



nextech AR

s o l u t i o n s

Condensed Consolidated Interim Financial Statements of

NexTech AR Solutions Corp.

Three months ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

| As at | March 31, 2022 | December 31, 2021 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash & Cash Equivalents | \$ 10,781,775 | \$ 7,237,296 |
| Receivables (Note 4) | 1,019,014 | 1,081,164 |
| Contract Asset (Note 13) | 124,982 | 386,202 |
| Prepaid expenses (Note 5) | 894,805 | 749,474 |
| Inventory (Note 6) | 2,527,193 | 3,389,098 |
| | 15,347,769 | 12,843,234 |
| Non-current assets | | |
| Equipment (Note 7) | 376,473 | 377,242 |
| Right-of-use asset (Note 8) | 1,002,598 | 1,079,319 |
| Intangible assets (Note 9) | 5,575,700 | 6,419,934 |
| Goodwill (Note 9) | 8,670,827 | 8,790,529 |
| Total assets | \$ 30,973,367 | \$ 29,510,258 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 10) | \$ 1,910,159 | \$ 2,759,017 |
| Deferred revenue (Note 13) | 622,898 | 609,001 |
| Lease liability (Note 8) | 290,357 | 290,357 |
| | 2,823,414 | 3,658,375 |
| Non-current liabilities | | |
| Lease liability (Note 8) | 706,654 | 786,755 |
| Deferred income tax liability | 590,391 | 712,215 |
| Loan payable | 86,756 | 90,896 |
| Total liabilities | 4,207,215 | 5,248,241 |
| Shareholders' Equity | | |
| Share capital (Note 11) | 80,202,550 | 70,570,760 |
| Reserves | 11,272,102 | 10,671,525 |
| Accumulated other comprehensive income | 1,953,782 | 1,978,469 |
| Deficit | (66,662,282) | (58,958,737) |
| | 26,766,152 | 24,262,017 |
| Total liabilities and shareholders' equity | \$ 30,973,367 | \$ 29,510,258 |

Nature of Operations (Note 1)

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board of Directors

"Evan Gappelberg" , Director

"Paul Duffy" , Director

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

| | Three months ended | | Three months ended | |
|--|--------------------|-------------|--------------------|-------------|
| | March 31, 2022 | | March 31, 2021 | |
| Revenue (Note 13) | \$ | 3,484,337 | \$ | 7,726,703 |
| Cost of sales (Note 14) | | (2,000,937) | | (4,412,278) |
| Gross profit | | 1,483,400 | | 3,314,425 |
| Operating expenses: | | | | |
| Sales and marketing (Note 14) | | 2,616,948 | | 4,640,087 |
| General and administrative (Note 14) | | 3,820,600 | | 3,747,723 |
| Research and development (Note 14) | | 1,027,194 | | 1,793,479 |
| | | 7,464,742 | | 10,181,289 |
| Other expense (income) | | | | |
| Stock-based compensation (Note 11) | | 578,805 | | 2,402,628 |
| Amortization (Note 9) | | 728,378 | | 380,220 |
| Right of Use Amortization (Note 8) | | 63,082 | | - |
| Gain on short-term investments | | - | | (219,321) |
| Depreciation (Note 7) | | 37,117 | | 27,950 |
| Foreign exchange gain | | 446,626 | | (274,564) |
| | | 1,854,008 | | 2,316,913 |
| Loss before income taxes | | (7,835,350) | | (9,183,777) |
| Current income tax expense | | (7,128) | | - |
| Deferred income tax recovery | | 138,933 | | - |
| Net loss | \$ | (7,703,545) | \$ | (9,183,777) |
| Other comprehensive income (loss) | | | | |
| Exchange differences on translating foreign operations | | (24,687) | | (52,401) |
| Total comprehensive loss | \$ | (7,728,232) | \$ | (9,236,178) |
| Loss per common share | | | | |
| Basic and diluted loss per common share | | (0.08) | | (0.12) |
| Weighted average number of common shares outstanding | | | | |
| Basic and diluted | | 97,550,931 | | 77,489,618 |

See accompanying notes to condensed consolidated interim financial statements.

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)
(Unaudited)

| | Number of shares | Share capital | Reserves | Deficit | Accumulated Other Comprehensive Income | Total |
|--|-------------------|----------------------|----------------------|------------------------|--|----------------------|
| Balance as at December 31, 2020 | 77,111,864 | \$ 41,968,520 | \$ 5,724,004 | \$ (26,306,683) | \$ 1,033,094 | \$ 22,418,935 |
| Shares issued for exercise of warrants | 529,000 | 440,220 | - | - | - | 440,220 |
| Shares issued for exercise of option | 45,000 | 66,900 | 6,300 | - | - | 73,200 |
| Shares for services | 195,445 | 1,299,845 | - | - | - | 1,299,845 |
| Stock-based compensation | - | - | 2,402,628 | - | - | 2,402,628 |
| Translation of foreign operations | - | - | - | - | (52,401) | (52,401) |
| Total net loss | - | - | - | (9,183,777) | - | (9,183,777) |
| Balance as at March 31, 2021 | 77,881,309 | \$ 43,775,485 | \$ 8,132,932 | \$ (35,490,460) | \$ 980,693 | \$ 17,398,650 |
| Balance as at December 31, 2021 | 90,880,791 | \$ 70,570,760 | \$ 10,671,525 | \$ (58,958,737) | \$ 1,978,469 | \$ 24,262,017 |
| Shares for services | 623,724 | 717,066 | - | - | - | 717,066 |
| Shares issued from short form prospectus | 8,130,082 | 10,000,001 | - | - | - | 10,000,001 |
| Stock-based compensation | - | - | 578,805 | - | - | 578,805 |
| Share issuance costs | - | (1,085,277) | 21,772 | - | - | (1,063,505) |
| Translation of foreign operations | - | - | - | - | (24,687) | (24,687) |
| Total net loss | - | - | - | (7,703,545) | - | (7,703,545) |
| Balance as at March 31, 2021 | 99,634,597 | \$ 80,202,550 | \$ 11,272,102 | \$ (66,662,282) | \$ 1,953,782 | \$ 26,766,152 |

See accompanying notes to condensed consolidated interim financial statements.

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

| | Three months ended March 31, 2022 | Three months ended March 31, 2021 |
|--|--------------------------------------|--------------------------------------|
| Cashflows from operating activities | | |
| Net loss | \$ (7,703,545) | \$ (9,183,777) |
| Items not affecting cash | | |
| Amortization of intangible assets | 728,378 | 380,220 |
| Deferred income tax recovery | (138,933) | - |
| Amortization of right to use asset | 63,082 | 34,311 |
| Depreciation of property and equipment | 37,117 | 27,950 |
| Gain on digital assets | - | (219,321) |
| Shares for services | 717,066 | 22,156 |
| Stock-based compensation | 578,805 | 2,402,628 |
| Shares issued to settle related party liability | - | 1,299,845 |
| Shares issued for exercise of options | - | 6,300 |
| Changes in non-cash working capital balances | | |
| Receivables | 62,150 | (783,405) |
| Contract Asset | 261,220 | (115,582) |
| Prepaid expenses | (145,331) | (390,207) |
| Inventory | 861,905 | (1,462,220) |
| Accounts payable and accrued liabilities | (848,858) | 1,448,960 |
| Deferred revenue | 13,897 | 810,047 |
| Net cash used in operating activities | \$ (5,513,047) | \$ (5,722,095) |
| Cashflows from investing activities | | |
| Purchase of equipment | (46,553) | (50,414) |
| Purchase of digital assets | - | 2,765,356 |
| Interest on lease liability | (6,712) | - |
| Net cash used in investing activities | \$ (53,265) | \$ 2,714,942 |
| Cashflows from financing activities | | |
| Proceeds from exercise of options and warrants | - | 486,464 |
| Proceeds from private placement, net of issuance costs | 8,936,496 | - |
| Payment of lease obligations | (73,398) | (44,567) |
| Net cash provided by financing activities | \$ 8,863,098 | \$ 441,897 |
| Change in cash during the period | 3,296,786 | (2,565,256) |
| Cash, beginning of period | 7,237,296 | 10,684,952 |
| Effects of foreign exchange on cash | 247,693 | (219,680) |
| Cash, end of period | \$ 10,781,775 | \$ 7,900,016 |
| Supplemental cash flow information | | |
| Taxes paid | - | - |
| Interest Paid | 9,550 | 1,261 |
| Interest received | 11,830 | 9,298 |

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

1. NATURE OF OPERATIONS

NexTech AR Solutions Corp. (“NexTech” or the “Company”) develops and acquires augmented reality technology solutions, owns and operates eCommerce businesses where the Company uses technology solutions to sell goods online through their websites and various third-party channels and provides augmented reality solutions in video hosted learning and event platforms. The Company was incorporated in the province of British Columbia, Canada on January 12, 2018. The Company’s registered and head office is located at 121 Richmond Street W, Suite 501, Toronto, Canada M5H 2K1.

The Company’s shares trade in Canada on the NEO Exchange and Canadian Securities Exchange under the trading symbol “NTAR” and in the United States of America on the OTCQB under the trading symbol “NEXCF”.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of Presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2021. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2021.

These condensed consolidated interim financial statements have been prepared on a historical cost basis. The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, revenue and expenses. Based on management’s current projections of sales and cost reductions for the next twelve months, management expects to have sufficient cash to sustain operations during that period. These projections require significant judgement on the part of management, actual results may differ from these estimates.

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited consolidated financial statements for the period ended December 31, 2021. The unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 16, 2022.

Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. Control occurs when the Company is exposed to, or has right to, variable return from its involvements with an investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases. All intercompany transactions and balances have been eliminated. The Company’s wholly owned subsidiaries are NexTech AR Solutions USA LLC, AR Ecommerce LLC, Jolokia Corporation, Nextech AR Solutions PTE Ltd, Threedy.ai Inc, and Arway Ltd.

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

3. BUSINESS COMBINATIONS

Threedy.ai Inc

On June 25, 2021, the Company acquired 100% of the shares of Threedy.ai Inc (“Threedy.ai”). Threedy.ai is an AI based end-to-end platform used to produce 3D augmented reality models in an efficient manner.

The purchase price consists of 3,877,551 common shares of the Company with an estimated fair value of \$6,805,102, including cash acquired of \$16,235. The Company incurred acquisition-related costs of \$45,769.

The following table presents the purchase price allocation at the acquisition date:

| | |
|--|--------------|
| Tangible assets & liabilities | |
| Cash | \$ 16,235 |
| Trade receivables | 13,277 |
| Other current assets | 3,762 |
| Equipment, net (Note 9) | 2,344 |
| Accounts payable and accrued liabilities | (50,969) |
| Deferred tax liability | (726,835) |
| | <hr/> |
| | \$ (742,186) |
| Intangible assets | |
| Technology (Note 10) | 4,179,960 |
| | <hr/> |
| | \$ 4,179,960 |
| <hr/> | |
| Goodwill (Note 10) | 3,367,328 |
| Total Consideration | <hr/> |
| | \$ 6,805,102 |

ARway Ltd.

On August 26, 2021, the Company acquired 100% of the shares of ARway Ltd (“ARway”). ARway is a Unity-based platform that uses AI to scan and recognize surroundings for 3D spatial mapping.

The purchase price consists of 609,666 common shares of the Company with an estimated fair value of \$871,822, including cash acquired of \$5,503. The Company incurred acquisition-related costs of \$40,238.

| | |
|--|--------------|
| Tangible assets & liabilities | |
| Cash | \$ 5,503 |
| Accounts payable and accrued liabilities | (4,985) |
| Loan payable | (86,653) |
| Deferred tax liability | (168,575) |
| | <hr/> |
| | \$ (254,710) |
| Intangible assets | |
| Technology (Note 10) | 674,298 |
| | <hr/> |
| | \$ 674,298 |
| <hr/> | |
| Goodwill (Note 10) | 452,234 |
| Total Consideration | <hr/> |
| | \$ 871,822 |

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

4. RECEIVABLES

| | March 31, 2022 | December 31, 2021 |
|-------------------|-----------------------|--------------------------|
| Trade receivables | \$ 545,284 | \$ 574,609 |
| Other receivables | 385,336 | 465,518 |
| GST receivable | 88,394 | 41,037 |
| | \$ 1,019,014 | \$ 1,081,164 |

5. PREPAID EXPENSES

| | March 31, 2022 | December 31, 2021 |
|-------------------|-----------------------|--------------------------|
| Prepaid Inventory | \$ 85,303 | \$ 24,811 |
| Prepaid expenses | 793,110 | 724,663 |
| Deposits | 16,392 | - |
| | \$ 894,805 | \$ 749,474 |

6. INVENTORY

As at March 31, 2021 the inventory balance is \$2,527,193 (2021 - \$3,389,098). Inventory consists solely of finished goods. Inventory is valued at the lower of cost and net realizable value.

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

7. EQUIPMENT

| | Computer Equipment | Trade show Equipment | Office Furniture and Equipment | Total |
|---------------------------------------|-----------------------|-------------------------|-----------------------------------|------------|
| Costs | | | | |
| December 31, 2020 | \$ 209,233 | \$ 16,440 | \$ 204,184 | \$ 429,857 |
| Additions | 155,457 | - | 23,315 | 178,772 |
| Acquisition of Threedy.ai (Note 3) | 17,506 | - | - | 17,506 |
| Asset write-offs | (17,648) | - | - | (17,648) |
| Effects of movement in exchange rates | 5,526 | - | 24,261 | 29,787 |
| December 31, 2021 | \$ 370,074 | \$ 16,440 | \$ 251,761 | \$ 638,275 |
| Additions | 45,848 | - | - | 45,848 |
| Effects of movement in exchange rates | (16,855) | - | 17,888 | 1,033 |
| March 31, 2022 | \$ 399,067 | \$ 16,440 | \$ 269,649 | \$ 685,156 |
| Accumulated depreciation | | | | |
| December 31, 2020 | \$ 40,749 | \$ 9,043 | \$ 79,507 | \$ 129,299 |
| Additions | 79,533 | 3,288 | 50,324 | 133,145 |
| Acquisition of Threedy.ai (Note 3) | 15,161 | - | - | 15,161 |
| Asset write-offs | (15,775) | - | - | (15,775) |
| Effects of movement in exchange rates | 1,175 | - | (1,972) | (797) |
| December 31, 2021 | \$ 120,843 | \$ 12,331 | \$ 127,859 | \$ 261,033 |
| Additions | 28,536 | 822 | 7,759 | 37,117 |
| Effects of movement in exchange rates | 5,364 | - | 5,169 | 10,533 |
| March 31, 2022 | \$ 154,743 | \$ 13,153 | \$ 140,787 | \$ 308,683 |
| Net book value | | | | |
| December 31, 2021 | \$ 249,231 | \$ 4,109 | \$ 123,902 | \$ 377,242 |
| March 31, 2022 | \$ 244,324 | \$ 3,287 | \$ 128,862 | \$ 376,473 |

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

8. LEASES

The company entered into a long-term lease agreement related to warehouse space. The lease term is 8 years commencing July 1, 2020. The present value of future lease payments were measured using an incremental borrowing rate of 6% annum as of January 1, 2020. The right of use asset is as follows:

| Right of use assets | |
|---------------------------------------|--------------|
| | Total |
| Balance, December 31, 2020 | \$ 1,034,724 |
| Additions | - |
| Amortization | (63,082) |
| Effects of movement in exchange rates | 107,677 |
| At December 31, 2021 | \$ 1,079,319 |
| Additions | - |
| Amortization | (63,082) |
| Effects of movement in exchange rates | (13,639) |
| At March 31, 2022 | \$ 1,002,598 |

| Lease obligations | |
|---------------------------------------|--------------|
| | Total |
| Balance, December 31, 2020 | \$ 1,028,640 |
| Additions | 256,399 |
| Interest expense | 18,288 |
| Lease payments | (221,228) |
| Effects of movement in exchange rates | (4,987) |
| At December 31, 2021 | \$ 1,077,112 |
| Additions | - |
| Interest expense | 6,712 |
| Lease payments | (127,076) |
| Effects of movement in exchange rates | 40,263 |
| At March 31, 2022 | \$ 997,011 |

The maturity analysis of the lease liabilities as at March 31, 2021 is as follows:

| Maturity Analysis | March 31, 2022 |
|---------------------------------------|-----------------------|
| Less than one year | \$ 279,849 |
| One to five years | 936,537 |
| Over five years | 71,926 |
| Total undiscounted lease liabilities | \$ 1,288,312 |
| Amount representing implicit interest | (291,301) |
| At March 31, 2022 | \$ 997,011 |

Interest expense for the three months ended March 31, 2021 was \$6,712 (2021 - \$1,486).

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

9. INTANGIBLE ASSETS

| | Customer relationship | Supplier relationship | Brand | Technology | Goodwill | Total |
|---------------------------------------|--------------------------|--------------------------|--------------|--------------|--------------|---------------|
| Costs | | | | | | |
| December 31, 2020 | \$ 1,438,247 | \$ 314,744 | \$ 1,144,829 | \$ 1,530,787 | \$ 4,886,513 | \$ 9,315,120 |
| Acquisition of Threeday.ai (Note 3) | \$ - | \$ - | \$ - | \$ 4,179,960 | \$ 3,367,328 | \$ 7,547,288 |
| Acquisition of ARway (Note 3) | - | - | - | 674,298 | 452,234 | 1,126,532 |
| Effects of movement in exchange rates | (6,101) | (1,335) | (2,548) | 125,766 | 84,454 | 200,236 |
| December 31, 2021 | \$ 1,432,146 | \$ 313,409 | \$ 1,142,281 | \$ 6,510,811 | \$ 8,790,529 | \$ 18,189,176 |
| Effects of movement in exchange rates | (20,559) | (4,499) | (16,400) | (74,398) | (119,702) | (235,558) |
| March 31, 2022 | \$ 1,411,587 | \$ 308,910 | \$ 1,125,881 | \$ 6,436,413 | \$ 8,670,827 | \$ 17,953,618 |
| Accumulated depreciation | | | | | | |
| December 31, 2020 | \$ 186,176 | \$ 63,254 | \$ 599,064 | \$ 80,072 | \$ - | \$ 928,566 |
| Additions | 303,698 | 30,769 | 175,968 | 1,539,712 | - | 2,050,147 |
| December 31, 2021 | \$ 489,874 | \$ 94,023 | \$ 775,032 | \$ 1,619,784 | \$ - | \$ 2,978,713 |
| Additions | 71,607 | 7,835 | 73,551 | 575,385 | - | 728,378 |
| March 31, 2022 | \$ 561,481 | \$ 101,858 | \$ 848,583 | \$ 2,195,169 | \$ - | \$ 3,707,091 |
| Net book value | | | | | | |
| December 31, 2021 | \$ 942,272 | \$ 219,386 | \$ 367,249 | \$ 4,891,027 | \$ 8,790,529 | \$ 15,210,463 |
| March 31, 2022 | \$ 850,106 | \$ 207,052 | \$ 277,298 | \$ 4,241,244 | \$ 8,670,827 | \$ 14,246,527 |

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

9. INTANGIBLE ASSETS (continued)

Goodwill

In January 2019, the Company acquired a 100% interest in AR Ecommerce LLC, which included goodwill, valued at \$929,680, at the time of acquisition. In April 2019, the Company acquired a 100% interest Infinite Pet Life, which included goodwill, valued at \$1,397,670, at the time of acquisition. In the year ended 2020, the Company acquired a 100% interest in Jolokia and Map Dynamics, which included goodwill, valued at \$2,275,047 and \$596,929 respectively. In the year ended 2021, the Company acquired Threedy.ai and Arway Ltd. which included goodwill of \$3,367,328 and \$452,234 respectively.

The goodwill balance, as at March 31, 2022, consists of the goodwill acquired from acquisitions noted above and includes the currency translation adjustment for the three months ended March 31, 2021 of (\$119,702) (2021 - \$738,763). The Company estimated the recoverable amount based on the value-in-use method of the cash-generating units that the goodwill contributes to was higher than the carrying value at October 1, 2021.

The key assumptions used in the calculations of the recoverable amounts include sales growth per year, changes in cost of sales and capital expenditures based on internal forecasts. Cash flows were projected out 5 years and a terminal value was calculated using a long-term steady growth of 3-5%. The discount rate of 25% was used.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | March 31, 2022 | | December 31, 2021 |
|---------------------|----|----------------|----|-------------------|
| Accounts payable | \$ | 1,010,079 | \$ | 1,803,450 |
| Accrued liabilities | | 900,080 | | 955,567 |
| | \$ | 1,910,159 | \$ | 2,759,017 |

11. SHARE CAPITAL

Authorized

As at March 31, 2022, the authorized share capital of the Company was an unlimited number of common shares.

Share Capital

During the period ended March 31, 2022, the Company had the following share transactions:

- issued 623,724 shares with a fair value of \$717,066 for shares for services
- issued 8,130,082 units for gross proceeds of \$10,000,001 (\$8,936,496 net of issuance costs). In connection with the closing, 650,407 warrants were issued with an exercise feature of \$1.5375. The fair value of the broker warrants is \$21,772 using Black Scholes Option Pricing Model.

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

11. SHARE CAPITAL (continued)

Share purchase warrants

| | Number | | Weighted Average Exercise Price |
|----------------------------------|-------------|----|---------------------------------------|
| Balance, as at December 31, 2020 | 3,339,891 | \$ | 3.23 |
| Granted | 3,258,326 | | 5.59 |
| Exercised | (2,186,952) | | (0.86) |
| Balance, as at December 31, 2021 | 4,411,265 | \$ | 4.00 |
| Granted | 8,780,489 | | 1.54 |
| Exercised | - | | - |
| Balance as at March 31, 2022 | 13,191,754 | \$ | 1.37 |

The weighted average remaining life on the warrants is 1.40 years. 650,407 broker warrants were granted for the three months ended March 31, 2021. The broker warrants have been valued at an aggregate \$21,772 (2021 - \$925,925) using the Black-Scholes option pricing model with the following assumptions:

| | Three months ended March 31, 2022 | Three months ended March 31, 2021 |
|------------------------------------|--------------------------------------|--------------------------------------|
| Weighted average | | |
| Risk free interest rate | 1.17% | 0.83% |
| Expected life of warrants in years | 2 years | 2 years |
| Expected dividend yield | 0% | 0% |
| Expected stock volatility | 1.23 | 126% |
| Fair value per warrant | \$ 0.86 | \$ 2.65 |

Stock options

| | Number | | Weighted Average Exercise Price |
|----------------------------------|-------------|----|---------------------------------------|
| Balance, as at December 31, 2020 | 5,868,000 | \$ | 3.55 |
| Granted | 2,234,000 | | 2.91 |
| Forfeited | (3,021,900) | | (3.85) |
| Exercised | (745,000) | | (0.62) |
| Cancelled | (410,200) | | (6.19) |
| Balance, as at December 31, 2021 | 3,924,900 | \$ | 2.69 |
| Granted | 1,005,000 | | 1.65 |
| Forfeited | (221,000) | | 2.87 |
| Exercised | - | | - |
| Cancelled | - | | - |
| Balance as at March 31, 2022 | 4,708,900 | \$ | 2.80 |

The weighted average remaining life of the outstanding stock options is 2.59 years.

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

11. SHARE CAPITAL (continued)

The fair value of all options granted is estimated on the grant date using the Black-Scholes option pricing model. During the three months ended March 31, 2021, \$578,805 (2021 - \$2,402,628) was recognized as stock based compensation.

The weighted average assumptions used in calculating the fair values are as follows:

| | Three months ended March 31, 2022 | Year ended December 31, 2021 |
|-----------------------------------|--------------------------------------|---------------------------------|
| Weighted average | | |
| Risk free interest rate | 1.21% | 1.43% |
| Expected life of options in years | 3 | 3 |
| Expected dividend yield | 0% | 0% |
| Expected stock option volatility | 153% | 142% |
| Fair value per option | \$ 1.64 | \$1.23 |

The following table presents the stock-based compensation expense by function:

| | Three months ended March 31, 2022 | Three months ended March 31, 2021 |
|----------------------------|--------------------------------------|--------------------------------------|
| Cost of sales | \$ 7,396 | \$ - |
| General and administrative | 450,299 | 192,210 |
| Research and development | 46,225 | 1,249,367 |
| Sales and marketing | 74,885 | 961,051 |
| | \$ 578,805 | \$ 2,402,628 |

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company entered into a number of transactions with key management personnel. The Company considers the executive officers and directors as the key management of the Company. The remuneration of key management personnel includes those persons having the authority and responsibility for the planning, directing and controlling of the activities of the Company are as follows:

| | Three months ended March 31, 2022 | Three months ended March 31, 2021 |
|---------------------------|--------------------------------------|--------------------------------------|
| Remuneration for services | \$ 195,445 | \$ 279,811 |
| Share-based payments | 540,000 | \$ - |
| | \$ 735,445 | \$ 279,811 |

Amounts due to and from related parties as at March 31, 2021 and December 31, 2021 are as follows:

| Related party assets (liabilities) | March 31, 2022 | December 31, 2021 |
|------------------------------------|----------------|-------------------|
| Key management personnel | \$ 12,498 | \$ (25,489) |

The amounts owed from the related parties as described above are non-secured, non-interest bearing, with no specific terms of repayment.

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table presents a disaggregation of revenue by service:

| | Three months ended March 31, 2022 | Three months ended March 31, 2021 |
|-----------------------------|--------------------------------------|--------------------------------------|
| Product sales | \$ 2,988,105 | \$ 6,009,259 |
| Technology services | 36,763 | 1,350,066 |
| Renewable software licenses | 459,469 | 367,378 |
| | \$ 3,484,337 | \$ 7,726,703 |

The product sales are recognized at a point in time and the technology services and renewable software licenses revenue is recognized over time.

Contract assets

Contract liabilities represent customer payments received for services to be provided subsequent to the reporting date. Significant changes in contract liabilities are as follows:

| | Three months March 31, 2022 | Three months December 31, 2021 |
|--|--------------------------------|-----------------------------------|
| Deferred revenue, beginning | \$ 609,001 | \$ 383,022 |
| Revenue recognized that was included in deferred revenue | (347,434) | (383,022) |
| Amount received for revenue unearned | 361,331 | 609,001 |
| Deferred revenue, ending | \$ 622,898 | \$ 609,001 |
| Current | 622,898 | 609,001 |
| Non-current | - | - |
| Deferred revenue, ending | \$ 622,898 | \$ 609,001 |

Contract assets

| | Three months March 31, 2022 | Three months December 31, 2021 |
|--|--------------------------------|-----------------------------------|
| Contract assets, beginning | \$ 386,202 | \$ 244,478 |
| Contract assets, billed over the period | (328,217) | (188,845) |
| Contract assets additions related to technology services | 66,997 | 330,569 |
| Contract assets, ending | \$ 124,982 | \$ 386,202 |
| Current | 124,982 | 386,202 |
| Non-current | - | - |
| Contract assets, ending | \$ 124,982 | \$ 386,202 |

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

13. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

The following is a breakdown of the Company's revenues from external customers attributed to the entity's countries of domicile (Canada and the United States) and foreign countries. Revenues are attributed based on the country that the signing customer's head office is located in.

| | Three months ended March 31, 2022 | Three months ended March 31, 2021 |
|-----------------------|--------------------------------------|--------------------------------------|
| Countries of domicile | \$ 3,182,217 | \$ 7,641,782 |
| Foreign countries | 302,120 | 84,921 |
| | \$ 3,484,337 | \$ 7,726,703 |

The Company has no non-current assets held in foreign countries.

14. EXPENSES BY NATURE

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

Cost of Sales

| | Three months ended March 31, 2022 | Three months ended March 31, 2021 |
|---------------------------|--------------------------------------|--------------------------------------|
| Cost of sales | | |
| Cost of products/services | \$ 1,595,411 | \$ 3,147,193 |
| Salaries and wages | 376,807 | 221,275 |
| Consulting fees | 13,743 | 1,043,810 |
| Employee benefits | 14,976 | - |
| | \$ 2,000,937 | \$ 4,412,278 |

Sales and marketing

| | Three months ended March 31, 2022 | Three months ended March 31, 2021 |
|----------------------------------|--------------------------------------|--------------------------------------|
| Sales and marketing | | |
| Advertising | \$ 1,126,373 | \$ 1,360,805 |
| Consultant fees | 423,909 | 2,095,871 |
| Salaries, wages, and commissions | 517,067 | 653,373 |
| Employee benefits | 12,641 | - |
| Investor relations | 141,514 | 480,038 |
| Management fees | 289,911 | 50,000 |
| Software and other expense | 105,533 | - |
| | \$ 2,616,948 | \$ 4,640,087 |

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

14. EXPENSES BY NATURE (continued)

General and administrative

| | Three months ended | Three months ended |
|-------------------------------------|--------------------|--------------------|
| | March 31, 2022 | March 31, 2021 |
| General and administrative | | |
| Compliance fees | \$ 59,473 | \$ 87,419 |
| Salaries and wages | 1,576,533 | 1,583,019 |
| Consultant fees | 30,628 | 134,413 |
| Employee benefit | 116,037 | 70,844 |
| Management fees | 371,258 | 155,167 |
| Office, general, and other | 440,479 | 619,466 |
| Computer, software, and maintenance | 386,922 | 111,778 |
| Professional fees | 490,644 | 411,314 |
| Shipping and warehouse costs | 348,626 | 574,303 |
| | \$ 3,820,600 | \$ 3,747,723 |

Research and Development

| | Three months ended | Three months ended |
|----------------------------------|--------------------|--------------------|
| | March 31, 2022 | March 31, 2021 |
| Research and development | | |
| Salaries and wages | \$ 474,046 | \$ 964,804 |
| Employee benefits | \$ 27,131 | - |
| Consultant fees | 319,465 | 644,233 |
| Platform, maintenance, and other | 206,552 | 184,442 |
| | \$ 1,027,194 | \$ 1,793,479 |

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

15. SEGMENTED INFORMATION

For the three months ended March 31, 2022, the Company has two reportable segments:

- The operation of eCommerce platforms which generates revenue from online sales channels, market places, and direct sales through websites
- The provision of technology services for eCommerce, virtual events, higher education and advertising.

The above reportable segments are the way the Company reports information regarding segment performance, including net profit (loss) for the three months ended March 31, 2022.

The following is summarized financial information of the Company's reportable segments for the three months ended March 31, 2022 and March 31, 2021.

| Three months ended | | | | | |
|----------------------------|--------------|---------------------|-------------|--------------|--|
| March 31, 2022 | eCommerce | Technology Services | Corporate | Total | |
| Revenue | \$ 2,988,105 | \$ 496,232 | \$ - | \$ 3,484,337 | |
| Cost of Sales | (1,746,454) | (254,483) | - | (2,000,937) | |
| Gross Profit | 1,241,651 | 241,749 | - | 1,483,400 | |
| Sales & Marketing | (964,240) | (1,207,909) | (444,799) | (2,616,948) | |
| General & Administrative | (798,613) | (1,939,207) | (1,082,780) | (3,820,600) | |
| Research & Development | - | (1,027,194) | - | (1,027,194) | |
| Total comprehensive (loss) | (649,290) | (4,244,180) | (2,834,762) | (7,728,232) | |
| March 31, 2021 | eCommerce | Technology Services | Corporate | Total | |
| Revenue | \$ 6,009,259 | \$ 1,717,444 | \$ - | \$ 7,726,703 | |
| Cost of Sales | (3,368,468) | (1,043,810) | - | (4,412,278) | |
| Gross Profit | 2,640,791 | 673,634 | - | 3,314,425 | |
| Sales & Marketing | (2,017,785) | (2,092,264) | (530,038) | (4,640,087) | |
| General & Administrative | (1,167,371) | (64,437) | (2,515,915) | (3,747,723) | |
| Research & Development | - | (1,793,479) | - | (1,793,479) | |
| Total comprehensive (loss) | (546,316) | (4,999,326) | (3,690,536) | (9,236,178) | |

The following is summarized financial information of the Company's reportable segments for March 31, 2022 and December 31, 2021.

| March 31, 2022 | eCommerce | Technology Services | Corporate | Total | |
|--------------------------|----------------|---------------------|---------------|---------------|--|
| Total asset | \$ 4,068,632 | \$ 3,471,679 | \$ 23,433,056 | \$ 30,973,367 | |
| Total liabilities | \$ (1,797,695) | \$ (2,322,772) | \$ (86,756) | (4,207,223) | |
| Net assets (liabilities) | \$ 2,270,937 | \$ 1,148,907 | \$ 23,346,300 | \$ 26,766,144 | |
| December 31, 2021 | eCommerce | Technology Services | Corporate | Total | |
| Total asset | \$ 5,087,984 | \$ 2,507,632 | \$ 21,914,642 | \$ 29,510,258 | |
| Total liabilities | \$ (2,096,542) | \$ (2,439,484) | \$ (712,215) | (5,248,241) | |
| Net assets (liabilities) | \$ 2,991,442 | \$ 68,148 | \$ 21,202,427 | \$ 24,262,017 | |

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

16. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, currency risk, and interest rate risk.

Credit Risk

Credit risk arises from cash as well as credit exposures to counterparties of outstanding receivables and committed transactions. There is no significant concentration of credit risk other than cash deposits and receivables. The Company's cash deposits are primarily held with a Canadian chartered bank and receivables are due from the distributors of the company's products and customers.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. 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. The Company manages liquidity risk as part of its overall "Management of Capital" as described below.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and a portion of the Company's expenses are incurred in U.S. dollars ("USD"). 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. The Company has not hedged its exposure to currency fluctuations. As at March 31, 2022, the Company is exposed to currency risk through cash, accounts receivable and accounts payable denominated in USD. A 10% change in exchange rate could increase/decrease the Company's net loss by \$733,904.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. We believe that interest rate risk is low for our financial assets as the majority of investments are made in highly liquid instruments.

Fair Values

The Company's financial instruments consist of cash, receivables, and accounts payable. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments. As at March 31, 2021, the Company's financial instruments were classified as amortized cost. The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

NexTech AR Solutions Corp.

Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

17. CONTINGENCY

During the year ended December 31, 2020, the Company has received a legal claim against the Company in respect of the acceleration term on the right to exercise certain warrants.

As at March 31, 2022, the claim remains at the preliminary stage. It is premature to determine the outcome of this claim.

18. SUBSEQUENT EVENT

On April 1, 2022, the Company entered into a new employment agreement with its CEO that could result in the issuance of up to 11,956,152 share purchase options exercisable at \$1.00 per share based upon meeting certain Company market capitalization targets ranging from \$200 million to \$1 billion over the next five years. No amounts related to this compensation have been recognized for the three months ended March 31, 2022.