,199
Advances from related parties	-	1,228,606
Net cash from financing activities	-	1,518,805
Increase (decrease) in cash	(50,372)	1,071,117
Cash (deficiency), beginning of year	46,483	(1,024,634)
Cash (deficiency), end of year	$ (3,889)	$ 46,483

Supplementary cash flow information (Note 9)

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

1. Business activities:

ATI Airtest Technologies Inc. (the "Company") was incorporated in 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.

The Company's trading status as a public issuer was halted by the BC Securities Commission on May 9, 2006 and by the Alberta Securities Commission on September 13, 2006 as a result of late filing of financial records. The Company made application to both commissions to have their Cease Trade Orders revoked, and completed all filings in accordance with regulatory policy. The BCSC revoked their Cease Trade Order on March 7, 2007 and the ASC revoked their Cease Trade Order on March 9, 2007.

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, 2006 of $5,035,183 (2005 - $4,283,793). The Company has financed its operations through equity, shareholder loans and through asset-based factoring. The majority of the Company's debt obligations are in arrears or subject to extension arrangements with creditors. 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 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 debt restructuring (Note 15), equity financing, 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
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) Equipment (continued):

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.

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 normally when products are shipped and collections are reasonably assured.

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 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 amount of compensation is measured at the date of the grant or substantive change in terms and is charged over the vesting period.

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 based transactions, and the impact of any uncertainty relating to future operations. Actual results could differ from these estimates.

(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.

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, 2006, four customers represent approximately 63% (2005 – 52%) of accounts receivable. Management performs a periodic assessment of the credit worthiness of its customers to reduce its exposure to credit risk.

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

The Company follows 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. Management is not aware of any significant asset retirement obligations.

(l) Comparative figures:

Certain of the 2005 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 denominated 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:

	2006	2005
Finished goods	$ 18,809	$ 20,366
Work-in-progress	2,418	2,093
Raw materials	36,139	57,676
	$ 57,366	$ 80,135

5. Equipment:

2006	Cost	Accumulated amortization	Net book value
Computer hardware	$ 65,007	$ 59,896	$ 5,111
Office furniture and fixtures	24,239	21,018	3,221
Testing equipment	17,967	12,212	5,755
Assembly equipment	5,087	4,976	111
	$ 112,300	$ 98,102	$ 14,198

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

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

(a) Bank Operating loan:

In the prior year, the Company extinguished its $1,000,000 line of credit included in bank indebtedness and issued two promissory notes. These promissory notes, totaling $1,000,000, bear interest at the Canadian Imperial Bank of Commerce prime rate ("bank prime rate"), with interest payable quarterly. One of these promissory notes totaling $500,000 is payable to a company controlled by a director (Note 11a), and the other promissory note totaling $500,000 is payable to a shareholder Note 6(d).

(b) Loan:

During July 2004, the Company entered into a lending arrangement whereby the Company may borrow up to 77% of its accounts receivables 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% per month for the first 60 days outstanding, 3.5% per month for the period outstanding greater than 61 days up to 90 days, and 5% per month for the period outstanding greater then 90 days. There is a 3% processing charge for all accounts receivable factored. At December 31, 2006 the outstanding balance including principal and interest was $145,336 (2005 – $126,603).

The Company has a line of credit available through a shareholders totaling $500,000 (2005 - $500,000), which is repayable on demand and bears interest at the bank prime rate plus 1%. As at December 31, 2006, the outstanding balance of the loan including interest is $575,920 (2005 - $525,144).

(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 0.75% (2005 – 1.5%) per month. Each of the instruments mature nine months following the date of issue and are repayable on demand. At December 31, 2006, the outstanding balance of the demand notes including principal and interest was $537,444 (2005 – $476,082).

The debt holders have the right to convert all or a portion of the outstanding principal balance to common shares at a rate of $0.10 per common share.

Application of the provisions of the CICA accounting recommendation 3861 "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) Loans, advances and promissory notes:

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. At December 31, 2006, the outstanding balance including principal and interest was CDN$104,475 (2005 –CDN $90,150).

As at December 31, 2006, shareholder advances of $890,972 (2005 - $890,972) are repayable on demand. Advances of $390,972 (2005 – 390,972) bear interest at the bank prime rate plus 2%. The other shareholder advance is in the form of a $500,000 (2005 - $500,000) promissory note bearing interest at the bank prime rate. At December 31, 2006 the outstanding balance including principal and interest for both the shareholder advance and promissory note was $978,544 (2005 – $927,455).

During the year, 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, 2006, the outstanding balance of principal and interest was $273,100 (2005 – $252,170).

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
Shares issued to secure a short-term loan (note 6(e))	500,000	50,000
Balance, December 31, 2006	12,928,160	$ 4,236,807

(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 of Directos at the time the options are granted. The following summarizes the changes in the Company's stock options for the year:

	December 31, 2006		December 31, 2005	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	815,500	$ 0.21	1,026,700	$ 0.22
Expired	(354,750)	0.24	(211,200)	0.24
Outstanding, end of year	460,750	$ 0.18	815,500	$ 0.21

As at December 31, 2006, all options are exercisable by the holders. The following table summarizes information about share options outstanding at December 31, 2006:

Number of outstanding shares	Exercise price	Weighted average life to expiry
115,000	$ 0.10	2.6 years
200,000	0.20	0.3 years
145,750	0.24	2.2 years
460,750		1.5 years

8. Research and development:

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

	2006	2005
Labour	$ 74,932	$ 74,926
Product development/certification	8,390	10,496
Other	632	906
	$ 83,954	$ 86,328

The Company's research and development work in 2006 included modifications to existing products plus the development of one new product.

9. Statement of cash flows:

(a) Cash deficiency:

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

	2006	2005
Cash on hand and balances in bank	$ (3,889)	$ 46,483
	$ (3,889)	$ 46,483

(b) Non-cash transactions:

During the year ended December 31, 2006, the Company issued 500,000 shares at $0.10 per share as a bonus for receiving a short term loan of $250,000. There were no significant non cash investing or financing activities during the year ended December 31, 2006.

(c) Supplemental information:

	2006	2005
Interest paid in cash during year	$ 102,752	$ 103,084
Income taxes paid during year	-	-

10. 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 34.1% (2005 – 35.6%) to income before income taxes as follows:

		2006		2005
Net loss	$	(805,988)	$	(783,508)
Expected income tax recovery	$	(274,842)	$	(278,929)
Tax effect on:				
Change in valuation allowance		119,665		272,262
Change in tax rates		40,329		-
Change in loss carry forwards		159,973		257,835
Other		(45,125)		(251,168)
		274,842		278,929
	$	-	$	-

As at December 31, 2006, significant components of the Company's potential future tax assets are as follows:

		2006		2005
Potential future tax assets:				
Losses carried forward	$	2,664,954	$	2,492,835
Financing fees		35,618		44,800
Equipment		-		31,300
Total tax assets		2,700,572		2,568,935
Valuation allowance 100% (2005 – 100%)		(2,700,572)		(2,568,935)
	$	-	$	-

The Company has cumulative income tax loss carry forwards at December 31, 2006 of approximately $7,780,000, which are available to offset taxable income expiring up to 2026. As the Company has not established sufficient likelihood of future profitability to utilize available losses, a valuation allowance of 100% (2005 – 100%) has been recorded against the potential future tax assets.

11. Related party transactions:

The Company entered into the following transactions with related parties:

(a) On March 31, 2005, the Company repaid one half of its $1,000,000 line of credit included in bank indebtedness Note 6(a), by the issuance of a promissory note to a company controlled by a director. This promissory note, totaling $500,000, bears interest at the bank prime rate, with interest payable quarterly. In 2006, interest of $42,097 (2005 - $33,486) has been accrued and reflected in the statement of operations. At December 31, 2006 the outstanding balance including principal and interest was $575,583 (2005 – $556, 446).

(b) During the year, the Company paid or accrued salaries to directors and officers of $172,000 (2005 - $169,000).

(c) At December 31, 2006, $382,482 (2005 - $279,175) is payable to directors and officers for accrued services and advances.

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 as fair value.

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.

12. Commitments:

The Company is committed under a lease for office premises to July 31, 2007. Annual anticipated lease payments are as follows:

2007	$ 19,561

13. 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 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.

14. 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:

	2006	2005
U.S.A.	$ 835,612	$ 680,540
Canada	124,455	324,565
Other	54,759	41,879
	$ 1,014,826	$ 1,046,984

15. Subsequent events:

i. The Company has entered into a series of debt settlement agreements for short-term loans, convertible notes, accounts payable, accrued interest, and shareholder loans for a cumulative amount of $3,501,194 up to April 3, 2007. The settlement agreements require the Company to settle the amounts owing with common shares of the Company at an agreed rate of $0.10 per share. The transaction is subject to exchange and shareholder approvals.

ii. On March 16, 2007, the Company announced its intention to enter into a private placement for up to 15,000,000 share units at $0.05 per unit for gross proceeds of $750,000. Each of the share units consist of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share in the Company for $0.10 within 12 months from closing the private placement. At the date of the audit report, $35,000 of subscription funds have been received.

iii. On March 1, 2007, the Company announces that it has signed a non-binding Letter of Intent with a marketing partner in California who have launched a retrofit program for commercial buildings to effect energy savings due to reduction in ventilation power costs. The non-binding Letter of intent outlines the terms of a pending Private Label Agreement being developed between the two companies. In return for the Company's commitment to the private label, the partner company will commit to advance $350,000 USD as an interest free loan. The loan is to be repaid by the Company rebating 10% of the partner's product purchases against the loan until the complete loan has been repaid.

Form 52-109F1 ***Certification of Annual Filings***

I, George B. Graham, CEO, 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, 2006;

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;

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting 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;

   (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and

   (c) 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; and

5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: April 30, 2007

George B. Graham
CEO

Form 52-109F1 ***Certification of Annual Filings***

I, Murray Graham, CFO, 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, 2006;

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;

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting 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;

   (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and

   (c) 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; and

5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: April 30, 2007

D. Murray Graham
CFO