



ARway.ai

ARway Corporation (formerly 1000259749 Ontario Ltd.)

Condensed Interim Financial Statements

For the three and nine months ended May 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Financial Statements for the Three and Nine Months Ended May 31, 2024 and 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 May 31, 2024 and 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, Saturna Group CPA LLP, have not performed a review of these unaudited condensed interim financial statements.

July 26, 2024

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

	Note	May 31, 2024	August 31, 2023
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		36,149	281,172
Receivables	8	88,110	24,045
Prepaid expenses and deposits	5	39,926	33,727
Total current assets		164,185	338,944
Equipment		3,215	5,177
Total assets		167,400	344,121
LIABILITIES			
Current			
Accounts payable and accrued liabilities	6, 8	231,625	152,593
Deferred revenue		23,572	9,765
Total liabilities		255,197	162,358
SHAREHOLDERS' EQUITY			
Share capital	7(b)	7,962,901	7,068,214
Share proceeds receivable	7(c)	(46,850)	(30,510)
Reserves		1,500,737	1,298,737
Deficit		(9,504,585)	(8,154,678)
Total shareholders' equity (deficiency)		(87,797)	181,763
Total liabilities and shareholders' equity (deficiency)		167,400	344,121

Nature of operations and going concern (Note 1)
Subsequent events (Note 12)

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

/s/ "Evan Gappelberg"

Director

/s/ "Belinda Tyldesley"

Director

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

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

	Note	Three months ended May 31,		Nine months ended May 31,	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenue	8	148,751	11,023	439,236	37,156
Operating expenses					
Amortization of intangible asset		-	416,666	-	972,222
Depreciation of equipment		963	908	1,962	908
General and administrative	8, 9(a)	181,717	258,278	414,550	574,191
Research and development	9(b)	100,254	41,837	326,007	256,895
Sales and marketing	9(c)	89,330	374,146	306,950	619,156
Share-based compensation	8	27,983	366,291	388,119	1,080,145
Loss on sale of shares	7(b)	147,162	-	353,094	-
Operating loss		(398,658)	(1,447,103)	(1,351,446)	(3,466,361)
Other income					
Interest income		-	-	1,539	-
Loss before income taxes		(398,658)	(1,447,103)	(1,349,907)	(3,466,361)
Deferred income tax recovery		-	78,402	-	235,208
Net loss and comprehensive loss		(398,658)	(1,368,701)	(1,349,907)	(3,231,153)
Net loss per share					
Basic and diluted		(0.01)	(0.05)	(0.05)	(0.17)
Weighted average number of common shares					
Basic and diluted		28,223,587	26,629,552	27,653,299	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)

	Nine months ended May 31,	
	2024	2023
	\$	\$
Operating activities:		
Net loss for the period	(1,349,907)	(3,231,153)
Adjustments for:		
Amortization of intangible asset	-	972,222
Depreciation of equipment	1,962	908
Share-based compensation	388,119	1,080,145
Loss on sale of shares	353,094	-
Changes in non-cash working capital:		
Receivables	(24,153)	(23,240)
Prepaid expenses and deposits	(6,199)	(53,898)
Deferred tax asset	-	(235,208)
Accounts payable and accrued liabilities	79,032	149,990
Deferred revenue	13,807	6,657
Cash used in operating activities	(544,245)	(1,333,577)
Investing activities:		
Purchase of equipment	-	(6,539)
Cash used in investing activities	-	(6,539)
Financing activities:		
Proceeds from private placement	-	1,657,351
Proceeds from employee pay program	249,222	134,804
Proceeds from exercise of options and warrants	50,000	55,000
Cash provided by financing activities	299,222	1,847,155
Change in cash and cash equivalents	(245,023)	507,039
Cash and cash equivalents, beginning of period	281,172	1
Cash and cash equivalents, end of period	36,149	507,040
Supplemental cash flow information:		
Cash interest received	1,539	13,406
Cash interest expense paid	-	1,411
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
Shares issued from exercise of warrants	110,000	55,000	-	-	-	55,000
Shares issued for employee pay program	157,315	164,902	-	(30,098)	-	134,804
Share-based compensation	-	-	-	1,080,145	-	1,080,145
Net loss for the period	-	-	-	-	(3,231,153)	(3,231,153)
Balance, May 31, 2023	26,896,867	6,877,254	-	1,050,047	(3,231,153)	4,696,148
Shares issued from exercise of warrants	220,000	109,162	-	-	-	109,162
Shares issued for employee pay program	61,003	81,798	(30,510)	-	-	51,288
Share-based compensation	-	-	-	248,690	-	248,690
Net loss for the period	-	-	-	-	(4,923,525)	(4,923,525)
Balance, August 31, 2023	27,177,870	7,068,214	(30,510)	1,298,737	(8,154,678)	181,763
Shares issued from exercise of warrants	100,000	50,000	-	-	-	50,000
Shares issued for employee pay program	651,764	618,656	(16,340)	-	-	602,316
Share-based compensation	506,000	186,119	-	202,000	-	388,119
Share-based compensation - Nextech	87,719	39,912	-	-	-	39,912
Net loss for the period	-	-	-	-	(1,349,907)	(1,349,907)
Balance, May 31, 2024	28,523,353	7,962,901	(46,850)	1,500,737	(9,504,585)	(87,797)

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 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 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 nine months ended May 31, 2024 and 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 nine months ended May 31, 2024, the Company had net loss and comprehensive loss of \$398,658 and \$1,349,907 (2023 - \$1,368,701 and \$3,231,153), respectively. During the nine months ended May 31, 2024, the Company used cash of \$544,245 in operating activities (2023 - \$1,333,577). As at May 31, 2024, the Company had an accumulated deficit of \$9,504,585 (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 July 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.

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:

	May 31, 2024	August 31, 2023
	\$	\$
Investor relations	26,896	20,697
Deposit	13,030	13,030
	39,926	33,727

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	May 31, 2024	August 31, 2023
	\$	\$
Accounts payable	153,634	147,595
Accrued liabilities	77,991	4,998
	231,625	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 nine months ended May 31, 2024, the Company had the following share capital transactions:

- The Company issued 651,764 common shares upon the exercise of 651,764 warrants related to the employee pay program. Of the shares issued, 590,368 common shares with weighted average cost of \$1.02 were sold for cash proceeds of \$249,222, resulting in a loss on sale of shares of \$353,094 and recognition of share proceeds receivable of \$16,340.

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)
Notes to the Condensed Interim Financial Statements
For the three and nine months ended May 31, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL (continued)

- The Company issued 593,719 common shares to certain employees as incentive compensation for their services. As a result, the Company recognized share-based payment of \$226,031 in relation to this incentive shares issuance.
- The Company issued 100,000 common shares for proceeds \$50,000 upon the exercise of warrants.

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 at the cost of shares. 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	(651,764)	0.95
Expired	(885,870)	1.13
Balance, May 31, 2024	1,073,678	0.53

During the nine months ended May 31, 2024, the weighted average share price on the date of exercise of warrants was \$0.41 per share (August 31, 2023 - \$0.91).

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. Of the warrants granted, 673,686 warrants were converted into common shares and the remaining 885,870 expired 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. Of the warrants granted, 196,396 warrants were converted into common shares.

As at May 31, 2024, 88,396 shares (August 31, 2023 - 27,000), with a cost per share of \$0.53, remained unsold and are presented as share proceeds receivable of \$46,850 (August 31, 2023 - \$30,510).

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)
Notes to the Condensed Interim Financial Statements
For the three and nine months ended May 31, 2024 and 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	(751,764)	0.89
Expired	(885,870)	1.13
Balance, May 31, 2024	7,273,232	0.50

During the nine months ended May 31, 2024, the weighted average share price on the date of exercise of warrants was \$0.41 per share (August 31, 2023 - \$0.76).

A summary of the Company's outstanding warrants as at May 31, 2024 is as follows:

Date of expiry	Number of warrants	Weighted average exercise price	Weighted average remaining life
	#	\$	Years
February 13, 2025	1,073,678	0.53	0.71
October 25, 2025	6,199,554	0.50	1.40
	7,273,232	0.50	1.30

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	(964,000)	0.73
Expired	(135,000)	0.91
Outstanding, May 31, 2024	3,186,000	0.66

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)
Notes to the Condensed Interim Financial Statements
For the three and nine months ended May 31, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL (continued)

A summary of the Company's stock options outstanding as at May 31, 2024, is as follows:

Date of expiry	Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining life
	#	#	\$	Years
June 18, 2024 (Note 12)	16,000	16,000	0.91	0.05
July 29, 2024 (Note 12)	80,000	80,000	0.91	0.16
August 20, 2024	30,000	30,000	0.91	0.22
August 29, 2024	60,000	60,000	0.91	0.25
November 3, 2025	1,575,000	1,145,000	0.91	1.43
October 17, 2026	500,000	100,000	0.60	2.38
December 14, 2026	925,000	-	0.22	2.54
	3,186,000	1,431,000	0.66	1.83

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 nine months ended May 31, 2024, the Company recognized share-based compensation recovery of \$158,136 and expense of \$202,000 (2023 - \$366,291 and \$1,080,145) 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 nine months ended May 31, 2024 and 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 nine months ended May 31, 2024, the Company incurred \$1,416 and \$4,755 (2023 - \$33,863 and \$87,208), 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 nine months ended May 31, 2024, the Company received \$125,000 and \$375,000 (2023 - \$nil and \$nil), respectively, in fees as part of revenue.

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Notes to the Condensed Interim Financial Statements
For the three and nine months ended May 31, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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 nine months ended May 31, 2024, the Company paid \$nil and \$nil (2023 - \$nil 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 May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenue	125,000	-	375,000	-
Management fees included in general and administrative expense	-	-	-	300,000
Remuneration for services included in general and administrative expense	1,416	33,863	4,755	87,208
Share based compensation (recovery)	(24,094)	-	109,488	-

As at May 31, 2024, accounts payable and accrued liabilities included \$47,740 (August 31, 2023 - \$63,174) in respect of the services rendered and advances from Nextech and an entity under common control. As at May 31, 2024, receivables included \$39,524 (August 31, 2023 - \$nil) in respect of the cash advanced to an entity under common control. 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. A summary of the Company's expenses by nature is as follows:

a) General and administrative

A summary of the Company's general and administrative costs is as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Administrative fees	-	-	3,154	-
Compliance fees	9,258	7,444	77,110	27,404
Consulting fees	35,168	146,634	79,098	216,132
Management fees	-	27,139	-	185,484
Computer, software and maintenance	14,821	9,561	36,587	13,719
Professional fees	100,822	53,529	131,948	94,862
Rent	10,453	-	45,679	-
Salaries and wages	7,189	-	19,381	-
Office, general, and other	4,006	13,971	21,593	36,590
	181,717	258,278	414,550	574,191

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)
Notes to the Condensed Interim Financial Statements
For the three and nine months ended May 31, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

9. EXPENSES BY NATURE (continued)

b) Research and development

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

	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Computer, software and maintenance	413	-	1,101	-
Consulting fees	71,013	-	212,467	195,000
Development costs	-	-	23,896	-
Salaries and wages	28,828	41,837	88,543	61,895
	100,254	41,837	326,007	256,895

c) Sales and marketing

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

	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Advertising	18,715	37,254	65,842	95,956
Investor relations	15,131	162,053	63,594	263,071
Consulting fees	21,672	-	36,795	-
Salaries, wages, and commissions	33,812	174,839	140,719	260,129
	89,330	374,146	306,950	619,156

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and liabilities are 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. As at May 31, 2024, receivables of \$88,110 (August 31, 2023 - \$24,045) is comprised of \$2,977 due from customers (August 31, 2023 - \$135) and \$39,524 due from related parties (August 31, 2023 - \$nil). The risk exposure on receivables is assessed as low as the majority of the amount outstanding is held with Nextech.

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 \$91,012 (August 31, 2023, working capital of \$176,586). Management is managing the risk with the support of Nextech and, if necessary, capital raises.

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

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. As the majority of the Company's foreign transactions are denominated in US dollars, 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. Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar would impact the Company's profit or loss by \$5,499. 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 May 31, 2024, the Company had a shareholders' deficiency of \$87,797 (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 nine months ended May 31, 2024.

As at May 31, 2024, the Company was not subject to any externally imposed capital requirements.

12. SUBSEQUENT EVENTS

On 1st June 2024, the Company issued 4,000,000 common shares to Nextech and closed the acquisition of Map Dynamics, a mapping software company under common control of Nextech.

Subsequent to May 31, 2024; 126,000 stock options expired unexercised; and 847,621 employee pay program warrants were converted into common shares.