



# ARway.ai

Condensed Interim Financial Statements of

**ARway Corporation**  
**(formerly 1000259749 Ontario Limited)**

For the three and nine months ended May 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

# ARway Corporation (formerly 1000259749 Ontario Limited)

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	May 31, 2023	August 31, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash & cash equivalents (Note 3)	\$ 507,040	\$ 1
Receivables	23,240	-
Prepaid expenses	53,898	-
	590,717	1
<b>Non-current assets</b>		
Deferred tax asset	235,208	
Intangible asset (Note 4)	4,027,778	-
Equipment	5,631	-
<b>Total assets</b>	<b>\$ 4,852,795</b>	<b>\$ 1</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 149,990	\$ -
Deferred revenue	6,657	
<b>Total liabilities</b>	<b>156,647</b>	<b>-</b>
<b>Shareholders' Equity</b>		
Share capital (Note 6)	6,877,254	1
Reserves	1,050,047	
Deficit	(3,231,153)	-
	4,696,148	1
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,852,795</b>	<b>\$ 1</b>

Nature of Operations and Continuance of Business (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		Nine months ended	
	May 31, 2023		May 31, 2023	
<b>Revenue</b>	\$	11,023	\$	37,156
<b>Cost of sales</b>		-		-
<b>Gross profit</b>		11,023		37,156
<b>Operating expenses:</b>				
Sales and marketing (Note 8)		374,146		619,156
General and administrative (Note 8)		258,278		574,191
Research and development (Note 8)		41,837		256,895
Stock based compensation (Note 6)		366,291		1,080,145
Depeciation		908		908
Amortization (Note 4)		416,666		972,222
		1,458,126		3,503,517
<b>Loss before income taxes</b>		(1,447,103)		(3,466,361)
Current income tax expense		-		-
Deferred income tax recovery		78,402		235,208
<b>Net loss and comprehensive loss from operations</b>	\$	(1,368,701)	\$	(3,231,153)
<b>Other comprehensive loss</b>				
Exchange differences on translating foreign operations		-		-
<b>Total comprehensive loss</b>	\$	(1,368,701)	\$	(3,231,153)
<b>Income (loss) per common share</b>				
Basic and diluted loss per common share		(0.05)		(0.17)
Weighted average number of common shares outstanding				
Basic and diluted		26,629,552		18,537,730

## 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
<b>Balance as at August 31, 2022</b>	<b>100</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1</b>
Shares issued for purchase of intangible assets	19,999,900	5,000,000	-	-	<b>5,000,000</b>
Shares issued for private placement	6,629,552	1,657,351	-	-	<b>1,657,351</b>
Employee pay program	157,315	164,902	(30,098)		<b>134,804</b>
Warrants exercised	110,000	55,000			<b>55,000</b>
Stock-based compensation	-	-	1,080,145	-	<b>1,080,145</b>
Net loss	-	-	-	(3,231,153)	<b>(3,231,153)</b>
<b>Balance as at May 31, 2023</b>	<b>26,896,867</b>	<b>6,877,254</b>	<b>1,050,047</b>	<b>(3,231,153)</b>	<b>4,696,148</b>

## ARway Corporation (formerly 1000259749 Ontario Limited)

Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Three months May 31, 2023	Nine months ended May 31, 2023
<b>Cashflows from operating activities</b>		
Net loss	\$ (1,368,701)	\$ (3,231,153)
<b>Items not affecting cash</b>		
Amortization of intangible assets	416,666	972,222
Depreciation of property and equipment	908	908
Stock-based compensation	366,291	1,080,145
<b>Changes in non-cash working capital balances</b>		
Receivables	(9,696)	(23,240)
Prepaid expenses	(10,680)	(53,898)
Accounts payable and accrued liabilities	37,933	149,990
Deferred tax asset	(78,402)	(235,208)
Deferred revenue	5,716	6,657
<b>Cashflows from operating activities</b>	<b>\$ (639,965)</b>	<b>\$ (1,333,577)</b>
<b>Cashflows from investing activities</b>		
Purchase of equipment		(6,539)
<b>Net cash provided by (used in) investing activities</b>	<b>\$ -</b>	<b>\$ (6,539)</b>
<b>Cashflows from financing activities</b>		
Proceeds from exercise of options and warrants	55,000	55,000
Shares for services	134,804	134,804
Proceeds from private placement	-	1,657,351
<b>Net cash provided by (used in) financing activities</b>	<b>189,804</b>	<b>\$ 1,847,155</b>
Change in cash during the period	(450,161)	507,039
Cash, beginning of period	957,201	1
Effects of foreign exchange on cash	-	-
<b>Cash, beginning of period</b>	<b>1</b>	<b>1</b>
<b>Cash, end of period</b>	<b>\$ 507,040</b>	<b>\$ 507,040</b>
<b>Supplemental cash flow information</b>		
Taxes paid	\$ -	\$ -
Interest paid	660	1,411
Interest received	4,592	13,406

# ARway Corporation (formerly 1000259749 Ontario Limited)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

## 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. The Company’s registered and head office is located at PO Box 64039 RPO Royal Bank Plaza, Toronto, Ontario, M5J 2T6

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”.

These condensed interim financial statements have been prepared on the 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. During the period ended May 31, 2023, the Company did not generate significant revenues and incurred negative cash flow from operations. As at May 31, 2023, the Company has an accumulated deficit of \$3,231,153. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing through debt or equity. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance and Basis of Presentation

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These interim financial statements were authorized for issuance by the Board of Directors on July 27, 2023.

### Basis of Measurement

These interim financial statements have been prepared on a historical cost basis.

### Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

### Foreign Currency Translation

The interim financial statements are presented in Canadian dollars, except when otherwise indicated. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Foreign exchange gains and losses arising on translation are included in the statement of operations.

# ARway Corporation (formerly 1000259749 Ontario Limited)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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.

### 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 statement of operations, 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.

# **ARway Corporation (formerly 1000259749 Ontario Limited)**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Financial Instruments (continued)**

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.

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 Payments**

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.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.



# ARway Corporation (formerly 1000259749 Ontario Limited)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income Taxes

#### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred income tax*

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### 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.

#### Renewable software licenses

The Company sells software licenses on a specified term basis, with customer held options for renewal where the proceeds are considered to relate to the right to use the asset over the license period therefore revenue is recognized over that period. If it is determined that the license is not distinct from other performance obligations, revenue is recognized over time as the customer simultaneously receives and consumes the benefit.

#### Technology Services

For virtual events and technology services, the Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the service is distinct from some or all of the other services in the arrangement. A service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Business' promise to transfer the service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct services are combined with other services until they are distinct as a bundle and therefore form a single performance obligation. Recognition of revenue from contracts for virtual events and technology services is recognized over time based on the progress towards satisfying performance obligations.

# ARway Corporation (formerly 1000259749 Ontario Limited)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Contract Assets**

Contract asset represents the revenue which has not been billed but are expected to be billed and collected from customers for provision of services to date, and is valued at estimated net realizable value. Billings in excess of time value incurred on work in progress, for which future services will be provided, are recognized as contract liabilities.

### **Deferred and Unbilled Revenue**

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled revenue within accounts receivable and other. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

The Business does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Business does not adjust any of the transaction prices for the time value of money.

### **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.

### **Research and Development Costs**

Research costs are charged to operations as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Company intends to or has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditure is recognized in the statement of operations as incurred.

### **Critical Accounting Estimates and Judgments**

The preparation of these interim 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.

#### 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.

# ARway Corporation (formerly 1000259749 Ontario Limited)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Critical Accounting Estimates and Judgments (continued)

#### Research and development costs

Research costs are recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38, Intangible Assets. Management has determined that development costs do not meet the conditions for capitalization under IAS 38 and all research and development costs have been expensed.

#### 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

These interim 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.

### **New Standards, Interpretations, and Amendments**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after September 1, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

## 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 May 31, 2023 ARway Corporation held a total of \$254,571 of short-term investments.

## ARway Corporation (formerly 1000259749 Ontario Limited)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

### 4. INTANGIBLE ASSETS

	Technology	Total
<b>Costs</b>		
August 31, 2022	\$ -	\$ -
Additions	5,000,000	5,000,000
May 31, 2023	\$ 5,000,000	\$ 5,000,000
<b>Accumulated depreciation</b>		
August 31, 2022	\$ -	\$ -
Additions	972,222	972,222
May 31, 2023	\$ 972,222	\$ 972,222
<b>Net book value</b>		
August 31, 2022	\$ -	\$ -
May 31, 2023	\$ 4,027,778	\$ 4,027,778

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

	May 31, 2023	August 31, 2022
Accounts payable	\$ 85,576	\$ -
Accrued liabilities	64,414	-
	\$ 149,990	\$ -

### 6. SHARE CAPITAL

#### Share Capital

##### Authorized:

The authorized share capital of the Company is an unlimited number of common shares.

On October 25, 2022, the Company had the following share transactions as part of the plan of arrangement related to the spinout of the Company from Nextech:

- issued 19,999,900 common shares with a fair value of \$5,000,000 to Nextech in exchange for intangible assets (refer to Note 3); and
- issued 6,629,552 units for proceeds of \$1,657,351. Each unit consisted of one common share and one share purchase warrants exercisable at \$0.50 per common share expiring on October 25, 2025.

During the period ended May 31, 2023, the Company had the following share transactions:

- issued 157,315 common shares with a fair value of \$164,902 for shares for service
- issued 110,000 common shares with a fair value of \$55,000 for warrant exercises

## ARway Corporation (formerly 1000259749 Ontario Limited)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

### 6. SHARE CAPITAL (continued)

#### Share purchase warrants

	Number		Weighted Average Exercise Price
Balance, as at August 30, 2022	-	\$	-
Granted	8,189,110		0.62
Exercised	(267,315)		0.87
Balance as at May 31, 2023	7,921,795	\$	0.61

#### Stock Options

##### Stock options

	Number		Weighted Average Exercise Price
Balance, as at August 30, 2022	0	\$	-
Granted	2,805,000		0.92
Forfeited	-		-
Exercised	-		-
Cancelled	(110,000)		0.91
Balance as at May 31, 2023	2,695,000	\$	0.92

The weighted average remaining life of the outstanding stock options is 2.41 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 and nine months ended May 31, 2023, \$366,291 and \$1,080,145 was recognized as stock based compensation respectively.

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

	Three months ended May 31, 2023
Weighted average	
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	\$ 0.73

### 7. RELATED PARTY TRANSACTIONS AND BALANCES

The Company considers the executive officers and directors as the key management of the Company. During the three and nine months ended May 31, 2023, the Company paid \$33,863 and \$87,208 remuneration to management personnel including those persons having the authority and responsibility for the planning, directing and controlling of the activities of the Company.

## ARway Corporation (formerly 1000259749 Ontario Limited)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

On October 25, 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 up to \$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 three and nine months ended May 31, 2023, the Company paid nil and \$300,000 in fees respectively.

The Company considers the executive officers and directors as the key management of the Company. The remuneration of key management personnel includes those persons having the authority and responsibility for the planning, directing and controlling of the activities of the Company.

	Three months ended		Nine months ended	
	May 31, 2023		May 31, 2023	
Management fees paid to Nextech AR Solutions Corp.	\$	-	\$	300,000
Remuneration for services	\$	33,863	\$	87,208
	\$	33,863	\$	387,208

### 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

	Three months ended		Nine months ended	
	May 31, 2023		May 31, 2023	
Sales and marketing				
Advertising	\$	37,254	\$	95,956
Salaries, wages, and commissions		174,839	\$	260,129
Investor relations		162,053	\$	263,071
	\$	374,146	\$	619,156

#### General and administrative

	Three months ended		Nine months ended	
	May 31, 2023		May 31, 2023	
General and administrative				
Compliance fees	\$	7,444	\$	27,404
Consultant fees		146,634		216,132
Management fees		27,139		185,484
Office, general, and other		13,971		36,590
Computer, software, and maintenance		9,561		13,719
Professional fees		53,529		94,862
	\$	258,278	\$	574,191

## ARway Corporation (formerly 1000259749 Ontario Limited)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

### Research and development

	Three months ended	Nine months ended
	May 31, 2023	May 31, 2023
Research and development		
Management fees	\$ -	\$ 195,000
Salaries, wages, and commissions	41,837	61,895
	\$ 41,837	\$ 256,895

## 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 May 31, 2023, the Company is exposed to currency risk through cash, accounts receivable and accounts payable denominated in USD. A 10% fluctuation in exchange rate could impact the company by \$21,204.

### 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 May 31, 2023, the Company's financial instruments were classified as amortized cost. The carrying values of cash,

## **ARway Corporation (formerly 1000259749 Ontario Limited)**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

### **10. SUBSEQUENT EVENTS**

On July 19, 2023 ARWay Corporation entered into an Intercompany Intellectual Property Agreement with Nextech AR Solutions Corp to provide access to the ARWay Platform to be used in connection with the MapD Platform. Nextech AR Solutions will pay ARWay Corporation an annual royalty fee of \$500,000 CAD payable in monthly installments of \$41,666.67 CAD at the beginning of each month. The royalty fee is applicable until MapD Platform revenue generated from the use of the Licensed Intellectual Property in accordance with the License reaches \$500,000 CAD in revenue; and (b) after Licensee has earned \$500,000 CAD in revenue generated from the use of the Licensed Intellectual Property, a royalty equal to ten percent (10%) of all revenue generated thereafter from the use of the use of the Licensed Intellectual Property in accordance with the License.