



ARway.ai

ARway Corporation

Condensed Interim Financial Statements

For the three months ended June 30, 2025 and May 31, 2024

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Financial Statements for the Three Months Ended June 30, 2025 and May 31, 2024

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 June 30, 2025 and May 31, 2024, 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.

August 29, 2025

ARWAY CORPORATION
Condensed Interim Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Note	June 30, 2025	March 31, 2025
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		65	6,628
Receivables	10(a)	86,669	96,674
Prepaid expenses and deposits	5	19,311	24,939
Total current assets		106,045	128,241
Long term receivables		578,063	456,627
Total assets		684,108	584,868
LIABILITIES			
Current			
Accounts payable and accrued liabilities	6, 8	901,423	816,212
Deferred revenue		424,715	454,696
Total liabilities		1,326,138	1,270,908
SHAREHOLDERS' EQUITY			
Share capital	7	8,785,865	8,785,865
Reserves	7	1,393,561	1,379,155
Deficit		(10,821,456)	(10,851,060)
Total shareholders' equity		(642,030)	(686,040)
Total liabilities and shareholders' equity		684,108	584,868

Nature of operations and going concern (Note 1)

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

<u>/s/ "Evan Gappelberg"</u> Director	<u>/s/ "Anthony Pizzonia"</u> Director
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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 per share amounts and number of shares)

	Note	Three months ended June 30 2025 \$	Three months ended May 31 2024 \$
Revenue	8	272,366	148,751
Cost of sales		(13,292)	-
Gross profit		259,074	148,751
Operating expenses			
Depreciation		-	963
General and administrative	9(a)	114,212	181,717
Research and development	9(b)	40,734	100,254
Sales and marketing	9(c)	60,118	89,330
Share-based compensation	7(e)	14,406	27,983
Loss on sales of shares	7(b)	-	147,162
Total operating expenses		229,470	547,409
Income/ (loss) from operations		29,604	(398,658)
Other income (expense)			
Interest income		-	-
Net income/loss and comprehensive income/loss		29,604	(398,658)
Net loss per share			
Basic and diluted		0.00	(0.01)
Weighted average number of common shares			
Basic and diluted		37,157,337	28,223,587

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

ARWAY CORPORATION
Condensed Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Three months ended June 30 2025	Three months ended May 31 2024
	\$	\$
Operating activities:		
Net loss for the period	29,604	(398,658)
Adjustments for:		
Depreciation	-	963
Loss on settlement	-	147,162
Share-based compensation	14,406	27,983
Changes in non-cash working capital:		
Receivables	10,005	44,061
Long term receivables	(121,436)	-
Prepaid expenses and deposits	5,628	(5,284)
Accounts payable and accrued liabilities	85,211	42,786
Deferred revenue	(29,981)	1,232
Cash used in operating activities	(6,563)	(139,755)
Financing activities:		
Proceeds from exercise of options and warrants	-	50,000
Proceeds from employee pay program	-	96,528
Cash provided by financing activities	-	146,528
Change in cash and cash equivalents	(6,563)	6,773
Cash and cash equivalents, beginning of period	6,628	29,376
Cash and cash equivalents, end of period	65	36,149
Supplemental cash flow information:		
Cash paid during the period for income tax	-	-
Cash received from interest income of operating activities	-	-

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

ARWAY CORPORATION**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, February 29, 2024	27,633,238	7,582,780	(186,450)	1,658,873	(9,105,927)	(50,724)
Shares issued from exercise of warrants	100,000	50,000	-	-	-	50,000
Shares issued for employee pay program	196,396	104,090	139,600	-	-	243,690
Share-based compensation	506,000	186,119	-	(158,136)	-	27,983
Share-based compensation – Nextech	87,719	39,912	-	-	-	39,912
Net loss for the period	-	-	-	-	(398,658)	(398,658)
Balance, May 31, 2024	28,523,353	7,962,901	(46,850)	1,500,737	(9,504,585)	(87,797)
March 31, 2025	37,157,337	8,785,865	-	1,379,155	(10,851,060)	(686,040)
Share-based compensation	-	-	-	14,406	-	14,406
Net income for the period	-	-	-	-	29,604	29,604
Balance, June 30, 2025	37,157,337	8,785,865	-	1,393,561	(10,821,456)	(642,030)

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

ARWAY CORPORATION

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2025 and May 31, 2024

(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 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 June 30, 2025 and May 31, 2024 (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 June 30, 2025, the Company had net income/(loss) and comprehensive income/(loss) of \$29,604 (May 31, 2024 - (\$398,658)) and used cash of \$6,563 in operating activities (May 31, 2024 - \$139,755). As at June 30, 2025, the Company had an accumulated deficit of \$10,821,456 (March 31, 2025 - \$10,851,060). 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 August 25, 2025.

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 March 31, 2025 and August 31, 2024 (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.

ARWAY CORPORATION**Notes to the Condensed Interim Financial Statements**

For the three months ended June 30, 2025 and May 31, 2024

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

3. MATERIAL ACCOUNTING POLICY INFORMATION**a) Cash and cash equivalents**

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

b) Foreign currency translation

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

c) Intangible assets

Intangible assets are recognized and measured at cost. Intangible assets with finite useful lives are amortized using the straight-line method over the useful life of the asset. The Company conducts an annual assessment of the residual balances, useful lives, and amortization methods being used for intangible assets and any changes arising from the assessment are applied by the Company prospectively. The Company amortizes intangible assets over 3 years.

d) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually, whether or not there is any indication that it may be impaired:

- an intangible asset with an indefinite useful life;
- an intangible asset not yet available for use; and
- goodwill recognized in a business combination.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

e) Financial instrumentsClassification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of its financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled, or expired. In cases where the fair value option is

ARWAY CORPORATION

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2025 and May 31, 2024

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the statement of loss, unless this creates an accounting mismatch.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A single expected credit loss model is used for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

The Company will recognize in the statement of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

For the Company's trade receivables, the simplified approach for determining expected credit losses is used under IFRS 9 *Financial Instruments*, which requires the Company to determine the lifetime expected losses for all its trade receivables. The lifetime expected credit loss provision for the Company's trade receivables is based on historical default rates and other relevant forward-looking information.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of loss.

f) Share-based payments

The Company grants stock options to purchase common shares of the Company as well as equity instruments representing common shares to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee, including directors of the Company. The fair value of the stock options granted is measured at grant date and each tranche is recognized on a graded basis over the vesting period. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense for unvested options is adjusted to reflect the number of the options that are expected to vest. If the options are forfeited subsequent to vesting or expire, the amount recorded to reserves is transferred to deficit.

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

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

ARWAY CORPORATION**Notes to the Condensed Interim Financial Statements**

For the three months ended June 30, 2025 and May 31, 2024

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**g) Income taxes**Current income tax

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

Deferred income tax

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

h) Revenue recognition

The Company recognizes revenue in accordance with IFRS 15, *Revenue from Contracts with Customers*. Revenue represents the fair value on consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. The Company generates revenue from the sale of its software application and recognizes revenue on a systematic basis.

Renewable software licenses

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

Technology services

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

i) Contract assets

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

ARWAY CORPORATION**Notes to the Condensed Interim Financial Statements**

For the three months ended June 30, 2025 and May 31, 2024

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**j) Deferred revenue**

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

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

k) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

l) Research and development costs

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

m) Amendments to existing standards and new amendments not yet effective

IFRS 18 Presentation and Disclosure in Financial Statements – IFRS 18 will replace IAS 1, Presentation of Financial Statements which aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from 1 January 2027. Companies are permitted to apply IFRS 18 before that date.

The Company is not yet able to determine the impact to the consolidated financial statements from the adoption of this standard. Certain pronouncements were issued by the IASB but are not yet effective as at June 30, 2025. The Company intends to adopt these standards when they become effective but does not expect these amendments to have a material effect on the financial statements of the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to exercise significant judgments in applying the Company's accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual future outcomes could differ from present estimates and assumptions, which may require material adjustments to the Company's financial statements. Revisions to accounting estimates are accounted for prospectively.

Significant estimates and judgments exercised by management in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

ARWAY CORPORATION**Notes to the Condensed Interim Financial Statements**

For the three months ended June 30, 2025 and May 31, 2024

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

Going concern presentation

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and the expenses and the statement of financial position classifications used.

Research and development costs

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

Share-based payments

Management is required to make several estimates when determining the fair value of the payments resulting from share-based transactions, including the forfeiture rate and expected life of the instruments.

Revenue recognition

The Company derives its revenue from provision of technology services for virtual events which include the grant to use licenses, set up of the events and renewable software licenses which includes revenue from software licenses which is recognized over the term of the agreement. The assessment of whether such services are separately identifiable performance obligations and the allocation of the total price among the performance obligations requires judgement from management.

5. PREPAID EXPENSES AND DEPOSITS

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

	June 30, 2025	March 31, 2025
	\$	\$
Investor relations	19,311	24,939

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	June 30, 2025	March 31, 2025
	\$	\$
Accounts payable	884,446	798,241
Accrued liabilities	16,577	17,971
	901,423	816,212

7. SHARE CAPITAL**a) Authorized**

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

b) Issued share capital

ARWAY CORPORATION**Notes to the Condensed Interim Financial Statements**

For the three months ended June 30, 2025 and May 31, 2024

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

As at June 30, 2025, 37,157,337 common shares were issued and outstanding (March 31, 2025 – 37,157,337).

7. SHARE CAPITAL (continued)**c) Share issuances**

During the 3 months period ended June 30, 2025:

During the 3 months period ended June 30, 2025, the company has issued nil common shares.

During the 15 months ended March 31, 2025:

During the 7 months period ended March 31, 2025, the Company issued 3,786,363 common shares with a fair value of \$265,046 to settle \$208,250 of salary of Chief Executive Officer. As a result, the company recorded a loss on settlement of \$56,795.

d) 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.

e) Warrants

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

	Number of warrants	Weighted average exercise price	
	#	\$	
Balance, August 31, 2024	6,425,611	0.50	
Expired	(226,057)	0.53	
Balance, March 31 and June 30 2025	6,199,554	0.50	

Date of expiry	Number of warrants	Weighted average exercise price	Weighted average remaining life
	#	\$	Years
October 25, 2025	6,199,554	0.50	0.32
June 30, 2025	6,199,554	0.50	0.32

ARWAY CORPORATION**Notes to the Condensed Interim Financial Statements**

For the three months ended June 30, 2025 and May 31, 2024

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

f) Stock options

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

	Number of stock options	Weighted average exercise price
	#	\$
Balance as of August 31, 2024	2,440,000	0.65
Granted	1,100,000	0.05
Forfeited	(230,000)	0.31
Cancelled	(1,170,000)	0.78
Balance, March 31, 2025	2,140,000	0.31
Cancelled	(40,000)	0.91
Balance, June 30, 2025	2,100,000	0.30
Exercisable	1,300,000	0.49

A summary of the Company's stock options outstanding as at June 30, 2025, is as follows:

Date of expiry	Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining life
	#	#	\$	Years
November 3, 2025	500,000	500,000	0.91	0.35
December 14, 2026	500,000	300,000	0.22	1.46
November 26, 2027	500,000	500,000	0.05	2.41
January 10, 2028	600,000	-	0.06	2.53
June 30, 2025	2,100,000	1,300,000	0.30	1.73

During the three months ended June 30, 2025, the Company recognized share-based compensation of \$14,406 (May 31, 2024 - \$27,983) 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 June 30, 2025 and March 31, 2025 is as follows:

	2025	2024
Stock price	\$0.06	\$0.37
Exercise price	\$0.05	\$0.33
Expected life of options	3 years	3 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%
Risk-free interest rate	3.11%	3.63%

ARWAY CORPORATION**Notes to the Condensed Interim Financial Statements**

For the three months ended June 30, 2025 and May 31, 2024

(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 June 30, 2025, the Company incurred \$5,272 (May 31, 2024 - \$1,416) 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 June 30, 2025, the Company received \$0 (2024 - \$125,000) 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 June 30, 2025, the Company paid \$41,150 (2024 - \$nil) in fees as part of general and administrative expense.

A summary of the Company's related party transactions for the three months ended June 30, 2025 and May 31 2024 is as follows:

	June 30, 2025	May 31, 2024
	\$	\$
Revenue	-	125,000
Remuneration for services	5,272	1,416
Management fees	41,150	-
Share based compensation	8,346	(20,094)

A summary of the Company's related party accounts receivables and account payable and accrued liabilities for the three months ended June 30, 2025 and March 31, 2025, is as follows:

	June 30, 2025	March 31, 2025
	\$	\$
Evan - CEO	(93,078)	(51,928)
Jolokia	578,063	456,627
Toggle	(8,973)	(9,488)
Indian Entity	(2,451)	(2,451)
NTAR Canada	(644,258)	(583,242)
	(170,696)	(190,482)

As at June 30, 2025, accounts payables and accrued liabilities included \$748,759 (March 31, 2025 - \$647,109) in respect of the services rendered. These are non-interest bearing with standard payment terms.

ARWAY CORPORATION**Notes to the Condensed Interim Financial Statements**

For the three months ended June 30, 2025 and May 31, 2024

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

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 June 30, 2025 and May 31, 2024 is as follows:

	2025	2024
	\$	\$
Administrative fees	-	-
Compliance fees	5,273	9,258
Consultant fees	-	35,168
5627 Management fees - General and administrative	41,150	-
Office, general, and other	30,295	-
G&A: Computer, software, and maintenance	995	14,821
Professional fees	-	100,822
Rent	267	10,453
G&A: Salaries, wages, and commissions	36,233	7,189
Office, general, and other	-	4,006
	114,212	181,717

b) Research and development

A summary of the Company's research and development costs for the three months ended June 30, 2025 and May 31, 2024 is as follows:

	2025	2024
	\$	\$
Computer, software, and maintenance	10,581	413
Consulting fees	30,154	71,013
Development costs	-	-
Salaries and wages	-	28,828
	40,734	100,254

c) Sales and marketing

A summary of the Company's sales and marketing costs for the three months ended June 30, 2025 and May 31, 2024 is as follows:

	2025	2024
	\$	\$
Advertising	-	18,715
Investor relations	5,626	15,131
Consulting fees	1,343	21,672
Salaries, wages, and commissions	53,149	33,812
	60,118	89,330

ARWAY CORPORATION**Notes to the Condensed Interim Financial Statements**

For the three months ended June 30, 2025 and May 31, 2024

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

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 June 30, 2025, 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. The risk exposure is limited because the Company places its instruments in banks of high credit worthiness within Canada.

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.

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 \$7,070 during the three months ended June 30, 2025. 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 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 June 30, 2025, the Company had shareholders' deficiency of \$642,030 (March 31, 2025 - \$686,040).

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 June 30, 2025.

As at June 30, 2025, the Company was not subject to any externally imposed capital requirements.