ARway.ai

ARway Corporation

Management's Discussion and Analysis

For the three months ended November 30, 2024 and 2023

(Expressed in Canadian dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of ARway Corporation (the "Company" or "Arway") provides analysis of the Company's financial results for the three months ended November 30, 2024 and 2023. This MD&A was prepared by management of the Company and should be read in conjunction with the condensed interim financial statements for the three months ended November 30, 2024 and 2023 (the "Financial Statements") as well as the audited financial statements for the year ended August 31, 2024 and the period from September 01, 2023 to August 31, 2024 (the "Annual Financial Statements"). The Company's Financial Statements and Annual Financial Statements have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

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

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 January 28, 2025 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.

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

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

FORWARD-LOOKING STATEMENTS

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

- the economy generally;
- market participants' interest in ARway's services and products, both in respect of its current offerings and its proposed roll-out of future products and services;
- fluctuations in foreign currency exchange rates;
- business prospects and opportunities;
- anticipated and unanticipated costs;
- management's outlook regarding future trends;
- our expectations regarding our revenue, expenses and operations;

- our anticipated cash needs and our needs for additional financing;
- our plans for and timing of expansion of our solutions and services;
- our future growth plans including the entry into adjacent markets;
- the acceptance by our customers and the marketplace of new technologies and solutions;
- our ability to attract new customers and develop and maintain existing customers;
- our ability to attract and retain personnel;
- our future growth and its dependence on continued development of our direct sales force and their ability to obtain new customers;
- our expectations with respect to advancement in our technologies;
- our competitive position and our expectations regarding competition;
- regulatory developments and the regulatory environments in which we operate;
- anticipated trends and challenges in our business and the markets in which we operate
- an increased demand for 3D content and experiences;
- the anticipated benefits of our product offerings and services; and
- the retention of earnings for corporate purposes and the payment of future dividends.

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

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

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

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

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

BUSINESS OVERVIEW

The Company was officially established on July 15, 2022, under the Business Corporations Act (Ontario) as a spin-off from Nextech3D.ai Corp. ("Nextech"), a leading provider of AR solutions and a Metaverse-focused company. ARway's registered and head office is located at PO Box 64039 RPO Royal Bank Plaza, Toronto, Ontario, M5J 2T6

The Company's shares trade in Canada on the Canadian Securities Exchange ("CSE") under the trading symbol "ARWY", on the OTCQB Market under the trading symbol "ARWYF", and on the Frankfurt Stock Exchange under the trading symbol "FSE: E65".

ARway is transforming the augmented reality (AR) wayfinding market with its innovative no-code, no-beacon spatial computing platform. The technology uses visual marker tracking, allowing users to scan a marker, such as a QR code, with their smartphone to access a venue map. From there, they can navigate to points of interest using AR-generated paths and step-by-step directions while engaging with interactive AR content and experiences. Activation is as simple as scanning a QR code.

ARway Platform Features
The ARway platform currently includes the following:

Web Creator Platform

The Web Creator Platform provides advanced authoring capabilities that go beyond what the mobile app offers. Creators can upload custom OBJ/GLB files and build unique 3D objects. Unlike the mobile app, which requires users to be onsite to place content, the web platform enables remote content creation at scale, making it ideal for larger venues and projects.

Mobile app

The ARway mobile app allows users to map locations in just minutes using their smartphone. Once a space is mapped, users can enrich it with interactive 3D content, AR wayfinding paths, audio, text, images, and more. Additionally, Nextech3D.ai provides a collection of pre-loaded 3D objects that creators can use to enhance their metaverse environments, making it a versatile tool for all skill levels.

Software development kit ("SDK")

ARway's SDK includes code libraries and API documentation for developers to create custom apps for iOS and Android platforms. Using ARway's tools, developers can design white-label or private-label apps that feature AR wayfinding and spatial experiences. The SDK also integrates with the Web Creator Platform, giving creators the ability to build maps with the full capabilities of the ARway mobile app.

Map D Integration

ARway can be integrated with Map D, a powerful event management platform owned by Nextech. Map D specializes in tools like exhibitor floor plans and interactive mapping. By combining its advanced event management features with ARway's cutting-edge AR wayfinding capabilities, this integration provides event organizers with an all-in-one solution for interactive navigation, exhibitor management, and immersive event experiences. Beyond its technical features, Map D offers ARway access to its well-established client base, which includes a wide range of trusted event planners and organizations. This integration allows ARway to fast-track its revenue growth by tapping into Map D's loyal clientele, eliminating the time and financial resources it would take to build such a network independently.

By leveraging Map D's long-standing reputation, ARway is poised to expand rapidly within the event management and AR wayfinding markets. With its groundbreaking platform, ARway is setting a new benchmark for AR-driven wayfinding and immersive spatial experiences.

HIGHLIGHTS OF EVENTS AND MILESTONES

During the three months ended November 30, 2024 and up to the date of this report, the Company has experienced several events and milestones:

- On October 28, 2024, the Company announced that George Mason University team develops successful augmented reality campus tour for transfer students using ARway.ai.
- On November 26, 2024, the Company announced that it integrates Toggle's FOTOgpt.ai studio into map dynamics, expanding ai photography capabilities for its over 400 enterprise clients.
- On December 9th, 2024, the Company announced that board member changes.
- On January 10th, 2025, the Company announced that it issues stock options.
- On January 15th, 2025, the Company announced that it launches suite of AI-driven innovations introduces AI agents and event navigation tools as it positions for growth in 2025.
- On January 17th, 2025, the Company announced that CEO Evan Gappelberg acquires 3,786,363 shares of company stock.

(Expressed in Canadian dollars, except where noted)

RESULTS OF OPERATIONS

A summary of the Company's results of operations for the three months ended November 30, 2024 and 2023 is as follows:

	Three months ended November 30, 2024	2023
	$	$
Revenue	**158,114**	148,409
Cost if Sales	**(15,472)**	-
Gross Profit	**142,642**	148,409
Operating expenses		
Depreciation	**-**	454
General and administrative	**118,416**	109,499
Research and development	**47,532**	129,701
Sales and marketing	**127,106**	113,289
Share-based compensation	**34,816**	152,941
Loss on sales of shares	**-**	63,983
Bad Debts	**1,127**	-
Total operating expenses	**328,997**	569,867
Loss from operations	**(186,355)**	(421,458)
Interest income	**-**	1,539
Net loss and comprehensive loss	**(186,335)**	(419,919)

Revenue

The Company generated revenue of $158,114 in the current period, an increase from $148,409 in the prior comparable period. This includes $140,251 in sales from MapD and $17,863 from ARway platform license and mobile application sales. In the prior period, revenue included $23,409 from ARway platform license and mobile application sales, along with $125,000 from a license agreement with Nextech, a related party, as detailed in the "Related Party Transactions and Balances" section below. The growth in non-related party revenue is primarily driven by pilot agreements for the Company's platform license and mobile application sales, reflecting stronger demand in the augmented reality market.

General and administrative expenses

General and administrative expenses for the current year period increased to $118,416 from $109,499 in the prior year comparable period. This increase is primarily attributed to the Company's heightened operational activity, with additional contracts signed, resulting in higher personnel expenses. The lower expense in the prior year quarter is a result of the Company commencing operations in late October 2023, when it began incurring expenses.

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

Research and development expenses

Research and development expenses for the current year period decreased to $47,532 compared to $129,701 in the prior year comparable period. This reduction is a result of restructuring the R&D team, which led to a decrease in personnel. The expenses primarily reflect developer fees related to the ongoing development and enhancement of the ARway platform. This adjustment in R&D resources positions the company to focus on key platform advancements while optimizing cost efficiency.

(Expressed in Canadian dollars, except where noted)

Selling and marketing expenses

Selling and marketing expenses for the current period increased to $127,106 from $113,289 in the same period last year, mainly due to increased sales personnel salaries and CRM software costs.

Looking ahead, we intend to continue investing in sales and marketing by expanding both domestic and international efforts, increasing brand awareness, and sponsoring additional marketing events. As we identify and capitalize on sustainable market opportunities, we expect selling and marketing expenses to increase accordingly in the future.

QUARTERLY FINANCIAL INFORMATION

	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
	$	$	$	$	$
Operating loss	**(186,355)**	(1,427,142)	(251,496)	(467,347)	(279,509)
Net loss and comprehensive loss	**(186,355)**	(1,430,176)	(251,496)	(467,347)	(277,970)
Net loss per share - basic and diluted	**(0.01)**	(0.03)	(0.01)	(0.03)	(0.01)

The Company is in the early stages of operations, and most of the losses recorded are a direct outcome of investments in research and development, as well as selling and marketing expenses aimed at enhancing products and expanding into new 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's definition of capital includes all accounts of shareholders' equity. The primary cash flows have been through operating activities during the period.

The following table provides a summary of the cash inflows and outflows by activity during the three months ended November 30, 2024 and 2023:

	2024	2023
	$	$
Cash used in operating activities	**(629)**	(244,426)
Cash provided by financing activities	**-**	42,414
Net change in cash	**(629)**	(202,012)

During the three months ended November 30, 2024, the Company had net cash outflow of $629 (2023 - net cash outflow of $202,012).

Cash used in operating activities for the current year period decreased to $629 compared to $244,426 in the prior year comparable period. The cash outflow is mainly due to the loss of the year driven mainly by the expenditures of the period ended on November 30, 2024.

Cash provided by financing activities for the current year period decreased to $nil compared to $42,414 in the prior year comparable period. There is no financing activities during the period.

As at November 30, 2024, the Company had net bank overdraft of $231 (August 31, 2024 - $398), working capital deficiency of $825,935 (August 31, 2024 - $759,691). We anticipate that the growth of our license revenue 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 in future. 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.

(Expressed in Canadian dollars, except where noted)

OUTSTANDING SHARE DATA

As at November 30, 2024 and as at the date of this MD&A, the Company had the following securities outstanding:

	November 30, 2024	**Date of MD&A**
Common shares	33,370,974	33,370,974
Warrants	6,425,611	6,425,611
Options	1,810,000	1,810,000

RELATED PARTY TRANSACTIONS AND BALANCES

The Company considers the executive officers and directors as the key management of the Company. During the three months ended November 30, 2024, the Company incurred $51,740 (2023 - $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.

A summary of the Company's related party transactions for the three months ended November 30, 2024 and 2023 is as follows:

	2024	2023
	$	$
Revenue	**-**	125,000
Management fees	**51,740**	-
Share based compensation	**24,467**	-
	76,207	**125,000**

As at November 30, 2024, accounts payable and accrued liabilities included $393,334 (August 31, 2024 - $162,282) in respect of the services rendered. These are non-interest bearing with standard payment terms.

A summary of the Company's related party balances consisting of accounts receivables as of November 30, 2024, and August 31, 2024 is as follows:

Party Name	**30-Nov-24**	31-Aug-24
	$	$
Jolokia	**240,279**	82,276
Toggle	**345**	1,915
	240,624	84,191

A summary of the Company's related party balances consisting of accounts payable and accrued liabilities as of November 30, 2024, and August 31, 2024 is as follows:

Party Name	**30-Nov-24**	31-Aug-24
	$	$
Belinda Tyldesley	**-**	(282)
Evan - CEO	**-**	(162,000)
Indian Entity	**(2,451)**	(2,451)
NTAR Canada	**(390,883)**	(336,496)
	(393,334)	(501,229)

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosures. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Judgment is used mainly in determining how a balance or transaction should be recognized in the financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

All critical accounting estimates and judgements are fully disclosed in Note 4 of the Annual Financial Statements.

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 November 30, 2024, the Company's financial assets and liabilities were classified as amortized cost.

The carrying values of cash and cash equivalents, receivables (except for GST receivables), and accounts payable and accrued liabilities approximate their fair values because of their short-term nature.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet an obligation under contract. Credit risk exposure arises with respect to the Company's cash and cash equivalents and receivables from customers. The risk exposure on cash and cash equivalents is limited because the Company's cash and cash equivalents are held in banks of high credit worthiness within Canada. The risk exposure on receivables is assessed as low as it is limited to the total amount of receivables from customers which comprise immaterial amounts.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's main source of cash resources is through equity financing. The Company's financial obligations are limited to its current liabilities which have contractual maturities of less than one year.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has assessed that interest rate risk is low for the financial assets as most investments are made in highly liquid instruments.

d) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. Foreign currency risk exposure arises with respect to some of the Company's cash and cash equivalents, receivables, and accounts payable and accrued liabilities denominated in a foreign currency. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could affect the Company's results of operations, financial position, or cash flows. Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar would impact the Company by $7,827 during the three months ended November 30, 2024. The Company had no hedging agreements in place with respect to foreign exchange rates.

Management of Capital

The Company's definition of capital includes all accounts of shareholders' equity. The Company's objective when managing capital is to maintain its ability to continue as a going concern to provide returns to shareholders and benefits for other stakeholders. As at November 30, 2024, the Company had shareholders' deficiency of $825,935 (August 31, 2024 - $674,396).

The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business. The Company obtains funding primarily through equity issuance. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes to the Company's approach to capital management during the three months ended November 30, 2024.

As at November 30, 2024, the Company was not subject to any externally imposed capital requirements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes during the three months ended November 30, 2024, in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

RISKS AND UNCERTAINTIES

For a detailed listing of the risks and uncertainties faced by the Company, please refer to the Company's MD&A for the year ended August 31, 2024 and the period from September 01, 2023 to August 31, 2024.