ARway

Condensed Interim Financial Statements of

ARway Corporation
(formerly 1000259749 Ontario Limited)

For the three months ended November 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

ARway Corporation (formerly 1000259749 Ontario Limited)

Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

As at		November 30, 2022		August 31, 2022
Assets				
Current assets				
Cash & cash equivalents	$	1,535,280	$	1
Receivables		2,834		-
Prepaid expenses		41,488		-
		1,579,602		1
Non-current assets				
Intangible asset (Note 4)	$	4,986,111		-
Total assets	$	6,565,713	$	1
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities (Note 5)	$	75,952	$	-
Total liabilities		75,952		-
Shareholders' Equity				
Share capital (Note 6)		6,657,352		1
Reserves		203,657		
Accumulated other comprehensive income		-		
Deficit		(371,248)		-
		6,489,761		1
Total liabilities and shareholders' equity	$	6,565,713	$	1

Nature of Operations (Note 1)
See accompanying notes to condensed interim financial statements.

Approved by the Board of Directors

"Evan Gappelberg" , Director   *"Belinda Tyldesley"* , Director

ARway Corporation (formerly 1000259749 Ontario Limited)

Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

		Three months ended November 30, 2022
Revenue	$	4,352
Operating expenses:		
Sales and marketing (Note 8)		31,848
General and administrative (Note 8)		61,206
Research and development (Note 8)		65,000
		158,054
Other expense (income)		
Stock based compensation (Note 6)		203,657
Amortization (Note 4)		13,889
		217,546
Net loss and comprehensive loss from operations	$	(371,248)
Income (loss) per common share		
Basic and diluted loss per common share		(0.04)
Weighted average number of common shares outstanding		
Basic and diluted		10,534,828

ARway Corporation (formerly 1000259749 Ontario Limited)

Condensed Interim Statements of Changes in Shareholder's Equity
(Expressed in Canadian dollars)
(Unaudited)

	Number of shares	Share capital	Reserves	Deficit	Total
Balance as at August 31, 2022	**100**	**$ 1**	**$ -**	**$ -**	**$ 1**
Shares issued for purchase of intangible assets	19,999,900	5,000,000	-	-	**5,000,000**
Shares issued for private placement	6,629,552	1,657,351	-	-	**1,657,351**
Stock-based compensation	-	-	203,657	-	**203,657**
Net loss	-	-	-	(371,248)	**(371,248)**
Balance as at November 30, 2022	**26,629,552**	**$ 6,657,352**	**$ 203,657**	**$ (371,248)**	**$ 6,489,761**

ARway Corporation (formerly 1000259749 Ontario Limited)

Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

		Three months ended November 30, 2022
Cashflows from operating activities		
Net loss	$	(371,248)
Items not affecting cash		
Amortization of intangible assets		13,889
Stock-based compensation		203,657
Changes in non-cash working capital balances		
Receivables		(2,834)
Prepaid expenses		(41,488)
Accounts payable and accrued liabilities		75,952
Cashflows from operating activities	$	(122,072)
Cashflows from financing activities		
Proceeds from exercise of options and warrants		-
Proceeds from private placement		1,657,351
Net cash provided by (used in) financing activities	$	1,657,351
Change in cash during the period		1,535,279
Cash, beginning of period		1
Cash, beginning of period		1
Cash, end of period	$	1,535,280
Supplemental cash flow information		
Taxes paid		-
Interest paid		-
Interest received		1,130

1. NATURE OF OPERATIONS

ARway Corporation (formerly 1000259749 Ontario Limited) ("ARway" or the "Company") develops and operates intellectual property which includes the ARway application. ARway is a mobile app, all-in one no code real-world Metaverse creation tool, with self-generating AR mapping solutions for consumers and brands alike. The Company was incorporated under the Business Corporations Act (Ontario) on July 15, 2022 and is a recent spin out of NexTech AR Solutions Corp ("NexTech"), a Metaverse Company and leading provider of augmented reality solutions, and is the majority shareholder in the Company. The Company's registered and head office is located at 121 Richmond Street West, Suite 501, Toronto, ON, Canada, M5H 2K1.

The Company's shares trade in Canada on the Canadian Securities Exchange under the trading symbol "ARWY", on the OTC Pink Sheet Open Market under the trading symbol "ARWYF", and on the Frankfurt Stock Exchange under the trading symbol "FSE : E65".

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of Presentation
These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the ARway Corporation (formerly 1000259749 Ontario Limited) financial statements for the year ended August 31, 2022 and the Nextech AR Solutions Corp Management Circular dated September 1, 2022. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the ARway Corporation (formerly 1000259749 Ontario Limited) financial statements as at and for the year ended August 31, 2022.

The interim financial statements for the three months ended November 30, 2022 are the first interim financial statements issued for the Company and no prior year interim comparatives are disclosed.

Basis of Measurement
These condensed interim financial statements have been prepared on a historical cost basis. The preparation of these condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, revenue and expenses. Based on management's current projections of cost reductions for the next twelve months, management expects to have sufficient cash to sustain operations during that period. These projections require significant judgement on the part of management and actual results may differ from these estimates.

These condensed interim financial statements have been prepared in accordance with the same accounting policies and methods of application as the ARway Corporation (formerly 1000259749 Ontario Limited) financial statements for the year ended August 31, 2022. The unaudited condensed interim financial statements were authorized for issue by the Board of Directors on January 13, 2023.

Intangible Assets
Intangible assets are recognized and measured at cost. Intangible assets with finite useful lives are amortized using the straight-line method over the useful life of the asset. The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for intangible assets and any changes arising from the assessment are applied by the Company prospectively. The company amortizes intangible assets over 3 years.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial Instruments

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value in other comprehensive income ("FVOCI"); or fair value in profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired. In cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A single expected credit loss model is used for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually, whether or not there is any indication that it may be impaired:

- an intangible asset with an indefinite useful life;
- an intangible asset not yet available for use; and
- goodwill recognized in a business combination.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

In respect of assets other than goodwill and intangible assets that have indefinite useful lives, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed in a subsequent period when there has been an increase in the recoverable amount of a previously impaired asset or CGU. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Share-Based Payment Transactions
The Company grants stock options to purchase common shares of the Company as well as equity instruments representing common shares to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee, including directors of the Company. The fair value of the stock options granted is measured at grant date and each tranche is recognized on a graded basis over the vesting period. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense for unvested options is adjusted to reflect the number of the options that are expected to vest. If the options are forfeited subsequent to vesting or expire, the amount recorded to the reserves is transferred to deficit.

Revenue Recognition
The Company recognizes revenue in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue represents the fair value on consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. The Company generates revenue from the sale of its software application and recognizes revenue on a systematic basis.

Loss per Share
The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Accounting Estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Carrying value and recoverability intangible assets

The Company has determined that intangible assets that are capitalized may have future economic benefits and may be economically recoverable. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market condition and useful lives of assets.

Share-based payments

Management is required to make several estimates when determining the fair value of the payments resulting from share-based transactions, including the forfeiture rate and expected life of the instruments.

Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to:

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and the expenses and the statement of financial position classifications used.

3. CASH AND CASH EQUIVALENTS

ARway Corporation holds several short-term investments including, Guaranteed Investment Certificates in US Dollars and Canadian Dollars with interest rates ranging from 3.8% to 4.75%. As at November 30, 2022 ARway Corporation held a total of $400,000 of short-term investments.

(Expressed in Canadian dollars)

4. INTANGIBLE ASSETS

	Technology
Costs	
August 31, 2022	$ -
Additions	5,000,000
November 30, 2022	$ 5,000,000
Accumulated depreciation	
August 31, 2022	$ -
Additions	13,889
November 30, 2022	$ 13,889
Net book value	
August 31, 2022	$ -
November 30, 2022	$ 4,986,111

On October 27, 2022, Nextech AR Solutions Corp. ("Nextech") completed the spin out of ARway Corp. whereby Nextech transferred intellectual property and technology assets related to the ARway platform to the Company in exchange for the issuance of 19,999,900 common shares valued at approximately $0.25 per common share of the Company.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	November 30, 2022	August 31, 2022
Accounts payable	$ 68,619	$ -
Accrued liabilities	7,333	-
	$ 75,952	$ -

6. SHARE CAPITAL

Authorized

As at November 30, 2022, the authorized share capital of the Company was an unlimited number of common shares.

Share Capital

During the period ended November 30, 2022, the Company had the following share transactions as part of the plan of arrangement related to the spinout of the Company from Nextech Corporation as described in the Management Information Circular dated September 1, 2022 posted on Nextech Corporation's profile on www.SEDAR.com:

- issued 19,999,900 shares with a fair value of $5,000,000 to Nextech in exchange of purchase of intangible assets
- issued 6,629,552 shares for gross proceeds of $1,657,351 as part of the private placement.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Share purchase warrants

	Number		Weighted Average Exercise Price
Balance, as at August 30, 2022	-	$	-
Granted	6,629,554		0.50
Exercised	-		-
Balance as at November 30, 2022	6,629,554	$	0.50

Stock Options

Stock options

	Number		Weighted Average Exercise Price
Balance, as at August 30, 2022	0	$	-
Granted	2,730,000		0.91
Forfeited	-		-
Exercised	-		-
Cancelled	-		-
Balance as at November 30, 2022	2,730,000	$	0.91

The weighted average remaining life of the outstanding stock options is 2.93 years.

The fair value of all options granted is estimated on the grant date using the Black-Scholes option pricing model. During the three months ended November 30, 2022, $203,657 was recognized as stock based compensation respectively.

The weighted average assumptions used in calculating the fair values are as follows:

Weighted average		Three months ended November 30, 2022
Risk free interest rate		0.32%
Expected life of options in years		3
Expected dividend yield		0%
Expected stock option volatility		150%
Fair value per option	$	0.56

7. RELATED PARTY TRANSACTIONS AND BALANCES

The Company considers the executive officers and directors as the key management of the Company. During the period ended November 30, 2022, the Company paid zero remuneration to management personnel including those persons having the authority and responsibility for the planning, directing and controlling of the activities of the Company.

On October 26, 2022 the Company entered into a management agreement with Nextech AR Solutions Corp. which is a majority shareholder of the Company's shares. The contract stipulates that a management fee of $100,000 per month will be paid to Nextech AR Solutions Corp. for consulting services which consist of services performed by Executive Officers, Technology consultants, and shared services such as, Finance, Human Resources, and Sales Operations. The monthly amount represents the Company's portion of shared expenses with Nextech AR Solutions Corp based on fair market rates. During the period ended November 30, 2022, the Company paid $100,000 in fees.

(Expressed in Canadian dollars)

8. EXPENSES BY NATURE

The Company presents operating expenses by function with the exception of amortization, depreciation and foreign exchange loss. The following presents operating expenses by nature:

Sales and marketing

Sales and marketing		**Three months ended November 30, 2022**
Advertising	$	16,081
Investor relations		15,767
	$	31,848

General and administrative

General and administrative		**Three months ended November 30, 2022**
Compliance fees	$	9,704
Management fees		35,000
Office, general, and other		8,912
Computer, software, and maintenance		257
Professional fees		7,333
	$	61,206

Research and development

Research and development		**Three months ended November 30, 2022**
Management fees	$	65,000
	$	65,000

9. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, and interest rate risk.

Credit Risk

Credit risk arises from cash as well as credit exposures to counterparties of outstanding receivables and committed transactions. There is no significant concentration of credit risk other than cash deposits and receivables. The Company's cash deposits are primarily held with a Canadian chartered bank and receivables are due from the distributors of the company's products and customers.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's main source of cash resources is through equity financing. The Company's financial obligations are limited to its current liabilities which have contractual maturities of less than one year.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada incurs expenses are incurred in U.S. dollars ("USD"). A significant change in the currency exchange rates between the Canadian dollar relative to the USD could affect the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at November 30, 2022, the Company is exposed to currency risk through cash, accounts receivable and accounts payable denominated in USD.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. We believe that interest rate risk is low for our financial assets as most investments are made in highly liquid instruments.

Fair Values

The Company's financial instruments consist of cash, receivables, and accounts payable. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments. As at November 30, 2022, the Company's financial instruments were classified as amortized cost. The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.