ARway Corporation (formerly 1000259749 Ontario Ltd.)

Management's Discussion and Analysis

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

(Expressed in Canadian dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of ARway Corporation (the "Company" or "Arway") provides analysis of the Company's financial results for the three and nine months ended May 31, 2024 and 2023. This MD&A was prepared by management of the Company and should be read in conjunction with the condensed interim financial statements for the three and nine months ended May 31, 2024 and 2023 (the "Financial Statements") as well as the audited financial statements for the year ended August 31, 2023 and the period from July 15, 2022 (incorporation) to August 31, 2022 (the "Annual Financial Statements"). The Company's Financial Statements and Annual Financial Statements have been prepared under International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. For further information on the Company, reference should be made to its public filings on SEDAR+ at https://www.sedarplus.ca.

This MD&A is current as of July 26, 2024 (the "MD&A Date") and was approved by the Company's Board of Directors.

In this MD&A, the words "we", "us", or "our", collectively refer to ARway Corporation. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The nine months ended May 31, 2024 and 2023 are referred to as "YTD 2024" and "YTD 2023", respectively.

Management is responsible for the preparation and integrity of the Company's Financial Statements, including the maintenance of appropriate information systems, procedures, and internal controls. Management is responsible for ensuring that information disclosed externally, including the information contained within the Company's Financial Statements and MD&A, is complete and reliable.

This MD&A includes trademarks, such as "ARway", which are protected under applicable intellectual property laws and are the property of ARway. Solely for convenience, our trademarks and trade names referred to in this MD&A may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names. All other trademarks used in this MD&A are the property of their respective owners.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that relate to our current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. Forward-looking statements are intended to assist readers in understanding management's expectations as of the date of this MD&A and may not be suitable for other purposes. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the economy generally;
- market participants' interest in ARway's services and products, both in respect of its current offerings and its proposed roll-out of future products and services;
- fluctuations in foreign currency exchange rates;
- business prospects and opportunities;
- anticipated and unanticipated costs;
- management's outlook regarding future trends;
- our expectations regarding our revenue, expenses and operations;
- our anticipated cash needs and our needs for additional financing;
- our plans for and timing of expansion of our solutions and services;
- our future growth plans including the entry into adjacent markets;
- the acceptance by our customers and the marketplace of new technologies and solutions;
- our ability to attract new customers and develop and maintain existing customers;
- our ability to attract and retain personnel;

- our future growth and its dependence on continued development of our direct sales force and their ability to obtain new customers;
- our expectations with respect to advancement in our technologies;
- our competitive position and our expectations regarding competition;
- regulatory developments and the regulatory environments in which we operate;
- anticipated trends and challenges in our business and the markets in which we operate
- an increased demand for 3D content and experiences;
- the anticipated benefits of our product offerings and services; and
- the retention of earnings for corporate purposes and the payment of future dividends.

Forward-looking statements are based on certain assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments and other factors we believe are appropriate. Expected future developments include growth in our target market, an increase in our revenue based on trends in customer behaviour, increasing sales and marketing expenses, research and development expenses and general and administrative expenses based on our business plans. Although we believe that the assumptions underlying the forward-looking statements are reasonable, they may prove to be incorrect.

Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks and uncertainties, including those set forth below under the heading "Risks and Uncertainties". These risks and uncertainties could cause our actual results, performance, achievements and experience to differ materially from the future expectations expressed or implied by the forward-looking statements. In light of these risks and uncertainties, readers should not place undue reliance on forward-looking statements.

The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A and are expressly qualified in their entirety by this cautionary statement. Except as required by law, we do not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Readers should read this MD&A with the understanding that our actual future results may be materially different from what we expect.

All of the forward-looking statements in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

BUSINESS OVERVIEW

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. Nextech is the parent of the Company, as it has majority representation on 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 in Canada 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".

ARway is disrupting the augmented reality wayfinding market with its no-code, no beacon spatial computing platform enabled by visual marker tracking. Users can access a venue map by scanning a visual marker (e.g., quick response code ("QR code")) with their smartphone and navigate to any point of interest by following an augmented path and step-by-step directions, while interacting with rich augmented reality ("AR") content and experiences. ARway only requires end-users to scan a QR code with their smartphone to activate.

The ARway platform currently includes the following:

Web Creator Platform

The Web-Based Creator Platform provides 'advanced' authoring capabilities compared to the mobile app, including the ability for creators to upload their own OBJ/GLB files, and create their own 3D objects. Placing content in a large area using only mobile app required the user to physically be in the specific location which was unscalable. The web studio allows the user to place and author content remotely and at scale.

Mobile app

With the ARway mobile app, anyone can spatially map their location within minutes using their smartphone, and populate it with interactive 3D content, augmented reality wayfinding, audio, text, images, and more. Nextech, the Company's parent, provides several pre-loaded 3D objects which creators can leverage to populate their metaverse.

Software development kit ("SDK")

The SDK contains code libraries and an application programming interface ("API") information that allows developers to build their own white label and private label mobile apps on both iOS and Android leveraging ARway's technology and creator tools to build AR wayfinding and spatial experiences. Creators will be able to develop white label and private label apps and access ARway APIs to author maps using the web creator portal. The SDK features the latest and greatest of the ARway mobile app.

HIGHLIGHTS OF EVENTS AND MILESTONES

Highlights of events and milestones for the three months ended May 31, 2024, up to the MD&A Date include the following:

- On March 6, 2024, the Company launched a new website and updated pricing due to increasing global demand, reflecting significant growth with 51 Software-as-a-Service ("SaaS") subscriptions and over 250 active users, enhancing community engagement.
- During March 2024, Arway expanded into Saudi Arabian government projects with AR indoor navigation solutions, consolidating its presence in the Middle East market. Additionally, the Company secured multiple SaaS deals in Real Estate, Fashion, and Hospitality sectors, showcasing progress in integrating extended reality technologies into mobile applications, driving industry adoption and market expansion.
- On April 4, 2024, Arway announced a partnership with AVR Labs in the UAE, introducing innovative AR navigation featuring AI avatars, expanding its footprint in the Gulf Region and leveraging AVR Labs' distribution network.
- On May 2, 2024, Arway signed new navigation deals with global accounts including ImmersLabs for a museum in Washington, D.C., and Riyad Bank for a corporate campus complex in Riyadh, Saudi Arabia.
- On May 14, 2024, Arway unveiled SDK 3.1, its third major release of 2024, enhancing large-scale, location-based AR navigation. The update improves indoor mapping accuracy and deployment speed, positioning Arway to meet growing global demand for advanced AR solutions across diverse industries.
- On May 28, 2024, the Company announced that it had entered into a purchase agreement with Nextech to acquire Map Dynamics ("MapD"), a real-world mapping software company under control of Nextech. This acquisition aims to enhance Arway's product offerings, accelerate its product development roadmap, and create new revenue channels and growth opportunities in the mapping sector.
- On June 17, 2024, the Company integrated Apple's new Enterprise APIs with its AR solutions, leveraging the advanced hardware capabilities of Apple Vision Pro. This integration enhances Arway's platform by offering more sophisticated AR solutions, improving accuracy, interactivity, and expanding applications across various industries.

(Expressed in Canadian dollars, except where noted)

RESULTS OF OPERATIONS

A summary of the Company's results of operations is as follows:

	Q3 2024	Q3 2023	**YTD 2024**	YTD 2023
	$	$	**$**	$
Revenue	**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	**181,717**	258,278	**414,550**	574,191
Research and development	**100,254**	41,837	**326,007**	256,895
Sales and marketing	**89,330**	374,146	**306,950**	619,156
Share-based compensation	**27,983**	366,291	**388,119**	1,080,145
Loss on sales of shares	**147,162**	-	**353,094**	-
Loss from operations	**(398,658)**	(1,447,103)	**(1,351,446)**	(3,466,361)
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)

Revenue

For Q3 2024 and YTD 2024 the Company had revenue of $148,751 and $439,236 (2023 - $11,023 and $37,156), respectively. Q3 2024 and YTD 2024 includes $23,751 and $64,236 generated from platform license and mobile application sales to non-related parties, as well as $125,000 and $375,000 from the license agreement with Nextech, the parent company, as described in the "Related Party Transactions and Balances" section below. For Q3 2023 and YTD 2023, revenue solely comprised platform license and mobile application sales. The increase in non-related party revenue in YTD 2024 resulted from pilot agreements signed for the Company's platform license and mobile application sales which can be attributed to stronger demand in the augmented reality market.

General and administrative expenses

General and administrative expenses for Q3 2024 and YTD 2024 decreased to $181,717 and $414,550 (2023 - $258,278 and $574,191), respectively. This decrease is primarily attributed to the reduction in management fees between the Company and its parent company, Nextech, which were reduced at the discretion of the parent company.

General and administrative expenses consist primarily of personnel and related costs associated with administrative functions of the business including finance, human resources, operations, management, and internal information system support.

Research and development expenses

Research and development expenses for Q3 2024 and YTD 2024 increased to $100,254 and $326,007 (2023 - $41,837 and $256,895), respectively. The increase was mainly due to higher consulting fees, developer fees and salaries related to the development of the Company's AR platform.

Sales and marketing expenses

Sales and marketing expenses for Q3 2024 and YTD 2024 decreased to $89,330 and $306,950 (2023 - $374,146 and $619,156), respectively. The decrease was mainly due to reduction in costs related to investor relations and advertising, which were partially offset by increase in consulting fees and salaries. Management continues monitor these expenses to determine the best return for these types of spending, thus fluctuations will occur as management implements different approaches to increase demand and sales.

(Expressed in Canadian dollars, except where noted)

Loss on sales of shares

Loss on sale of shares for the Q3 2024 and YTD 2024 increased to $147,162 and $353,094 (2023 - $nil and $nil), respectively. The loss resulted from the sale of shares in the employee pay program which is a program that involves the sale of the Company's own shares as part of employee remuneration. A loss on sale of shares results when the realized value of shares sold in the employee pay program is less than the cost of shares. The increase during Q3 2024 and YTD 2024 is because of selling the shares in connection with this program below the cost of shares, compared to the prior comparable periods when this program was not introduced yet. Refer to the notes to the Annual Financial Statements for more detail on the employee pay program.

QUARTERLY FINANCIAL INFORMATION

	Q3 2024	Q2 2024	Q1 2024	Q4 2023
	$	$	$	$
Operating loss	**(398,658)**	(531,330)	(421,458)	(4,645,255)
Net loss and comprehensive loss	**(398,658)**	(531,330)	(419,919)	(4,923,525)
Net loss per share - basic and diluted	**(0.01)**	(0.03)	(0.02)	(0.17)

	Q3 2023	Q2 2023	Q1 2023	July 15, 2022 (incorporation) to August 31, 2022
	$	$	$	$
Operating loss	(1,447,103)	(1,648,010)	(371,248)	-
Net loss and comprehensive loss	(1,368,701)	(1,491,204)	(371,248)	-
Net loss per share - basic and diluted	(0.05)	(0.05)	(0.04)	-

The Company is in the early stages of operations as it seeks to grow its customer base, and the losses recorded are a direct outcome of investments in research and development, administrative expenses, share-based composition as well as selling and marketing expenses aimed at enhancing products and expanding into new markets. The Company had the highest operating loss in Q4 2023 due to the impairment of intangible assets.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages its capital structure based on the funds available to it in order to support the continuation of and expansion of its operations and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company's definition of capital includes all accounts of shareholders' equity. The primary cash flows have been through financing activities.

The following table provides a summary of the cash inflows and outflows by activity:

	YTD 2024	YTD 2023
	$	$
Cash used in operating activities	**(544,245)**	(1,333,577)
Cash used in investing activities	**-**	(6,539)
Cash provided by financing activities	**299,222**	1,847,155
Change in cash and cash equivalents	**(245,023)**	507,039

Cash used in operating activities was $544,245 compared to $1,333,577 in the prior year comparable period. The decrease is primarily due to higher cash revenue generated by the Company through management fee revenue in the current period.

(Expressed in Canadian dollars, except where noted)

Cash used in investing activities was $nil compared to $6,539 in the prior year comparable period due to a purchase of equipment in the prior year comparable period.

Cash provided by financing activities was $299,222 compared to $1,847,155 in the prior year comparable period due to proceeds from the sale of shares in the employee pay program used to cover payroll expenses in the current period compared with proceeds from a private placement of units for working capital purposes in the prior year comparable period.

As at May 31, 2024, the Company had cash of $36,149 (August 31, 2023 - $281,172), a working capital deficit of $91,012 (August 31, 2023 - working capital of $176,586). Management expects that revenue growth from licenses and revenue from management services rendered to Nextech will generate cash inflows that reduce the necessary working capital for sustaining operations. Additionally, potential external funding and ongoing utilization of employee warrant purchase program are anticipated to further enhance the Company's cash flow position. However, the Company may seek additional financing to support continued operational growth. The ability to secure future financing and its terms will depend on market conditions, including the cyclical nature of equity markets, and the broader adoption and perception of AR and related technologies.

OUTSTANDING SHARE DATA

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

	May 31, 2024	MD&A Date
	#	#
Common shares	28,523,353	33,370,974
Warrants	7,273,232	6,425,611
Options	3,186,000	3,060,000

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 Q3 2024 and YTD 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 Q3 2024 and YTD 2024, the Company received $125,000 and $375,000 (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 Q3 2024 and YTD 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:

	Q3 2024	Q3 2023	**YTD 2024**	YTD 2023
	$	$	**$**	$
Revenue	**125,000**	-	**375,000**	-
Management fees	**-**	-	**-**	300,000
Remuneration for services	**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.

SIGNIFICANT ACCOUNTING JUDGEMENT AND SOURCES OF ESTIMATION UNCERTAINITY

The Company's significant accounting judgements and sources of estimation uncertainty are fully disclosed in the notes to the Annual Financial Statements.

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.

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.

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.

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.

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.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes during the nine months ended May 31, 2024, in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of the MD&A Date.

PROPOSED TRANSACTIONS

The Company has no proposed transactions as of the MD&A Date.

RISKS AND UNCERTAINTIES

For a detailed listing of the risks and uncertainties faced by the Company, please refer to the Company's MD&A for the year ended August 31, 2023 and the period from July 15, 2022 (incorporation) to August 31, 2022.

SUBSEQUENT EVENTS

On 1st June 2024, the Company issued 4,000,000 common shares to Nextech and closed the acquisition of MapD, 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.