



nextech AR

s o l u t i o n s

Condensed Consolidated Interim Financial Statements of

NexTech AR Solutions Corp.

Three months ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

NexTech AR Solutions Corp.

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

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

Nature of Operations (Note 1)

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board of Directors

"Evan Gappelberg" , Director

"Paul Duffy" , Director

NexTech AR Solutions Corp.

Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

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

See accompanying notes to condensed consolidated interim financial statements.

NexTech AR Solutions Corp.

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

	Number of shares	Share capital	Reserves	Deficit	Accumulated Other Comprehensive Income	Total
Balance as at December 31, 2020	77,111,864	\$ 41,968,520	\$ 5,724,004	\$ (26,306,683)	\$ 1,033,094	\$ 22,418,935
Shares issued for exercise of warrants	529,000	440,220	-	-	-	440,220
Shares issued for exercise of option	45,000	66,900	6,300	-	-	73,200
Shares for services	195,445	1,299,845	-	-	-	1,299,845
Stock-based compensation	-	-	2,402,628	-	-	2,402,628
Translation of foreign operations	-	-	-	-	(52,401)	(52,401)
Total net loss	-	-	-	(9,183,777)	-	(9,183,777)
Balance as at March 31, 2021	77,881,309	\$ 43,775,485	\$ 8,132,932	\$ (35,490,460)	\$ 980,693	\$ 17,398,650
Balance as at December 31, 2021	90,880,791	\$ 70,570,760	\$ 10,671,525	\$ (58,958,737)	\$ 1,978,469	\$ 24,262,017
Shares for services	623,724	717,066	-	-	-	717,066
Shares issued from short form prospectus	8,130,082	10,000,001	-	-	-	10,000,001
Stock-based compensation	-	-	578,805	-	-	578,805
Share issuance costs	-	(1,085,277)	21,772	-	-	(1,063,505)
Translation of foreign operations	-	-	-	-	(24,687)	(24,687)
Total net loss	-	-	-	(7,703,545)	-	(7,703,545)
Balance as at March 31, 2022	99,634,597	\$ 80,202,550	\$ 11,272,102	\$ (66,662,282)	\$ 1,953,782	\$ 26,766,152

See accompanying notes to condensed consolidated interim financial statements.

NexTech AR Solutions Corp.

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

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

NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE OF OPERATIONS

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of Presentation

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

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

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

Basis of Consolidation

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

NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

3. BUSINESS COMBINATIONS

Threedy.ai Inc

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

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

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

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

ARway Ltd.

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

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

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

NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

4. RECEIVABLES

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

5. PREPAID EXPENSES

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

6. INVENTORY

As at March 31, 2022 the inventory balance is \$2,527,193 (2021 - \$3,389,098). Inventory consists solely of finished goods. Inventory is valued at the lower of cost and net realizable value.

NexTech AR Solutions Corp.

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

7. EQUIPMENT

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

NexTech AR Solutions Corp.

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

8. LEASES

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

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

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

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

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

Interest expense for the three months ended March 31, 2022 was \$6,712 (2021 - \$1,486).

NexTech AR Solutions Corp.

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

9. INTANGIBLE ASSETS

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

NexTech AR Solutions Corp.

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

9. INTANGIBLE ASSETS (continued)

Goodwill

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

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

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

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

11. SHARE CAPITAL

Authorized

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

Share Capital

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

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

NexTech AR Solutions Corp.

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

11. SHARE CAPITAL (continued)

Share purchase warrants

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

The weighted average remaining life on the warrants is 1.40 years. 650,407 broker warrants were granted for the three months ended March 31, 2022. The broker warrants have been valued at an aggregate \$21,772 (2021 - \$925,925) using the Black-Scholes option pricing model with the following assumptions:

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

Stock options

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

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

NexTech AR Solutions Corp.

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

11. SHARE CAPITAL (continued)

The fair value of all options granted is estimated on the grant date using the Black-Scholes option pricing model. During the three months ended March 31, 2022, \$578,805 (2021 - \$2,402,628) was recognized as stock based compensation.

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

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

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

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

12. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

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

NexTech AR Solutions Corp.

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

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table presents a disaggregation of revenue by service:

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

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

Contract assets

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

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

Contract assets

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

NexTech AR Solutions Corp.

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

13. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

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

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

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

14. EXPENSES BY NATURE

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

Cost of Sales

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

Sales and marketing

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

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14. EXPENSES BY NATURE (continued)

General and administrative

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

Research and Development

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

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15. SEGMENTED INFORMATION

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

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

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

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

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

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

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

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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.

Liquidity Risk

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

Currency Risk

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

Interest Rate Risk

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

Fair Values

The Company's financial instruments consist of cash, receivables, and accounts payable. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments. As at March 31, 2022, the Company's financial instruments were classified as amortized cost. The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

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

18. SUBSEQUENT EVENT

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