ARway Corporation (formerly 1000259749 Ontario Ltd.)

Management's Discussion and Analysis

For the three and six months ended February 29, 2024 and February 28, 2023

(Expressed in Canadian dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of ARway Corporation (the "Company" or "Arway") provides analysis of the Company's financial results for the three and six months ended February 29, 2024 and February 28, 2023. This MD&A was prepared by management of the Company and should be read in conjunction with the condensed interim financial statements for the three and six months ended February 29, 2024 and February 28, 2023 (the "Financial Statements") as well as the audited financial statements for the year ended August 31, 2023 and the period from July 15, 2022 (incorporation) to August 31, 2022 (the "Annual Financial Statements"). The Company's Financial Statements and Annual Financial Statements have been prepared under International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

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

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

In this MD&A, the words "we", "us", or "our", collectively refer to ARway Corporation. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The six months ended February 29, 2024 and February 28, 2023 are referred to as "YTD 2024" and "YTD 2023", respectively.

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

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

BUSINESS OVERVIEW

The Company was incorporated under the Business Corporations Act (Ontario) on July 15, 2022 and is a spin out of Nextech3D.ai Corp. ("Nextech"), a Metaverse company and leading provider of AR solutions. Nextech is the parent of the Company, as it has majority representation on the Board of Directors. The Company's registered and head office is located at PO Box 64039 RPO Royal Bank Plaza, Toronto, Ontario, M5J 2T6.

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

The ARway platform currently includes the following:

Web Creator Platform

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

Mobile app

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

Software development kit ("SDK")

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

HIGHLIGHTS OF EVENTS AND MILESTONES

Highlights of events and milestones for the three months ended February 29, 2024 reached up to the MD&A Date include the following:

- In December 2023, the Company released the new version of its spatial mapping platform with new enhanced AI-powered process that automates the creation of 400,000 square feet 3D spatial maps from 2D floor plans, significantly improving ARway's platform performance for enterprises and developers. The deployment of this technology at Congohas Airport, Brazil, and a prominent shopping destination in South Africa, showcases its global applicability and scalability. On January 18, 2024, the contract with Congohas Airport was extended, expecting to enhance the travel experience for car rental customers.

- On January 17, 2024, the Company entered into a new developer deal with F3 Geomatic Solutions, a distinguished geospatial modeling and mapping agency based in Cuervo, Texas. Through ARway, F3 Geomatic aims to offer tailored geospatial solutions for museums, trade shows, and local governments, emphasizing enhanced user experiences.

- On February 6, 2024, the Company announced its compatibility with Apple's Vision Pro in its ARwayKit SDK product offering.

(Expressed in Canadian dollars, except where noted)

RESULTS OF OPERATIONS

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

	Q2 2024	Q2 2023	**YTD 2024**	YTD 2023
	$	$	**$**	$
Revenue	**142,076**	21,781	**290,485**	26,133
Operating expenses				
Amortization	**-**	541,667	**-**	555,556
Depreciation	**545**	-	**999**	-
General and administrative	**123,334**	254,707	**232,833**	315,913
Research and development	**96,052**	150,058	**225,753**	215,058
Sales and marketing	**104,331**	213,162	**217,620**	245,010
Share-based compensation	**207,195**	510,197	**360,136**	713,854
Loss on sales of shares	**141,949**	-	**205,932**	-
	673,406	1,669,791	**1,243,273**	2,045,391
Loss from operations	**(531,330)**	(1,648,010)	**(952,788)**	(2,019,258)
Interest income	-	-	**1,539**	-
Loss before income taxes	**(531,330)**	(1,648,010)	**(951,249)**	(2,019,258)
Deferred income tax recovery	-	156,806	**-**	156,806
Net loss and comprehensive loss	**(531,330)**	(1,491,204)	**(951,249)**	(1,862,452)

Revenue

For Q2 2024 and YTD 2024 the Company had revenue of $142,076 and $290,485 (2023 - $21,781 and $26,133), respectively. Q2 2024 and YTD 2024 includes $17,076 and $40,485 generated from platform license and mobile application sales to non-related parties, as well as $125,000 and $250,000 from the license agreement with Nextech, the parent company, as described in "Related Party Transactions and Balances" section below. For Q2 2023 and YTD 2023, revenue solely comprised platform license and mobile application sales. The 2024 year-to-date increase in non-related party revenue resulted from pilot agreements signed for the Company's platform license and mobile application sales which can be attributed to stronger demand in the augmented reality market.

General and administrative expenses

General and administrative expenses for Q2 2024 and YTD 2024 decreased to $123,334 and $232,833 (2023 - $254,707 and $315,913), respectively. This decrease is primarily attributed to the reduction in management fees between the Company and its parent company, Nextech3D.AI Corporation, which were reduced at the discretion of the parent company.

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

Research and development expenses

Research and development expenses for Q2 2024 decreased to $96,052 (2023 - $150,058) and for YTD 2024 expenses increased to $225,753 (2023 - $215,058), respectively. The decrease in Q2 2024 was due to reduction of consulting fees in 2024 (management fees from the Company's parent company). The increase during YTD 2024 is mainly due to higher developer fees and salaries which was partially offset by decrease in consulting fees.

(Expressed in Canadian dollars, except where noted)

Sales and marketing expenses

Sales and marketing expenses for Q2 2024 and YTD 2024 decreased to $104,331 and $217,620 (2023 - $213,162 and $245,010), respectively. The decrease was mainly due to reduction in costs related to investor relations and advertising, which were partially offset by increase in consulting fees and salaries. Management continues monitor these expenses to determine the best return for these types of spend, thus fluctuations will occur as management tries different approaches to increase demand and sales.

Loss on sales of shares

Loss on sale of shares for the Q2 2024 and YTD 2024 increased to $141,949 and $205,932 (2023 - $nil and $nil), respectively. The loss resulted from the sale of shares in the employee pay program which is a program that involves the sale of the Company's own shares as part of employee remuneration. A loss on sale of shares results when the realized value of shares sold in the employee pay program is less than the cost of shares. The increase during Q2 2024 and YTD 2024 is because of selling the shares in connection with this program below the cost of shares, compared to the prior comparable periods when this program was not introduced yet. Refer to the notes to the Annual Financial Statements for more detail on the employee pay program.

QUARTERLY FINANCIAL INFORMATION

	Q2 2024	Q1 2024	Q4 2023	Q3 2023
	$	$	$	$
Operating loss	**(531,330)**	(421,458)	(4,645,255)	(1,447,103)
Net loss and comprehensive loss	**(531,330)**	(419,919)	(4,923,525)	(1,368,701)
Net loss per share - basic and diluted	**(0.03)**	(0.02)	(0.17)	(0.05)

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

	YTD 2024	YTD 2023
	$	$
Cash used in operating activities	**(404,490)**	(693,612)
Cash provided by financing activities	**152,694**	1,657,351
Change in cash and cash equivalents	**(251,796)**	963,739

Cash used in operating activities was $404,490 compared to $693,612 in the prior year comparable period. The decrease is primarily due to higher cash revenue generated by the Company through management fee revenue in the current period.

(Expressed in Canadian dollars, except where noted)

Cash provided by financing activities was $152,694 compared to $1,657,351 in the prior year comparable period due to proceeds from the sale of shares in the employee pay program used to cover payroll expenses in the current period compared with proceeds from a private placement of units for working capital purposes in the prior year comparable period.

As at February 29, 2024, the Company had cash of $29,376 (February 28, 2023 - $281,172), a working capital deficit of $54,902 (February 28, 2023 - working capital of $176,586). We anticipate that the growth of our license revenue including the revenue generated from Nextech will generate cash inflows to reduce the amount of working capital required to sustain operations. In addition, we anticipate that with potential external funding, 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.

OUTSTANDING SHARE DATA

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

	February 29, 2024	MD&A Date
	#	#
Common shares	27,633,238	28,467,353
Warrants	7,569,628	7,273,232
Options	4,027,000	4,017,000

RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are those persons having the authority and responsibility for the planning, directing, and controlling of the activities of the Company. The Company's key management personnel are its executive officers and directors. During Q2 2024 and YTD 2024 the Company incurred $3,339 and $3,339 (Q2 2023 and YTD 2023 - $53,345 and 53,345), respectively, in remuneration to management personnel.

On July 13, 2023, the Company entered into an intellectual property license agreement with Nextech. As consideration for the rights granted under this agreement, Nextech agreed to pay an annual royalty fee of $500,000 payable in monthly installments of $41,667. After Nextech has earned $500,000 in revenue generated from the use of the licensed intellectual property, a royalty equal to 10% of all revenue generated thereafter from the use of such property is payable. During Q2 2024 and YTD 2024, the Company received $125,000 and $250,000 (Q2 2023 and YTD 2023 - $nil and $nil), respectively, in fees as part of revenue.

On October 25, 2022, the Company entered into a management agreement with Nextech. The contract stipulates that a management fee of up to $100,000 per month is payable to Nextech for consulting services, which consists of services performed by executive officers, technology consultants, and shared services such as, finance, human resources, and sales operations. The monthly amount represents the Company's portion of shared expenses with Nextech based on fair market rates. During Q2 2024 and YTD 2024, the Company paid $nil and $nil (Q2 2023 and YTD 2023 - $200,000 and $300,000), respectively, in fees as part of general and administrative expense.

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

	Q2 2024	Q2 2023	**YTD 2024**	YTD 2023
	$	$	**$**	$
Revenue (representing 86% of total revenue)	**125,000**	-	**250,000**	-
Management fees	**-**	200,000	**-**	300,000
Remuneration for services	**3,339**	53,345	**3,339**	53,345
Share based compensation	**133,582**	-	**133,582**	-
	261,921	253,345	**386,921**	353,345

As at February 29, 2024, accounts payable and accrued liabilities included $118,006 (August 31, 2023 - $63,174) in respect of the services rendered. As at February 29, 2024, receivables included $25,158 (August 31, 2023 - $nil) in respect of the cash advanced to an entity under common control of Nextech. These balances are non-interest bearing and have no specific terms of repayment.

SIGNIFICANT ACCOUNTING JUDGEMENT AND SOURCES OF ESTIMATION UNCERTAINITY

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and liabilities were classified as amortized cost.

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

The Company is exposed to certain financial risk by its financial instruments as summarized below.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet an obligation under contract. Credit risk exposure arises with respect to the Company's cash and cash equivalents and receivable. 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. At February 29, 2024, receivables of $92,259 (August 31, 2023 - $24,045) is comprised of $27,613 due from customers (August 31, 2023 - $135), $25,158 due from related parties (August 31, 2023 - $nil) and GST receivable of $39,488 (August 31, 2023 - $23,910). 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.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's main source of cash resources is through equity financing. The Company's financial obligations are limited to its accounts payable which have contractual maturities of less than one year. The Company has assessed liquidity risk as high as it has a working capital deficit of $54,902 (August 31, 2023, working capital of $176,586).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk at all as it has no variable interest rate liabilities or assets.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. Foreign currency risk exposure arises with respect to some of the Company's cash and cash equivalents, receivables, and accounts payable and accrued liabilities denominated in a foreign currency. 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 $267. The Company had no hedging agreement in place with respect to foreign exchange rates.

CAPITAL MANAGEMENT

The Company's definition of capital includes all components of shareholders' equity. The Company's objective when managing capital is to maintain its ability to continue as a going concern to provide returns to shareholders and benefits for other stakeholders. As at February 29, 2024, the Company had a shareholders' deficiency of $50,724 (shareholders' equity at August 31, 2023 - $181,763).

The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business. The Company obtains funding primarily through equity issuances. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes to the Company's approach to capital management during the six months ended February 29, 2024.

As at February 29, 2024, the Company was not subject to any externally imposed capital requirements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes during the six months ended February 29, 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 MD&A Date.

PROPOSED TRANSACTIONS

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

RISKS AND UNCERTAINTIES

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