

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Arway Corporation (the “Issuer”).

Trading Symbol: ARWY

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Fourth Quarter (12 month period) ended August 31, 2023

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

With respect to related party transactions, for information supplementary to that contained in the notes to the unaudited condensed interim financial statements, which are attached hereto, please refer to Management's Discussion & Analysis for the fourth quarter and 12 month period ended August 31, 2023 as filed with securities regulatory authorities and attached to this Form 5 – Quarterly Listing Statement as Appendix B.

Related party transactions include the following:

| | 2023 | 2022 |
|--|---------|------|
| | \$ | \$ |
| Management fees included in general and administrative | 105,000 | - |
| Management fees included in research and development | 195,000 | - |
| Remuneration for services | 93,849 | - |
| | 393,849 | - |

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

281,003 shares were issued during this period.

- (b) summary of options granted during the period,

No options were granted during this period.

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

As at August 31 2023, the authorized share capital of the issuer consisted of an unlimited number of common shares without par value. No dividends have been declared.

- (b) number and recorded value for shares issued and outstanding,

As at August 31, 2023, there were 27,177,870 common shares outstanding with a value of \$7,027,289

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

At August 31, 2023, the following options were outstanding entitling holders to purchase common shares in the capital of the issuer as summarized below:

| | Number of stock options | Weighted average exercise price |
|--|----------------------------|---------------------------------------|
| | # | \$ |
| Balance, July 15 (incorporation) and August 31, 2022 | - | - |
| Granted | 2,805,000 | 0.92 |
| Cancelled | (195,000) | 0.99 |
| Balance, August 31, 2023 | 2,610,000 | 0.91 |

At August 31, 2023 the following warrants were outstanding entitling holders to purchase common shares in the capital of the issuer as summarized below:

| Date of expiry | Number of warrants | Weighted average exercise price | Weighted average remaining life |
|---------------------------------|-----------------------|---------------------------------------|---------------------------------------|
| | # | \$ | Years |
| October 25, 2025 | 6,299,554 | 0.50 | 2.15 |
| January 25, 2026 | 1,341,238 | 1.13 | 2.41 |
| Balance, August 31, 2023 | 7,640,792 | 0.61 | 2.20 |

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

As at August 31, 2023, there were 11,606,250 escrowed shares.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

| Name of Director / Officer | Position with Issuer |
|----------------------------|-------------------------------|
| Evan Gappelberg | Director, CEO |
| Belinda Tyldesley | Director, Corporate Secretary |
| Jeff Dawley | Director |
| Andrew Chan | Chief Financial Officer |

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Management's Discussion & Analysis for the fourth quarter and year ended August 31, 2023 as filed with securities regulatory authorities, is attached to this Form 5 – Quarterly Listing Statement as Appendix B.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated 2023-12-22

Andrew Chan
Name of Director or Senior Officer

Andrew Chan
Signature

CFO
Official Capacity

| | | | |
|--|--|---|--|
| Issuer Details | | For Year Ended | Date of Report YY/MM/D |
| Name of Issuer Arway Corporation | | August 31, 2023 | 2023/12/22 |
| Issuer Address 121 Richmond St W. | | | |
| City/Province/Postal Code Toronto, Ontario M5H 2K1 | | Issuer Fax No. N/A | Issuer Telephone No. 631-655-6733 |
| Contact Name Evan Gappelberg | | Contact Position CEO | Contact Telephone No. 631-655-6733 |
| Contact Email Address info@nextechar.com | | Web Site Address www.arway.ai | |



ARway.ai

ARway Corporation (formerly 1000259749 Ontario Ltd.)

Financial Statements

**For the year ended August 31, 2023
and the period from July 15, 2022 (incorporation) to August 31, 2022**

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ARway Corporation (formerly 1000259749 Ontario Limited)

Opinion

We have audited the financial statements of ARway Corporation (formerly 1000259749 Ontario Limited) (the "Company"), which comprise the statements of financial position as at August 31, 2023 and 2022, and the statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the year ended August 31, 2023 and period from July 15, 2022 (date of incorporation) to August 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2023 and 2022, and its financial performance and its cash flows for the year ended August 31, 2023 and period from July 15, 2022 (date of incorporation) to August 31, 2022, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has a net loss and incurred negative cash flow from operations during the year ended August 31, 2023 and, as at that date, the Company has an accumulated deficit of \$8,154,678. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended August 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of impairment of intangible assets – refer to Notes 4 and 7 to the financial statements

Key Audit Matter Description

We considered this as a key audit matter due to (i) the significance of the intangible assets balance and (ii) the high degree of subjectivity in performing audit procedures related to the assumptions used by management in its assessment of impairment.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures to evaluate the appropriateness of management's assessment of impairment of the intangible assets, included the following, among others:

- Reviewed the impairment analysis prepared by management;
- Reviewed any documentation available which supports the basis for the assumptions used by management; and
- Engaged an independent valuations expert to evaluate management's assessment of impairment of the intangible assets.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lonny Wong.

A handwritten signature in black ink that reads "Saturna Group LLP". The signature is written in a cursive, flowing style.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

December 21, 2023

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

| | Note | August 31, 2023 | August 31, 2022 |
|---|-------|--------------------|--------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | 5 | 281,172 | 1 |
| Receivables | | 24,045 | - |
| Prepaid expenses and deposits | 6 | 33,727 | - |
| Total current assets | | 338,944 | 1 |
| Equipment | | 5,177 | - |
| Total assets | | 344,121 | 1 |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 8, 10 | 152,593 | - |
| Deferred revenue | | 9,765 | - |
| Total liabilities | | 162,358 | - |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 9 | 7,068,214 | 1 |
| Share proceeds receivable | 9 | (30,510) | - |
| Reserves | 9 | 1,298,737 | - |
| Deficit | | (8,154,678) | - |
| Total shareholders' equity | | 181,763 | 1 |
| Total liabilities and shareholders' equity | | 344,121 | 1 |

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/ "Belinda Tyldesley"</u> Director |
|--|--|

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

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

| | Note | Year ended August 31, 2023 \$ | Period from July 15, 2022 (incorporation) to August 31, 2022 \$ |
|---|-----------|--|--|
| Revenue | 10 | 59,725 | - |
| Operating expenses | | | |
| Amortization | 7 | 1,388,889 | - |
| Depreciation | | 1,362 | - |
| General and administrative | 10, 11(a) | 677,559 | - |
| Impairment of intangible assets | 7 | 3,611,111 | - |
| Research and development | 11(b) | 391,746 | - |
| Sales and marketing | 11(c) | 801,937 | - |
| Share-based compensation | 9(f) | 1,298,737 | - |
| Total operating expenses | | 8,171,341 | - |
| Loss from operations | | (8,111,616) | - |
| Other income (expense) | | | |
| Interest income | | 14,835 | - |
| Loss on sales of shares | 9(d) | (57,897) | - |
| Total other income (expense) | | (43,062) | - |
| Net loss and comprehensive loss for the period | | (8,154,678) | - |
| Net loss per share | | | |
| Basic and diluted | | (0.36) | - |
| Weighted average number of common shares | | | |
| Basic and diluted | | 22,748,463 | 100 |

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

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)
Statements of Cash Flows
(Expressed in Canadian dollars)

| | Year ended August 31, 2023 | Period from July 15, 2022 (incorporation) to August 31, 2022 |
|---|---|--|
| | \$ | \$ |
| Operating activities: | | |
| Net loss for the period | (8,154,678) | - |
| Items not affecting cash: | | |
| Amortization | 1,388,889 | - |
| Depreciation | 1,362 | - |
| Impairment of intangible assets | 3,611,111 | - |
| Loss on sale of shares | 57,897 | - |
| Share-based compensation | 1,298,737 | - |
| Changes in non-cash working capital: | | |
| Receivables | (24,045) | - |
| Prepaid expenses and deposits | (33,727) | - |
| Accounts payable and accrued liabilities | 152,593 | - |
| Deferred revenue | 9,765 | - |
| Cash used in operating activities | (1,692,096) | - |
| 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 exercise of warrants | 164,162 | - |
| Proceeds from employee pay program | 158,293 | 1 |
| Cash provided by financing activities | 1,979,806 | 1 |
| Change in cash and cash equivalents | 281,171 | 1 |
| Cash and cash equivalents, beginning of period | 1 | - |
| Cash and cash equivalents, end of period | 281,172 | 1 |
| Non-cash investing and financing activities: | | |
| Shares issued to acquire intangible assets | 5,000,000 | - |
| Supplemental cash flow information: | | |
| Interest received | 14,835 | - |

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

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)**Statements of Changes in Shareholders' Equity**

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

| | Common shares | Share capital | Share proceeds receivable | Reserves | Deficit | Total shareholders' equity |
|--|--------------------------|----------------------|--|------------------|--------------------|---|
| | # | \$ | \$ | \$ | \$ | \$ |
| Balance, July 15 (incorporation) and August 31, 2022 | 100 | 1 | - | - | - | 1 |
| Shares issued for purchase of intangible assets | 19,999,898 | 5,000,000 | - | - | - | 5,000,000 |
| Shares issued in private placement | 6,629,554 | 1,657,351 | - | - | - | 1,657,351 |
| Shares issued from exercise of warrants | 330,000 | 164,162 | - | - | - | 164,162 |
| Shares issued for employee pay program | 218,318 | 246,700 | (30,510) | - | - | 216,190 |
| Share-based compensation | - | - | - | 1,298,737 | - | 1,298,737 |
| Net loss for the year | - | - | - | - | (8,154,678) | (8,154,678) |
| Balance, August 31, 2023 | 27,177,870 | 7,037,704 | (30,510) | 1,298,737 | (8,154,678) | 181,763 |

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

ARWAY CORPORATION (formerly 1000259749 Ontario Ltd.)

Notes to the Financial Statements

For the year ended August 31, 2023

(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 recent 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 OTC Pink Sheet Open Market under the trading symbol “ARWYF”, and on the Frankfurt Stock Exchange under the trading symbol “FSE: E65”.

a) Going concern

These financial statements for the periods ended August 31, 2023 and 2022 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 year ended August 31, 2023, the Company has a net loss and incurred negative cash flow from operations. As at August 31, 2023, the Company has an accumulated deficit of \$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 acceptable 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.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on December 21, 2023.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

b) Basis of presentation

These financial statements have been prepared on a historical cost basis.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, except when otherwise indicated. The functional currency is the currency of the primary economic environment in which an entity operates.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 instruments

Classification

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (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 operations. 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.

j) Deferred and unbilled 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

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.

Accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Carrying value and recoverability intangible assets

In assessing the Company's intangible assets for impairment, the Company determines the recoverable amount of intangible assets based on various economic factors and market conditions as well as internal management projections. Impairment is calculated based on the amount by which carrying amount exceeds recoverable amount. Estimates and assumptions used in the determination of recoverable amount may materially impact the carrying amount of intangible assets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)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.

5. CASH AND CASH EQUIVALENTS

As at August 31, 2023, the Company holds a cashable Guaranteed Investment Certificate with an interest rate of 4.25% in the amount of \$100,000 (2022 - \$nil).

6. PREPAID EXPENSES AND DEPOSITS

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

| | 2023 | 2022 |
|--------------------|---------------|------|
| | \$ | \$ |
| Investor relations | 20,697 | - |
| Deposit | 13,030 | - |
| | 33,727 | - |

7. INTANGIBLE ASSETS

A summary of the Company's intangible assets is as follows:

| | \$ |
|--|------------------|
| Cost | |
| Balance, August 31, 2022 | - |
| Acquisition | 5,000,000 |
| Balance, August 31, 2023 | 5,000,000 |
| Accumulated amortization and impairment | |
| Balance, August 31, 2022 | - |
| Amortization | 1,388,889 |
| Impairment | 3,611,111 |
| Balance, August 31, 2023 | 5,000,000 |
| Carrying amount | |
| Balance, August 31, 2022 | - |
| Balance, August 31, 2023 | - |

On October 27, 2022, Nextech completed the spin out of ARway Corp. whereby Nextech transferred intellectual property and technology assets related to the ARway platform to the Company in exchange for the issuance of 19,999,898 common shares with a fair value of \$5,000,000.

The carrying amounts of the intangible intellectual property and technology assets have been reduced to their recoverable amounts through recognition of an impairment loss of \$3,611,111. This loss has been included in operating expenses in the statement of loss.

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

For the year ended August 31, 2023

(Expressed in Canadian dollars, except where noted)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

| | 2023 | 2022 |
|---------------------|---------|------|
| | \$ | \$ |
| Accounts payable | 147,595 | - |
| Accrued liabilities | 4,998 | - |
| | 152,593 | - |

9. SHARE CAPITAL**a) Authorized**

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

b) Issued share capital

As at August 31, 2023, 27,177,870 common shares were issued and outstanding (2022 – 100).

c) Share issuances

During the year ended August 31, 2023:

- On October 25, 2022, the Company issued 19,999,898 common shares with a fair value of \$5,000,000 to Nextech in exchange for intangible assets (Note 7).
- 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 (Note 9(d)). Of the shares issued, 191,318 common shares were sold for proceeds of \$158,293, resulting in a loss on sale of shares of \$87,897 and recognition of share proceeds receivable of \$30,510.
- The Company issued 330,000 common shares for proceeds \$164,162 upon the exercise of warrants.

During the period from July 15, 2022 (incorporation) to August 31, 2022:

- On July 15, 2022, upon incorporation, the Company issued 100 common shares with a price of \$0.01 and fair value of \$1.

d) Employee pay program

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

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

During the year ended August 31, 2023, as part of the employee pay program, the Company issued 1,559,556 warrants to its employees. Each warrant has an exercise price of \$1.13 per common share until January 25, 2026. As at August 31, 2023, 218,318 warrants have been converted into common shares, of which 27,000 common shares remained unsold. During the year ended August 31, 2023, the Company recognized a loss on sale of shares of \$57,897.

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

For the year ended August 31, 2023

(Expressed in Canadian dollars, except where noted)

9. SHARE CAPITAL (continued)**e) Warrants**

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

| | Number of warrants | Weighted average exercise price |
|--|-----------------------|---------------------------------------|
| | | \$ |
| Balance, July 15, 2022 (incorporation) and August 31, 2022 | - | - |
| Issued | 8,189,110 | 0.62 |
| Exercised | (548,318) | 0.75 |
| Balance, August 31, 2023 | 7,640,792 | 0.61 |

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

| Date of expiry | Number of warrants | Weighted average exercise price | Weighted average remaining life |
|------------------|-----------------------|---------------------------------------|---------------------------------------|
| | | \$ | Years |
| October 25, 2025 | 6,299,554 | 0.50 | 2.15 |
| January 25, 2026 | 1,341,238 | 1.13 | 2.41 |
| | 7,640,792 | 0.61 | 2.20 |

f) Stock options

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

| | Number of stock options | Weighted average exercise price |
|--|----------------------------|---------------------------------------|
| | | \$ |
| Balance, July 15, 2022 (incorporation) and August 31, 2022 | - | - |
| Granted | 2,805,000 | 0.92 |
| Cancelled | (195,000) | 0.99 |
| Balance, August 31, 2023 | 2,610,000 | 0.91 |

A summary of the Company's stock options outstanding as at August 31, 2023, 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 | 2,610,000 | 672,000 | 0.91 | 2.18 |

During the year ended August 31, 2023, the Company granted 2,805,000 stock options with a fair value of \$2,198,420, of which \$1,298,737 (2022 - \$nil) was recognized as share-based compensation. Out of the total share-based compensation, \$359,111 (2022 - \$nil) was for the vested options granted to officers and directors of the Company.

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

For the year ended August 31, 2023

(Expressed in Canadian dollars, except where noted)

9. SHARE CAPITAL (continued)**f) Stock options (continued)**

A summary of the Company's assumptions used in the Black-Scholes option pricing model for stock options granted during the year ended August 31, 2023 is as follows:

| | 2023 |
|-----------------------|---------|
| Risk-free rate | 3.82% |
| Expected life | 3 years |
| Expected volatility | 150% |
| Dividend yield | 0% |
| Forfeiture rate | 0% |
| Fair value per option | \$0.75 |

10. RELATED PARTY TRANSACTIONS AND BALANCES

The Company considers the executive officers and directors as the key management of the Company. During the year ended August 31, 2023, the Company incurred \$93,849 (2022 - \$nil) in remuneration to management personnel including those persons having the authority and responsibility for the planning, directing, and controlling of the activities of the Company.

Related party agreements

On July 13, 2023, the Company entered into an intellectual property license agreement with Nextech, which is a major shareholder of the Company. As full consideration for the rights granted under this agreement, Nextech will pay an annual royalty fee of \$500,000 payable in monthly installments of \$41,667. After Nextech has earned \$500,000 in revenue generated from the use of the licensed intellectual property, a royalty equal to 10% of all revenue generated thereafter from the use of such property will be payable. During the year ended August 31, 2023, the Company received \$41,667 (2022 - \$nil) in fees as part of revenue.

On October 25, 2022, the Company entered into a management agreement with Nextech. The contract stipulates that a management fee of up to \$100,000 per month will be paid to Nextech for consulting services, which consists of services performed by executive officers, technology consultants, and shared services such as, finance, human resources, and sales operations. The monthly amount represents the Company's portion of shared expenses with Nextech based on fair market rates. During the year ended August 31, 2023, the Company paid \$300,000 (2022 - \$nil) in fees as part of general and administrative.

A summary of the Company's related party transactions for the years ended August 31, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---------|------|
| | \$ | \$ |
| Revenue (representing 69.8% of total revenue) | 41,667 | - |
| Management fees and remuneration for services | 393,849 | - |

As at August 31, 2023, accounts payable and accrued liabilities included \$63,174 (2022 - \$nil) in respect of the services rendered. These are non-interest bearing with standard payment terms.

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

For the year ended August 31, 2023

(Expressed in Canadian dollars, except where noted)

11. EXPENSES BY NATURE

The Company presents operating expenses by function with the exception of amortization, depreciation, and impairment. The following presents operating expenses by nature:

a) General and administrative

A summary of the Company's general and administrative costs for the periods ended August 31, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---------|------|
| | \$ | \$ |
| Compliance fees | 34,321 | - |
| Consulting fees | 85,198 | - |
| Management fees and remuneration for services (Note 10) | 393,849 | - |
| Office, general, and other | 41,795 | - |
| Computer, software, and maintenance | 23,575 | - |
| Professional fees | 71,304 | - |
| Rent | 27,517 | - |
| | 677,559 | - |

b) Research and development

A summary of the Company's research and development costs for the periods ended August 31, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|----------------------------------|---------|------|
| | \$ | \$ |
| Consulting fees | 252,146 | - |
| Salaries, wages, and commissions | 139,600 | - |
| | 391,746 | - |

c) Sales and marketing

A summary of the Company's sales and marketing costs for the periods ended August 31, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|----------------------------------|---------|------|
| | \$ | \$ |
| Advertising | 107,778 | - |
| Investor relations | 293,992 | - |
| Salaries, wages, and commissions | 400,167 | - |
| | 801,937 | - |

12. 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 August 31, 2023, the Company's financial assets and liabilities were classified as amortized cost.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The carrying values of cash and cash equivalents, receivables (except GST receivable), 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 U.S. dollar against the Canadian dollar would impact the Company by \$20,652 during the year ended August 31, 2023. The Company had no hedging agreements in place with respect to foreign exchange rates.

13. CAPITAL MANAGEMENT

The Company's definition of capital includes equity, comprising share capital, reserves and accumulated deficit. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. As at August 31, 2023, the Company had shareholders' equity of \$181,763 (2022 - \$1).

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 year ended August 31, 2023.

As at August 31, 2023, the Company was not subject to any externally imposed capital requirements.

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

For the year ended August 31, 2023

(Expressed in Canadian dollars, except where noted)

14. INCOME TAXES

Income tax expense differs from the amount that would result by applying the combined Canadian federal and provincial income tax rates to net loss before income taxes. The statutory rate in Canada was 26.5% for the year ended August 31, 2023 (2022 – 26.5%).

A summary of the Company's reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | 2023 | 2022 |
|---|-------------|------|
| | \$ | \$ |
| Net loss for the period | (8,154,678) | - |
| Income tax recovery at statutory rates | (2,161,000) | - |
| Non-deductible expenditures | 344,200 | - |
| Change in unrecognized deferred income tax assets | 1,816,800 | - |
| Income tax recovery | - | - |

A summary of the Company's significant components of deferred income tax assets and liabilities are as follows:

| | 2023 | 2022 |
|--|-------------|------|
| | \$ | \$ |
| Non-capital losses | 558,200 | - |
| Property and equipment | (200) | - |
| Intangible assets | 1,258,800 | - |
| | 1,816,800 | - |
| Unrecognized deferred income tax asset | (1,816,800) | - |
| Net deferred income tax asset | - | - |

A summary of the Company's significant components of temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

| | 2023 | 2022 |
|----------------------------------|-----------|------|
| | \$ | \$ |
| Temporary differences | | |
| Non-capital loss ⁽¹⁾ | 2,106,500 | - |
| Equipment ⁽²⁾ | (600) | - |
| Intangible assets ⁽²⁾ | 4,750,000 | - |

(1) As at August 31, 2023, the temporary difference has an expiry date of 2043.

(2) The temporary difference has no expiry date.

Tax attributes are subject to review, and potential adjustment, by tax authorities.



ARway.ai

ARway Corporation (formerly 1000259749 Ontario Ltd.)

Management's Discussion and Analysis

**For the year ended August 31, 2023
and the period from July 15, 2022 (incorporation) to August 31, 2022**

(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 year ended August 31, 2023 and the period from July 15, 2022 (incorporation) to August 31, 2022, and should be read in conjunction with the Company's audited financial statements (the "financial statements") for the year ended August 31, 2023 and the period from July 15, 2022 (incorporation) to August 31, 2022 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). 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>.

For the purposes of preparing this MD&A, management, in conjunction with the Board, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A is current as of December 21, 2023 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 year ended August 31, 2023 and the period from July 15, 2022 (incorporation) to August 31, 2022 are referred to as "Fiscal 2023" and "Fiscal 2022", 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

ARway is disrupting the Augmented Reality Way finding market with a no-code, no beacon spatial computing platform enabled by visual marker tracking. Visitors 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 includes:

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. Nextech3D.ai Corp. ("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.

ANNUAL HIGHLIGHTS

During the year ended August 31, 2023 and up to the date of this report the Company:

- On March 2, 2023, ARway announces Museum AR Wayfinding Pilot & Partnership with ERNACT, or European Regions Network for the application of communications technology
- On March 7, 2023, ARway files first provisional patent in a series for digital twin technology
- On March 28, 2023, ARway unveils patent-pending ai-powered 3d digital twin floor plan generation technology to capture a share of the \$44 billion indoor navigation market
- On April 4, 2023, ARway unveils SDK 2.3 with significant enhanced AI-features and AR experiences, opening up new markets
- On April 18, 2023, Harvard University Robotics and AR/VR Workshops showcase ARway, Snap, and Magic Leap's spatial computing and AR platforms capabilities
- On May 2, 2023, ARway announced Magic Leap AR glasses integration
- On May 3, 2023, ARway approved and now trading on the OTCQB exchange
- On May 4, 2023, ARway announced Microsoft Hololens AR glasses integration
- On June 1, 2023, ARway announced cross platform compatibility across Magic Leap & Hololens as it prepares for additional AR glasses compatibility
- On June 21, 2023, ARway files pivotal augmented reality patent for its ground-breaking indoor navigation technology
- On July 5, 2023, ARway's spatial computing platform launches v2.5 with AI-assisted augmented reality pathfinding experiences
- On July 12, 2023, ARway selected by tm forum to participate in smart airport initiative alongside Intel, Amazon, Vodafone and other technology partners
- On July 20, 2023, ARway secures \$500,000 annual license agreement for its augmented reality spatial computing navigation platform
- On August 2, 2023, ARway launches SAAS business model, anticipates increased adoption, revenue, and expansion
- On August 23, 2023, ARway signs multi-year contract with the largest car rental network in South America Localiza Rent a Car s.a.
- On September 7, 2023, ARway announces major win as it lands a contract with second largest academic institution in Turkey
- On September 12, 2023, ARway selected to participate at Apple Vision Pro developer labs
- On September 28, 2023, ARway completes first build of the ARway platform on Apple's Vision Pro hardware & announces platform + SDK updates

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SELECTED ANNUAL INFORMATION

The selected annual information is derived from the Company's Annual Financial Statements:

| | Year ended August 31, 2023 | Period from July 15 and August 31, 2022 |
|--------------------------------------|---|--|
| | \$ | \$ |
| Total revenue | 59,725 | - |
| Net loss | (8,154,678) | - |
| Basic and diluted net loss per share | (0.36) | - |
| Working capital | 176,586 | 1 |
| Total assets | 344,121 | 1 |
| Total liabilities ⁽¹⁾ | 162,358 | - |

(1) As at August 31, 2023 and 2022, there were no non-current liabilities and total liabilities are current liabilities on the Company's statements of financial position.

Revenues result from the sale of renewable software licenses and technology services to the Company's customers. Refer to the section below for a discussion of the Fiscal 2023 developments.

Net loss for the year ended August 31, 2023, was \$8,154,678 or \$0.36 per share basic and diluted. The net loss is mainly due to expenses incurred related to selling and marketing, general and administrative, and research and development, as described below, in addition to an expense of \$1,298,737 for the year ended in relation to share-based compensation for stock options issued to employees and an expense of \$3,611,111 for the year ended in relation to impairment of intangible assets.

Working capital as of August 31, 2023, was \$176,586 (2022 - \$1). The increase in working capital was mainly due to the increase in the cash balance from the funds raised as part of the spinout of the Company from Nextech.

Total assets as at August 31, 2023, was \$344,121 (2022 - \$1). The increase in assets is mainly due to the cash raised from private placement.

Total liabilities as at August 31, 2023, was \$162,358 (2022 - \$nil). The increase in liabilities is mainly due to expense increases as operations have ramped up. Liabilities are mainly related to trade payables for normal business expenditures.

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RESULTS OF OPERATIONS

A summary of the Company's results of operations for the year ended August 31, 2023 and the period from July 15, 2022 (incorporation) to August 31, 2022 is as follows:

| | Fiscal 2023 | Fiscal 2022 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Revenue | 59,725 | - |
| Operating expenses | | |
| Amortization | 1,388,889 | - |
| Depreciation | 1,362 | - |
| General and administrative | 677,559 | - |
| Impairment of intangible assets | 3,611,111 | - |
| Research and development | 391,746 | - |
| Sales and marketing | 801,937 | - |
| Share-based compensation | 1,298,737 | - |
| Total operating expenses | 8,171,341 | - |
| Loss from operations | (8,111,616) | - |
| Other income (expense) | | |
| Interest income | 14,835 | - |
| Loss on sales of shares | (57,897) | - |
| Total other income (expense) | (43,062) | - |
| Net loss and comprehensive loss for the period | (8,154,678) | - |

Revenue

For the period from July 15, 2022, 2022 (incorporation) to August 31, 2022, the Company did not operate and as a result has no reported results of operations for this period. The Company reported a net loss of \$8,154,678 for the year ended August 31, 2023 which comprises:

- Revenue of \$59,725 from platform license and mobile application sales, \$41,667 of the sales related to license agreement with Nextech, as described in "Related Party Transactions and Balances" section below. The Company's revenue results were below internal expectations due to slower sales than anticipated, however, we have seen strong interest towards the end of the fiscal year and into the new fiscal year with several pilots signed to date. Along with recently implemented new pricing and sales strategies, and further development of the platform, we are very confident that we will meet our original fiscal year targets in the upcoming fiscal year.

Selling and marketing expenses

Sales and marketing expenses for the year ended August 31, 2023, was \$801,937. Selling and marketing expenses consist primarily of sales personnel salaries, advertising and marketing costs, and investor relations costs.

We plan to continue to invest in sales and marketing by expanding our domestic and international selling and marketing activities, building brand awareness, and sponsoring additional marketing events. We expect that in the future, selling and marketing expenses will increase once we see sustainable market opportunities.

General and administrative expenses

General and administrative expenses for the year ended August 31, 2023 was \$677,559. 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. Additional costs in general and administrative includes professional fees for legal, audit and other regulatory compliance costs.

Research and development expenses

Research and development expenses for the year ended August 31, 2023, was \$391,746. This consists of developer fees related to the development and improvement of the ARway platform.

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QUARTERLY FINANCIAL INFORMATION

| | Q4 2023 | Q3 2023 | Q2 2023 | Q1 2023 |
|--|-------------|-------------|-------------|-----------|
| | \$ | \$ | \$ | \$ |
| Operating loss | (5,090,004) | (1,447,103) | (1,420,807) | (153,702) |
| Net loss and comprehensive loss | (5,150,728) | (1,368,701) | (1,264,001) | (371,248) |
| Net loss per share - basic and diluted | (0.19) | (0.05) | (0.05) | (0.04) |

| | July 15, 2022 (incorporation) to August 31, 2022 |
|--|---|
| | \$ |
| Operating loss | - |
| Net loss and comprehensive loss | - |
| Net loss per share - basic and diluted | - |

The Company is in early stages with most of the losses recorded resulting from research and development and selling and marketing expenses to improving products and expanding markets.

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 defines capital to include share capital, warrants and stock option component of its 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 for operations:

| | Fiscal 2023 | Fiscal 2022 |
|----------------------|-------------|-------------|
| | \$ | \$ |
| Operating activities | (1,692,096) | - |
| Investing activities | (6,539) | - |
| Financing activities | 1,979,806 | 1 |
| Net cash inflow | 281,171 | 1 |

During the year ended August 31, 2023, the Company had net cash inflow of \$281,171 (2022 - \$1).

Cash used in operating activities for the year ended August 31, 2023, was \$1,692,096 (2022 - \$nil). The cash outflow is mainly due to the loss of the year driven mainly by the expenditures of the period ended on August 31, 2023.

Cash used in investing activities for the year ended August 31, 2023, was \$6,539 (2022 - \$nil). The cash outflow is due to the purchase of computer equipment.

Cash provided by financing activities for year ended August 31, 2023, was \$1,979,806 (2022 - \$1). The cash inflow is due to net proceeds from the funds raised as part of the spinout of the Company from Nextech.

As of August 31, 2023, the Company had cash of \$281,172 (2022 - \$1), working capital of \$176,586 (2022 - \$1). We anticipate that the growth of our license revenue along with our license revenue with Nextech will generate cash flow to reduce the amount of working capital required to sustain operations, along with potential warrant exercises, and continued use of our employee warrant purchase program will all help improve the cash flow position of the Company. The Company may need to seek additional financing to continue to grow its operations. The amount and pricing of financing the Company is able to raise in the future is dependent on the cyclical nature of the equity markets, and the perception and adoption of AR and AR technologies in the mainstream.

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OUTSTANDING SHARE DATA

As at August 31, 2023 and as at the date of this MD&A, the Company had the following securities outstanding:

| | September 30, | Date of MD&A |
|---------------|----------------------|-------------------------|
| | 2023 | |
| Common shares | 27,177,870 | 27,177,870 |
| Warrants | 7,640,792 | 7,640,792 |
| Options | 2,610,000 | 2,610,000 |

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of the date of this report.

PROPOSED TRANSACTIONS

The Company has no proposed transactions as of the date of this report.

RELATED PARTY TRANSACTIONS AND BALANCES

The Company considers the executive officers and directors as the key management of the Company. During the year ended August 31, 2023, the Company paid \$93,849 (2022 - \$nil) 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, 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 year ended August 31, 2023, the Company received \$41,667 (2022 - \$nil) in fees as part of revenue.

On October 25, 2022, the Company entered into a management agreement with Nextech, which is a major shareholder of the Company. 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 year ended August 31, 2023, the Company paid \$300,000 (2022 - \$nil) in fees as part of general and administrative.

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

| | Fiscal 2023 | Fiscal 2022 |
|---------------------------|--------------------|--------------------|
| | \$ | \$ |
| Management fees | 300,000 | - |
| Remuneration for services | 93,849 | - |
| | 393,849 | - |

As at August 31, 2023, accounts payable and accrued liabilities included \$63,174 (2022 - \$nil) in respect of the services rendered. These are non-interest bearing with standard payment terms.

CRITICAL ACCOUNTING ESTIMATES

See our annual financial statements for the year ended August 31, 2023 and the related notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and the results of our operations. The policies listed below are areas that may contain key components of our results of operations and are based on complex rules requiring us to make judgments and estimates and consequently, we consider these to be our critical accounting policies. The critical accounting policies which we believe are the most important to aid in fully understanding and evaluating our reported financial results include the following:

- Intangible Assets,
- Impairment of Non-Financial Assets, and
- Revenue Recognition.

Critical Accounting Estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

- Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

CHANGES IN ACCOUNTING POLICIES

See our annual financial statements for the year ended August 31, 2023 and the related notes thereto for a discussion of the changes in accounting policies.

FINANCIAL INSTRUMENTS

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 August 31, 2023, the Company's financial assets and liabilities were classified as amortized cost.

The carrying values of cash and cash equivalents, 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 exchange 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 USD 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 U.S. dollar against the Canadian dollar would impact the Company by \$20,652 during the year ended August 31, 2023. The Company had no hedging agreements in place with respect to foreign exchange rates.

Management of Capital

The Company's definition of capital includes equity, comprising share capital, reserves and accumulated deficit. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. As at August 31, 2023, the Company had shareholders' equity of \$181,763 (August 31, 2022 - \$1).

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 year ended August 31, 2023.

As at August 31, 2023, the Company was not subject to any externally imposed capital requirements.

RISKS AND UNCERTAINTIES

We are exposed to risks and uncertainties in our business, including the risk factors set forth below:

- If we are unable to attract new customers or sell additional products to our existing customers, our revenue growth and profitability will be adversely affected.
- We encounter long sales cycles for technology services, particularly with our larger customers, which could have an adverse effect on the amount, timing and predictability of our revenue.
- Downturns or upturns in new sales will not be immediately reflected in operating results and may be difficult to discern.
- Our quarterly results of operations may fluctuate. As a result, we may fail to meet or exceed the expectations of investors or securities analysts which could cause our share price to decline.
- Our ability to retain customers and attract new customers could be adversely affected by an actual or perceived breach of security relating to customer information.
- We have incurred operating losses in the past and may incur operating losses in the future.
- If we are unable to develop new products and services, sell our solutions into new markets or further penetrate our existing markets, our revenue will not grow as expected.
- Our inability to assess and adapt to rapid technological developments could impair our ability to remain competitive.
- Downturns in general economic and market conditions and reductions in spending may reduce demand for our solutions, which could negatively affect our revenue, results of operations and cash flows.
- We are subject to fluctuations in currency exchange rates.
- The markets in which we participate may become competitive, and our failure to compete successfully would make it difficult for us to add and retain customers and would reduce or impede the growth of our business.

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- If we fail to retain our key employees, our business would be harmed, and we might not be able to implement our business plan successfully.
- Our growth is dependent upon the continued development of our direct sales force.
- If we experience significant fluctuations in our rate of anticipated growth and fail to balance our expenses with our revenue forecasts, our results could be harmed.
- Interruptions or delays in the services provided by third party data centers and/or internet service providers could impair the delivery of our solutions and our business could suffer.
- The use of open-source software in our products may expose us to additional risks and harm our intellectual property.
- We may not receive significant revenue as a result of our current research and development efforts.
- Current and future accounting pronouncements and other financial reporting standards might negatively impact our financial results.
- The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other companies may have a conflict of interest.
- Our strategy includes pursuing acquisitions and our potential inability to successfully integrate newly acquired companies or businesses may adversely affect our financial results.
- The market price for our common shares may be volatile.
- We may issue additional common shares in the future which may dilute our shareholders' investments.
- We may face challenges to our intellectual property rights, which could have a material adverse impact on the Company.
- Uncertainties associated with the economic and market impact related to COVID-19.
- We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

Although the forward-looking statements contained in this MD&A are based upon assumptions management believes to be reasonable, these risks, uncertainties, assumptions, and other factors could cause our actual results, performance, achievements and experience to differ materially from our expectations, future results, performances or achievements expressed or implied by the forward-looking statements. In light of these risks, uncertainties and assumptions, readers should not place undue reliance on forward-looking statements.

Additional risks and uncertainties not presently known to us or that we currently consider immaterial may impair our business and operations and cause the price of our shares to decline. If any of the noted risks occur, our business may be harmed, and our financial condition and results of operations may suffer significantly.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes during year ended August 31, 2023, in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.