



nextech AR

s o l u t i o n s

Condensed Consolidated Interim Financial Statements of

NexTech AR Solutions Corp.

Three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity's auditor.

NexTech AR Solutions Corp.

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

	March 31, 2023	December 31, 2022
Assets		
Current assets		
Cash & cash equivalents (Note 3)	\$ 3,502,217	\$ 3,777,117
Receivables (Note 4)	941,071	744,331
Deferred asset (Note 6)	267,922	256,818
Contract asset (Note 13)	253,474	332,197
Prepaid expenses (Note 5)	393,394	310,906
Inventory	-	45,289
Non current assets held for sale		501,188
	5,358,078	5,967,846
Non-current assets		
Equipment (Note 7)	200,754	278,463
Deferred consideration (Note 15)	205,230	-
Right of use asset (Note 8)	778,351	829,278
Intangible assets (Note 9)	2,816,471	3,313,741
Goodwill (Note 9)	6,624,776	6,746,378
Total assets	\$ 15,983,660	\$ 17,135,706
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 2,750,665	\$ 2,641,918
Deferred revenue (Note 13)	539,312	437,746
Lease liability (Note 8)	157,994	222,250
Liabilities associated with assets held for sale		92,532
	3,447,971	3,394,446
Non-current liabilities		
Lease liability (Note 8)	591,142	582,586
Deferred income tax liability	(69,373)	29,974
Loan payable	-	-
Total liabilities	3,969,740	4,007,006
Shareholders' Equity		
Share capital (Note 11)	86,931,638	83,271,707
Reserves	14,380,369	12,754,706
Accumulated Other Comprehensive Income	730,653	827,101
Shareholder's equity attributable to Nextech shareholders	(91,763,291)	(85,898,862)
Total common shareholders' equity	10,279,369	10,954,652
Non controlling interest	1,734,551	2,174,048
Total equity	12,013,920	13,128,700
Total liabilities and shareholders' equity	\$ 15,983,660	\$ 17,135,706

Nature of Operations (Note 1)

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board of Directors

"Evan Gappelberg" , Director

"Belinda Tyldesley" , Director

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended March 31, 2023	Three months ended March 31, 2022
Revenue (Note 13)	\$ 1,301,194	\$ 510,211
Cost of sales (Note 14)	(767,308)	(254,483)
Gross profit	533,886	255,728
Operating expenses:		
Sales and marketing (Note 14)	1,650,308	1,652,708
General and administrative (Note 14)	2,591,629	3,021,987
Research and development (Note 14)	879,904	1,027,194
Stock based compensation (Note 11)	1,170,671	578,805
Amortization (Note 9)	530,659	373,594
Depreciation (Note 7)	29,331	31,659
Right of use amortization (Note 8)	55,846	19,226
	6,908,348	6,705,173
Other expense (income)		
Loss (gain) on disposition (Note 15)	194,979	-
Impairment of goodwill (Note 15)	184,097	-
Foreign exchange gain (loss)	(93,962)	441,880
	285,114	441,880
Loss before income taxes	(6,659,576)	(6,891,325)
Current income tax expense	(9,020)	(7,128)
Deferred income tax recovery	104,667	37,462
Net loss from operations	\$ (6,563,929)	\$ (6,860,991)
Income (loss) from discontinued operations	\$ -	\$ (589,241)
Other comprehensive loss		
Exchange differences on translating foreign operations, continuing operations	(96,448)	-
Exchange differences on translating foreign operations, discontinued operations		(24,687)
Total comprehensive loss	\$ (6,660,377)	\$ (7,474,919)
Non controlling interests	(699,499)	-
Total comprehensive loss attributable to Nextech shareholders	\$ (5,960,878)	\$ (7,474,919)
Income (loss) per common share		
Basic and diluted loss per common share, continuing operations	(0.06)	(0.07)
Basic and diluted loss per common share, discontinued operations		(0.01)
Weighted average number of common shares outstanding	106,925,657	97,550,931
Basic and diluted		

See accompanying notes to condensed consolidated interim financial statements.

NexTech AR Solutions Corp.

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

	Number of shares	Share capital	Reserves	Deficit	Accumulated Other Comprehensive Income	Non-controlling interest	Total
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
Shares for employee pay program	2,091,998	1,579,220	309,593	-	-	-	1,888,813
Treasury shares	-	(252,366)	-	-	-	-	(252,366)
Shares issued from short form prospectus	3,614,457	2,783,132	216,867	-	-	-	2,999,999
Stock based compensation	-	-	948,126	-	-	222,545	1,170,671
Share issuance costs	-	(450,056)	101,787	-	-	-	(348,269)
Translation of foreign operations	-	-	-	-	(96,448)	-	(96,448)
Other net changes in capitalization	-	-	49,290	-	-	37,458	86,748
Net loss, operations	-	-	-	(5,864,429)	-	(699,500)	(6,563,929)
Balance as at March 31, 2023	109,143,924	\$ 86,931,638	\$ 14,380,369	\$ (91,763,291)	\$ 730,653	\$ 1,734,551	12,013,920

See accompanying notes to condensed consolidated interim financial statements.

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended March 31, 2023	Three months ended March 31, 2022
Cashflows from operating activities		
Net loss, continuing operations	\$ (6,563,929)	\$ (6,860,991)
Net loss, discontinuing operations	-	(589,241)
Items not affecting cash		
Amortization of intangible assets	531,458	728,378
Deferred income tax recovery	-	(138,933)
Impairment of intangible assets & goodwill	184,097	-
Amortization of right to use asset	55,846	63,082
Depreciation of property and equipment	29,331	37,117
Employee pay program	309,593	717,066
Treasury shares for employee pay program	(252,366)	-
Stock based compensation	1,170,671	578,805
Write off equipment	85,679	-
Deferred consideration receivable on sale of PET	(205,230)	-
Changes in non-cash working capital balances		
Receivables	(129,780)	62,150
Deferred asset	(11,104)	-
Contract asset	78,723	261,220
Prepaid expenses	(52,663)	(145,331)
Inventory	434,756	861,905
Accounts payable and accrued liabilities	16,218	(848,858)
Deferred revenue	101,566	13,897
Deferred tax liability	(99,347)	-
Cashflows from operating activities, continuing operations	\$ (4,316,481)	\$ (5,841,560)
Cashflows from operating activities, discontinued operations	-	581,826
Cashflows from investing activities		
Purchase of equipment	(29,000)	(46,553)
Interest on lease liability	(6,823)	(6,712)
Net cash provided by (used in) investing activities, continuing operations	\$ (35,823)	\$ (48,071)
Net cash provided by (used in) investing activities, discontinued operations	-	(5,194)
Cashflows from financing activities		
Proceeds from Employee Pay Program	1,579,220	-
Proceeds from private placement, net of issuance costs	2,651,730	8,936,496
Payment of lease obligations	(131,499)	(73,398)
Issuances to non controlling interest, net of issuance costs	86,748	-
Net cash provided by (used in) financing activities, continuing operations	\$ 4,186,199	\$ 8,936,496
Net cash provided by (used in) financing activities, discontinued operations	-	(73,398)
Change in cash during the period	(166,105)	3,550,099
Cash, beginning of period	3,786,493	7,237,296
Effects of foreign exchange on cash	(118,171)	(5,620)
Cash, end of period, continuing operations	3,502,217	10,610,765
Cash, end of period, discontinued operations	-	171,010
Cash, end of period	\$ 3,502,217	\$ 10,781,775
Supplemental cash flow information		
Taxes paid	800	-
Interest paid	5,467	9,550
Interest received	33,789	11,830

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE OF OPERATIONS

NexTech AR Solutions Corp. (“NexTech” or the “Company”), a Metaverse Company, provides augmented reality experience technologies, wayfinding technologies, and 3D model services. On June 16, 2022 the Company announced the winding down of its eCommerce businesses to focus on augmented reality solutions. The Company was incorporated in the province of British Columbia, Canada on January 12, 2018. The Company’s registered and head office is located at PO Box 64039 RPO Royal Bank Plaza, Toronto, Ontario, M5J 2T6.

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 unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2022.

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 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 period ended March 31, 2023, 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.

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited consolidated financial statements for the period ended December 31, 2022. Prior periods classification of expenses may have changed to conform with the current periods presentation. The unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 18, 2023.

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

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, Threedy.ai Inc, Arway Ltd, Toggle3D.ai Inc., 1400330 B.C. Ltd., and 1383947 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.

3. CASH AND CASH EQUIVALENT

On March 31, 2023, the Company held \$1,662,500 in Guaranteed Investments Certificates (GIC) with an annual interest rate of 4.7% compared to \$1,676,981 as at December 31, 2022.

4. RECEIVABLES

	March 31, 2023	December 31, 2022
Trade receivables	\$ 862,949	\$ 538,863
Other receivables	30,793	133,718
GST receivable	47,329	71,750
	\$ 941,071	\$ 744,331

5. PREPAID EXPENSES

	March 31, 2023	December 31, 2022
Prepaid Inventory	\$ -	\$ -
Prepaid expenses	393,394	310,906
	\$ 393,394	\$ 310,906

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.

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Cash Flows
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7. EQUIPMENT

	Computer Equipment	Trade Show Equipment	Office Furniture and Equipment	Total
Costs				
December 31, 2021	\$ 513,295	\$ 16,440	\$ 241,541	\$ 771,276
Additions	96,763	-	5,021	101,784
Asset write-offs	(22,253)	-	(91,531)	(113,784)
Effects of movement in exchange rates	16,680	-	35,298	51,978
December 31, 2022	\$ 604,485	\$ 16,440	\$ 190,329	\$ 811,254
Additions	26,378	-	2,622	29,000
Write-off	(156,352)	(16,440)	(122,908)	(295,700)
Effects of movement in exchange rates	9,570	-	1,871	11,441
March 31, 2023	\$ 484,081	\$ -	\$ 71,914	\$ 555,995
Accumulated depreciation				
December 31, 2021	\$ 243,110	\$ 12,331	\$ 138,593	\$ 394,034
Additions	91,057	3,288	49,222	143,567
Asset write-offs	(10,899)	-	(30,942)	(41,841)
Effects of movement in exchange rates	32,892	-	4,139	37,031
December 31, 2022	\$ 356,160	\$ 15,619	\$ 161,012	\$ 532,791
Additions	20,266	821	8,243	29,330
Write-off	(81,109)	(16,440)	(112,472)	(210,021)
Effects of movement in exchange rates	2,426	-	714	3,140
March 31, 2023	\$ 297,743	\$ -	\$ 57,616	\$ 355,240
Net book value				
December 31, 2022	\$ 248,325	\$ 821	\$ 29,317	\$ 278,463
March 31, 2023	\$ 186,337	\$ -	\$ 14,298	\$ 200,754

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

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, 2021	\$ 1,079,319
Additions	-
Amortization	(261,101)
Effects of movement in exchange rates	11,060
At December 31, 2022	\$ 829,278
Additions	-
Amortization	(55,846)
Effects of movement in exchange rates	4,919
At March 31, 2023	\$ 778,351

Lease obligations	
	Total
Balance, December 31, 2021	\$ 1,077,112
Additions	-
Interest expense	(28,668)
Lease payments	(360,136)
Effects of movement in exchange rates	116,528
At December 31, 2022	\$ 804,836
Interest expense	(6,823)
Lease payments	(67,243)
Effects of movement in exchange rates	18,366
At March 31, 2023	\$ 749,136

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

Maturity Analysis	March 31, 2023
Less than one year	\$ 138,575
One to five years	792,295
Over five years	105,004
Total undiscounted lease liabilities	\$ 1,035,874
Amount representing implicit interest	(286,738)
At March 31, 2023	\$ 749,136

Interest expense for the three months ended March 31, 2023 was \$6,823 (2022 - \$6,712).

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

9. INTANGIBLE ASSETS

	Customer relationship	Supplier relationship	Brand	Technology	Goodwill	Total
Costs						
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
Additions	-	-	-	-	-	-
Impairment of intangible assets & goodwill	-	-	-	-	(184,097)	(184,097)
Disposals	-	-	-	-	-	-
Effects of movement in exchange rates	8,478	-	3,669	21,242	62,495	95,884
March 31, 2023	\$ 1,288,845	\$ -	\$ 125,874	\$ 5,507,676	\$ 6,624,776	\$ 13,547,171
Accumulated depreciation						
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
Additions	64,443	-	10,490	455,726	-	530,659
Impairment of intangible assets	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Effects of movement in exchange rates	-	-	-	-	-	-
March 31, 2023	\$ 680,072	\$ -	\$ 104,053	\$ 3,321,799	\$ -	\$ 4,105,924
Net book value						
December 31, 2022	\$ 664,738	\$ -	\$ 28,642	\$ 2,620,361	\$ 6,746,378	\$ 10,060,119
March 31, 2023	\$ 608,773	\$ -	\$ 21,821	\$ 2,185,877	\$ 6,624,776	\$ 9,441,247

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)
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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 16) 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. 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.

Goodwill

The goodwill balance, as at March 31, 2023, consists of the goodwill acquired from acquisition of AR Ecommerce LLC, Jolokia and Map Dynamics, Threedly.ai and Arway Ltd. and includes the currency translation adjustment for the three months ended March 31, 2023 of \$54,109 (2022 – (\$119,702)). The Company estimated the recoverable amount based on the value-in-use method of the cash-generating units that the goodwill contributes to was higher than the carrying value at October 1, 2022. The sale of legacy eCommerce operations resulted in a goodwill impairment of \$ \$184,097 for Infinite Pet Life.

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

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2023		December 31, 2022
Accounts payable	\$	1,327,645	\$	1,218,898
Accrued liabilities		1,423,020		1,423,020
	\$	2,750,665	\$	2,641,918

As at March 31, 2023 the Company has \$396,764 payable to a receivables financing company, interest has been included in the amount payable.

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

11. SHARE CAPITAL

Authorized

As at March 31, 2023, the authorized share capital of the Company was an unlimited number of common shares.

Share Capital

During the period ended March 31, 2023, the Company had the following share transactions:

- issued 2,091,998 shares with a fair value of \$1,579,220 for shares for services
- issued 3,614,457 units for gross proceeds of \$2,999,999 (issuance costs of \$348,267)

Share purchase warrants

	Number		Weighted Average Exercise Price
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
Granted	3,867,468		1.02
Exercised	(1,490,333)		0.83
Balance as at March 31, 2023	19,064,995	\$	1.62

The weighted average remaining life on the warrants is 1.31 years. 253,011 broker warrants were granted for the three months ended March 31, 2023. The broker warrants have been valued at an aggregate \$101,788 (2022 - \$21,772 using the Black-Scholes option pricing model with the following assumptions:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Weighted average		
Risk free interest rate	0.43%	1.17%
Expected life of warrants in years	2 years	2 years
Expected dividend yield	0%	0%
Expected stock volatility	104%	123%
Fair value per warrant	\$ 0.40	\$ 0.86

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Cash Flows

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(Unaudited)

Stock options

	Number		Weighted Average Exercise Price
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
Balance as at December 31, 2022	15,953,497	\$	0.76
Granted	505,000		0.79
Forfeited/Expired/Cancelled			
Balance as at March 31, 2023	16,458,497	\$	0.76

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

The fair value of all options granted is estimated on the grant date using the Black-Scholes option pricing model. During the three months ended March 31, 2023, \$1,170,671 (2022 - \$578,805) was recognized as stock based compensation.

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

	Three months ended March 31, 2023	Three months ended March 31, 2022
Weighted average		
Risk free interest rate	1.62%	1.21%
Expected life of options in years	3	3
Expected dividend yield	0%	0%
Expected stock option volatility	81%	153%
Fair value per option	\$1.31	\$1.64

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

	Three months ended March 31, 2023	Three months ended March 31, 2022
Cost of sales	\$ 1,612	\$ 7,396
General and administrative	1,040,865	450,299
Research and development	65,096	46,255
Sales and marketing	63,098	74,855
	\$ 1,170,671	\$ 578,805

12. RELATED PARTY TRANSACTIONS AND BALANCES

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

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	Three months ended March 31, 2023		Three months ended March 31, 2022	
Remuneration for services	\$	302,623	\$	195,445
Share-based payments		150,000		540,000
	\$	452,623	\$	735,445

Amounts due to and from related parties as at March 31, 2023 and December 31, 2022 are as follows:

Related party assets (liabilities)	March 31, 2023		December 31, 2022	
Key management personnel	\$	(444,741)	\$	(227,867)

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

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table presents a disaggregation of revenue by service:

	Three months ended March 31, 2023		Three months ended March 31, 2022	
Technology services	\$	80,250	\$	36,763
Renewable software licenses		1,188,673		459,469
Other revenue		32,271		13,979
	\$	1,301,194	\$	510,211

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

The renewable software licenses revenue stream has one major customer who contributes 51% (\$661,361) of total revenue in the three months ended March 31, 2023, compared to nil in the three months ended March 31, 2022.

Deferred Revenue

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

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	Three months ended		Year Ended	
	March 31, 2023		31-Dec-22	
Deferred revenue, beginning	\$	437,746	\$	609,001
Revenue recognized that was included in deferred revenue		(163,685)		(520,772)
Amount received for revenue unearned		265,251		349,517
Deferred revenue, ending	\$	539,312	\$	437,746
Current		539,312		437,746
Non current		-		-
Deferred revenue, ending	\$	539,312	\$	437,746

Contract assets

	Three months ended		Year Ended	
	March 31, 2023		December 31, 2022	
Contract assets, beginning	\$	332,197	\$	386,202
Contract assets, billed over the period		(78,723)		(109,432)
Contract assets additions related to technology services				55,427
Contract assets, ending	\$	253,474	\$	332,197
Current		253,474		332,197
Non current		-		-
Contract assets, ending	\$	253,474	\$	332,197

14. EXPENSES BY NATURE

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

Cost of Sales

	Three months ended		Three months ended	
	March 31, 2023		March 31, 2022	
Cost of sales				
Cost of products/services	\$	-		-
Salaries, wages, and commissions		596,288		225,764
Consulting fees		168,594		13,743
Employee benefits		246		14,976
Computer, software, and maintenance		2,180		
	\$	767,308	\$	254,483

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Sales and marketing

	Three months ended	Three months ended
	March 31, 2023	March 31, 2022
Sales and marketing		
Advertising	\$ 205,128	\$ 300,646
Consultant fees	92,283	380,068
Salaries, wages, and commissions	577,112	449,936
Employee benefits	16,118	12,641
Investor relations	703,699	141,514
Management fees	-	289,911
Software and other expense	55,968	77,993
	\$ 1,650,308	\$ 1,652,708

General and administrative

	Three months ended	Three months ended
	March 31, 2023	March 31, 2022
General and administrative		
Compliance fees	\$ 69,875	\$ 59,473
Salaries and wages	872,447	1,398,626
Consultant fees	36,282	8,266
Employee benefit	225,464	74,348
Management fees	393,543	371,258
Office, general, and other	262,920	232,924
Computer, software, and maintenance	309,909	386,922
Professional fees	421,188	490,172
	\$ 2,591,629	\$ 3,021,988

Research and Development

	Three months ended	Three months ended
	March 31, 2023	March 31, 2022
Research and development		
Salaries and wages	\$ 361,062	\$ 474,046
Employee benefits	18,143	27,131
Consultant fees	156,319	319,465
Platform, maintenance, and other	261,509	206,552
Management fees	82,871	-
	\$ 879,904	\$ 1,027,194

15. SALE OF PET BUSINESS

On March 9, 2023 the Company entered into an agreement for the sale of the assets of Infinite Pet, LLC for a deferred consideration of US \$150,000. The Company wrote-off all assets and liabilities at the date of the transaction resulting in a loss on disposition of \$194,979. In addition, the goodwill balance of \$184,907 related to the PET business was written-down.

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16. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

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

Credit Risk

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

Liquidity Risk

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

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and a portion of the Company's expenses are incurred in U.S. dollars ("USD"). A significant change in the currency exchange rates between the Canadian dollar relative to the USD could affect the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at March 31, 2023, 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 \$107,380.

Interest Rate Risk

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

Fair Values

The Company's financial instruments consist of cash, receivables, and accounts payable. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments. As at March 31, 2023, 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.

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17. CONTINGENCY

During the year ended December 31, 2020, the Company has received a legal claim against the Company in respect of the acceleration term on the right to exercise certain warrants. As at March 31, 2023, the claim remains at the preliminary stage. It is premature to determine the outcome of this claim.

18. SUBSEQUENT EVENT

On May 16, 2023 the Company received \$2,000,000 (\$1,500,000 US Dollars) from a receivables financing company. Amounts are repayable in equal monthly \$187,500 US Dollars installments starting July 30th, 2023, until the balance has been repaid.