nextech AR
solutions

Consolidated Financial Statements of

NexTech AR Solutions Corp.

Years ended December 31, 2022 and December 31, 2021

(Expressed in Canadian Dollars)

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Nextech AR Solutions Corp.

Opinion

We have audited the consolidated financial statements of Nextech AR Solutions Corp. (the "Company"), which comprise the following, (hereafter collectively referred to as the "consolidated financial statements"):

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements ("Note 2"), which describes that the Company has incurred operating, net and comprehensive losses, as well as has generated negative cash flows from operating activities from continuing operations for each of the years ended December 31, 2022 and December 31, 2021. Additionally, the Company has an accumulated deficit as at both December 31, 2022 and December 31, 2021.

As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the Company's assessment of intangible assets and goodwill for impairment

Description of the matter

We draw attention to Notes 2 and 10 for discussion of the Company's assessment of intangible assets and goodwill for impairment. As described in Notes 2 and 10, the Company has concluded that its intangible assets, net, ($3,313,741) and goodwill ($6,746,378) related to its continuing operations were not impaired as of or during the year ended December 31, 2022.

The fair values of the Company's two remaining CGUs were estimated using discounted cash flow models. Significant assumptions used by the Company when assessing the value-in-use of each CGU included:

- Revenue growth projections
- Cost containment projections
- Discount rates

Why the matter is a key audit matter

We identified the evaluation of the Company's assessment of intangible assets and goodwill for impairment as a key audit matter. Significant auditor judgment was required in evaluating the results of our audit procedures regarding the assumptions used to determine the fair value of the mineral properties and property, plant and equipment. Further, specialized skills and knowledge were needed to evaluate these estimates.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter.

We assessed the competence, capabilities and objectivity of the personnel who prepared the CGU value-in-use estimates.

We involved more experienced audit professionals and valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the value-in-use methodology used, including the separate evaluation at the individual CGU level
- Obtaining an understanding of the Company's prospective financial information, including inspection of support for key assumptions
- Identifying and evaluating contrary evidence
- Evaluating the appropriateness of discount rates by comparing inputs into the discount rate to publicly available market data for comparable entities
- Independently assessing the Company's CGU value-in-use conclusions against the Company's market capitalization at the time of the impairment evaluations

Other Information

Management is responsible for the other information. Other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, in Management's Discussion & Analysis filed contemporaneously with the consolidated financial statements.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information included in Management's Discussion & Analysis filed contemporaneously with the consolidated financial statements prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Marcum LLP

San Francisco, CA
April 28, 2023

Marcum LLP

The engagement partner on the audit resulting in this auditor's report is Raymond A. Loyd.

One Montgomery Street, Suite 1700
San Francisco, CA 94104

NexTech AR Solutions Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at		December 31, 2022		December 31, 2021
Assets				
Current assets				
Cash & cash equivalents (Note 3)	$	3,777,117	$	7,237,296
Receivables (Note 4)		744,331		1,081,164
Deferred asset (Note 6)		256,818		-
Contract asset (Note 13)		332,197		386,202
Prepaid expenses (Note 5)		310,906		749,474
Inventory		45,289		3,389,098
Non-current assets held for sale (Note 15)		501,188		-
		5,967,846		12,843,234
Non-current assets				
Equipment (Note 7)		278,463		377,242
Right-of-use asset (Note 8)		829,278		1,079,319
Intangible assets (Note 9)		3,313,741		6,419,934
Goodwill (Note 9)		6,746,378		8,790,529
Total assets	$	17,135,706	$	29,510,258
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities (Note 10)	$	2,641,918	$	2,759,017
Deferred revenue (Note 13)		437,746		609,001
Lease liability (Note 8)		222,250		290,357
Liabilities associated with assets held for sale (Note 15)		92,532		-
		3,394,446		3,658,375
Non-current liabilities				
Lease liability (Note 8)		582,586		786,755
Deferred income tax liability (Note 16)		29,974		712,215
Loan payable		-		90,896
Total liabilities		4,007,006		5,248,241
Shareholders' Equity				
Share capital (Note 11)		83,271,707		70,570,760
Reserves		12,754,706		12,649,994
Accumulated Other Comprehensive Income		827,101		1,259,946
Shareholder's deficit attributable to Nextech shareholders		(85,898,862)		(60,218,683)
Total common shareholders' equity		10,954,652		24,262,017
Non-controlling interest		2,174,048		-
Total equity		13,128,700		24,262,017
Total liabilities and shareholders' equity	$	17,135,706	$	29,510,258

Nature of Operations (Note 1)

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

"Evan Gappelberg ", Director *"Belinda Tyldesley"*, Director

NexTech AR Solutions Corp.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue (Note 13)	$ 3,224,791	$ 6,689,849
Cost of sales	(1,593,076)	(4,821,321)
Gross profit	1,631,715	1,868,528
Operating expenses:		
Sales and marketing (Note 14)	5,013,367	10,437,523
General and administrative (Note 14)	13,377,575	9,683,311
Research and development (Note 14)	3,892,208	6,609,471
Stock-based compensation (Note 11)	1,715,690	5,030,449
Amortization (Note 9)	2,655,652	2,050,147
Depreciation (Note 7)	122,930	114,733
Right of use amortization (Note 8)	76,905	44,861
	26,854,327	33,970,495
Other expense (income)		
Gain on liability	(381,019)	(219,321)
Gain on contingent consideration	-	(1,573,308)
Impairment of intangible assets (Note 9)	3,178,426	-
Foreign exchange gain	(1,345,593)	(267,725)
	1,451,814	(2,060,354)
Loss before income taxes	(26,674,426)	(30,041,613)
Current income tax expense	(36,079)	(28,512)
Deferred income tax recovery (Note 16)	673,290	205,898
Net loss from operations	$ (26,037,215)	$ (29,864,227)
Income (loss) from discontinued operations (Note 15)	$ (1,341,111)	$ (2,787,826)
Other comprehensive loss		
Exchange differences on translating foreign operations, continuing operations	(121,940)	183,137
Exchange differences on translating foreign operations, discontinued operations (Note 15)	(310,905)	43,715
Total comprehensive loss	$ (27,811,171)	$ (32,425,201)
Non-controlling interests	(438,201)	-
Total comprehensive loss attributable to Nextech shareholders	$ (27,372,970)	$ (32,425,201)
Income (loss) per common share		
Basic and diluted loss per common share, continuing operations	(0.26)	(0.35)
Basic and diluted loss per common share, discontinued operations	(0.02)	(0.03)
Weighted average number of common shares outstanding		
Basic and diluted	100,201,691	83,888,487

See accompanying notes to the consolidated financial statements.

NexTech AR Solutions Corp.

Consolidated Statements of Changes in Shareholders' Equity
December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Number of shares	Share capital	Reserves	Deficit	Accumulated Other Comprehensive Income	Non-controlling interest	Total
Balance as at December 31, 2020	77,111,864	$ 41,968,520	$ 5,724,004	$ (26,306,683)	$ 1,033,094	$ -	**$ 22,418,935**
Shares issued for exercise of warrants	2,002,577	1,751,501	-	-	-	-	**1,751,501**
Shares issued for exercise of option	745,000	542,758	(82,928)	-	-	-	**459,830**
Shares for services	345,580	1,589,894	-	-	-	-	**1,589,894**
Shares issued from public offering	2,801,500	14,007,500	-	-	-	-	**14,007,500**
Shares issued from private placement	3,030,304	5,000,001	-	-	-	-	**5,000,001**
Shares issued for contingent consideration	356,749	854,789	-	-	-	-	**854,789**
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	-	-	5,030,449	-	-	-	**5,030,449**
Share issuance costs	-	(2,821,126)	718,523	-	-	-	**(2,102,603)**
Translation of foreign continuing operations	-	-	-	-	183,137	-	**183,137**
Translation of foreign discontinued operations	-	-	-	-	43,715	-	**43,715**
Net loss, continuing operations	-	-	-	(29,864,228)	-	-	**(29,864,228)**
Net loss, discontinued operations	-	-	-	(2,787,826)	-	-	**(2,787,826)**
Balance as at December 31, 2021	**90,880,791**	**$ 70,570,760**	**$ 11,390,048**	**$ (58,958,737)**	**$ 1,259,946**	**$ -**	**$ 24,262,017**
Shares for services	1,454,420	1,313,971	(42,906)	-	-	625,000	**1,896,065**
Shares for employee pay program	2,972,176	2,496,628	-	-	-	-	**2,496,628**
Shares issued from short form prospectus	8,130,082	10,000,001	-	-	-	-	**10,000,001**
Stock-based compensation	-	-	1,576,707	-	-	138,983	**1,715,690**
Share issuance costs	-	(1,109,652)	21,772	-	-	-	**(1,087,880)**
Translation of foreign continuing operations	-	-	-	-	(121,940)	-	**(121,940)**
Translation of foreign discontinued operations	-	-	-	-	(310,905)	-	**(310,905)**
Distribution to shareholders	-	-	(1,000,000)		-	1,000,000	**-**
Other net changes in capitalization	-	-	809,085	-	-	848,266	**1,657,351**
Net loss, continuing operations	-	-	-	(25,599,014)	-	(438,201)	**(26,037,215)**
Net loss, discontinued operations	-	-	-	(1,341,111)	-	-	**(1,341,111)**
Balance as at December 31, 2022	**103,437,469**	**$ 83,271,708**	**$ 12,754,706**	**$ (85,898,862)**	**$ 827,101**	**$ 2,174,048**	**$ 13,128,701**

See accompanying notes to the consolidated financial statements.

NexTech AR Solutions Corp.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Year ended December 31, 2022		Year ended December 31, 2021
Cashflows from operating activities				
Net loss	$	(26,037,215)	$	(29,864,227)
Discontinued operations		(1,341,111)		(2,787,826)
Items not affecting cash				
Amortization of intangible assets		2,655,652		2,050,147
Impairment of intangible assets and goodwill		3,178,426		-
Amortization of right to use asset		261,101		206,179
Depreciation of property and equipment		143,567		133,145
Gain on digital assets		-		(219,321)
Gain on contingent consideration		-		(1,573,308)
Gain on liability		(381,019)		-
Shares for services		1,292,837		1,589,894
Share-based payments		625,000		-
Stock-based compensation		1,715,690		5,030,449
Changes in non-cash working capital balances				
Receivables		269,873		231,384
Deferred asset		(256,818)		-
Contract asset		54,005		(141,724)
Prepaid expenses		408,743		604,895
Inventory		2,954,342		(177,423)
Accounts payable and accrued liabilities		(24,570)		231,580
Deferred revenue		(171,255)		225,979
Deferred tax liability		(673,290)		(205,898)
Cashflows from operating activities, continuing operations	$	(16,615,587)	$	(25,408,201)
Cashflows from operating activities, discontinued operations		1,289,545		742,125
Cashflows from investing activities				
Purchase of equipment		(101,784)		(178,772)
Proceeds from sale of digital assets		-		2,765,356
Interest on lease liability		(28,668)		(18,288)
Net cash provided by (used in) investing activities, continuing operations	$	(105,936)	$	2,581,952
Net cash provided by (used in) investing activities, discontinued operations	$	(24,516)	$	(13,656)
Cashflows from financing activities				
Repayment of loan		(90,896)		-
Proceeds from exercise of options and warrants		-		2,211,331
Proceeds from Employee Pay Program		2,496,628		-
Proceeds from private placement, net of issuance costs		8,890,349		5,038,898
Proceeds from public offering, net of issuance costs		-		11,866,001
Payment of lease obligations		(331,468)		(202,940)
Payment of contingent consideration		-		(18,803)
Subsidiary shares:				-
Issuances to non-controlling interest, net of issuance costs		1,657,354		-
Net cash provided by (used in) financing activities, continuing operations	$	12,867,587	$	19,063,854
Net cash provided by (used in) financing activities, discontinued operations	$	(245,620)	$	(169,368)
Change in cash during the period		(2,834,527)		(3,203,294)
Cash, beginning of period		7,237,296		10,684,952
Effects of foreign exchange on cash		(616,272)		(244,362)
Cash, end of period, continuing operations		3,777,120		7,001,580
Cash, end of period, discontinued operations		9,376		235,715
Cash, end of period	$	3,786,497	$	7,237,296
		-		
Supplemental cash flow information				
Taxes paid		27,005		2,159
Interest paid		30,910		24,846
Interest received		108,390		40,336

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", on the Frankfurt Stock Exchange under the trading symbol "EP2", and in the United States of America on the OTCQX under the trading symbol "NEXCF".

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of Presentation

These consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2023.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting except for cash flow information. The preparation of these consolidated 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. Prior periods classification of expenses may have changed to conform with the current periods presentation.

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. The Company's wholly owned subsidiaries are NexTech AR Solutions USA LLC, AR Ecommerce LLC, Jolokia Corporation, Nextech AR Solutions PTE Ltd, Threedy.ai Inc, Arway Ltd, 1373221 B.C. Ltd., and 1373222 B.C. Ltd. The Company partially owns Arway Corporation (formerly 1000259749 Ontario Inc.) however, it displays power and control over the entity, resulting in Arway Corporation being consolidated into the financial statements with the non-controlling portion represented under non-controlling interest on the financial statements.

Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, except when otherwise indicated. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and Arway Corporation (Canada) is the Canadian dollar. The functional currency for NexTech AR Solutions USA LLC, AR Ecommerce LLC, Jolokia Corporation, Nextech AR Solutions PTE Ltd, Threedy.ai Ltd, and Arway Ltd is the United States dollar.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of comprehensive loss. For the Company's three US subsidiaries, all assets and liabilities are translated at the exchange rate on the reporting date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains or losses are included as other comprehensive loss in the statement of comprehensive loss.

Intangible Assets and Goodwill
Intangible assets are recognized and measured at cost. Intangible assets with finite useful lives are amortized using the straight-line method over the useful life of the asset. The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for intangible assets and any changes arising from the assessment are applied by the Company prospectively. The following table presents the Company's assessment of the useful lives of intangible assets:

Website	10 years
Customer relationships	5 – 10 years
Supplier relationships	5 – 10 years
Brand (Trademarks)	2 – 4 years
Technology	2 – 3 years

Goodwill is initially measured at cost, which is the excess of the cost of the business combination over the net fair value of the acquiree's identifiable assets and liabilities. Any negative difference is recognized directly in profit or loss.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating unit or group of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those segments.

Digital Assets
Digital assets consist of Bitcoin. The Company accounts for its digital assets as indefinite-lived intangible assets in accordance with IAS 38 Intangible Assets. The Company's digital assets are initially recorded at cost. Subsequently, they are measured at cost, net of any impairment losses incurred since acquisition.

If the carrying value of its bitcoin exceeds the market price, an impairment loss is recognized and recorded to profit or loss. The market price is measured using the quoted price on www.coinmarketcap.com ("CMC"). Coinmarketcap.com is a pricing aggregator as the principal market or most advantageous market is not always known. The Company believes any price difference amongst the principal market and an aggregated price to be immaterial.

Gains are realized upon sale, which is the difference between the sales price and carrying value of the specific bitcoins sold immediately prior to sale.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

The Company's determination to classify its holding of bitcoin as current assets is based on management's assessment that its bitcoin held can be considered to be a commodity, the availability of liquid markets to which the Company may sell a portion of its holdings and that the Company is actively selling its digital currencies in the near future to generate a profit from price fluctuations.

Impairment of non-financial assets
The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually, whether or not there is any indication that it may be impaired:

- an intangible asset with an indefinite useful life;
- an intangible asset not yet available for use; and
- goodwill recognized in a business combination.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of assets other than goodwill and intangible assets that have indefinite useful lives, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed in a subsequent period when there has been an increase in the recoverable amount of a previously impaired asset or CGU. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial Instruments
On initial recognition, a financial asset is classified as measured at: amortized cost; fair value in other comprehensive income ("FVOCI"); or fair value in profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial liabilities, are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired. In cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A single expected credit loss model is used for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition.

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued plus any liabilities incurred to the former owner. Assets acquired and liabilities assumed (including assets and liabilities of the acquiree not previously recognized) in the business combination are measured initially at fair value at the date of acquisition, irrespective of the extent of any minority interest. Goodwill is initially measured at cost being the excess of the purchase consideration of the business combination over the Company's share in the fair value of the acquiree's identifiable assets and liabilities. If the purchase consideration is less than the fair value of the identifiable net assets acquired, the difference is recognized directly in profit or loss.

Inventory
Inventory consists solely of finished goods. Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost basis. The realizable value of finished goods is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written down to net realizable value.

Equipment
Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses. Equipment is amortized on a straight-line basis over five years.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset. When parts of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. The cost of major overhauls of parts of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys this right the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or reassessment of a contract that contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Share-Based Payment Transactions

The Company grants stock options to purchase common shares of the Company as well as equity instruments representing common shares to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee, including directors of the Company. The fair value of the stock options granted is measured at grant date and each tranche is recognized on a graded basis over the vesting period. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense for unvested options is adjusted to reflect the number of the options that are expected to vest. If the options are forfeited subsequent to vesting or expire, the amount recorded to the reserves is transferred to deficit.

Revenue Recognition

The Company recognizes revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*. Revenue represents the fair value on consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. The Company generates revenue from the sale of renewable software licenses, technology services, and eCommerce products.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Renewable software licenses
The Company sells software licenses on a specified term basis, with customer held options for renewal where the proceeds are considered to relate to the right to use the asset over the license period therefore revenue is recognized over that period. If it is determined that the license is not distinct from other performance obligations, revenue is recognized over time as the customer simultaneously receives and consumes the benefit.

Technology Services
For virtual events and technology services, the Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the service is distinct from some or all of the other services in the arrangement. A service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct services are combined with other services until they are distinct as a bundle and therefore form a single performance obligation. Recognition of revenue from contracts for virtual events and technology services is recognized over time based on the progress towards satisfying performance obligations.

Contract Assets
Contract asset represents the revenue which has not been billed but are expected to be billed and collected from customers for provision of services to date, and is valued at estimated net realizable value. Billings in excess of time value incurred on work in progress, for which future services will be provided, are recognized as contract liabilities.

Deferred and unbilled revenue
The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled revenue within accounts receivable and other. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Deferred assets
Deferred assets represent the costs incurred for contracts in the period for which revenue has not been recognized. As some contracts require work to be performed up front, these costs are capitalized until the asset is transferred to the customer. For contracts where revenue is recognized systematically over time, the deferred costs are expensed in accordance with the revenue.

Loss per Share
The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Income Taxes
Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Critical Accounting Estimates and Judgments
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.

Accounting Estimates
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 and include, but are not limited to, the following:

<u>Carrying value and recoverability intangible assets</u>
The Company has determined that intangible assets that are capitalized may have future economic benefits and may be economically recoverable. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market condition and useful lives of assets.

<u>Recovery of deferred tax assets</u>
The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. Any changes to the timing of the realization or settlement of these items could impact their value.

<u>Share-based payments</u>
Management is required to make a number of estimates when determining the fair value of the payments resulting from share-based transactions, including the forfeiture rate and expected life of the instruments.

<u>Revenue recognition</u>
The Company derives its revenue from provision of technology services for virtual events which include the grant to use licenses, set up of the events, and IT support services. The assessment of whether such services are separately identifiable performance obligations and the allocation of the total price among the performance obligations requires judgement from management.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Critical Accounting Judgments
Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to:

Going concern
The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and the expenses and the statement of financial position classifications used. For the year ended December 31, 2022, the Company generated a net loss and negative operating cash flow. These factors give rise to material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows from operations and/or to obtain additional financing. Management is of the opinion that sufficient funds will be obtained from operations and/or from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that cash flows from operations or additional financing will not be available on a timely basis or on terms acceptable to the Company.

Business combinations
The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits.

Business combination versus asset acquisition
The Company considered the applicability of IFRS 3 – Business Combination ("IFRS 3") with respect to the acquisitions. IFRS 3 defines a business as an integrated set of activates and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income or generating other income from ordinary activities.

Research and development costs
Research costs are recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38, Intangible Assets. Management has determined that development costs do not meet the conditions for capitalization under IAS 38 and all research and development costs have been expensed.

New Standards, Interpretations and Amendments Adopted by the Company
Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after November 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2021 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022. The Company is currently assessed the impact of the amendment in the financial statements.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022. The Company assessed there is no impact of this standard to the Company this year.

IAS 8- Definition of Accounting Estimates (Amendments to IAS 8). The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 1 - Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual periods beginning on January 1, 2023.

3. Cash and Cash equivalent

On December 31, 2022, the Company held $1,676,981 in Guaranteed Investments Certificates (GIC) with an interest rate of 1.82%.

(Expressed in Canadian dollars)

4. RECEIVABLES

	December 31, 2022	December 31, 2021
Trade receivables	$ 538,863	$ 574,609
Other receivables	133,718	465,518
GST receivable	71,750	41,037
	$ 744,331	$ 1,081,164

5. PREPAID EXPENSES

	December 31, 2022	December 31, 2021
Prepaid Inventory	$ -	$ 24,811
Prepaid expenses	310,906	724,663
	$ 310,906	$ 749,474

6. 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.

(Expressed in Canadian dollars)

7. EQUIPMENT

		Computer Equipment		Trade Show Equipment		Office Furniture and Equipment		Total
Costs								
December 31, 2020	$	209,233	$	16,440	$	204,184	$	429,857
Additions		155,457		-		23,315		178,772
Acquisition of Threedy.ai		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		96,763		-		5,021		101,784
Write-off		(22,253)		-		(91,531)		(113,784)
Effects of movement in exchange rates		16,680		(0)		35,298		51,978
December 31, 2022	$	461,264	$	16,440	$	200,549	$	678,253
Accumulated depreciation								
December 31, 2020	$	40,749	$	9,043	$	79,507	$	129,299
Additions		79,533		3,288		50,324		133,145
Acquisition of Threedy.ai		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		91,057		3,288		49,222		143,567
Write-off		(10,899)		-		(30,942)		(41,841)
Effects of movement in exchange rates		32,892		-		4,139		37,031
December 31, 2022	$	233,893	$	15,619	$	150,278	$	399,790
Net book value								
December 31, 2021	$	249,231	$	4,109	$	123,902	$	377,242
December 31, 2022	$	227,371	$	821	$	50,271	$	278,463

(Expressed in Canadian dollars)

8. LEASES

The company entered into long-term lease agreements for warehouse space, store space, and office space with lease terms ranging from 2-8 years. The present value of future lease payments was measured using an incremental borrowing rate of 6% annum. The right of use asset is as follows:

Right of use assets		**Total**
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		(261,101)
Effects of movement in exchange rates		11,060
At December 31, 2022	$	829,278

Lease obligations		**Total**
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		(28,668)
Lease payments		(360,136)
Effects of movement in exchange rates		116,528
At December 31, 2022	$	804,836
Current	$	222,250
Non-current		582,586
At December 31, 2022	$	804,836

The maturity analysis of the lease liabilities as at December 31, 2022 is as follows:

Maturity Analysis		**December 31, 2022**
Less than one year	$	205,152
One to five years		787,083
Over five years		104,313
Total undiscounted lease liabilities	$	1,096,548
Amount representing implicit interest		(291,712)
At December 31, 2022	$	804,836

Interest expense for the year ended December 31, 2022 was $28,668 (2021 - $18,288).

(Expressed in Canadian dollars)

9. INTANGIBLE ASSETS

	Customer relationship	Supplier relationship	Brand	Technology	Goodwill	Total
Costs						
December 31, 2020	$ 1,438,247	$ 314,744	$ 1,144,829	$ 1,530,787	$ 4,886,513	$ 9,315,120
Acquisition of Threedy.ai	-	-	-	4,179,960	3,367,328	7,547,288
Acquisition of ARway	-	-	-	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)	(2,619,949)	(4,923,633)
Disposals	-	-	-	(709,903)	-	(709,903)
Effects of movement in exchange rates	90,002	5,142	14,547	394,256	575,798	1,079,745
December 31, 2022	$ 1,280,367	$ -	$ 122,205	$ 5,486,434	$ 6,746,378	$ 13,635,384
Accumulated depreciation						
December 31, 2020	$ 186,176	$ 63,254	$ 599,064	$ 80,072	$ -	$ 928,566
Additions	303,698	30,769	175,968	1,539,712	-	2,050,147
December 31, 2021	$ 489,874	$ 94,023	$ 775,032	$ 1,619,784	$ -	$ 2,978,713
Additions	280,253	15,928	171,918	2,187,553	-	2,655,652
Impairment of intangible assets	(137,230)	(110,523)	(854,916)	(642,538)	-	(1,745,207)
Disposals	-	-	-	(272,119)	-	(272,119)
Effects of movement in exchange rates	(17,268)	572	1,529	(26,607)	-	(41,774)
December 31, 2022	$ 615,629	$ -	$ 93,563	$ 2,866,073	$ -	$ 3,575,265
Net book value						
December 31, 2021	$ 942,272	$ 219,386	$ 367,249	$ 4,891,027	$ 8,790,529	$ 15,210,463
December 31, 2022	$ 664,738	$ -	$ 28,642	$ 2,620,361	$ 6,746,378	$ 10,060,119

(Expressed in Canadian dollars)

9. 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 announced the plan to sell of infinitepetlife.com (see Note 15) therefore the assets were written down proceeds less cost to sell, resulting in a total value of $0 for intangible assets.

On October 26, 2022 the Company completed the spin out of Arway Corporation ("Arway") which began trading on the CSE under the ticker symbol: ARWY. Arway is a no-code spatial mapping platform for the metaverse. The Company was incorporated under the Business Corporations Act (Ontario). The Company's registered and head office is located at 121 Richmond Street West, Suite 501, Toronto, ON, Canada, M5H 2K1. As part of this transaction Arway issued a total of 26,629,552 shares in exchange for cash and intangible assets. The Company transferred a fair value of $5,000,000 of intangible assets in exchange for 19,999,900 shares of Arway Corporation and derecognized the outstanding net book value of $448,293 of intangibles and $485,872 of goodwill from the initial acquisition of ARway Ltd. (UK) in August 2021. The remaining 6,629,552 shares were issued at a subscription price of $0.25 per share for gross proceeds of $1,657,389.

The Company distributed 4,000,000 of the 19,999,900 shares of Arway to its shareholders on a pro rata basis and is reflected on the consolidated statements of changes in shareholders' equity, and transferred 3,000,000 shares as compensation for current and existing liabilities and expensed on the consolidated statements of comprehensive loss. As of December 31, 2022 the Company holds 13,000,000 shares of the shares of Arway Corporation. The proportion of ownership interests held by non-controlling interests is 51.2%.

Summarised financial information relating to ARWay that are material to the Group before any intra-group eliminations is shown below:

	Year ended December 31, 2022	Year ended December 31, 2021
	ARWay	ARWay
Current assets	$ 1,381,290	$ -
Non-current assets	4,972,222	-
Current Liabilities	(23,262)	-
Net assets	6,330,251	-
Revenue	5,122	-
Net loss after taxes	$ (627,664)	-

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.

(Expressed in Canadian dollars)

The goodwill balance, as at December 31, 2022, consists of the goodwill acquired from acquisitions noted above and includes the currency translation adjustment for the year ended December 31, 2022 of $1,121,519 (2021 - $200,236). 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, 2022, 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.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2022		December 31, 2021
Accounts payable	$	1,218,898	$	1,803,450
Accrued liabilities		1,423,020		955,567
	$	2,641,918	$	2,759,017

11. SHARE CAPITAL

Authorized

As at December 31, 2022 and 2021 the authorized share capital of the Company was an unlimited number of common shares.

Share Capital

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

- issued 1,454,420 shares with a fair value of $1,313,971 for shares for services
- issued 2,972,176 shares with a fair value of $2,496,628 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.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

Share purchase warrants

	Number		Weighted Average Exercise Price
Balance, as at December 31, 2020	3,339,891	$	3.23
Granted	3,258,326		5.59
Exercised	(2,186,952)		(0.86)
Balance, as at December 31, 2021	4,411,265	$	4.00
Granted	15,892,597		1.23
Expired/Cancelled	(3,616,002)		0.84
Balance as at December 31, 2022	16,687,860	$	1.69

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 1.69 years. 650,507 broker warrants were granted for the year ended December 31, 2022 (2021 – 445,529). The broker warrants have been valued at an aggregate $21,722 (2021 - $718,523) using the Black-Scholes option pricing model with the following assumptions:

Weighted average	Year ended December 31, 2022	Year ended December 31, 2021
Risk free interest rate	1.17%	0.83%
Expected life of warrants in years	2 years	2 years
Expected dividend yield	0%	0%
Expected stock volatility	123%	126%
Fair value per warrant	$ 0.86	$ 2.65

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

Warrants

Date Issued	Expiry Date		Exercise Price	Number Outstanding
April 8, 2021	April 8, 2023	Private placement warrants	$6.00	1,500,750
April 8, 2021	April 8, 2023	Broker warrants	$5.00	203,105
November 3, 2021	November 3, 2023	Private placement warrants	$1.92	1,515,152
November 3, 2021	November 3, 2023	Broker warrants	$2.06	242,424
January 25, 2022	January 25, 2025	Private placement warrants	$1.54	8,130,082
January 25, 2022	January 25, 2023	Broker warrants	$1.54	650,407
July 13, 2022	July 13, 2023	Private placement warrants	$0.84	4,445,939
Balance				**16,687,859**

Stock options

	Number		Weighted Average Exercise Price
Balance, as at December 31, 2020	5,868,000	$	3.55
Granted	2,234,000		2.91
Forfeited/Expired/Cancelled	(3,432,100)		(4.13)
Exercised	(745,000)		(0.62)
Balance, as at December 31, 2021	3,924,900	$	2.69
Granted	29,789,649		0.73
Forfeited/Expired/Cancelled	(17,761,052)		1.14
Exercised	-		-
Balance as at December 31, 2022	15,953,497	$	0.09

The weighted average remaining life of the outstanding stock options is 4.02 years.

The fair value of all options granted is estimated on the grant date using the Black-Scholes option pricing model. During the year $1,715,690 (2021 - $5,030,449) was recognized as stock based compensation.

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

Weighted average	Year ended December 31, 2022	Year ended December 31, 2021
Risk free interest rate	2.43%	1.43%
Expected life of options in years	4.50	3
Expected dividend yield	0%	0%
Expected stock option volatility	123%	142%
Fair value per option	$0.75	$1.23

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

The weighted trading average price of the Company's shares on the date the options were exercised is nil for the year ended December 31, 2022 (2021 - $2.40).

Date Granted	Expiry Date	Exercise Price	Number Outstanding	Number Exercisable
December 11, 2020	December 11, 2023	6.51	2,000	1,600
November 1, 2021	November 1, 2024	1.92	25,000	10,000
April 5, 2022	April 5, 2025	1.5	996,345	996,345
May 20, 2022	May 20, 2025	0.5	100,000	-
June 20, 2022	June 20, 2025	0.55	14,765,152	-
November 1, 2022	November 1, 2025	1.23	65,000	65,000
Balance			**15,953,497**	**1,072,945**

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

	Year ended December 31, 2022	Year ended December 31, 2021
Cost of sales	2,904	$ 137,139
General and administrative	1,568,463	3,439,890
Research and development	110,232	487,037
Sales and marketing	34,091	966,383
	$ 1,715,690	$ 5,030,449

Stock-based compensation out of period fourth quarter adjustment

Included in the stock-based compensation expense for the year-ended December 31, 2022 is an out of period adjustment recorded in the fourth quarter of 2022 of $1,245,214 reflecting a correction of prior a period non-material error. Had the error been recorded in the correct corresponding periods, stock-based compensation expense for the year-ended December 31, 2022 would have been $2,599,464 (2021 - $2,901,461).

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company entered into a number of transactions with key management personnel and entities wholly owned by those 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:

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		Year ended December 31, 2022		Year ended December 31, 2021
Remuneration for services	$	1,359,544	$	553,739
Share-based payments		1,713,250		343,433
	$	3,072,794	$	897,172

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

Related party assets (liabilities)		December 31, 2022		December 31, 2021
Key management personnel	$	(227,867)	$	(25,489)

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

On July 9th, 2021 the company issued a forgivable loan in the aggregate amount of $1,244,410 to two newly hired employees and included in Receivables on the Statements of Financial Position. The loan is to be forgiven with the condition of continued employment services to be provided to the Company with half of the amount forgiven on November 25th, 2021 and the remaining on June 25th, 2023. For the year ended December 31, 2021 the Company had forgiven half of the amount and expensed an additional 6 months of services in the amount of $202,698 to reflect a proration of the forgiveness condition. For the year ended December 31, 2022 the Company has forgiven an additional 12 months of services in the amount of $285,789. The loan is fully secured with interest bearing at market rates and is to be repaid in full within three years less amounts forgiven per conditions noted.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table presents a disaggregation of revenue by service:

		Year ended December 31, 2022		Year ended December 31, 2021
Technology services	$	180,296	$	5,255,451
Renewable software licenses		2,849,171		1,394,070
Other revenue		195,324		40,328
	$	3,224,791	$	6,689,849

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

The renewable software licenses revenue stream has one major customer who contributes 22% ($711,353) of total revenue in the 2022 financial year (2021 – nil).

Deferred Revenue

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

(Expressed in Canadian dollars)

13. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

	Year ended December 31, 2022	Year ended December 31, 2021
Deferred revenue, beginning	$ 609,001	$ 383,022
Revenue recognized that was included in deferred revenue	(520,772)	(383,022)
Amount received for revenue unearned	349,517	609,001
Deferred revenue, ending	$ 437,746	$ 609,001
Current	437,746	609,001
Non-current	-	-
Deferred revenue, ending	$ 437,746	$ 609,001

Contract assets

	Year ended December 31, 2022	Year ended December 31, 2021
Contract assets, beginning	$ 386,202	$ 244,478
Contract assets, billed over the period	(109,432)	(188,845)
Contract assets additions related to technology services	55,427	330,569
Contract assets, ending	$ 332,197	$ 386,202
Current	332,197	386,202
Non-current	-	-
Contract assets, ending	$ 332,197	$ 386,202

14. EXPENSES BY NATURE

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

Cost of sales	Year ended December 31, 2022	Year ended December 31, 2021
Salaries, wages, and commissions	1,501,546	4,788,226
Consulting fees	63,437	-
Employee benefits	28,093	33,095
	$ 1,593,076	$ 4,821,321

Salaries, wages, and benefits specific to cost of sales for technology services were unmeasurable for acquired companies in prior years. It is impracticable for management to determine the cost of sales in prior year due to the lack of information available. As such, there is no amount reflected for salaries and wages or employee benefits for the year ended December 31, 2021.

(Expressed in Canadian dollars)

14. EXPENSES BY NATURE (continued)

Sales and marketing

Sales and marketing		Year ended December 31, 2022		Year ended December 31, 2021
Advertising	$	763,484	$	1,839,177
Consultant fees		573,930		3,169,132
Salaries, wages, and commissions		1,974,032		3,727,671
Employee benefits		71,281		123,937
Investor relations		923,072		756,377
Management fees		289,911		224,345
Software and other expense		417,657		596,884
	$	5,013,367	$	10,437,523

General and administrative

General and administrative		Year ended December 31, 2022		Year ended December 31, 2021
Compliance fees	$	876,500	$	383,420
Salaries and wages		5,453,251		4,237,361
Consultant fees		216,606		56,840
Employee benefit		757,562		1,035,523
Management fees		1,994,845		631,256
Office, general, and other		1,047,312		720,999
Computer, software, and maintenance		1,162,529		705,617
Professional fees		1,868,970		1,912,295
	$	13,377,575	$	9,683,311

Research and Development

Research and development		Year ended December 31, 2022		Year ended December 31, 2021
Salaries and wages	$	1,751,162	$	3,718,256
Employee benefits		81,076		225,250
Consultant fees		1,342,478		1,898,317
Platform, maintenance, and other		717,492		767,648
	$	3,892,208	$	6,609,471

(Expressed in Canadian dollars)

15. DISPOSAL GROUP HELD FOR SALE

On July 22, 2022, management made the decision to close its eCommerce operations. As part of this plan, management committed 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.

In the fourth quarter of 2022, management discontinued its vacuumcleanermarket.com and Trulyfe product lines. As part of this, an impairment loss of $1,166,110 was booked related to impairment of intangible assets and goodwill. In 2021, management discontinued operations of Next Level Ninjas which was part of the eCommerce operations. For comparative purposes, the results of Next Level Ninjas are included below.

At December 31, 2022, the disposal group designated as held for sale, Infinite Pet Life, comprised of the following assets and liabilities:

Assets of disposal group held for sale		
Cash and cash equivalents	$	9,376
Receivables		66,960
Prepaid expenses		29,825
Inventory		389,467
Right-of-use asset		-
Intangible assets		5,559
Assets of disposal group held for sale	$	501,188
Liabilities associated with assets of disposal group held for sale		
Accounts payable	$	92,532
Lease liability		-
Liabilities associated with assets of disposal group held for sale	$	92,532

(Expressed in Canadian dollars)

15. DISPOSAL GROUP HELD FOR SALE (continued)

Revenue and expenses, and gains and losses relating to the discontinued operations, Infinite Pet life, Vacuum Cleaner Market and Next Level Ninjas, were removed from the results of continuing operations for the year ended December 31, 2022 and December 31, 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:

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue	$ 8,267,178	$ 19,245,131
Cost of revenue	(5,169,781)	(11,275,091)
Gross profit (loss)	3,097,397	7,970,040
Operating expenses		
Sales and marketing	2,204,939	6,377,521
General and administrative	1,935,590	4,197,779
Research and development	-	2,789
Depreciation	20,637	18,412
Right of use amortization	184,196	161,318
	$ 4,345,362	$ 10,757,819
Foreign exchange gain	93,146	48
	$ 93,146	$ 48
Net income (loss) from discontinued operations	(1,341,111)	(2,787,827)
Exchange differences on translating foreign operations, discontinued operations	(310,905)	43,715
Comprehensive income (loss) from discontinued operations	$ (1,652,016)	$ (2,744,112)

The revenue for twelve months ended December 31, 2022 includes $666,796 of forgiven intercompany loans for Infinite Pet Life.

16. INCOME TAXES

The provision for income tax (recovery)/expense are as follows:

	December 31, 2022	December 31, 2021
Current income tax expense/(recovery)		
Current period	34,963	14,758
Adjustment in respect of prior periods	(27)	13,755
Effect of change in income tax rates	-	-
	-	-
Deferred income tax expense/(recovery)	-	-
Current period	(672,148)	(203,579)
Adjustment in respect of prior periods	-	-
Effect of change in income tax rates	-	-
Provision for income taxes	(637,211)	(175,067)

(Expressed in Canadian dollars)

16. INCOME TAXES (continued)

The reconciliation of the expected provision for income tax (recovery)/expense to the actual provision for income tax (recovery)/expense reported in the consolidated statements of operations and comprehensive earnings are as follows:

	December 31, 2022	December 31, 2021
Earnings (loss) before income taxes	(26,674,426)	(30,041,613)
Canadian statutory income tax rate	27.00%	27.00%
Expected income tax expense	(7,202,095)	(8,111,236)
Permanent differences	(353,507)	878,195
Difference in foreign tax rates	470,569	485,995
Provision for uncertainty / valuation allowance	7,137,725	7,106,563
Current tax - True up	(27)	13,755
Deferred tax - True up	(91,889)	(511,320)
Other	(597,988)	(37,020)
Provision for income tax expense	(637,211)	(175,067)

The change in the year in the significant components of the Company's deferred income tax assets and liabilities are as follows:

	December 31, 2022	December 31, 2021
Deferred tax asset (liabilities)		
Share issue costs	709,468	667,265
Non-Capital losses - US	4,241,757	4,096,649
Non-Capital losses - Canada	12,632,908	9,560,692
Property and equipment	1,955,552	1,370,831
Intangible assets	(699,426)	(62,792)
Bad Debts	358	3,512
Accrued Expenses	67,930	54,920
Charitable Donations	-	7,694
Right of Use Lease Asset	-	(221,077)
Right of Use Lease Liability	-	217,884
SR&ED Expenditure Pool	63,575	-
Unrealized Foreign Exchange	7,635	46,950
Total Deferred tax liabilities	18,979,756	15,742,528
Unrecognized deferred tax assets	(19,009,730)	(16,454,742)
Net deferred tax assets (liabilities)	(29,974)	(712,215)

The amount of deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognized in the statement of financial position are as follows:

(Expressed in Canadian dollars)

16. INCOME TAXES (continued)

	December 31, 2022	December 31, 2021
Temporary differences		
Property, plant, and equipment	7,242,787	5,077,152
Intangible assets	(2,479,454)	2,405,269
Share issue costs	2,627,659	2,471,353
Non-capital losses available for future period - Canada	46,788,548	35,409,969
Non-capital losses available for future period - US	20,198,841	15,172,773
Other	516,654	406,975
Total unrecognized temporary differences	74,895,034	60,943,490

IFRS requires that the Company assess whether it is probable that it will realize the benefits of its deferred tax assets based on consideration of all available evidence. The factors the Company uses to assess the likelihood of realization are its history of losses, forecasts of future pre-tax income, and tax planning strategies that could be implemented to realize the deferred tax assets.

The Company has the following tax-loss carry-forwards and tax credits that are expected to expire in the following years, if not utilized.

Expiry Period	Tax Losses-Canada	Tax Losses - US
2022		
2023		
2024		
2025		-
2026		-
2026		-
2027		-
2028		-
2029		-
2030		-
2031		-
2032		-
2033		-
2034		-
2035		-
2036		-
2037		-
2038	449,775	-
2039	3,539,356	-
2040	15,288,164	
2041	16,233,751	
2042	11,277,502	
Indefinite		20,198,841
Total	46,788,548	20,198,841

17. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

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

Credit Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's main source of cash resources is through equity financing. The Company's financial obligations are limited to its current liabilities which have contractual maturities of less than one year. The Company manages liquidity risk as part of its overall "Management of Capital" as described below.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and a portion of the Company's expenses are incurred in U.S. dollars ("USD"). A significant change in the currency exchange rates between the Canadian dollar relative to the USD could affect the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at December 31, 2022, the Company is exposed to currency risk through cash, accounts receivable and accounts payable denominated in USD. A 10% change in exchange rate could increase/decrease the Company's net loss by $264,406.

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. We do have interest rate risk related to our credit facilities. Our operating line of credit is not utilized but our rates are variable tied to Royal Bank prime rate and Royal Bank base rate.

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 December 31, 2022, the Company's financial instruments were classified as at 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.

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

19. SUBSEQUENT EVENT

On January 31, 2023, the Company raised $3,000,000 (net proceeds of $2,696,009 after $303,991 of share issuance costs) in total gross proceeds and issued 3,614,457 Common Shares and Warrants to purchase up to an aggregate of 3,614,457 Common Shares at a purchase price of CAD$0.83 per Common Share and associated Warrant. Each Warrant entitles the holder to purchase one Common Share at an exercise price of CAD$1.03 for a period of four years following the issuance date.

On March 9, 2023 the Company entered into an agreement for the sale of the assets of Infinite Pet, LLC for a purchase price of $150,000.