



# **nextech AR**

s o l u t i o n s

Condensed Consolidated Interim Financial Statements of

## **NexTech AR Solutions Corp.**

Three and nine months ended September 30, 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

	September 30, 2022	December 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash & cash equivalents	\$ 5,278,516	\$ 7,237,296
Receivables (Note 4)	624,694	1,081,164
Deferred asset (Note 7)	260,639	-
Contract asset (Note 14)	261,692	386,202
Prepaid expenses (Note 5)	472,442	749,474
Inventory (Note 6)	640,852	3,389,098
Non-current assets held for sale (Note 17)	534,664	-
	8,073,499	12,843,234
<b>Non-current assets</b>		
Equipment (Note 8)	354,527	377,242
Right-of-use asset (Note 9)	919,096	1,079,319
Intangible assets (Note 10)	4,200,687	6,419,934
Goodwill (Note 10)	7,061,970	8,790,529
<b>Total assets</b>	<b>\$ 20,609,779</b>	<b>\$ 29,510,258</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 11)	\$ 2,309,942	\$ 2,759,017
Deferred revenue (Note 14)	471,835	609,001
Lease liability (Note 9)	259,348	290,357
	3,041,125	3,658,375
<b>Non-current liabilities</b>		
Lease liability (Note 9)	644,420	786,755
Deferred income tax liability	399,962	712,215
Loan payable	-	90,896
<b>Total liabilities</b>	<b>4,085,507</b>	<b>5,248,241</b>
<b>Shareholders' Equity</b>		
Share capital (Note 12)	82,185,705	70,570,760
Reserves	12,608,012	10,671,525
Accumulated other comprehensive income	1,790,153	1,978,469
Deficit	(80,059,598)	(58,958,737)
	16,524,272	24,262,017
<b>Total liabilities and shareholders' equity</b>	<b>\$ 20,609,779</b>	<b>\$ 29,510,258</b>

Nature of Operations (Note 1)

See accompanying notes to condensed consolidated interim financial statements.

**Approved by the Board of Directors**

"Evan Gappelberg" , Director

"Belinda Tyldesley" , Director

## NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
<b>Revenue (Note 14)</b>	\$ 3,012,440	\$ 5,524,902	\$ 8,755,637	\$ 18,885,741
<b>Cost of sales (Note 15)</b>	(1,668,490)	(3,895,320)	(5,159,245)	(11,961,736)
<b>Gross profit</b>	1,343,950	1,629,582	3,596,392	6,924,005
<b>Operating expenses:</b>				
Sales and marketing (Note 15)	1,702,695	4,187,583	6,022,831	12,837,426
General and administrative (Note 15)	2,592,343	3,704,359	10,903,087	9,746,546
Research and development (Note 15)	1,157,408	1,863,709	3,064,874	5,386,473
	5,452,446	9,755,651	19,990,792	27,970,445
<b>Other expense (income)</b>				
Stock-based compensation (Note 12)	311,301	(574,131)	1,768,392	2,384,912
Amortization (Note 10)	597,354	682,889	2,076,161	1,276,798
Right of use amortization (Note 9)	77,624	64,735	204,476	144,057
Gain on short-term investments	(90,744)	-	(90,744)	(219,321)
Gain on contingent consideration	-	102,400	-	(1,413,648)
Depreciation (Note 8)	36,941	37,286	111,182	97,321
Impairment of intangible assets (Note 10)	-	-	2,702,313	-
Foreign exchange gain	(566,648)	(252,992)	(965,988)	(371,369)
	365,828	60,187	5,805,792	1,898,750
<b>Loss before income taxes</b>	(4,474,324)	(8,186,256)	(22,200,192)	(22,945,190)
Current income tax expense	(7,128)	-	(21,384)	-
Deferred income tax recovery	126,777	-	387,562	-
<b>Net loss from operations</b>	\$ (4,354,675)	\$ (8,186,256)	\$ (21,834,014)	\$ (22,945,190)
<b>Income (loss) from discontinued operations (Note 17)</b>	\$ (49,090)	\$ (30,418)	\$ 733,153	\$ (343,250)
<b>Other comprehensive loss</b>				
Exchange differences on translating foreign operations, continuing operations	(183,470)	410,785	(205,569)	293,753
Exchange differences on translating foreign operations, discontinued operations (Note 17)	10,286	2,769	17,253	2,343
<b>Total comprehensive loss</b>	\$ (4,576,949)	\$ (7,803,120)	\$ (21,289,177)	\$ (22,992,344)
<b>Income (loss) per common share</b>				
Basic and diluted loss per common share, continuing operations	(0.05)	(0.09)	(0.22)	(0.28)
Basic and diluted loss per common share, discontinued operations	-	-	0.01	-
Weighted average number of common shares outstanding				
Basic and diluted	98,641,286	86,125,077	99,201,669	82,002,671

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
<b>Balance as at December 31, 2020</b>	77,111,864	\$ 41,968,520	\$ 6,757,098	\$ (27,339,777)	\$ 1,033,094	\$ 22,418,935
Shares issued for exercise of warrants	1,197,577	1,009,204	-	-	-	1,009,204
Shares issued for exercise of option	590,000	484,105	(76,375)	-	-	407,730
Shares for services	233,386	1,378,382	-	-	-	1,378,382
Shares issued from public offering	2,801,500	14,007,500	-	-	-	14,007,500
Shares issued for contingent consideration	162,960	550,540	-	-	-	550,540
Shares issued for purchase of Threedy.ai	3,877,551	6,805,102	-	-	-	6,805,102
Shares issued for purchase of ARway	609,666	871,822	-	-	-	871,822
Stock-based compensation	-	-	2,384,912	-	-	2,384,912
Share issuance costs	-	(2,054,190)	679,626	-	-	(1,374,564)
Translation of foreign continuing operations	-	-	-	-	293,753	296,096
Translation of foreign discontinued operations	-	-	-	-	2,343	296,096
Net loss, continuing operations	-	-	-	(22,945,190)	-	(22,945,190)
Net loss, discontinued operations	-	-	-	(343,250)	-	(343,250)
<b>Balance as at September 30, 2021</b>	<b>86,584,504</b>	<b>\$ 65,020,985</b>	<b>\$ 9,745,261</b>	<b>\$ (50,628,217)</b>	<b>\$ 1,329,190</b>	<b>\$ 25,467,219</b>
<b>Balance as at December 31, 2021</b>	<b>90,880,791</b>	<b>\$ 70,570,760</b>	<b>\$ 10,671,525</b>	<b>\$ (58,958,737)</b>	<b>\$ 1,978,469</b>	<b>\$ 24,262,017</b>
Shares for services	1,438,420	1,300,530	146,322	-	-	1,446,852
Shares for employee pay program	1,664,026	1,397,782	-	-	-	1,397,782
Shares issued from short form prospectus	8,130,082	10,000,001	-	-	-	10,000,001
Stock-based compensation	-	-	1,768,392	-	-	1,768,392
Share issuance costs	-	(1,083,368)	21,773	-	-	(1,061,595)
Translation of foreign continuing operations	-	-	-	-	(205,569)	(205,569)
Translation of foreign discontinued operations	-	-	-	-	17,253	17,253
Net loss, continuing operations	-	-	-	(21,834,014)	-	(21,834,014)
Net loss, discontinued operations	-	-	-	733,153	-	733,153
<b>Balance as at September 30, 2022</b>	<b>102,113,319</b>	<b>\$ 82,185,705</b>	<b>\$ 12,608,012</b>	<b>\$ (80,059,598)</b>	<b>\$ 1,790,153</b>	<b>\$ 16,524,272</b>

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 September 30, 2022	Three months September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
<b>Cashflows from operating activities</b>				
Net loss	\$ (4,354,675)	\$ (8,186,256)	\$ (21,834,014)	\$ (22,945,190)
Discontinued operations	(49,090)	(30,418)	733,153	(343,250)
<b>Items not affecting cash</b>				
Amortization of intangible assets	597,354	682,889	2,076,161	1,276,798
Impairment of intangible assets and goodwill	-	-	2,702,313	-
Deferred income tax recovery	(126,777)	-	(387,562)	-
Amortization of right to use asset	77,624	13,466	204,476	92,788
Depreciation of property and equipment	36,941	37,286	111,182	97,321
Gain on digital assets	-	-	-	(219,321)
Gain on short-term investment	(90,744)	-	(90,744)	-
Gain on contingent consideration	-	102,400	-	(1,413,648)
Shares for services	581,286	78,535	1,446,852	1,378,382
Stock-based compensation	311,301	(574,131)	1,768,392	2,384,912
<b>Changes in non-cash working capital balances</b>				
Receivables	(223,510)	(797,207)	438,862	(582,729)
Deferred asset	(107,454)	-	(260,639)	-
Contract asset	(68,057)	69,342	124,510	(23,387)
Prepaid expenses	59,727	411,727	277,032	459,252
Inventory	1,228,785	(514,123)	2,251,124	(1,369,957)
Accounts payable and accrued liabilities	(342,533)	1,399,775	(451,613)	1,305,476
Deferred revenue	49,695	133,360	(137,166)	1,190,248
<b>Cashflows from operating activities, continuing operations</b>				
	\$ (2,716,519)	\$ (6,804,199)	\$ (11,248,643)	\$ (18,288,269)
<b>Cashflows from operating activities, discontinued operations</b>				
	296,392	(369,156)	220,962	(424,036)
<b>Cashflows from investing activities</b>				
Purchase of equipment	(15,951)	(27,653)	(83,606)	(138,572)
Proceeds from sale of digital assets	-	-	-	2,765,356
Interest on lease liability	(8,441)	-	(22,043)	-
<b>Net cash provided by (used in) investing activities, continuing operations</b>				
	\$ (24,392)	\$ (27,653)	\$ (105,649)	\$ 2,626,784
<b>Cashflows from financing activities</b>				
Repayment of loan	(90,896)	-	(90,896)	-
Proceeds from exercise of options and warrants	-	123,986	-	1,416,934
Proceeds from Employee Pay Program	1,488,526	-	1,488,526	-
Proceeds from private placement, net of issuance costs	-	-	8,938,406	-
Proceeds from public offering, net of issuance costs	-	-	-	12,632,937
Payment of lease obligations	(90,934)	(13,145)	(238,701)	(148,923)
Payment of contingent consideration	-	(18,902)	-	(18,902)
<b>Net cash provided by (used in) financing activities, continuing operations</b>				
	\$ 1,306,696	\$ 91,939	\$ 10,097,335	\$ 13,882,047
Change in cash during the period	(1,137,823)	(7,109,069)	(1,035,995)	(2,203,474)
Cash, beginning of period	7,063,268	15,395,005	7,237,296	10,684,952
Effects of foreign exchange on cash	(634,979)	(27,373)	(910,835)	(222,914)
<b>Cash, end of period, continuing operations</b>				
	5,278,516	8,258,563	5,278,516	8,258,563
<b>Cash, end of period, discontinued operations</b>				
	11,950	-	11,950	-
<b>Cash, end of period</b>				
	\$ 5,290,466	\$ 8,258,563	\$ 5,290,466	\$ 8,258,563
<b>Supplemental cash flow information</b>				
Taxes paid	220	(224)	21,790	8,743
Interest paid	5,600	9,022	23,457	16,298
Interest received	34,392	11,956	73,721	33,426

# NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

## 1. NATURE OF OPERATIONS

NexTech AR Solutions Corp. (“NexTech” or the “Company”), a Metaverse Company, provides augmented reality experience technologies, wayfinding technologies, and 3D model services. On June 16, 2022 the Company announced the winding down of its eCommerce businesses to focus on augmented reality solutions. 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 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 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 and 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 November 17, 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, Threedly.ai Inc, Arway Ltd, Arway Corporation (formerly 1000259749 Ontario Inc.), 1373221 B.C. Ltd., and 1373222 B.C. Ltd.

## NexTech AR Solutions Corp.

Notes to the 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:

<b>Tangible assets &amp; liabilities</b>	
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)
<b>Intangible assets</b>	
Technology (Note 10)	4,179,960
	<hr/>
	\$ 4,179,960
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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.

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

## NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

### 4. RECEIVABLES

	September 30, 2022	December 31, 2021
Trade receivables	\$ 352,583	\$ 574,609
Other receivables	220,903	465,518
GST receivable	51,208	41,037
	\$ 624,694	\$ 1,081,164

### 5. PREPAID EXPENSES

	September 30, 2022	December 31, 2021
Prepaid Inventory	\$ -	\$ 24,811
Prepaid expenses	454,970	724,663
Deposits	17,472	-
	\$ 472,442	\$ 749,474

### 6. INVENTORY

As at September 30, 2022 the inventory balance is \$640,852 (2021 - \$3,389,098). Inventory consists solely of finished goods. Inventory is valued at the lower of cost and net realizable value.

### 7. DEFERRED ASSET

Deferred asset consists of capitalized costs that are identifiable and specifically attributable to certain revenue contracts. These costs are recognized commensurate with the recognition of the revenue on the related contracts.



## NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

### 8. EQUIPMENT

	Computer Equipment	Trade Show Equipment	Office Furniture and Equipment	Total
<b>Costs</b>				
December 31, 2020	\$ 209,233	\$ 16,440	\$ 204,184	\$ 429,857
Additions	155,457	-	23,315	178,772
Acquisition of Threedly.ai (Note 3)	17,506	-	-	17,506
Asset write-offs	(17,648)	-	-	(17,648)
Effects of movement in exchange rates	5,526	-	24,262	29,788
December 31, 2021	\$ 370,074	\$ 16,440	\$ 251,761	\$ 638,275
Additions	79,066	-	4,540	83,606
Effects of movement in exchange rates	(8,026)	(0)	(22,229)	(30,255)
September 30, 2022	\$ 441,114	\$ 16,440	\$ 234,072	\$ 691,626
<b>Accumulated depreciation</b>				
December 31, 2020	\$ 40,749	\$ 9,043	\$ 79,507	\$ 129,299
Additions	79,533	3,288	50,324	133,145
Acquisition of Threedly.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	70,615	2,466	38,101	111,182
Effects of movement in exchange rates	(27,703)	-	(7,413)	(35,116)
September 30, 2022	\$ 163,755	\$ 14,797	\$ 158,547	\$ 337,099
<b>Net book value</b>				
December 31, 2021	\$ 249,231	\$ 4,109	\$ 123,902	\$ 377,242
September 30, 2022	\$ 277,359	\$ 1,643	\$ 75,525	\$ 354,527

## NexTech AR Solutions Corp.

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

### 9. 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% per annum as of January 1, 2020. The right of use asset is as follows:

<b>Right of use assets</b>		<b>Total</b>
Balance, December 31, 2020	\$	1,034,724
Additions		255,694
Amortization		(206,179)
Effects of movement in exchange rates		(4,920)
At December 31, 2021	\$	1,079,319
Additions		-
Amortization		(204,476)
Effects of movement in exchange rates		44,253
At September 30, 2022	\$	919,096
<b>Lease obligations</b>		<b>Total</b>
Balance, December 31, 2020	\$	1,028,640
Additions		256,399
Interest expense		(18,288)
Lease payments		(184,652)
Effects of movement in exchange rates		(4,987)
At December 31, 2021	\$	1,077,112
Interest expense		(22,043)
Lease payments		(238,701)
Effects of movement in exchange rates		87,400
At September 30, 2022	\$	903,768
Current	\$	259,348
Non-current		644,420
At September 30, 2022	\$	903,768

The maturity analysis of the lease liabilities as at September 30, 2022 is as follows:

<b>Maturity Analysis</b>	<b>September 30, 2022</b>	
Less than one year	\$	262,781
One to five years		924,839
Over five years		25,554
Total undiscounted lease liabilities	\$	1,213,174
Amount representing implicit interest		(309,406)
At September 30, 2022	\$	903,768

Interest expense for the three and nine months ended September 30, 2022 was \$8,441 (2021 - \$6,548) and \$22,043 (2021 - 11,770).

## NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements  
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(Unaudited)

### 10. INTANGIBLE ASSETS

	Customer relationship	Supplier relationship	Brand	Technology	Goodwill	Total
<b>Costs</b>						
December 31, 2020	\$ 1,438,247	\$ 314,744	\$ 1,144,829	\$ 1,530,787	\$ 4,886,513	\$ 9,315,120
Acquisition of Threedy.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
Impairment of intangible assets & goodwill	(241,781)	(318,551)	(1,034,622)	(708,730)	(2,143,836)	(4,447,520)
Assets held for sale (Note 17)	-	-	(5,447)	-	-	(5,447)
Effects of movement in exchange rates	64,285	5,142	22,987	286,650	415,277	794,341
September 30, 2022	\$ 1,254,650	\$ -	\$ 125,199	\$ 6,088,731	\$ 7,061,970	\$ 14,530,550
<b>Accumulated depreciation</b>						
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	212,378	15,928	160,629	1,687,226	-	2,076,161
Impairment of intangible assets	(137,230)	(110,523)	(854,916)	(642,538)	-	(1,745,207)
Effects of movement in exchange rates	(17,268)	572	1,529	(26,607)	-	(41,774)
September 30, 2022	\$ 547,754	\$ -	\$ 82,274	\$ 2,637,865	\$ -	\$ 3,267,893
<b>Net book value</b>						
December 31, 2021	\$ 942,272	\$ 219,386	\$ 367,249	\$ 4,891,027	\$ 8,790,529	\$ 15,210,463
September 30, 2022	\$ 706,896	\$ -	\$ 42,925	\$ 3,450,866	\$ 7,061,970	\$ 11,262,657

## NexTech AR Solutions Corp.

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

### 10. INTANGIBLE ASSETS (continued)

#### Intangible assets

On June 16, 2022, the Company announced it would wind down its legacy eCommerce operations which includes vacuumcleanermarket.com, trulyfesupplements.com and infinitepetlife.com. This change resulted in an impairment of \$558,477. The Company subsequently announced the plan to sell of infinitepetlife.com (see Note 17) therefore the assets were written down proceeds less cost to sell, resulting in a total value of \$0 for intangible assets.

#### 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 winding down of legacy eCommerce operations resulted in a goodwill impairment of \$898,309 for AReCommerce and \$1,245,527 for Infinite Pet Life.

The goodwill balance, as at September 30, 2022, consists of the goodwill acquired from acquisitions noted above and includes the currency translation adjustment for the nine months ended September 30, 2022 of \$415,277 (2021 - \$100,913). The Company completes its annual impairment assessment on October 1 of each year using the value-in-method to estimate the recoverable amount of its cash-generating business units to which goodwill relates. As of October 1, 2021, the estimated recoverable amount was greater than the carrying value.

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.

### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2022		December 31, 2021	
Accounts payable	\$	1,442,614	\$	1,803,450
Accrued liabilities		867,328		955,567
	\$	2,309,942	\$	2,759,017

## NexTech AR Solutions Corp.

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### 12. SHARE CAPITAL

#### Authorized

As at September 30, 2022, the authorized share capital of the Company was an unlimited number of common shares.

#### Share Capital

During the period ended September 30, 2022, the Company had the following share transactions:

- issued 1,438,420 shares with a fair value of \$1,300,530 for shares for services
- issued 1,664,026 shares with a fair value of \$1,397,782 to employees as part of the share purchase warrant program
- 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.

#### Share purchase warrants

	Number	Exercise Price	Weighted Average
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	15,892,597		0.84
Expired/Cancelled	(2,291,852)		1.92
Balance as at September 30, 2022	18,012,010	\$	1.63

#### Employee Pay Program/Managed Sale Program

On July 12, 2022 the Company introduced a shares-based Employee Pay Program, approved by the CSE, to its employees. The program is aimed to maintain a sustainable cash position by allowing the Company to pay employee salaries through the issuance and sale of Company shares. Under this program 6,814,591 warrants were granted to employees with an exercise price of \$0.84. The warrants will be exercised as services are provided by employees. Participating employees also agreed to be part of the Managed Sale Program in which the issued shares from the exercise of warrants are sold. This Program impacts the Company's operating cash flows but has no impact on net income. All expenses are classified as salaries and wages and presented under the nature of the services provided by each employee.

The weighted average remaining life on the warrants is 1.63 years. 650,407 broker warrants were granted for the nine months ended September 30, 2022. 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:

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Weighted average		
Risk free interest rate	1.17%	0.67%
Expected life of warrants in years	2 years	2 years
Expected dividend yield	0%	0%
Expected stock volatility	123%	128%
Fair value per warrant	\$ 0.86	\$ 2.47

## NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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### 12. SHARE CAPITAL (continued)

<b>Stock options</b>	<b>Number</b>	<b>Weighted Average Exercise Price</b>
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	29,724,649	0.51
Forfeited	(882,000)	2.42
Exercised	-	-
Cancelled	(16,217,852)	1.30
Balance as at September 30, 2022	16,549,697	\$ 0.09

The weighted average remaining life of the outstanding stock options is 2.96 years.

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 amount has been recognized in stock option expense to date.

On May 19, 2022 the Company cancelled 15,571,152 of outstanding stock options and re-issued these options on June 20, 2022 with an exercise price of \$0.55. This modification in stock options resulted in a reduction of stock option expense of \$105,549 for the six months ended June 30, 2022. The 11,956,152 units issued to the CEO on April 1, 2022 were also cancelled and re-issued as part of this transaction.

The fair value of all options granted is estimated on the grant date using the Black-Scholes option pricing model. During the three and nine months ended September 30, 2022, \$311,301 (2021 – (\$574,131)) and \$1,768,392 (2021 - \$2,384,912) was recognized as stock based compensation respectively.

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

<b>Weighted average</b>	<b>Nine months ended September 30, 2022</b>	<b>Year ended December 31, 2021</b>
Risk free interest rate	0.65%	1.43%
Expected life of options in years	3	3
Expected dividend yield	0%	0%
Expected stock option volatility	135%	142%
Fair value per option	\$ 1.06	\$1.23

## NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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### 12. SHARE CAPITAL (continued)

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

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cost of sales	\$ 508	\$ -	\$ 2,885	\$ -
General and administrative	286,772	(45,929)	1,629,055	190,793
Research and development	18,058	(298,550)	102,579	1,240,154
Sales and marketing	5,963	(229,652)	33,873	953,965
	\$ 311,301	\$ (574,131)	\$ 1,768,392	\$ 2,384,912

### 13. 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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Remuneration for services	\$ 120,198	\$128,591	\$ 602,084	\$ 604,370
Share-based payments	200,000	145,355	944,500	176,415
	\$ 320,198	\$ 273,946	\$ 1,546,584	\$ 780,785

Amounts due to and from related parties as at September 30, 2022 and December 31, 2021 are as follows:

Related party assets (liabilities)	September 30, 2022	December 31, 2021
Key management personnel	\$ (61,404)	\$ (25,489)

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

### 14. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table presents a disaggregation of revenue by service:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Year ended December 31, 2021
Product sales (eCommerce)	\$ 2,091,656	\$ 4,367,003	\$ 6,785,254	\$ 14,349,365	\$ 13,932,871
Technology services	45,768	931,494	118,009	3,652,619	3,417,501
Renewable software licenses	875,016	226,405	1,852,374	883,757	335,280
	\$ 3,012,440	\$ 5,524,902	\$ 8,755,637	\$ 18,885,741	\$ 17,685,652

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

## NexTech AR Solutions Corp.

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### 14. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

#### Deferred Revenue

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

	Nine months ended		Year ended	
	September 30, 2022		December 31, 2021	
Deferred revenue, beginning	\$	609,001	\$	383,022
Revenue recognized that was included in deferred revenue		(577,001)		(383,022)
Amount received for revenue unearned		439,835		609,001
Deferred revenue, ending	\$	471,835	\$	609,001
Current		471,835		609,001
Non-current		-		-
Deferred revenue, ending	\$	471,835	\$	609,001

#### Contract Assets

	Nine months ended		Year ended	
	September 30, 2022		December 31, 2021	
Contract assets, beginning	\$	386,202	\$	244,478
Contract assets, billed over the period		(266,638)		(188,845)
Contract assets additions related to technology services		142,128		330,569
Contract assets, ending	\$	261,692	\$	386,202
Current		261,692		386,202
Non-current		-		-
Contract assets, ending	\$	261,692	\$	386,202

### 15. 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 for continuing operations:

#### Cost of Sales

	Three months ended		Three months ended		Nine months ended		Nine months ended	
	September 30, 2022		September 30, 2021		September 30, 2022		September 30, 2021	
Cost of sales								
Cost of products/services	\$	1,377,376	\$	2,403,765	\$	3,838,019	\$	7,865,425
Salaries, wages, and consulting fees		289,467		1,472,782		1,293,133		4,077,538
Employee benefits		1,647		18,773		28,093		18,773
	\$	1,668,490	\$	3,895,320	\$	5,159,245	\$	11,961,736



## NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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### 15. EXPENSES BY NATURE (continued)

#### Sales and marketing

	Three months ended	Three months ended	Nine months ended	Nine months ended
Sales and marketing	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Advertising	\$ 598,363	\$ 1,525,063	\$ 2,317,638	\$ 5,307,485
Consultant fees	69,387	841,961	595,381	2,779,252
Salaries, wages, and commissions	540,858	1,485,189	1,763,880	3,258,930
Employee benefits	19,595	43,348	57,555	106,944
Investor relations	411,607	76,113	733,763	632,617
Management fees	-	50,000	289,911	150,000
Software and other expense	62,885	165,909	264,703	602,198
	\$ 1,702,695	\$ 4,187,583	\$ 6,022,831	\$ 12,837,426

#### General and administrative

	Three months ended	Three months ended	Nine months ended	Nine months ended
General and administrative	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Compliance fees	\$ 535,293	\$ 222,074	\$ 637,168	\$ 388,520
Salaries and wages	476,911	1,035,450	4,099,132	3,655,969
Consultant fees	95,194	60,620	219,838	265,601
Employee benefit	233,938	437,434	606,015	916,112
Management fees	373,507	164,585	931,703	534,950
Office, general, and other	223,859	505,030	1,459,226	1,196,872
Computer, software, and maintenance	210,300	304,166	848,388	473,912
Professional fees	197,132	507,809	1,279,219	1,034,114
Shipping and warehouse costs	246,209	467,191	822,398	1,280,496
	\$ 2,592,343	\$ 3,704,359	\$ 10,903,087	\$ 9,746,546

#### Research and Development

	Three months ended	Three months ended	Nine months ended	Nine months ended
Research and development	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Salaries and wages	\$ 401,961	\$ 1,000,721	\$ 1,394,938	\$ 2,994,831
Employee benefits	11,165	84,390	69,675	193,435
Consultant fees	610,975	577,939	1,122,546	1,558,400
Platform, maintenance, and other	133,307	200,659	477,715	639,807
	\$ 1,157,408	\$ 1,863,709	\$ 3,064,874	\$ 5,386,473

### 16. SEGMENTED INFORMATION

For the three and nine months ended September 30, 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 and nine months ended September 30, 2022.

## NexTech AR Solutions Corp.

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### 16. SEGMENTED INFORMATION (continued)

The following is summarized financial information of the Company's reportable segments for the three and nine months ended September 30, 2022 and September 30, 2021.

<b>Nine months ended</b>								
<b>September 30, 2022</b>		<b>eCommerce</b>		<b>Technology Services</b>		<b>Corporate</b>		<b>Total</b>
Revenue	\$	6,785,254	\$	1,970,383	\$	-	\$	8,755,637
Cost of Sales		(4,209,012)		(950,233)		-		(5,159,245)
Gross Profit		2,576,242		1,020,150		-		3,596,392
Sales & Marketing		(1,943,580)		(3,052,613)		(1,026,638)		(6,022,831)
General & Administrative		(1,827,104)		(5,458,958)		(3,617,025)		(10,903,087)
Research & Development		-		(3,064,874)		-		(3,064,874)
Total comprehensive (loss) from continuing operations		(1,524,624)		(7,134,537)		(13,380,422)		(22,039,583)
<b>September 30, 2021</b>		<b>eCommerce</b>		<b>Technology Services</b>		<b>Corporate</b>		<b>Total</b>
Revenue	\$	14,349,365	\$	4,536,376	\$	-	\$	18,885,741
Cost of Sales		(8,381,173)		(3,580,563)		-		(11,961,736)
Gross Profit		5,968,192		955,813		-		6,924,005
Sales & Marketing		(3,599,504)		(8,449,172)		(788,750)		(12,837,426)
General & Administrative		(524,529)		(6,683,909)		(2,538,108)		(9,746,546)
Research & Development		-		(5,386,473)		-		(5,386,473)
Total comprehensive (loss) from continuing operations		(2,085,066)		(15,445,291)		(5,121,080)		(22,651,437)
<b>Three months ended</b>								
<b>September 30, 2022</b>		<b>eCommerce</b>		<b>Technology Services</b>		<b>Corporate</b>		<b>Total</b>
Revenue	\$	2,091,656	\$	920,784	\$	-	\$	3,012,440
Cost of Sales		(1,320,043)		(348,447)		-		(1,668,490)
Gross Profit		788,686		555,264		-		1,343,950
Sales & Marketing		(286,681)		(1,002,675)		(413,339)		(1,702,695)
General & Administrative		(403,127)		(1,056,871)		(1,132,345)		(2,592,343)
Research & Development		-		(1,157,408)		-		(1,157,408)
Total comprehensive (loss) from continuing operations		(343,965)		387,265		(4,581,446)		(4,538,145)
<b>September 30, 2021</b>		<b>eCommerce</b>		<b>Technology Services</b>		<b>Corporate</b>		<b>Total</b>
Revenue	\$	4,387,696	\$	1,137,206	\$	-	\$	5,524,902
Cost of Sales		(2,577,552)		(1,317,768)		-		(3,895,320)
Gross Profit		1,810,144		(180,562)		-		1,629,582
Sales & Marketing		(648,601)		(3,520,277)		(18,705)		(4,187,583)
General & Administrative		1,510,570		(5,612,766)		397,838		(3,704,359)
Research & Development		-		(1,863,709)		-		(1,863,709)
Total comprehensive (loss) from continuing operations		(1,262,671)		(6,018,628)		(494,172)		(7,775,471)

## NexTech AR Solutions Corp.

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### 16. SEGMENTED INFORMATION (continued)

The following is summarized financial information of the Company's reportable segments for September 30, 2022 and December 31, 2021.

September 30, 2022	eCommerce	Technology Services	Corporate	Total
Total asset	\$ 2,290,284	\$ 5,773,874	\$ 12,545,621	\$ 20,609,779
Total liabilities	(1,205,670)	(2,879,837)	-	(4,085,507)
Net assets (liabilities)	\$ 1,084,614	\$ 2,894,037	\$ 12,545,621	\$ 16,524,272
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

### 17. DISPOSAL GROUP HELD FOR SALE

On July 22, 2022, management committed to a plan to sell part of its eCommerce operation, Infinite Pet Life. The decision was taken in line with a strategy to focus on the Company's technology services business. An impairment assessment was done on the assets based on the estimated selling price less costs to sell for the assets held for sale. It was determined that \$1,470,012 of intangible assets and goodwill were impaired.

At September 30, 2022, the disposal group comprised of the following assets and liabilities:

#### Assets of disposal group held for sale

Cash and cash equivalents	\$ 11,950
Receivables	20,146
Inventory	497,122
Intangible assets	5,446

#### Assets of disposal group held for sale

\$ 534,664

Revenue and expenses, and gains and losses relating to the discontinued operations were removed from the results of continuing operations for the three and nine months ended September 30, 2022 and September 30, 2021 and are shown as a single line item on the face of the consolidated statement of comprehensive loss. The operating results of the discontinued operations are below:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 39,079	\$ 212,683	\$ 1,014,954	\$ 670,099
Cost of revenue	(39,859)	(40,989)	(96,520)	(185,838)
<b>Gross profit (loss)</b>	(780)	171,694	918,434	484,261
<b>Operating expenses</b>				
Sales and marketing	38,845	171,155	162,687	656,641
General and administrative	9,465	30,881	22,594	168,067
Research and development	-	76	-	2,803
	\$ 48,310	\$ 202,112	\$ 185,281	\$ 827,511
<b>Net income (loss) from discontinued operations</b>	(49,090)	(30,418)	733,153	(343,250)
Exchange differences on translating foreign operations, discontinued operations	10,286	2,769	17,253	2,343
<b>Comprehensive income (loss) from discontinued operations</b>	\$ (38,804)	\$ (27,649)	\$ 750,406	\$ (340,907)

The revenue for nine months ended September 30, 2022 includes \$670,644 of forgiven intercompany loans.

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### **18. 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.

#### **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 September 30, 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 \$162,889.

#### **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 September 30, 2022, 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.**

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### **19. 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 September 30, 2022, the claim remains at the preliminary stage. It is premature to determine the outcome of this claim.

### **20. SUBSEQUENT EVENTS**

On August 2, 2022 the Company announced that it entered into an arrangement agreement dated effective July 29, 2022 with its wholly-owned subsidiary 1000259749 Ontario Inc. (“Spinco”) and a special purpose financing company, 1373222 B.C. Ltd. (“FinanceCo”). The Arrangement Agreement, a copy of which can be found on the Company’s profile on SEDAR, sets out the terms on which Nextech will complete a plan of arrangement under the Business Corporations Act (British Columbia) whereby the Company’s ARway platform and associated assets will be spun out to Spinco. On October 26, 2022 the Company completed the arrangement resulting in the spin-out of ARway Corp., a no-code spatial computing platform for real-world metaverse. ARway began trading on the Canadian Securities Exchange (CSE) on Wednesday October 26, 2022 using the ticker symbol: ARWY. The Company has retained an ownership stake of 13 million shares of ARway, and distributed 4 million additional shares as a stock dividend to the Company’s shareholders on a pro-rata basis.