



nextech AR

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NEXTECH AR SOLUTIONS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

DATED: NOVEMBER 17, 2022

Unless the context requires otherwise, all references in this management's discussion and analysis (the "MD&A") to "NexTech", "we", "us", "our" and the "Company" refer to NexTech AR Solutions Inc. and its subsidiaries as constituted on September 30, 2022. This MD&A has been prepared with an effective date of November 17, 2022.

This MD&A for the three and nine months ended September 30, 2022, should be read in conjunction with our annual audited consolidated financial statements for the year ended December 31, 2021. The financial information presented in this MD&A is derived from our interim financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our future plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements. See "Forward-Looking Statements".

This MD&A includes trade-marks, such as "NexTech", and "ARitize", which are protected under applicable intellectual property laws and are the property of NexTech. Solely for convenience, our trade-marks 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 trade-marks and trade names. All other trade-marks used in this MD&A are the property of their respective owners.

All references to \$ or dollar amounts in this MD&A are to Canadian currency unless otherwise indicated.

Additional information relating to the Company, including the Company's most recently completed Annual Information Form, can be found on SEDAR at www.sedar.com.

Key Performance Indicators

This MD&A makes reference to certain key performance indicators used by management and typically used by our competitors in the software-as-a-service ("SaaS") industry. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore not necessarily comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These SaaS metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use SaaS industry metrics, in the evaluation of companies in the SaaS industry. Management also uses SaaS industry metrics in order to facilitate operating performance comparisons from period to period. As the Company is aggressively promoting and expanding its "SaaS" business, we have decided to adopt "Annual Recurring Revenue" or "ARR" as a key performance indicator.

Annual Recurring Revenue is defined as the annualized equivalent value of the subscription revenue of all existing contracts as at the date being measured, excluding non-recurring fees, with a subscription term of one-year or longer. All the customer contracts under this measurement automatically renew unless cancelled by our customers.

Subscription agreements may be subject to price increases upon renewal reflecting both inflationary increases and the additional value provided by our solutions. In addition to the expected increase in subscription revenue from price increases over time, existing customers may subscribe for additional features or services during the term. We believe that this measure provides a fair real-time measure of performance in a subscription-based environment. As at September 30, 2022, our ARR was \$1,076,000.

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 NexTech’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;
- uncertainty regarding the market and economic impacts of COVID-19;
- 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 volumetric objects, 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, NexTech.

RISKS AND UNCERTAINTIES

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

- If we are unable to attract new customers or sell additional products to our existing customers, our revenue growth and profitability will be adversely affected.
- We encounter long sales cycles for technology services, particularly with our larger customers, which could have an adverse effect on the amount, timing and predictability of our revenue.
- Downturns or upturns in new sales will not be immediately reflected in operating results and may be difficult to discern.
- Our quarterly results of operations may fluctuate. As a result, we may fail to meet or exceed the expectations of investors or securities analysts which could cause our share price to decline.
- Our ability to retain customers and attract new customers could be adversely affected by an actual or perceived breach of security relating to customer information.
- We have incurred operating losses in the past and may incur operating losses in the future.
- If we are unable to develop new products and services, sell our solutions into new markets or further penetrate our existing markets, our revenue will not grow as expected.
- Our inability to assess and adapt to rapid technological developments could impair our ability to remain competitive.
- Downturns in general economic and market conditions and reductions in spending may reduce demand for our solutions, which could negatively affect our revenue, results of operations and cash flows.
- Our ability to continue to sell our products through sales channels and marketplaces such as Amazon, Walmart, and eBay may not meet our expectations.
- We are subject to fluctuations in currency exchange rates.
- The markets in which we participate may become competitive, and our failure to compete successfully would make it difficult for us to add and retain customers and would reduce or impede the growth of our business.
- If we fail to retain our key employees, our business would be harmed, and we might not be able to implement our business plan successfully.
- Our growth is dependent upon the continued development of our direct sales force.
- If we experience significant fluctuations in our rate of anticipated growth and fail to balance our expenses with our revenue forecasts, our results could be harmed.
- Interruptions or delays in the services provided by third party data centers and/or internet service providers could impair the delivery of our solutions and our business could suffer.
- The use of open-source software in our products may expose us to additional risks and harm our intellectual property.
- We may not receive significant revenue as a result of our current research and development efforts.
- Current and future accounting pronouncements and other financial reporting standards might negatively impact our financial results.
- The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other companies may have a conflict of interest.

- Our strategy includes pursuing acquisitions and our potential inability to successfully integrate newly acquired companies or businesses may adversely affect our financial results.
- The market price for our common shares may be volatile.
- We may issue additional common shares in the future which may dilute our shareholders' investments.
- We may face challenges to our intellectual property rights, which could have a material adverse impact on the Company.
- Uncertainties associated with the economic and market impact related to COVID-19.
- We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

These risks are described in further detail in the section entitled "Risk Factors" in our most recently filed Annual Information Form. Although the forward-looking statements contained in this MD&A are based upon assumptions management believes to be reasonable, these risks, uncertainties, assumptions, and other factors could cause our actual results, performance, achievements and experience to differ materially from our expectations, future results, performances or achievements expressed or implied by the forward-looking statements. In light of these risks, uncertainties and assumptions, readers should not place undue reliance on forward-looking statements.

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

On March 11, 2020, COVID-19 was characterized as a pandemic by the World Health Organization. The spread of COVID-19 has significantly impacted the global economy. We are closely monitoring the effects and impact on our operations and financial performance; however, the extent of impact is difficult to fully predict at this time due to the rapid and ongoing evolution of this uncertain situation. We continue to conduct business with substantial modifications to employee travel, employee work locations and virtualization or cancellation of all sales and marketing events, along with substantially modified interactions with customers and suppliers, among other modifications. We will continue to actively monitor the impact of the COVID-19 pandemic on all aspects of our business and may take further actions that alter our business operations as may be required by governments, or that we determine are in the best interest of our employees, customers, partners, suppliers, and shareholders.

The COVID-19 pandemic helped our business as it has accelerated the wider adoption of our technology services and ecommerce product sales. We have been able to experience a higher demand and for more diverse technology offerings such as virtual events and higher education. With the closure of brick-and-mortar retail we also experience demand from our eCommerce product sales. It is uncertain and difficult to predict what the full potential effects the COVID-19 pandemic may have on our business including the effects on our customers and prospects, or our financial results and our ability to successfully execute our business strategies and initiatives.

OVERVIEW

NexTech is a diversified technology company that is both a provider of a broad array of in market AR solutions as well as owner operator of an ecommerce and Virtual Events business that it uses as a test bed for its technology. NexTech's AR solutions provide global customers with critical functionality needed for 3D AR immersive experiences. These AR solutions can be used across many verticals and are currently being utilized in e-commerce, Virtual Events, higher ed learning, corporate training, digital advertising and entertainment. NexTech's AR solutions are able to scale the production of 3D models by using AI algorithms and computer vision technology. The resulting product and service offerings allow its customers to deliver photo-realistic, volumetric 3D AR at scale for mass adoption. The majority of the company's technology is available over the web however the Company also has multiple AR applications on iOS/Android including; ARitize360, ARitize, and HoloX allowing for 3D visualization across all platforms and available for all AR use cases creating a one stop shop for AR. The Company also acquired ARway last year, a geolocation 3D mapping startup that has a SaaS business for the Metaverse.

Although management believes AR is the future of the Company and where the greatest growth potential is, e-Commerce is currently the main revenue source for the Company. However, as announced in June 2022, the Company moving forward will focus on its technology business and with that will wind down the e-Commerce business over the next few months with an expected completion date in Q4 this year, resulting in AR and technology services revenue being the main source of revenue for the Company after the wind down is complete. The Company may delay, discontinue and/or prioritize its research and development expenditures on its products in development and/or patent portfolio in the event that its cash flow from operations together with the available proceeds of any future offering would be insufficient to achieve significant progress on any such key initiatives.

NexTech owns and operates the following three e-Commerce platforms through the Company's wholly owned subsidiary AR Ecommerce LLC:

1. vacuumcleanermarket.com ("VCM"): A vacuum cleaner retailer focused on high-end residential vacuums, supplies and parts, and small home appliances, which is operated through a retail location and online sales channels.
2. infinitepetlife.com ("IPL"): A health food supplement for animals, which is operated through online sales channels.
3. trulyfesupplements.com ("TruLyfe"): A health supplement online store.

Product sales from the above e-Commerce platforms are a combination of direct sales, marketplaces and sales channels such as Amazon and eBay and VCM that charge a fee.

NexTech's technology stack is best described as having multiple distinct parts. NexTech's technology stack includes the following core elements:

ARitize Maps

An all-in-one metaverse creation studio allowing users to spatially map their location and populate it with interactive 3D objects, navigations, wayfinding, audio and more. ARitize Maps is a smartphone application available on iOS and android for authoring, sharing and viewing location-persistent AR experiences and AR Navigation. It is a self-serve solution, and all is done on a smartphone device in a matter of minutes.

ARitize 3D

A WebAR Solution for eCommerce that is a component of the NexTech AR platform and is an end-to-end AR platform with content creation, hosting and viewing of AR/3D assets all in one. ARitize 3D for eCommerce tools give users the ability to embed a 3D model in a product page on an ecommerce website. This embedded experience, once rendered in a shopper's browser, will provide a 3D model experience that a shopper can easily manipulate and explore. Works across all mobile and desktop devices on the web.

ARitize Swirl

An ARitize Swirl is a swirling (rotating) 3D asset on the header or page of an ecommerce website. In a few simple steps, any customer can create a fully interactive ARitize Swirl 3D/AR banner using their existing 3D models and embed them into their ecommerce website to create 6X higher purchase intent, increase conversions and click-through rates. The ARitize Swirl self-serve creator tool is an upsell opportunity for existing ARitize 3D clients and allows for the creation and management of 3D and AR banners for their ecommerce websites, highlighting the products that clients wish to promote.

ARitize Social Swirl

ARitize Social Swirl is a social media AR filter designed to promote and visualize ecommerce products in an interactive and shareable way. Available for Instagram, Meta, and Snapchat, ARitize Social Swirls are designed to create new engagement opportunities for customers. ARitize Social Swirl is a managed service where Nextech creates ads for clients with their existing 3D models, or from Nextech's existing list of AR templates, to be advertised on the client's Instagram, Facebook and Snapchat. Nextech also creates custom filters to match client's branding. When users click on the ad, they can see the product in 3D in their space, giving the user the ability to experience and interact with the product, before sending them to the client's website to purchase the product.

ARitize Ads

ARitize Ads is Nextech's ad solution for captivating 3D ads that are interactive, engaging and memorable. Using Nextech's AI technology and clients existing 3D models, these 3D/AR ads can easily be embedded into leading e-commerce websites and client's websites seamlessly. They can be run on social and the service provides real-time ad analytics.

ARitize CAD

ARitize CAD enables the conversion of CAD files into 3D/AR models at scale. CAD is a function of product engineering. Industrial designers, working for product manufacturers, use CAD software (e.g., AutoCAD, SolidWorks, etc.) to design many of the products in the modern world. Using ARitize CAD, those files can be converted to 3D/AR models with the creation of photo realistic, fully textured 3D models from raw CAD models and reference images. This technology creates optimized 3D meshes that are suitable for 3D and AR applications.

ARitize Decorator

ARitize Decorator enables customers to virtually preview home furnishing and décor in a desired location, using just a simple 2D photo of a room. The solution uses Nextech's AI to analyze a room layout automatically and then parses out room surfaces, reconstructs the scene, and allows 3D objects to be seamlessly placed inside a 2D photo, as if they were part of the room.

ARitize Holograms

ARitize Holograms is Nextech's human hologram creator mobile app. Currently available in the apple iOs store. ARitize Holograms lets you CREATE, SHARE and VIEW holograms on your smartphone device. It is as easy as creating a video. No green screen or technical equipment required; anyone can create themselves as a human hologram in minutes.

ARitize CPG

ARitize CPG (CPG = Consumer Packaged Goods) is an Augmented Reality hologram experience, triggered by a visual anchor such as a QR code placed on product packaging, in-store aisles or end-cap displays. This interactive AR hologram takes smart packaging to a new level with exciting 3D objects, innovative visual effects and engaging episodic content.

ARitize Labs

With ARitize Labs, higher education institutions can bring classrooms to life with immersive and engaging augmented learning labs. Using Nextech's ARitize Play app, students are welcomed into a virtual learning lab, where they can interact and learn in 3D, mimicking a traditional lab environment. The Nextech AR platform allows users to design, build and publish native AR experiences for delivery through a learning platform. These learning experiences provide

students the opportunity to learn through pre-recorded AR learning objects on their smart phones, tablets and AR headsets.

ARitize Events 3D

ARitize Events is Nextech AR's virtual and hybrid events platform. ARitize Events self-serve platform enables customers to create stunning floor plans, unique exhibitor booths, poster sessions, and more. ARitize Events 3D allows companies to fully brand their experiences and enrich them with NexTech's Augmented Reality Products like AR (Live) Streaming Holograms, AR Portals, or AR 3D Objects. A LiveX digital experience is built using preconfigured components and engages audiences on a more human level with an interactive, (live-) streaming and multimedia content platform. These are the building blocks; (live) streamed video sessions, on-demand video, AR enhanced video, collaborative meetings, networking, chat, polls, Q&A, and many more.

ARitize Portals

With ARitize Portals, users can transport themselves into new environments using augmented reality. Users can place the portal in their space using a smartphone, then walk through the portal to enter a new world. Users can look up, down, and around 360 degrees to view completely new surroundings through augmented reality.

ARitize Capture

Formerly known as ARitize360. ARitize Capture allows the user to create 3D augmented reality photo realistic models right from their smartphone. The main purpose is to turn products into 3D models to enhance the user experience and create engagement with the products. Users can experience the product from every angle, zooming into the minutest of details and product features.

ARitize Play

Formerly known as the standalone app called ARitize. ARitize Play is a mobile app that lets users experience immersive augmented reality technology. This app is used to scan QR codes that launch exciting augmented reality experiences for consumers and users of all ages. Users can engage in these immersive experiences, which include 3D AR products, portals, AR labs, human holograms, and more.

Map D

Map D is a self-serve virtual events platform that allows organizers to create, host, and manage live events for over 100,000 attendees both online and in our branded native event application. The platform supports live video, chat, networking, and analytics, reporting for associations, conferences, trade shows, webinars, summits, forums, workshops, and hybrid events.

Each of the above products in NexTech's technology stack are fully developed and at the commercial production stage, and management anticipates that revenue generated from these product offerings will eclipse the revenue currently generated by the Company's current e-commerce platforms in the future. The Company proposes to grow its AR business on a going forward basis through enhanced sales and marketing, the development of additional product offerings and leveraging its existing and future customer relationships to cross-sell its various products and services. In addition, the Company proposes to generate revenue through the licensing of certain of its software products, which will also be promoted through enhanced marketing efforts. Management is of the view that the ability of the Company to achieve these objectives will be strengthened by the inherent growth of AR in general, and the traction of the industry as consumers become more familiar with the use of such products and services.

The Company is also currently in the process of applying for five patents with respect to its Threedu.ai and HoloX products as well as certain ancillary technology, as follows:

Current Patents	Description	Date Provisional Patent Filed⁽¹⁾	Status of Non-Provisional Patent Filing⁽¹⁾	Jurisdiction
N/A	CREATING 3D MODELS FROM 2D PHOTOS AND APPLICATIONS - covers core AI algorithms for creating 3D models automatically from 2D photos and is the core of Threedu tech	N/A	Non-provisional Utility patent filed in March 2022	United States
N/A	EFFICIENT CREATION OF 3D MODEL AND APPLICATION - covers the virtual assembly line concept that helps scale 3D content creation from 2D photos	N/A	Non-provisional Utility patent filed in March 2022	United States
N/A	MATERIAL ESTIMATION FOR 3D MODELING AND APPLICATION - covers the AI/ML techniques for creating 3D textures and materials automatically from 2D reference photos	N/A	Non-provisional Utility patent filed in March 2022	United States
N/A	AUTOMATICALLY EXTRACTING TILEABLE UNITS FROM IMAGES - describes a method for compressing large textures with regular patterns to significantly reduce the size of the texture files	N/A	Non-provisional Utility patent filed in March 2022	United States
N/A	METHODS & SYSTEMS FOR CREATING OPTIMIZED 3D MESHES FROM CAD DRAWINGS - describes the technology and process we have built to convert 3D CAD files and other solid designs into optimized 3D meshes suitable for real-time visualization on the Web and AR	N/A	Non-provisional Utility patent filed in May 2022	United States
Utility Patent Application	AUTOMATIC BACKGROUND REMOVAL FOR HUMAN TELEPRESENCE - covers the technologies built into our HoloX app to create holograms without requiring a green screen	January 2022	To be finalized for filing in January 2023	United States

(1) There are two different types of utility patent applications in the United States: (i) provisional applications; and (ii) non-provisional applications. The provisional application is a patent application filed with the U.S. Patent and Trademark Office (“USPTO”) which involves less formal documentation and is not subject to examination by the USPTO. The provisional application has a one year term and is not legally enforceable. In order for a provisional application date to be effective, a non-provisional patent application must be prepared and filed within one year of the provisional application. The non-provisional patent application is a more detailed filing and subject to examination by the USPTO. A patent granted on the basis of the non-provisional application is legally enforceable in the United States. The filing of a provisional application is not a prerequisite to the filing of a non-provisional application.

THIRD QUARTER HIGHLIGHTS

During the three months ended September 30, 2022, and up to the date of this report the Company:

- On July 6, 2022, the Company launched WooCommerce App for a major expansion of its ARitize 3D product line
- On August 3, 2022, the Company launched AR Wayfinding and Navigation into the event space through its subsidiary Arway
- On September 22, 2022, the Company launched its AI Powered SaaS software platform “Toggle 3D” which is part of its CAD-3D Model market.
- On October 18, 2022, the Company announced the receipt of a \$6.7 million 3D model purchase order from a NASDAQ 100 Technology Company which will help increase revenues over the next 12 months.
- On October 26, 2022, the Company’s Spatial Computing Platform, "ARway" has officially begun trading on the Canadian Securities Exchange (CSE)
- ARR has grown to \$1,076,000 in Q3 2022, an 8.6% increase from Q2 2022.

SIGNIFICANT FACTORS AFFECTING RESULTS OF OPERATIONS

Our results of operations are influenced by a variety of factors, including:

Revenue

The Company generates revenue from the sale of renewable software licenses, technology services, and eCommerce products.

Renewable Software Licenses

The Company sells software licenses on a specified term basis, with customer held options for renewal. Recognition of revenue from the license of software is recognized at the time that the software has been made available to the customer and is recognized ratably over the term of the related agreement. Although this segment is only 5% of our total revenue for fiscal 2021, it is the fastest growing segment with over 110% growth quarter-to-date versus quarter-to-date and accumulating \$1,076,000 of ARR (as at September 30, 2022). Currently this segment is 29% of total revenues this quarter. This is a testament to the focus placed on actively growing our AR sales over the last few months with the support from the development and commercialization of our AR technology.

Technology Services

Revenue from contracts for virtual events and technology services, other than software licenses, is recognized on a percentage of completion basis once the customer has entered into an agreement with the Company. Services included in the fixed price contracts are not distinct and determinable, therefore the entire purchase price is allocated using percentage of completion. We have moved our sales focus to Renewable Software Licenses in the last couple of quarters, as we saw demand for virtual events waver throughout different points in 2021 as COVID-19 restrictions changed during the year in the various geographic markets (mainly within Canada and the US), which brought additional uncertainty for virtual vs in-person event hosting. Going forward, we will be opportunistic about this product offering from a sales perspective but don't anticipate seeing the sales volumes anywhere close to what we saw in 2021 or 2020.

eCommerce (Product Sales)

The Company sells products through its retail store and has e-commerce sales through its websites: vacuumcleanermarket.com, infinitepetlife.com, and trulyfesupplements.com. The Company also sells products through other sales channels and marketplaces where available. Revenue for these sales are recognized at a point in time in accordance with IFRS 15. Retail store sales are recognized at the point of sale, whereas e-commerce sales are recognized when the goods are shipped as this represents the point where the performance obligation is met. Revenue recognized excludes sales tax and is recorded net of discounts and an allowance for estimated returns unless the terms of the sale are final. This segment continues to be the dominant revenue contributor of the Company, however, in Q2 management decided to wind down this business over the next few months with a completion target date of Q4 this year. We anticipate the revenue associated with this business to decline during this time as we sell off the remaining inventory. As part of the wind down, management committed to a plan to sell part of its eCommerce operation, Infinite Pet Life. The results of this operation can be found under discontinued operations.

Cost of Sales

Cost of sales includes the expenses incurred to acquire the inventory for sale, including product costs, shipping costs as well as provisions for reserves related to product shrinkage, obsolete inventory and lower of cost and net realizable value adjustments when required. Cost of sales also includes wages and salaries associated with the customer service and delivery teams, and other direct costs in relation to delivering virtual events to customers and delivering 3D models to customers.

Selling and marketing expenses

Selling and marketing expenses consist primarily of advertising, personnel and related costs for our sales, marketing, and select members of the management teams, including salaries and benefits, contract acquisition costs including commissions earned by sales personnel and partner referral fees, partner programs support and training, investor relations and promotional marketing costs.

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

Research and development expenses

Research and development ("R&D") expenses consist primarily of personnel and related costs for the teams responsible for the ongoing research, development, and product management of our technology solutions as well as platform and maintenance costs.

We anticipate that spending on R&D will also be lower in absolute dollars as much of our products are in the commercialization stage and further investments in the near future are focused on enhancements of existing products.

General and administrative expenses

General and administrative expenses consist primarily of personnel and related costs associated with administrative functions of the business including finance, human resources, operations, management, and internal information system support. It also includes shipping and warehouse costs, office and general costs, compliance, legal, accounting, and other professional fees as well as equipment, repairs, and maintenance. We expect that, in the future, general and administrative expenses will decrease in absolute dollars as we have scaled back our workforce heading into the new year and expect a reduction in acquisition and professional fees related to specific 2021 events that we don't anticipate for 2022.

Foreign exchange

Our presentation and functional currency is Canadian dollar with the exception of our subsidiaries in the United States (US Dollar). We derive most of our revenue in USD. Our head office and a significant portion of our employees are located in Canada, and as such a portion of our expenses are incurred in Canadian dollars.

RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the three and nine months ended September 30, 2022, and September 30, 2021:

Statement of Operations	Three months ended Sept 30			Nine months ended Sept 30		
	2022	2021	Variance	2022	2021	Variance
Revenue	\$ 3,012,440	\$ 5,524,902	\$ (2,512,462)	\$ 8,755,637	\$ 18,885,741	\$ (10,130,104)
Cost of sales	(1,668,490)	(3,895,320)	2,226,830	(5,159,245)	(11,961,736)	6,802,491
Gross profit	1,343,950	1,629,582	(285,631)	3,596,392	6,924,005	(3,327,613)
Operating expenses	(5,452,446)	(9,755,651)	4,303,205	(19,990,792)	(27,970,445)	7,979,653
Other expenses	(365,828)	(60,187)	(305,641)	(5,805,792)	(1,898,750)	(3,907,042)
Loss before income taxes	(4,474,324)	(8,186,256)	3,711,933	(22,200,192)	(22,945,190)	744,998
Tax recovery (expense)	119,649	-	119,649	366,178	-	366,178
Net loss	(4,354,675)	(8,186,256)	3,831,582	(21,834,014)	(22,945,190)	1,111,176
Net loss per share (basic and diluted)	(\$0.05)	(\$0.09)	\$0.04	(\$0.22)	(\$0.28)	\$0.06

Segmented results of operations:

Nine months ended						
September 30, 2022	eCommerce		Technology Services		Corporate	Total
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)
September 30, 2021	eCommerce		Technology Services		Corporate	Total
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)
Three months ended						
September 30, 2022	eCommerce		Technology Services		Corporate	Total
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)
September 30, 2021	eCommerce		Technology Services		Corporate	Total
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)

Selected financial position figures:

Financial Position	September 30, 2022		December 31, 2021	
Working capital	\$	5,032,374	\$	9,184,859
Total assets		20,609,779		29,510,258
Non-current liabilities		1,044,382		1,589,866

Revenue

	Three months ended Sept 30,			Nine months ended Sept 30,		
	2022	2021	Variance	2022	2021	Variance
Product sales (eCommerce)	\$ 2,091,656	\$ 4,367,003	\$ (2,275,347)	\$ 6,785,254	\$ 14,349,365	\$ (7,564,111)
Technology services	45,768	931,494	(885,726)	118,009	3,652,619	(3,534,610)
Renewable software licenses	875,016	226,405	648,611	1,852,374	883,757	968,617
	\$ 3,012,440	\$ 5,524,902	\$ (2,512,462)	\$ 8,755,637	\$ 18,885,741	\$ (10,130,104)

Total revenue for the three and nine months ended September 30, 2022, was \$3,012,440 and \$8,755,637 respectively. A decrease of \$2,512,462 and \$10,130,104 or -45% and -54%, compared to the same period in 2021.

Product sales (eCommerce)

Product sales for the three and nine months ended September 30, 2022, was \$2,091,656 and \$6,785,254, respectively, a decrease of \$2,275,347 and \$7,564,111 or -52% and -53%, compared to same period in 2021. Product sales includes revenue generated through sales from the retail store, websites, and external sales channels. Website sales include sales from the following internally owned websites: infinitepetlife.com, vacuumcleanermarket.com, and trulyfesupplements.com. Product sales have decreased as the Company began winding down its e-Commerce business in June 2022, by selling the remaining inventory at that time.

Technology services

Technology services for the three and nine months ended September 30, 2022, was \$45,768 and \$118,009, respectively, a decrease of \$885,726 and \$3,524,610 or -95% and -97%, respectively, compared to the same period in 2021. Technology services represents contracts for virtual events, higher education, professional services related to virtual conferences, augmented reality services, other services for the portion of the services completed to date. Technology services for the three- and nine-month periods decreased as we shifted the Company's focus to the more profitable renewable software licenses products.

Renewable software licenses

Renewable software licenses for the three and nine months ended September 30, 2022, was \$875,016 and \$1,852,374 an increase of \$648,611 and \$968,617 or 286% and 110%, respectively, compared to the same period in 2021. The increase in license revenue is a result of software licenses being a new revenue stream that was established after the acquisition of Map Dynamics, and ThredyAi Inc. Current quarter revenue growth is driven by a 192% increase in recognized revenue from our AR 3D subscriptions and a 1% increase in recognized revenue from MapD compared to Q2 2022.

Cost of Sales – Technology Services

	Three months ended Sept 30,			Nine months ended Sept 30,		
	2022	2021	Variance	2022	2021	Variance
Cost of sales - Technology services	\$ 348,447	\$ 1,317,768	\$ (969,321)	\$ 950,233	\$ 3,580,563	\$ (2,630,330)
Gross profit - Technology services	555,264	(180,562)	735,826	1,020,150	955,813	64,337
Gross profit percentages	60%	-16%		52%	21%	

Gross profit margin for technology services for the three and nine months ended September 30, 2022, increased to 60% and 52%, respectively, from -16% and 21% for the same periods in 2021. This increase in gross profit percentage is mainly attributable to the shift of sales to the more profitable renewable software license products compared to virtual events.

Cost of Sales – Product Sales

	Three months ended Sept 30,			Nine months ended Sept 30,		
	2022	2021	Variance	2022	2021	Variance
Cost of sales - Product sales	\$ 1,320,043	\$ 2,577,552	\$ (1,257,509)	\$ 4,209,012	\$ 8,381,173	\$ (4,172,161)
Gross profit - Product sales	788,686	1,810,144	(1,021,458)	2,576,242	5,968,192	- 3,391,950
Gross profit percentages	38%	41%		38%	42%	

Gross profit margin for product sales for the three and nine months ended September 30, 2022, decreased to 38%, from 41% and 42% for the same periods in 2021. The decrease was a result of discounted prices provided to customers as we sell the remaining stock of vacuumcleanermarket.com in stores and online as part of the wind up of the eCommerce division.

The changes in expense accounts were primarily due to a combination of the following:

Sales and Marketing Expenses

	Three months ended Sept 30,			Nine months ended Sept 30,		
	2022	2021	Variance	2022	2021	Variance
Sales and marketing	\$ 1,702,695	\$ 4,187,583	\$ (2,484,888)	\$ 6,022,831	\$ 12,837,426	\$ (6,814,595)
As a percentage of revenue	57%	76%		69%	68%	

Sales and marketing expenses for the three and nine months ended September 30, 2022, was \$1,702,695 and \$6,022,831 a decrease of \$2,484,888 and \$6,814,595 or –59% and –53%, respectively, compared to the same period in 2021, and a 6.8% decrease in spend compared to Q2 2022. For the quarter we spent less on sales and marketing in both ecommerce and technology services segments compared to previous quarters in the year. The reduction in sales from winding down eCommerce has resulted in less overall spend for marketing with our third party sellers. Over the last couple of quarters, we reduced sales staff and spend on marketing software tools as we focus our efforts into only promoting our AR 3D products. During the quarter we did not have any significant sales and marketing efforts related to AR 3D products which resulted consistent level of spend in sequential quarters. On the other hand, investor relations expense increased as we prepared the necessary materials for the Annual General Meeting (AGM) to approve the spin out of ARway Corp. We continue to monitor our sales and marketing spend in relation to the demand we see for our current product offerings and the related revenue potential.

General and Administrative Expenses

	Three months ended Sept 30,			Nine months ended Sept 30,		
	2022	2021	Variance	2022	2021	Variance
General and administrative	\$ 2,592,343	\$ 3,704,359	\$ (1,112,016)	\$ 10,903,087	\$ 9,746,546	\$ 1,156,541
As a percentage of revenue	86%	67%		125%	52%	

General and administrative expenses for the three and nine months ended September 30, 2022, was \$2,592,343 and \$10,903,087 a decrease of \$1,112,016 and increase of \$1,156,541 or -30% and 12%, respectively, compared to the same period in 2021. In the current quarter, compliance fees increased as we prepare for the ARway spinout while salaries and wages, professional fees, and office general expenses have decreased as we tighten our expenses. The current quarter included one-time compliance costs related to the spinout of ARway. General and administrative expenses consist of legal, accounting, professional fees, compliance, recruitment charges, shipping and warehouse costs, and headcount from administrative functions of the business including finance, human resources, operations, management, and internal information system support. We continue to monitor these expenses closely and look to reduce certain expenditures where needed to fit our ecommerce and renewable software license business models.

Research and Development Expenses

	Three months ended Sept 30,			Nine months ended Sept 30,		
	2022	2021	Variance	2022	2021	Variance
Research and development	\$ 1,157,408	\$ 1,863,709	\$ (706,301)	\$ 3,064,874	\$ 5,386,473	\$ (2,321,599)
As a percentage of revenue	38%	34%		35%	29%	

Research and development expenses for the three and nine months ended September 30, 2022, was \$1,157,408 and \$3,064,874 a decrease of \$706,301 and \$2,321,599 or -38% and -43%, respectively, compared to the same period in 2021. We have continued our development focus this quarter in our 3D AR products which substantially consisted of internal labour. Consultant fees have increased in the current quarter due to one-time \$300,000 being reclassified in prior quarter from general and administrative expense to research and development expense to better align it with the nature of the services. All the products listed above in our technology stack are in the commercialization stage and generating revenue. Research and development expenditures are incurred to further enhance and maintain existing products in addition to integrating them into a holistic suite. Any future expenditures in this category will be mainly through the use of internal labour and we don't anticipate the level of expenditures to be significantly more than the current level of spend. Once projects are completed or nearing completion, we will assess the best use of the resources for the next project in the respective product roadmaps.

Loss from Continuing Operations

Loss from continuing operations for the three and nine months ended September 30, 2022, was \$4,354,675 and \$21,834,014 or \$0.05 and \$0.22 per share basic and diluted, respectively, compared to a loss of \$8,186,256 and \$22,945,190 or \$0.09 and \$0.28 for the same period in 2021. The decrease in loss this quarter is mainly due to one-time costs in Q2 which did not occur this quarter and a reduction in overall expenses. In previous quarters impairment charges of \$2,702,313 on intangible assets related to wind down of the e-Commerce business contributed to a further loss for the nine months ended September 30, 2022. Excluding the impairment charge, net loss from continuing operations would be \$19,131,701 or \$0.20, for the nine months ended September 30, 2022. We continue to actively reduce costs in an effort to better align the Company for scalable growth in the metaverse. We anticipate further cost reductions in the upcoming quarters, especially if revenue growth is not as quick as initially anticipated.

Loss from Discontinued Operations

	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)
Gross profit (loss)	(780)	171,694	918,434	484,261
Operating expenses				
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
Net income (loss) from discontinued operations	(49,090)	(30,418)	733,153	(343,250)
Exchange differences on translating foreign operations, discontinued operations	10,286	2,769	17,253	2,343
Comprehensive income (loss) from discontinued operations	\$ (38,804)	\$ (27,649)	\$ 750,406	\$ (340,907)

Loss from discontinued operations includes the operations of Infinite Pet Life, which management has committed to selling. Loss from discontinued operations for the three and nine months ended September 30, 2022, was \$49,090 and -\$733,153, respectively, compared to a loss of \$30,418 and \$343,250 for the same period in 2021. The increase in loss this quarter is mainly due to inventory write offs for expired goods in the current quarter and a one-time loan

forgiveness in prior quarter from the Company. Management has not allocated salaries from the eCommerce division to discontinued operations as it is deemed to be immaterial. The Company expects the sale of Infinite Pet Life to be completed by Q1 2023.

Working Capital

Working capital as of September 30, 2022, was \$5,032,374 a decrease of \$4,152,485 or -45% compared to December 31, 2021. The decrease in Working Capital was mainly due to lower cash, inventory, and receivables balances.

Key Financial Position Items

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Total assets	\$ 20,609,779	\$ 29,510,258
Total liabilities	4,085,507	5,248,241

Total assets as at September 30, 2022, was \$20,609,779 a decrease of \$8,900,479 or -30% compared to December 31, 2021. The decrease in assets is mainly due to lower working capital balance and lower intangible assets and goodwill related to the \$2,702,313 impairment charge from the winddown of the ecommerce business.

Total liabilities as at September 30, 2022, was \$4,085,507 a decrease of \$1,162,734 or -22% compared to December 31, 2021. The change is related to lower accounts payable and accrued liability balances, lower deferred revenue balances, along with reduction in lease liability under IFRS 16, repayment of a government loan, and decline in deferred income tax liability.

Receivables

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

Trade receivables as at September 30, 2022, was \$352,583, a decrease of \$222,026 or -39% compared to December 31, 2021, due to timing of receipts of billed revenue. The balance at any point in time is impacted by the point in time where contracts with customers are secured and the timing of the payment cycle with external sales channels, as the Company moves to a more SAAS based revenue model, we expect to have lower trade receivable balances as customers would pay their subscriptions due up front.

Other receivables represent two employee forgivable loans issued in Q3 2021 to two new hires. The loan is to be forgiven with the condition of continued employment services to be provided to the Company over a period of time, to which we have proportionately reduced the loan balance to recognize the service expense over the loan period. The loan is fully secured and bears interest at market rates and to be repaid in full within three years less amounts that are forgiven.

Right of use assets & Lease obligations

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Right of use assets	\$ 919,096	\$ 1,079,319
Lease obligations:		
Current	259,348	290,357
Non-Current	644,420	786,755
	<u>\$ 903,768</u>	<u>\$ 1,077,112</u>

Right-of-use assets as at September 30, 2022, was \$919,096. Lease obligations as at September 30, 2022, was \$903,768. The right-of-use assets and lease obligations relate to our leases for warehouse, store space, and office space in accordance with accounting standard IFRS 16 - Leases. These balances will continue to decline over time unless the lease terms have changed within the respective leases.

Deferred revenue

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Deferred Revenue	\$ 471,835	\$ 609,001
Contract Asset	\$ 261,692	386,202

Deferred revenue as at September 30, 2022, was \$471,835 a decrease of \$137,166 or -23% compared to December 31, 2021. Contract assets as at September 30, 2022, was \$261,692 decrease of \$124,510 or -32%. This decrease in deferred revenue is a result of less contracts obtained over the last quarter, where we receive the full or partial contract values up front upon contract signing but have yet to complete the work. Contract assets are amounts where we have completed work and recognized the revenue but have yet to bill the customer, this has declined as we move away from a service model to a SAAS model with our customers.

Deferred asset

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Deferred Asset	\$ 260,639	\$ -

Deferred asset consists of costs incurred for customer contracts. These costs are capitalized and systematically expensed as the customer contracts are recognized in revenue.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages its capital structure based on the funds available to it in order to support the continuation of and expansion of its operations and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company defines capital to include share capital, warrants and stock option component of its shareholders' equity. The primary cash flows have been through financing activities.

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

	Three months ended Sept 30			Nine months ended Sept 30		
	2022	2021	Variance	2022	2021	Variance
Cash inflow (outflow) by activity						
Operating activities	\$ (2,716,519)	\$ (6,804,199)	\$ 4,087,680	\$ (11,248,643)	\$ (18,288,269)	\$ 7,039,626
Investing activities	(24,392)	(27,653)	3,261	(105,649)	2,626,784	(2,732,433)
Financing activities	1,306,696	91,939	1,214,757	10,097,335	13,882,047	(3,784,712)
Effects of foreign exchange rates	(634,979)	(27,373)	(607,606)	(910,835)	(222,914)	(687,921)
Net cash inflows (outflows)	<u>\$ (2,069,194)</u>	<u>\$ (6,767,286)</u>	<u>\$ 4,698,092</u>	<u>\$ (2,167,792)</u>	<u>\$ (2,002,352)</u>	<u>\$ (165,440)</u>

During the three and nine months ended September 30, 2022, the Company had net cash outflow of \$2,069,194 and \$2,167,792, respectively, compared to a net cash outflow of \$6,767,286 and \$2,002,352 for the same period in 2021.

Cash used in operating activities for the three and nine months ended September 30, 2022, was \$2,716,519 and \$11,248,643, respectively, compared to 6,804,199 and \$18,248,263 for the same period in 2021. We continue to expect declines in operating cash outflows in the upcoming months as our cost reduction measures continue and as we continue to wind down the eCommerce business. Cash from discontinued operations for the three and nine months ended September 30, 2022 was \$296,392 and 220,962, respectively compared to -\$369,156 and -\$424,036.

Cash used in investing for the three and nine months ended September 30, 2022, was \$24,392 and \$105,649, respectively, compared to \$27,653 and -\$2,626,784 for the same period in 2021. The change mainly relates to proceeds from the sale of bitcoin in the first quarter of 2021 and cash used for equipment purchases in 2022.

Cash from financing for the three and nine months ended September 30, 2022, was \$1,306,696 and \$10,097,335, respectively, compared to \$91,939 and \$13,882,047 for the same period in 2021. In the current quarter, there were net proceeds from Employee Pay Program resulting in cash in of \$1.5 million. In the prior periods, there was an \$8.9 million in net proceeds received from the January 2022 private placement and a \$12.6 million in net proceeds received from the April 2021 private placement.

As of September 30, 2022, we had cash of \$5,278,516, inventory of \$640,852 and a positive working capital of \$5,032,374. We anticipate further sales of our product offerings as we continue to grow. Our cash position is healthy and allows us to continue to deliver on our strategy and growth. We anticipate growth of our 3D AR product revenue and continue reductions in spend, will generate cash flow to reduce the amount of working capital required to sustain operations. The Employee Pay Program also helps maintain a steady cash position over the next few months. Based on management's current projection of sales and cost reductions for the next twelve months, we feel we will have sufficient cash to sustain operations during that period, however if sales and/or cost reductions are slower than anticipated we may have to raise additional working capital mainly in the form of equity financing to maintain operations for the next twelve months. 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.

Contractual obligations include lease payments for the warehouse, store, and office space. The Company has entered into lease agreements ranging from 2 years to 8 years. Lease payments over the next few years is as follows:

Less than one year	\$	262,781
One to five years		924,839
Over five years		25,554
Total payments	\$	1,213,174

The Company has not entered into any other future contractual obligations.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 102,598,165 common shares issued and outstanding. The Company also has 16,549,697 share purchase options outstanding at exercise prices ranging from \$0.50 to \$6.51 per option and expiry dates ranging from April 5, 2023, to June 20, 2027. The Company also has 18,012,010 share purchase warrants outstanding at exercise prices ranging from \$0.84 to \$6.00 per warrant and expiry dates ranging from April 8, 2023, to January 25, 2025.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected unaudited quarterly results for the eight most recent completed quarters:

Quarter Ended	2022		2022		2021		2021		2021		2020	
	Sept 30 ^(a)	June 30	Mar 31	Dec 31	Sept 30	June 30	March 31	Dec 31	Sept 30	June 30	March 31	Dec 31
Revenue	\$ 3,051,519	\$ 3,234,735	\$ 3,484,337	\$ 6,379,140	\$ 5,737,585	\$ 6,091,551	\$ 7,726,703	\$ 7,001,710	\$ 5,737,585	\$ 6,091,551	\$ 7,726,703	\$ 7,001,710
Net loss	4,403,765	8,993,551	7,703,545	9,363,614	8,216,674	5,853,679	9,183,777	8,053,305	8,216,674	5,853,679	9,183,777	8,053,305
Net Loss per share (basic and diluted)	(\$0.05)	(\$0.09)	(\$0.08)	(\$0.11)	(\$0.09)	(\$0.07)	(\$0.12)	(\$0.12)	(\$0.09)	(\$0.07)	(\$0.12)	(\$0.12)

The growth of our 3D AR business was steady this quarter, and while exiting the virtual events and eCommerce businesses hurts our short-term revenues resulting in lower current quarter revenues, management believes 3D AR and the metaverse has a much brighter future for profits and scalability. As we continue to refocus our internal efforts towards 3D AR products, we have continuously reduced our quarterly expenditures across sales and marketing, general and administrative, and research and development which resulted in lower cash used in operating activities than in previous quarters.

The data further outlines the journey of an early-stage company. We continue to invest heavily into research and development to get our products to market. As we find acceptance of our products in the market, we increase our efforts in sales and marketing and also our investment into general and administrative to support our growth. The Company will continue to invest smartly to achieve its future revenue growth objectives.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

The Company's policy is to conduct all transactions with related parties at arm's length to align with market terms and conditions. The Company has entered, or proposes to enter, into employment agreements with related parties and related parties may also participate in the Company's share-based compensation plans.

At times the executive management team consisting of the CEO, President, CFO and other senior leadership team members may enter into shares for services agreements that elect up to 100% of compensation in shares. During the three months ended September 30, 2022, there was \$200,000 respectively of compensation in shares to related parties. See Note 13 to the consolidated financial statements for more information.

USE OF PROCEEDS FROM FINANCING
January 2022 Financing

On January 25, 2022, the Company raised \$10,000,000 in total gross proceeds (\$8,938,406 net of issuance costs) and issued 8,130,182 Common Shares and Warrants to purchase up to an aggregate of 8,130,182 Common Shares at a purchase price of CAD\$1.23 per Common Share and associated Warrant. Each Warrant entitles the holder to purchase one Common Share at an exercise price of CAD\$1.54 for a period of three years following the issuance date.

Description	Prior Disclosure	Actual Spent	Remaining	Total	Variance
Working capital, general corporate purposes and pursuing other strategic opportunities	Working capital and general corporate purposes	\$8,938,406	nil	\$8,938,408	nil

November 2021 Financing

On November 3, 2021, the Company completed a private placement of 3,030,304 units of the Company at a price of \$1.65 per unit for gross proceeds of \$5,000,001 (\$4,434,189 net of issuance costs). Each unit consisted of one Common Share and one-half of one share purchase warrant of the Company. Each warrant entitles the holder to purchase one half of one Common Share at an exercise price of CAD\$1.92 per whole common share for a period of three years following the issuance date. The Company previously disclosed that the use of proceeds includes: Working capital, general corporate purposes and pursuing strategic M&A opportunities.

<u>Description</u>	<u>Prior Disclosure</u>	<u>Actual Spent</u>	<u>Remaining</u>	<u>Total</u>	<u>Variance</u>
Working capital, general corporate purposes and pursuing strategic M&A opportunities	Working capital, general corporate purposes and pursuing strategic M&A opportunities	\$4,434,189	nil	\$4,434,189	nil

April 2021 Financing

On April 8, 2021, the Company completed a marketed short form prospectus offering of 2,801,500 units for gross proceeds of \$14,007,500 (\$12,632,937 net of share issuance costs). Each unit consists of one share and one-half warrant. Each warrant is exercisable at \$6.00 per share for a period of 2 years from issuance, subject to an accelerated expiry if certain conditions are met. In relation, the Company issued 203,105 compensation options, each of which entitle the Holder to purchase one unit of the Corporation for \$5.00 per unit. Each unit is comprised of one-half of one Common Share purchase warrant which is exercisable at \$6.00 per warrant, under the same conditions noted above. The Company previously disclosed that the use of proceeds includes: sales and marketing expenses, research and development, working capital, potential strategic acquisitions and general corporate purposes.

<u>Description</u>	<u>Prior Disclosure⁽¹⁾</u>	<u>Actual Spent</u>	<u>Remaining</u>	<u>Total</u>	<u>Variance⁽¹⁾</u>
Sales and marketing expenses					
Salaries, Consulting Fees, Commissions and Benefits	\$5,847,000	6,316,469	nil	\$6,316,469	See note 1
Research and development,					
Salaries, Consulting Fees, Commissions and Benefits	\$3,109,000	4,168,869	nil	\$4,168,869	See note 1
Working Capital and general corporate	\$3,180,500	2,147,599	nil	\$2,147,599	See note 1

Note:

- (1) This prior disclosure was based on the Company receiving net proceeds of \$12,163,500. On April 8, 2021, the Company completed the marketed short form prospectus offering as described above and received net proceeds of \$12,632,937. During this time period the Corporation utilized the proceeds more towards research and development, and sales and marketing than originally anticipated.

August 2020 Financing

On August 20, 2020, the Company completed a marketed short form prospectus offering of 2,035,000 units of the Company at a price of \$6.50 per unit for gross proceeds of \$13,227,500. Each unit sold pursuant to the August 2020 Offering consisted of one Common Share and one-half of one transferrable share purchase warrant of the Company. Each warrant is exercisable into one additional Common Share at a price of \$8.00 per share for a period of two years, subject to accelerated expiry provisions. The Company previously disclosed that the use of proceeds includes: sales and marketing expenses, research and development, working capital, potential strategic acquisitions and general corporate purposes.

<u>Description</u>	<u>Prior Disclosure⁽²⁾</u>	<u>Actual Spent</u>	<u>Remaining</u>	<u>Total</u>	<u>Variance⁽²⁾</u>
Sales and marketing expenses					
Salaries, Consulting Fees, Commissions and Benefits	\$5,704,785	\$4,960,286	nil	\$4,960,286	See note 1
Equipment, Tools and Software	\$1,253,350	\$1,089,782	nil	\$1,089,782	See note 1
Research and development,					
Salaries, Consulting Fees, Commissions and Benefits	\$4,302,000	\$3,740,570	nil	\$3,740,570	See note 1
Equipment, Tools and Software	\$49,992	\$43,468	nil	\$43,468	See note 1
Working Capital and general corporate	\$2,639,873	\$2,295,358	nil	\$2,295,358	See note 1

Note:

(2) This prior disclosure was based on the Company receiving net proceeds of \$13,950,000. On August 20, 2020, the Company completed the marketed short form prospectus offering as described above and received net proceeds of \$12,129,465. The Company is still on course to utilize the proceeds described above in the intended time frame as 12 months have not elapsed since the closing date of the aforementioned prospectus offering.

June 2020 Financing

On June 17, 2020, the Company completed a private placement of 1,528,036 units of the Company at a price of \$2.10 per unit for gross proceeds of \$3,208,875. Each unit consisted of one Common Share and one-half of one transferrable share purchase warrant of the Company. Each warrant is exercisable into one additional Common Share at a price of \$3.00 per share for a period of two years, subject to accelerated expiry provisions. The Company previously disclosed that the use of proceeds includes: growing sales and engineering teams, pursuing strategic M&A opportunities, and for general working capital purposes.

<u>Description</u>	<u>Prior Disclosure</u>	<u>Actual Spent</u>	<u>Remaining</u>	<u>Total</u>	<u>Variance</u>
Increasing the sales team, pursuing M&A opportunities, and general working capital purposes	Increasing the sales team, pursuing M&A opportunities, and general working capital purposes	\$3,027,366	nil	nil	nil

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

We recognize financial assets and liabilities when we become party to the contractual provisions of the instrument. On initial recognition, financial assets and liabilities are measured at fair value plus transaction costs directly attributable to the financial assets and liabilities, except for financial assets or liabilities at fair value through profit and loss, whereby the transactions costs are expensed as incurred. The carrying amounts of our financial instruments approximate fair market value due to the short-term maturity of these instruments. 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 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.

Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the development of its technologies. The Company relies mainly on equity issuances to raise new capital. In the management of capital, the Company includes the components of equity. The Company's investment

policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without penalty. The Company is not subject to any externally imposed capital requirements. Management believes that the Company has sufficient capital to sustain its operations for the next twelve months.

Fair Values

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities. 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

See our annual consolidated financial statements for the year ended December 31, 2021, and the related notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and the results of our operations. The policies listed below are areas that may contain key components of our results of operations and are based on complex rules requiring us to make judgments and estimates and consequently, we consider these to be our critical accounting policies. The critical accounting policies which we believe are the most important to aid in fully understanding and evaluating our reported financial results include the following:

- (a) Intangible Assets and Goodwill,
- (b) Impairment of Non-Financial Assets,
- (c) Inventory, and
- (d) Revenue Recognition.

We will continue to monitor the potential impact of COVID-19 on our financial statements and related disclosures, including the need for additional estimates going forward, which could include costs related to items such as special charges, restructurings, asset impairments and other non-recurring costs. Currently, we have not recorded any specific impacts related to COVID-19 in our financial statements.

Critical Accounting Estimates

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

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

Changes In Accounting Policies

- (a) New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the

year ended December 31, 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Company.

(b) Standards issued but not yet effective

There are no new standards issued but not yet effective as at January 1, 2022, that have a material impact to the Company's consolidated financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes during the three-month period ended September 30, 2022, in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

UPDATE ON PRESS RELEASES

For the nine months ended September 30, 2022, and to the date of this report, the company has signed over 300 contracts with a dollar value of over \$7,350,000, including the \$6,700,000 purchase order noted below. During the three months ended September 30, 2022 and to date the Corporation has disseminated approximately 6 news releases for contracts and agreements for the Corporation's services. The disclosed contracts/purchase orders ranged in value from \$800 to \$6,157,000, excluding those contracts where no immediate value to the Corporation was determinable. To the extent these figures were originally expressed or recorded in United States dollars, the Corporation has converted such figures into Canadian dollars using an exchange rate of US\$1.00 = C\$1.28, aggregated the totals and rounded the results. The aggregate value of the contracts/purchase orders is material to the Corporation. An estimated \$327,000 of the disclosed contracts/purchase orders has been billed by the Corporation as at September 30, 2022, \$6,600,000 remains to be billed by the Corporation.

A summary of progress of the above contracts and contracts to the date of this document is as follows:

- On July 12, 2022, the Company announced becoming 3D Model supplier for Prime Marketplace and signed multiple new 3D Contracts. As of the date hereof, these contracts remain in force in accordance with their original terms.
- On August 11, 2022, the Company announced that it has signed 26 new contracts since July 1st with major brands. As of the date hereof, these contracts remain in force in accordance with their original terms.
- On September 20, 2022, the Company announced the receipt of a large 3D model purchase order from a blue-chip customer for 7,500 models. As of the date hereof, these contracts remain in force in accordance with their original terms.
- On October 13, 2022 the Company announced the receipt of an enterprise customer order for \$700,000 in 3D models to be delivered in Q4. As of the date hereof, these contracts remain in force in accordance with their original terms.
- On October 20, 2022 the Company announced the receipt of a \$6.7 million purchase order signed on October 20, 2022 and the contract remains in force in accordance with its original terms. As of the date hereof, these contracts remain in force in accordance with their original terms.
- On October 25, 2022 the Company signed a deal with Kid Cudi backed XR Music App "Encore" for ARway. As of the date hereof, these contracts remain in force in accordance with their original terms.