



ARway.ai

ARway Corporation (formerly 1000259749 Ontario Ltd.)

Condensed Interim Financial Statements

For the three and six months ended February 29, 2024 and February 28, 2023

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Financial Statements for the Three and Six Months Ended February 29, 2024 and February 28, 2023

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 (formerly 1000259749 Ontario Ltd.) for the interim periods ended February 29, 2024 and February 28, 2023 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.

April 26, 2024

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

	Note	February 29, 2024	August 31, 2023
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		29,376	281,172
Receivables	8	92,259	24,045
Prepaid expenses and deposits	5	34,642	33,727
Total current assets		156,277	338,944
Equipment		4,178	5,177
Total assets		160,455	344,121
LIABILITIES			
Current			
Accounts payable and accrued liabilities	6, 8	188,839	152,593
Deferred revenue		22,340	9,765
Total liabilities		211,179	162,358
SHAREHOLDERS' EQUITY			
Share capital	7(b)	7,582,780	7,068,214
Share proceeds receivable	7(c)	(186,450)	(30,510)
Reserves		1,658,873	1,298,737
Deficit		(9,105,927)	(8,154,678)
Total shareholders' equity (deficiency)		(50,724)	181,763
Total liabilities and shareholders' equity (deficiency)		160,455	344,121

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)

		Three months ended		Six months ended	
	Note	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
		\$	\$	\$	\$
Revenue	8	142,076	21,781	290,485	26,133
Operating expenses					
Amortization of intangible asset		-	541,667	-	555,556
Depreciation of equipment		545	-	999	-
General and administrative	9(a)	123,334	254,707	232,833	315,913
Research and development	9(b)	96,052	150,058	225,753	215,058
Sales and marketing	9(c)	104,331	213,162	217,620	245,010
Share-based compensation	7(e)	207,195	510,197	360,136	713,854
Loss on sales of shares	7(c)	141,949	-	205,932	-
		673,406	1,669,791	1,243,273	2,045,391
Loss from operations		(531,330)	(1,648,010)	(952,788)	(2,019,258)
Other income					
Interest income		-	-	1,539	-
Loss before income taxes		(531,330)	(1,648,010)	(951,249)	(2,019,258)
Deferred income tax recovery		-	156,806	-	156,806
Net loss and comprehensive loss		(531,330)	(1,491,204)	(951,249)	(1,862,452)
Net loss per share					
Basic and diluted		(0.02)	(0.06)	(0.03)	(0.10)
Weighted average number of common shares					
Basic and diluted		27,462,373	26,629,552	27,361,778	18,537,730

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)

	Six months ended	
	February 29, 2024	February 28, 2023
	\$	\$
Operating activities:		
Net loss for the period	(951,249)	(1,862,452)
Adjustments for:		
Amortization of intangible asset	-	555,556
Depreciation of equipment	999	-
Share-based compensation	360,136	713,854
Loss on sale of shares	205,932	-
Changes in non-cash working capital:		
Receivables	(68,214)	(13,544)
Prepaid expenses and deposits	(915)	(43,218)
Deferred tax asset	-	(156,806)
Accounts payable and accrued liabilities	36,246	112,057
Deferred revenue	12,575	941
Cash used in operating activities	(404,490)	(693,612)
Financing activities:		
Proceeds from private placement	-	1,657,351
Proceeds from employee pay program	152,694	-
Cash provided by financing activities	152,694	1,657,351
Change in cash and cash equivalents	(251,796)	963,739
Cash and cash equivalents, beginning of period	281,172	1
Effects of foreign exchange on cash	-	(6,539)
Cash and cash equivalents, end of period	29,376	957,201
Supplemental cash flow information:		
Cash interest received	1,539	1,130
Cash interest expense paid	-	-
Cash income tax paid	-	-

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 (Deficiency)
(Unaudited - Expressed in Canadian dollars, except for number of shares)

	Common shares	Share capital	Share proceeds receivable	Reserves	Deficit	Total shareholders' equity (deficiency)
	#	\$	\$	\$	\$	\$
Balance, 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	-	-	-	713,854	-	713,854
Net loss for the period	-	-	-	-	(1,862,452)	(1,862,452)
Balance, February 28, 2023	26,629,552	6,657,352	-	713,854	(1,862,452)	5,508,754
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	-	-	-	584,883	-	584,883
Net loss for the period	-	-	-	-	(6,292,226)	(6,292,226)
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	455,368	514,566	(155,940)	-	-	358,626
Share-based compensation	-	-	-	360,136	-	360,136
Net loss for the period	-	-	-	-	(951,249)	(951,249)
Balance, February 29, 2024	27,633,238	7,582,780	(186,450)	1,658,873	(9,105,927)	(50,724)

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

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended February 29, 2024 and February 28, 2023

(Unaudited - Expressed in Canadian dollars, except where noted)

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 augmented reality solutions. Nextech is the parent of the Company as it controls the Board of Directors. 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 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”.

These condensed interim financial statements for the three and six months ended February 29, 2024 and February 28, 2023 (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 and six months ended February 29, 2024, the Company had net loss and comprehensive loss of \$531,330 and \$951,249 (February 28, 2023 - \$1,491,204 and \$1,862,452), respectively. During the six months ended February 29, 2024, the Company used cash of \$404,490 in operating activities (February 28, 2023 - \$693,612). As at February 29, 2024, the Company had an accumulated deficit of \$9,105,927 (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 that are acceptable to the Company. These factors 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 April 26, 2024.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) 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 Company’s audited financial statements for the years ended August 31, 2023 and the period from July 15, 2022 (incorporation) to August 31, 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 Accounting Standards, 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 the Company’s functional currency. The functional currency is the currency of the primary economic environment in which an entity operates.

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended February 29, 2024 and February 28, 2023

(Unaudited - Expressed in Canadian dollars, except where noted)

3. SIGNIFICANT 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 Accounting Standards 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:

	February 29, 2024	August 31, 2023
	\$	\$
Investor relations	18,384	20,697
Rent	3,228	-
Deposit	13,030	13,030
	34,642	33,727

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	February 29, 2024	August 31, 2023
	\$	\$
Accounts payable	186,863	147,595
Accrued liabilities	1,976	4,998
	188,839	152,593

7. SHARE CAPITAL

a) Authorized

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

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)**Notes to the Condensed Interim Financial Statements**

For the three and six months ended February 29, 2024 and February 28, 2023

(Unaudited - Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL (continued)**b) Issued share capital**

During the six months ended February 29, 2024, the Company had the following share capital transactions:

- The Company issued 455,368 common shares upon the exercise of 455,368 warrants related to the employee pay program. Of the shares issued, 317,368 common shares with cost of \$1.13 were sold for cash proceeds of \$152,694, resulting in a loss on sale of shares of \$205,932 and recognition of share proceeds receivable of \$155,940.

During the year ended August 31, 2023, the Company had the following share capital transactions:

- 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 cash 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 issues warrants, with a specified exercise price, to its employees. The warrants are exercised 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 greater of (i) the value of shares measured at their 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.

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
Issued	1,270,074	0.53
Exercised	(455,368)	1.13
Expired	(885,870)	1.13
Balance, February 29, 2024	1,270,074	0.53

During the year ended August 31, 2023, the Company granted 1,559,556 warrants to its employees each with an exercise price of \$1.13 and expiring on January 25, 2024. On February 13, 2024, the Company issued 1,270,074 warrants with an exercise price of \$0.53 expiring on February 13, 2025.

As at February 29, 2024, there were 165,000 shares that remained unsold with a cost of shares of \$1.13 which are presented as part of the share proceeds receivable.

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)
Notes to the Condensed Interim Financial Statements
For the three and six months ended February 29, 2024 and February 28, 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL (continued)

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
Issued	1,270,074	0.53
Exercised	(455,368)	1.13
Cancelled	(885,870)	1.13
Balance, February 29, 2024	7,569,628	0.51

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

Date of expiry	Number of warrants	Weighted average exercise price	Weighted average remaining life
	#	\$	Years
February 13, 2025	1,270,074	0.53	0.96
October 25, 2025	6,299,554	0.50	1.65
	7,569,628	0.51	1.54

e) Stock options

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

	Number of stock options	Weighted average exercise price
	#	\$
Balance, August 31, 2022	-	-
Granted	2,805,000	0.92
Forfeited	(195,000)	0.99
Balance, August 31, 2023	2,610,000	0.91
Granted	1,675,000	0.33
Forfeited	(200,000)	(0.91)
Expired	(58,000)	(0.91)
Outstanding, February 29, 2024	4,027,000	0.67

A summary of the Company's stock options outstanding as at February 29, 2024, is as follows:

Date of expiry	Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining life
	#	#	\$	Years
March 14, 2024	10,000	10,000	0.91	0.04
April 30, 2024	2,000	2,000	0.91	0.17
November 3, 2025	2,340,000	1,111,000	0.91	1.68
October 17, 2026	500,000	-	0.60	2.63
December 14, 2026	1,175,000	-	0.22	2.79
	4,027,000	1,123,000	0.67	2.12

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)**Notes to the Condensed Interim Financial Statements**

For the three and six months ended February 29, 2024 and February 28, 2023

(Unaudited - Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL (continued)

On October 17, 2023, the Company granted 500,000 stock options to an employee. Each option has an exercise price of \$0.60 and expire 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.

On December 14, 2023, the Company granted 1,175,000 stock options to its officers and employees. Each option has an exercise price of \$0.215 and expire on December 14, 2026. These options, with a fair value of \$179,228, vest in five equal tranches every six months after the grant date.

During the three and six months ended February 29, 2024 and February 28, 2023, the Company recognized share-based compensation of \$207,195 and \$360,136 (2023 - \$510,197 and \$713,854) from vesting options.

A summary of the Company's weighted average inputs used in the Black-Scholes option pricing model for stock options granted during the six months ended February 29, 2024 and February 28, 2023 is as follows:

	2024	2023
Share price	\$0.37	\$1.16
Exercise price	\$0.33	\$0.92
Risk-free interest rate	3.63%	3.82%
Expected life	3 years	3 years
Expected volatility	100.00%	150.00%
Expected annual dividend yield	0.00%	0.00%

8. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are those persons having the authority and responsibility for the planning, directing, and controlling of the activities of the Company. The Company's key management personnel are its executive officers and directors. During the three and six months ended February 29, 2024 the Company incurred \$3,339 and \$3,339 (February 28, 2023 - \$53,345 and \$3,345), respectively, in remuneration to management personnel.

On July 13, 2023, the Company entered into an intellectual property license agreement with Nextech. As consideration for the rights granted under this agreement, Nextech agreed to 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 is payable. During the three and six months ended February 29, 2024, the Company received \$125,000 and \$250,000 (February 28, 2023 - \$nil and \$nil), respectively, 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 is payable 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 and six months ended February 29, 2024, the Company paid \$nil and \$nil (February 28, 2023 - \$200,000 and \$300,000), respectively, in fees as part of general and administrative expense.

A summary of the Company's related party transactions is as follows:

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	\$	\$	\$	\$
Revenue (representing 86% of total revenue)	125,000	-	250,000	-
Management fees	-	200,000	-	300,000
Remuneration for services	3,339	53,345	3,339	53,345
Share based compensation	133,582	-	133,582	-
	261,921	253,345	386,921	353,345

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)**Notes to the Condensed Interim Financial Statements**

For the three and six months ended February 29, 2024 and February 28, 2023

(Unaudited - Expressed in Canadian dollars, except where noted)

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

As at February 29, 2024, accounts payable and accrued liabilities included \$118,006 (August 31, 2023 - \$63,174) in respect of the services rendered. As at February 29, 2024, receivables included \$25,158 (August 31, 2023 - \$nil) in respect of the cash advanced to an entity under common control of Nextech. These balances are non-interest bearing and have no specific terms of repayment.

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 is as follows:

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	\$	\$	\$	\$
Administrative fees	3,154	-	3,154	-
Compliance fees	48,642	10,256	67,852	19,960
Consulting fees	21,050	69,498	43,930	69,498
Management fees	-	123,345	-	158,345
Computer, software and maintenance	10,227	3,901	21,766	4,158
Professional fees	10,555	34,000	31,126	41,333
Rent	18,361	-	35,226	-
Salaries and wages (recovery)	(2,409)	-	12,192	-
Office, general, and other	13,754	13,707	17,587	22,619
	123,334	254,707	232,833	315,913

b) Research and development

A summary of the Company's research and development costs is as follows:

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	\$	\$	\$	\$
Computer, software and maintenance	409	-	688	-
Consulting fees	66,515	130,000	141,454	195,000
Development costs	-	-	23,896	-
Salaries and wages	29,128	20,058	59,715	20,058
	96,052	150,058	225,753	215,058

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)**Notes to the Condensed Interim Financial Statements**

For the three and six months ended February 29, 2024 and February 28, 2023

(Unaudited - Expressed in Canadian dollars, except where noted)

9. EXPENSES BY NATURE (continued)**c) Sales and marketing**

A summary of the Company's sales and marketing costs is as follows:

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	\$	\$	\$	\$
Advertising	20,844	42,621	47,127	58,702
Investor relations	23,450	69,523	48,463	85,290
Consulting fees	15,123	-	15,123	-
Salaries, wages, and commissions	44,914	101,018	106,907	101,018
	104,331	213,162	217,620	245,010

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 is exposed to certain financial risk by its financial instruments as 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. 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 February 29, 2024, receivables of \$92,259 (August 31, 2023 - \$24,045) is comprised of \$27,613 due from customers (August 31, 2023 - \$135), \$25,158 due from related parties (August 31, 2023 - \$nil) and GST receivable of \$39,488 (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 accounts payable which have contractual maturities of less than one year. The Company has assessed liquidity risk as high as it has a working capital deficit of \$54,902 (August 31, 2023, working capital of \$176,586).

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 is not exposed to interest rate risk at all as it has no variable interest rate liabilities or assets.

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended February 29, 2024 and February 28, 2023

(Unaudited - Expressed in Canadian dollars, except where noted)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 \$267. The Company had no hedging agreements in place with respect to foreign exchange rates.

11. CAPITAL MANAGEMENT

The Company's definition of capital includes all components 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 February 29, 2024, the Company had a shareholders' deficiency of \$50,724 (shareholders' equity at 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 issuances. 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 six months ended February 29, 2024.

As at February 29, 2024, the Company was not subject to any externally imposed capital requirements.