



# ARway.ai

**ARway Corporation (formerly 1000259749 Ontario Ltd.)**

**Condensed Interim Financial Statements**

**For the three months ended November 30, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars)

**Notice of Disclosure of Non-auditor Review of the Condensed Interim Financial Statements for the Three Months Ended November 30, 2023 and 2022**

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of ARway Corporation for the interim periods ended November 30, 2023 and 2022, have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of management.

The independent auditors, Davidson & Company LLP, have not performed a review of these unaudited condensed interim financial statements.

January 26, 2024

**ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)**  
**Condensed Interim Statements of Financial Position**  
(Unaudited - Expressed in Canadian dollars)

	Note	November 30, 2023	August 31, 2023
		\$	\$
<b>ASSETS</b>			
Current			
Cash and cash equivalents		79,160	281,172
Receivables	10(a)	35,576	24,045
Prepaid expenses and deposits	5	34,019	33,727
<b>Total current assets</b>		<b>148,755</b>	<b>338,944</b>
Equipment		4,723	5,177
<b>Total assets</b>		<b>153,478</b>	<b>344,121</b>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	6, 8	123,471	152,593
Deferred revenue		8,825	9,765
<b>Total liabilities</b>		<b>132,296</b>	<b>162,358</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	7,196,081	7,068,214
Share proceeds receivable	7	(51,980)	(30,510)
Reserves	7	1,451,678	1,298,737
Deficit		(8,574,597)	(8,154,678)
<b>Total shareholders' equity</b>		<b>21,182</b>	<b>181,763</b>
<b>Total liabilities and shareholders' equity</b>		<b>153,478</b>	<b>344,121</b>

Nature of operations and going concern (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors:

/s/ "Evan Gappelberg"  
Director

/s/ "Belinda Tyldesley"  
Director

**ARWAY CORPORATION. (formerly 1000259749 Ontario Ltd.)**  
**Condensed Interim Statements of Loss and Comprehensive Loss**  
(Unaudited - Expressed in Canadian dollars, except per share amounts and number of shares)

	Note	Three months ended November 30,	
		2023	2022
		\$	\$
<b>Revenue</b>	8	<b>148,409</b>	4,352
<b>Operating expenses</b>			
Amortization		-	13,889
Depreciation		454	-
General and administrative	9(a)	109,499	61,206
Research and development	9(b)	129,701	65,000
Sales and marketing	9(c)	113,289	31,848
Share-based compensation	7(e)	152,941	203,657
Loss on sales of shares	7(b)	63,983	-
Total operating expenses		569,867	375,600
Loss from operations		(421,458)	(371,248)
<b>Other income (expense)</b>			
Interest income		1,539	-
<b>Net loss and comprehensive loss</b>		<b>(419,919)</b>	(371,248)
<b>Net loss per share</b>			
Basic and diluted		(0.02)	(0.04)
<b>Weighted average number of common shares</b>			
Basic and diluted		27,261,183	10,534,828

*The accompanying notes are an integral part of these condensed interim financial statements.*

**ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)**  
**Condensed Interim Statements of Cash Flows**  
(Unaudited - Expressed in Canadian dollars)

	Three months ended November 30,	
	2023	2022
	\$	\$
<b>Operating activities:</b>		
Net loss for the period	(419,919)	(371,248)
Adjustments for:		
Amortization	-	13,889
Depreciation	454	-
Loss on sale of shares	63,983	-
Share-based compensation	152,941	203,657
Changes in non-cash working capital:		
Receivables	(11,531)	(2,834)
Prepaid expenses and deposits	(292)	(41,488)
Accounts payable and accrued liabilities	(29,122)	75,952
Deferred revenue	(940)	-
<b>Cash used in operating activities</b>	<b>(244,426)</b>	<b>(122,072)</b>
<b>Financing activities:</b>		
Proceeds from private placement	-	1,657,351
Proceeds from employee pay program	42,414	-
<b>Cash provided by financing activities</b>	<b>42,414</b>	<b>1,657,351</b>
Change in cash and cash equivalents	(202,012)	1,535,279
Cash and cash equivalents, beginning of period	281,172	1
<b>Cash and cash equivalents, end of period</b>	<b>79,160</b>	<b>1,535,280</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for income tax	-	-
Cash received from interest income of operating activities	1,539	1,130

*The accompanying notes are an integral part of these condensed interim financial statements.*

**ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)**  
**Statements of Changes in Shareholders' Equity**  
(Unaudited - Expressed in Canadian dollars, except for number of shares)

	Common shares	Share capital	Share proceeds receivable	Reserves	Deficit	Total shareholders' equity
	#	\$	\$	\$	\$	\$
Balance, July 15 (incorporation) and August 31, 2022	100	1	-	-	-	1
Shares issued for purchase of intangible assets	19,999,898	5,000,000	-	-	-	5,000,000
Shares issued in private placement	6,629,554	1,657,351	-	-	-	1,657,351
Share-based compensation	-	-	-	203,657	-	203,657
Net loss for the period	-	-	-	-	(371,248)	(371,248)
Balance, November 30, 2022	26,629,552	6,657,352	-	203,657	(371,248)	6,489,761
Shares issued from exercise of warrants	330,000	164,162	-	-	-	164,162
Shares issued for employee pay program	218,318	246,700	(30,510)	-	-	216,190
Share-based compensation	-	-	-	1,095,080	-	1,095,080
Net loss for the period	-	-	-	-	(7,783,430)	(7,783,430)
Balance, August 31, 2023	27,177,870	7,068,214	(30,510)	1,298,737	(8,154,678)	181,763
Shares issued for employee pay program	113,156	127,867	(21,470)	-	-	106,397
Share-based compensation	-	-	-	152,941	-	152,941
Net loss for the period	-	-	-	-	(419,919)	(419,919)
<b>Balance, November 30, 2023</b>	<b>27,291,026</b>	<b>7,196,081</b>	<b>(51,980)</b>	<b>1,451,678</b>	<b>(8,574,597)</b>	<b>21,182</b>

*The accompanying notes are an integral part of these condensed interim financial statements.*

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

ARway Corporation (formerly 1000259749 Ontario Limited) (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 augmented reality (“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 spin out of Nextech3D.ai Corp. (“Nextech”), a Metaverse company and leading provider of AR 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 (“CSE”) under the trading symbol “ARWY”, on the OTCQB Market under the trading symbol “ARWYF”, and on the Frankfurt Stock Exchange under the trading symbol “FSE: E65”.

### **a) Going concern**

These condensed interim financial statements for the three months ended November 30, 2023 and 2022 (the “financial statements”) have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. During the three months ended November 30, 2023, the Company had net loss and comprehensive loss of \$419,919 (2022 - \$371,248) and used cash of \$244,426 in operating activities (2022 - \$122,072). As at November 30, 2023, the Company had an accumulated deficit of \$8,574,597 (August 31, 2023 - \$8,154,678). 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 advantageous 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. Such adjustments could be material.

## **2. BASIS OF PREPARATION**

### **a) Statement of compliance**

These financial statements were approved by the Board of Directors and authorized for issue on January 26, 2024.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements including International Accounting Standard 34 *Interim Financial Reporting*. These financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited financial statements for the years ended August 31, 2023 and 2022 (the “Annual Financial Statements”).

### **b) Basis of presentation**

The financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS, as well as information presented in the condensed interim statements of cash flows.

### **c) Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is also the Company’s functional currency. The functional currency is the currency of the primary economic environment in which an entity operates.

### 3. ACCOUNTING POLICIES

In the preparation of these financial statements, the Company used the same accounting policies as in the Annual Financial Statements.

### 4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements under IFRS requires management to make judgements in applying its accounting policies and estimates that affect the reported amounts of assets and liabilities at the period end date and reported amounts of expenses during the reporting period. Such judgements and estimates are, by their nature, uncertain. Actual outcomes could differ from these estimates.

The impact of such judgements and estimates are pervasive throughout these financial statements and may require accounting adjustments based on future occurrences. These judgements and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are accounted for prospectively.

In preparing these financial statements, the Company applied the same significant judgements in applying its accounting policies and is exposed to the same sources of estimation uncertainty as disclosed in its Annual Financial Statements.

### 5. PREPAID EXPENSES AND DEPOSITS

A summary of the Company's prepaid expenses and deposits is as follows:

	<b>November 30, 2023</b>	August 31, 2023
	<b>\$</b>	<b>\$</b>
Investor relations	<b>20,989</b>	20,697
Deposit	<b>13,030</b>	13,030
	<b>34,019</b>	33,727

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	<b>November 30, 2023</b>	August 31, 2023
	<b>\$</b>	<b>\$</b>
Accounts payable	<b>107,618</b>	147,595
Accrued liabilities	<b>15,853</b>	4,998
	<b>123,471</b>	152,593

### 7. SHARE CAPITAL

#### a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

#### b) Issued share capital

During the three months ended November 30, 2023, the Company had the following share capital transactions:

- The Company issued 113,156 common shares upon the exercise of 113,156 warrants related to the employee pay program (Note 7(c)). During the three months ended November 30, 2023, the Company sold 94,156 shares, with cost of \$106,397, for cash proceeds of \$42,414. As a result, the Company recorded \$63,983 loss on sale of shares. As at November 30, 2023, there were 46,000 shares that remained unsold.



**ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)**  
**Notes to the Condensed Interim Financial Statements**  
For the three months ended November 30, 2023 and 2022  
(Unaudited - Expressed in Canadian dollars, except where noted)

**7. SHARE CAPITAL (continued)**

During the year ended August 31, 2023:

- On October 25, 2022, the Company issued 19,999,898 common shares with a fair value of \$5,000,000 to Nextech in exchange for intangible assets.
- On October 25, 2022, the Company issued 6,629,554 units for proceeds of \$1,657,351 as part of the private placement related to the spinout of the Company from Nextech. Each unit consisted of one common share and one warrant exercisable at \$0.50 per common share, expiring on October 25, 2025. Applying the residual method, the proceeds were fully allocated to share capital.
- The Company issued 218,318 common shares upon the exercise of 218,318 warrants related to the employee pay program. Of the shares issued, 191,318 common shares were sold for proceeds of \$158,293, resulting in a loss on sale of shares of \$87,897 and recognition of share proceeds receivable of \$30,510.
- The Company issued 330,000 common shares for proceeds \$164,162 upon the exercise of warrants.

**c) Employee pay program**

On July 26, 2023, the Company introduced an employee pay program for the purpose of maintaining a sustainable cash position by allowing the Company to pay for services through the issuance and sale of the Company's shares. Through this program, the Company is allowed to issue warrants, with a specified exercise price, to its employees. The warrants convert to common shares pursuant to services being completed by employees. A third-party program administrator subsequently completes the sale of the common shares, and the proceeds are used to facilitate cash disbursements in connection with employee services rendered. The employees are guaranteed an amount equal to the maximum of (i) value of shares measured at exercise price (the "cost of shares") and (ii) the proceeds from the sale of shares.

The Company does not recognize the warrants issued to the employees. Recognition occurs only when the warrants are exercised, with the Company then recording an increase in share capital. When the shares are sold for less than the cost of shares, the Company will compensate the employees for the shortfall and recognize a loss on the sale of shares.

During the year ended August 31, 2023, the Company issued 1,559,556 warrants to its employees. Each warrant has an exercise price of \$1.13 per common share until January 25, 2026. A summary of the activity of the warrants for employee pay program is as follows:

	Number of warrants	Weighted average exercise price
	#	\$
Balance, August 31, 2022	-	-
Issued	1,559,556	1.13
Exercised	(218,318)	1.13
Balance, August 31, 2023	1,341,238	1.13
Exercised	(113,156)	1.13
<b>Balance, November 30, 2023</b>	<b>1,228,082</b>	<b>1.13</b>

**d) Warrants**

A summary of the Company's warrant activity is as follows:

	Number of warrants	Weighted average exercise price
	#	\$
Balance, August 31, 2022	-	-
Issued	8,189,110	0.62
Exercised	(548,318)	0.75
Balance, August 31, 2023	7,640,792	0.61
Warrants exercised as part of employee pay program (Note 7(c))	(113,156)	1.13
<b>Balance, November 30, 2023</b>	<b>7,527,636</b>	<b>0.60</b>

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**Notes to the Condensed Interim Financial Statements**  
For the three months ended November 30, 2023 and 2022  
(Unaudited - Expressed in Canadian dollars, except where noted)

**7. SHARE CAPITAL (continued)**

A summary of the Company's outstanding warrants is as follows:

<b>Date of expiry</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining life</b>
	<b>#</b>	<b>\$</b>	<b>Years</b>
October 25, 2025	6,299,554	0.50	1.90
January 25, 2026	1,228,082	1.13	2.16
	<b>7,527,636</b>	<b>0.60</b>	<b>1.95</b>

**e) Stock options**

A summary of the Company's stock option activity is as follows:

	<b>Number of stock options</b>	<b>Weighted average exercise price</b>
	<b>#</b>	<b>\$</b>
Balance, August 31, 2022	-	-
Granted	2,805,000	0.92
Cancelled	(195,000)	0.99
Balance, August 31, 2023	2,610,000	0.91
Granted	500,000	0.60
Cancelled	(182,000)	(0.91)
<b>Balance, November 30, 2023</b>	<b>2,928,000</b>	<b>0.86</b>

A summary of the Company's stock options outstanding as at November 30, 2023, is as follows:

<b>Date of expiry</b>	<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining life</b>
	<b>#</b>	<b>#</b>	<b>\$</b>	<b>Years</b>
November 3, 2025	2,428,000	1,181,000	0.91	1.93
October 17, 2026	500,000	-	0.60	2.88
	<b>2,928,000</b>	<b>1,181,000</b>	<b>0.86</b>	<b>2.09</b>

On October 17, 2023, the Company granted 500,000 stock options to an employee. Each option has an exercise price of \$0.60 and matures on October 17, 2026. These options, with a fair value of \$224,917, vest in five equal tranches every six months after the grant date.

During the three months ended November 30, 2023, the Company recognized share-based compensation of \$152,941 (2022 - \$203,657) from vesting options.

A summary of the Company's inputs used in the Black-Scholes option pricing model for stock options granted during the three months ended November 30, 2023 and 2022 is as follows:

	<b>2023</b>	<b>2022</b>
Share price	<b>\$0.68</b>	\$1.16
Exercise price	<b>\$0.60</b>	\$0.91
Risk-free rate	<b>4.37%</b>	0.32%
Expected life	<b>3 years</b>	3 years
Expected volatility	<b>100%</b>	150%
Dividend yield	<b>0%</b>	0%

**ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)**  
**Notes to the Condensed Interim Financial Statements**  
For the three months ended November 30, 2023 and 2022  
(Unaudited - Expressed in Canadian dollars, except where noted)

**8. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company considers the executive officers and directors as the key management of the Company. During the three months ended November 30, 2023, the Company incurred \$nil (2022 - \$nil) in remuneration to management personnel including those persons having the authority and responsibility for the planning, directing, and controlling of the activities of the Company.

Related party agreements

On July 13, 2023, the Company entered into an intellectual property license agreement with Nextech, which is a major shareholder of the Company. As full consideration for the rights granted under this agreement, Nextech will pay an annual royalty fee of \$500,000 payable in monthly installments of \$41,667. After Nextech has earned \$500,000 in revenue generated from the use of the licensed intellectual property, a royalty equal to 10% of all revenue generated thereafter from the use of such property will be payable. During the three months ended November 30, 2023, the Company received \$125,000 (2022 - \$nil) in fees as part of revenue.

On October 25, 2022, the Company entered into a management agreement with Nextech. The contract stipulates that a management fee of up to \$100,000 per month will be paid to Nextech for consulting services, which consists 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 based on fair market rates. During the three months ended November 30, 2023, the Company paid \$nil (2022 - \$100,000) in fees as part of general and administrative expense.

A summary of the Company's related party transactions for the three months ended November 30, 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Revenue (representing 84% of total revenue)	<b>125,000</b>	-
Management fees and remuneration for services	-	100,000

As at November 30, 2023, accounts payable and accrued liabilities included \$79,985 (August 31, 2023 - \$63,174) in respect of the services rendered. These are non-interest bearing with standard payment terms.

**9. EXPENSES BY NATURE**

The Company presents operating expenses by function except for amortization, depreciation, and share-based compensation.

The following presents operating expenses by nature:

**a) General and administrative**

A summary of the Company's general and administrative costs for the three months ended November 30, 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Compliance fees	<b>19,210</b>	9,704
Consulting fees	<b>22,880</b>	-
Management fees and remuneration for services	-	35,000
Computer, software, and maintenance	<b>11,539</b>	257
Professional fees	<b>20,571</b>	7,333
Rent	<b>16,865</b>	-
Salaries and wages	<b>14,601</b>	-
Office, general, and other	<b>3,833</b>	8,912
	<b>109,499</b>	61,206

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**9. EXPENSES BY NATURE (continued)**

**b) Research and development**

A summary of the Company's research and development costs for the three months ended November 30, 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Computer, software, and maintenance	279	-
Consulting fees	74,939	65,000
Development costs	23,896	-
Salaries and wages	30,587	-
	<b>129,701</b>	<b>65,000</b>

**c) Sales and marketing**

A summary of the Company's sales and marketing costs for the three months ended November 30, 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Advertising	26,283	16,081
Investor relations	25,013	15,767
Salaries, wages, and commissions	61,993	-
	<b>113,289</b>	<b>31,848</b>

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

As at November 30, 2023, the Company's financial assets and liabilities were classified as amortized cost.

The carrying values of cash and cash equivalents, receivables (except for GST receivables), and accounts payable and accrued liabilities approximate their fair values because of their short-term nature.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

**a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet an obligation under contract. Credit risk exposure arises with respect to the Company's cash and cash equivalents and receivables from customers. The risk exposure on cash and cash equivalents is limited because the Company's cash and cash equivalents are held in banks of high credit worthiness within Canada. At November 30, 2023, receivables of \$35,576 (August 31, 2023 - \$24,045) is comprised of \$4,183 due from customers (August 31, 2023 - \$135) and GST receivable of \$31,393 (August 31, 2023 - \$23,910). The risk exposure on receivables is assessed as low as it is limited to the total amount of receivables from customers which comprise immaterial amounts.

**b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. 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.

## **10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

### **c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has assessed that interest rate risk is low for the financial assets as most investments are made in highly liquid instruments.

### **d) Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. Foreign currency risk exposure arises with respect to some of the Company's cash and cash equivalents, receivables, and accounts payable and accrued liabilities denominated in a foreign currency. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could affect the Company's results of operations, financial position, or cash flows. Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar would impact the Company by \$1,186 during the three months ended November 30, 2023. The Company had no hedging agreements in place with respect to foreign exchange rates.

## **13. CAPITAL MANAGEMENT**

The Company's definition of capital includes all accounts of shareholders' equity. The Company's objective when managing capital is to maintain its ability to continue as a going concern to provide returns to shareholders and benefits for other stakeholders. As at November 30, 2023, the Company had shareholders' equity of \$21,182 (August 31, 2023 - \$181,763).

The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business. The Company obtains funding primarily through equity issuance. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes to the Company's approach to capital management during the three months ended November 30, 2023.

As at November 30, 2023, the Company was not subject to any externally imposed capital requirements.