



nextech AR

s o l u t i o n s

Condensed Consolidated Interim Financial Statements of

NexTech AR Solutions Corp.

Three and six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

NexTech AR Solutions Corp.

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

As at		June 30, 2022	December 31, 2021
Assets			
Current assets			
Cash & cash equivalents	\$	7,063,268	\$ 7,237,296
Receivables (Note 4)		418,792	1,081,164
Deferred asset (Note 7)		153,185	-
Contract asset (Note 13)		193,635	386,202
Prepaid expenses (Note 5)		532,169	749,474
Inventory (Note 6)		2,366,759	3,389,098
		10,727,808	12,843,234
Non-current assets			
Equipment (Note 8)		371,603	377,242
Right-of-use asset (Note 9)		967,529	1,079,319
Intangible assets (Note 10)		4,560,991	6,419,934
Goodwill (Note 10)		6,783,493	8,790,529
Total assets	\$	23,411,424	\$ 29,510,258
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities (Note 11)	\$	2,649,937	\$ 2,759,017
Deferred revenue (Note 14)		422,140	609,001
Lease liability (Note 9)		273,974	290,357
		3,346,051	3,658,375
Non-current liabilities			
Lease liability (Note 9)		683,759	786,755
Deferred income tax liability		492,242	712,215
Loan payable		78,521	90,896
Total liabilities		4,600,573	5,248,241
Shareholders' Equity			
Share capital (Note 12)		80,352,960	70,570,760
Reserves		12,150,387	10,671,525
Accumulated other comprehensive income		1,963,337	1,978,469
Deficit		(75,655,833)	(58,958,737)
		18,810,851	24,262,017
Total liabilities and shareholders' equity	\$	23,411,424	\$ 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 June 30, 2022		Three months ended June 30, 2021		Six months ended June 30, 2022		Six months ended June 30, 2021	
Revenue (Note 14)	\$	3,234,735	\$	6,091,552	\$	6,719,072	\$	13,818,255
Cost of sales (Note 15)		(1,546,479)		(3,798,987)		(3,547,416)		(8,211,265)
Gross profit		1,688,256		2,292,565		3,171,656		5,606,990
Operating expenses:								
Sales and marketing (Note 15)		1,827,030		4,047,840		4,443,978		9,135,329
General and administrative (Note 15)		4,503,273		3,418,151		8,323,873		6,179,373
Research and development (Note 15)		880,272		1,330,534		1,907,466		3,525,491
		7,210,575		8,796,525		14,675,317		18,840,193
Other expense (income)								
Stock-based compensation (Note 12)		878,286		556,415		1,457,091		2,959,043
Amortization (Note 10)		750,429		179,378		1,478,807		593,909
Right of use amortization (Note 9)		63,770		45,011		126,852		79,322
Gain on short-term investments		-		-		-		(219,321)
Gain on contingent consideration		-		(1,516,048)		-		(1,516,048)
Depreciation (Note 8)		37,124		32,085		74,241		60,035
Impairment of intangible assets (Note 10)		2,702,313		-		2,702,313		-
Foreign exchange gain (loss)		(845,966)		52,877		(399,340)		(118,377)
		3,585,956		(650,282)		5,439,964		1,838,563
Loss before income taxes		(9,108,275)		(5,853,678)		(16,943,625)		(15,071,766)
Current income tax expense		(7,128)		-		(14,256)		-
Deferred income tax recovery		121,852		-		260,785		-
Net loss from operations	\$	(8,993,551)	\$	(5,853,678)	\$	(16,697,096)	\$	(15,071,766)
Other comprehensive income (loss)								
Exchange differences on translating foreign operations		9,555		(65,056)		(15,132)		(117,458)
Total comprehensive loss	\$	(8,983,996)	\$	(5,918,734)	\$	(16,712,228)	\$	(15,189,224)
Loss per common share								
Basic and diluted loss per common share		(0.09)		(0.07)		(0.17)		(0.19)
Weighted average number of common shares outstanding		99,725,256		81,276,585		98,334,837		79,346,880

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	\$ -	\$ 6,757,098	\$ (26,306,683)	\$ 22,418,935
Shares issued for exercise of warrants	1,156,744	966,218	-	-	-	966,218
Shares issued for exercise of option	267,000	374,738	-	(48,008)	-	326,730
Share-based payment	-	-	-	-	-	-
Shares for services	195,445	1,299,846	-	-	-	1,299,846
Shares issued for short form	2,801,500	14,007,500	-	-	-	14,007,500
Shares issued for contingent	162,960	448,140	-	-	-	448,140
Shares issued for purchase of	3,877,551	6,805,102	-	-	-	6,805,102
Stock-based compensation	-	-	-	2,959,043	-	2,959,043
Share issuance costs	-	(2,054,190)	-	679,627	-	(1,374,563)
Translation of foreign operations	-	-	-	(117,457)	-	(117,457)
Total net loss	-	-	-	-	(15,071,766)	(15,071,766)
Balance as at June 30, 2021	85,573,064	\$ 63,815,874	\$ -	\$ 10,230,303	\$ (41,378,449)	\$ 32,667,728
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	898,724	865,566	-	-	-	865,566
Shares issued from short form	8,130,082	10,000,001	-	-	-	10,000,001
Stock-based compensation	-	-	1,457,091	-	-	1,457,091
Share issuance costs	-	(1,083,367)	21,771	-	-	(1,061,596)
Translation of foreign operations	-	-	-	-	(15,132)	(15,132)
Total net loss	-	-	-	(16,697,096)	-	(16,697,096)
Balance as at June 30, 2022	99,909,597	\$ 80,352,960	\$ 12,150,387	\$ (75,655,833)	\$ 1,963,337	\$ 18,810,851

See accompanying notes to condensed consolidated interim financial statements.

NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

	Three months June 30, 2022	Three months June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Cashflows from operating activities				
Net loss	\$ (8,993,551)	\$ (5,853,678)	\$ (16,697,096)	\$ (15,071,766)
Items not affecting cash				
Amortization of intangible assets	750,429	179,378	1,478,807	593,909
Impairment of intangible assets and goodwill	2,702,313	-	2,702,313	-
Deferred income tax recovery	(121,852)	-	(260,785)	-
Amortization of right to use asset	63,770	45,011	126,852	79,322
Depreciation of property and equipment	37,124	32,085	74,241	60,035
Gain on digital assets	-	-	-	(219,321)
Gain on contingent consideration	-	(1,516,048)	-	(1,516,048)
Shares for services	148,500	(22,156)	865,566	1,299,846
Stock-based compensation	878,286	556,415	1,457,091	2,959,043
Changes in non-cash working capital balances				
Receivables	600,222	997,883	662,372	214,478
Deferred asset	(153,185)	-	(153,185)	-
Contract asset	(68,653)	22,853	192,567	(92,729)
Prepaid expenses	362,636	437,732	217,305	47,525
Inventory	160,434	606,386	1,022,339	(855,834)
Accounts payable and accrued liabilities	739,778	(1,543,259)	(109,080)	(94,299)
Deferred revenue	(200,758)	246,841	(186,861)	1,056,888
Net cash used in operating activities	\$ (3,094,507)	\$ (5,810,557)	\$ (8,607,554)	\$ (11,538,951)
Cashflows from investing activities				
Purchase of equipment	(37,485)	(60,505)	(84,038)	(110,919)
Proceeds from sale of digital assets	-	-	-	2,765,356
Interest on lease liability	(6,890)	-	(13,602)	-
Net cash provided by (used in) investing activities	\$ (44,375)	\$ (60,505)	\$ (97,640)	\$ 2,654,437
Cashflows from financing activities				
Proceeds from exercise of options and warrants	-	800,184	-	1,292,948
Proceeds from private placement, net of issuance costs	1,910	12,632,937	8,938,406	12,632,937
Payment of lease obligations	(74,369)	(91,212)	(147,767)	(135,779)
Net cash provided by (used in) financing activities	\$ (72,459)	\$ 13,341,909	\$ 8,790,639	\$ 13,790,106
Change in cash during the period	(3,211,341)	7,470,847	85,445	4,905,592
Cash, beginning of period	10,781,775	7,900,016	7,237,296	10,684,952
Effects of foreign exchange on cash	(507,166)	24,142	(259,473)	(195,539)
Cash, end of period	\$ 7,063,268	\$ 15,395,005	\$ 7,063,268	\$ 15,395,005
Supplemental cash flow information				
Taxes paid	21,571	8,967	21,571	8,967
Interest paid	8,308	6,014	17,857	7,275
Interest received	27,498	12,171	39,329	21,470

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. On June 16, 2022 the Company announced the winding down of its eCommerce businesses to focus on augmented reality solutions. The Company was incorporated in the province of British Columbia, Canada on January 12, 2018. The Company’s registered and head office is located at 121 Richmond Street W, Suite 501, Toronto, Canada M5H 2K1.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of Presentation

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

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

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited consolidated financial statements for the period ended December 31, 2021. The unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 18, 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)
	\$	(742,186)
Intangible assets		
Technology (Note 10)		4,179,960
	\$	4,179,960
Goodwill (Note 10)		3,367,328
Total Consideration	\$	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)
	\$	(254,710)
Intangible assets		
Technology (Note 10)		674,298
	\$	674,298
Goodwill (Note 10)		452,234
Total Consideration	\$	871,822

NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

4. RECEIVABLES

	June 30, 2022	December 31, 2021
Trade receivables	\$ 24,071	\$ 574,609
Other receivables	303,905	465,518
GST receivable	90,816	41,037
	\$ 418,792	\$ 1,081,164

5. PREPAID EXPENSES

	June 30, 2022	December 31, 2021
Prepaid Inventory	\$ -	\$ 24,811
Prepaid expenses	515,265	724,663
Deposits	16,904	-
	\$ 532,169	\$ 749,474

6. INVENTORY

As at June 30, 2022 the inventory balance is \$2,366,759 (2021 - \$3,389,098). Inventory consists solely of finished goods. Inventory is valued at the lower of cost and net realizable value.

7. DEFERRED ASSET

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

NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited)

8. 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	-	24,262	29,788
December 31, 2021	\$ 370,074	\$ 16,440	\$ 251,761	\$ 638,275
Additions	66,327	-	1,328	67,655
Effects of movement in exchange rates	(21,022)	-	23,889	2,867
June 30, 2022	\$ 415,379	\$ 16,440	\$ 276,978	\$ 708,797
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	47,313	1,644	25,284	74,241
Effects of movement in exchange rates	(1,727)	-	3,647	1,920
June 30, 2022	\$ 166,429	\$ 13,975	\$ 156,790	\$ 337,194
Net book value				
December 31, 2021	\$ 249,231	\$ 4,109	\$ 123,902	\$ 377,242
June 30, 2022	\$ 248,950	\$ 2,465	\$ 120,188	\$ 371,603

NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
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9. LEASES

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

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	(126,852)
Effects of movement in exchange rates	15,062
At June 30, 2022	\$ 967,529

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	13,602
Lease payments	147,767
Effects of movement in exchange rates	(41,990)
At June 30, 2022	\$ 957,733

Current	\$ 273,974
Non-current	683,759
At June 30, 2022	\$ 957,733

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

Maturity Analysis	June 30, 2022
Less than one year	\$ 271,574
One to five years	930,097
Over five years	49,447
Total undiscounted lease liabilities	\$ 1,251,119
Amount representing implicit interest	(293,386)
At June 30, 2022	\$ 957,733

Interest expense for the three and six months ended June 30, 2022 was \$11,576 (2021 - \$3,744) and \$18,288 (2021 \$5,222).

NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

10. 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 (Note 3)	\$ -	\$ -	\$ -	\$ 4,179,960	\$ 3,367,328	\$ 7,547,288
Acquisition of ARway (Note 3)	-	-	-	674,298	452,234	1,126,532
Effects of movement in exchange rates	(6,101)	(1,335)	(2,548)	125,766	84,454	200,236
December 31, 2021	\$ 1,432,146	\$ 313,409	\$ 1,142,281	\$ 6,510,811	\$ 8,790,529	\$ 18,189,176
Impairment of intangible assets & goodwill	(241,781)	(318,551)	(1,034,622)	(708,730)	(2,143,836)	(4,447,520)
Effects of movement in exchange rates	23,496	5,142	18,739	89,190	136,800	273,367
June 30, 2022	\$ 1,213,861	\$ -	\$ 126,398	\$ 5,891,271	\$ 6,783,493	\$ 14,015,023
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	145,567	15,928	149,517	1,167,795	-	1,478,807
Impairment of intangible assets	(137,230)	(110,523)	(854,916)	(642,538)	-	(1,745,207)
Effects of movement in exchange rates	(17,268)	572	1,529	(26,607)	-	(41,774)
June 30, 2022	\$ 480,943	\$ -	\$ 71,162	\$ 2,118,434	\$ -	\$ 2,670,539
Net book value						
December 31, 2021	\$ 942,272	\$ 219,386	\$ 367,249	\$ 4,891,027	\$ 8,790,529	\$ 15,210,463
June 30, 2022	\$ 732,918	\$ -	\$ 55,236	\$ 3,772,837	\$ 6,783,493	\$ 11,344,484

NexTech AR Solutions Corp.

Notes to the Condensed Consolidated Interim Financial Statements
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10. INTANGIBLE ASSETS (continued)

Intangible assets

On June 16, 2022, the Company announced it would wind down its legacy eCommerce operations which includes vacuumcleanermarket.com, trulyfesupplements.com and infinitedpetlife.com. This change resulted in an impairment of \$558,477. The Company subsequently announced the sale of infinitedpetlife.com (see Note 19) therefore the assets were written down proceeds less cost to sell, resulting in a total value of \$0 for intangible assets.

Goodwill

In January 2019, the Company acquired a 100% interest in AR Ecommerce LLC, which included goodwill, valued at \$929,680, at the time of acquisition. In April 2019, the Company acquired a 100% interest Infinite Pet Life, which included goodwill, valued at \$1,397,670, at the time of acquisition. In the year ended 2020, the Company acquired a 100% interest in Jolokia and Map Dynamics, which included goodwill, valued at \$2,275,047 and \$596,929 respectively. In the year ended 2021, the Company acquired Threedy.ai and Arway Ltd. which included goodwill of \$3,367,328 and \$452,234 respectively. The winding down of legacy eCommerce operations resulted in a goodwill impairment of \$898,309 for AReCommerce and \$1,245,537 for Infinite Pet Life.

The goodwill balance, as at June 30, 2022, consists of the goodwill acquired from acquisitions noted above and includes the currency translation adjustment for the six months ended June 30, 2022 of (\$41,774) (2021 - \$273,367). The Company completes its annual impairment assessment on October 1 of each year using the value-in-method to estimate the recoverable amount of its cash-generating business units to which goodwill relates. As of October 1, 2021, the estimated recoverable amount was greater than the carrying value.

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

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2022		December 31, 2021
Accounts payable	\$	1,386,753	\$	1,803,450
Accrued liabilities		1,263,184		955,567
	\$	2,649,937	\$	2,759,017

12. SHARE CAPITAL

Authorized

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

Share Capital

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

- issued 898,724 shares with a fair value of \$865,566 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
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12. 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	9,078,005		1.54
Expired/Cancelled	(150,000)		3.00
Balance as at June 30, 2022	13,339,270	\$	4.41

The weighted average remaining life on the warrants is 0.74 years. 650,407 broker warrants were granted for the six months ended June 30, 2022. The broker warrants have been valued at an aggregate \$21,772 (2021 - \$925,925) using the Black-Scholes option pricing model with the following assumptions:

	Six months ended June 30, 2022		Six months ended June 30, 2021
Weighted average			
Risk free interest rate	1.17%		0.67%
Expected life of warrants in years	2 years		3 years
Expected dividend yield	0%		0%
Expected stock volatility	123%		128%
Fair value per warrant	\$ 0.86	\$	2.47

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	29,724,649		0.51
Forfeited	(764,200)		2.49
Exercised	-		-
Cancelled	(15,781,552)		1.30
Balance as at June 30, 2022	17,103,797	\$	0.18

The weighted average remaining life of the outstanding stock options is 2.92 years.

On April 1, 2022, the Company entered into a new employment agreement with its CEO that could result in the issuance of up to 11,956,152 share purchase options exercisable at \$1.00 per share based upon meeting certain Company market capitalization targets ranging from \$200 million to \$1 billion over the next five years. No amount has been recognized in stock option expense to date.

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12. SHARE CAPITAL (continued)

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

The fair value of all options granted is estimated on the grant date using the Black-Scholes option pricing model. During the three and six months ended June 30, 2022, \$299,481 (2021 - \$556,415) and \$878,286 (2021 - \$2,959,044) was recognized as stock based compensation respectively.

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

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

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Cost of sales	\$ 1,541	\$ -	\$ 2,556	\$ -
General and administrative	803,314	44,513	1,332,712	236,722
Research and development	50,067	289,336	83,061	1,538,704
Sales and marketing	23,364	222,566	38,762	1,183,617
	\$ 878,286	\$ 556,415	\$ 1,457,091	\$ 2,959,043

13. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Remuneration for services	\$ 302,444	\$ 314,792	\$ 497,888	\$ 594,696
Share-based payments	204,500	31,060	744,500	31,060
	\$ 506,944	\$ 345,852	\$ 1,242,388	\$ 625,756

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

Related party assets (liabilities)	June 30, 2022	December 31, 2021
Key management personnel	\$ (40,771)	\$ (25,489)

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

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table presents a disaggregation of revenue by service:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Product sales	\$ 2,681,368	\$ 4,430,519	\$ 5,652,420	\$ 10,439,778
Technology services	35,478	1,371,056	89,294	2,721,124
Renewable software licenses	517,889	289,977	977,358	657,353
	\$ 3,234,735	\$ 6,091,552	\$ 6,719,072	\$ 13,818,255

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

Deferred Revenue

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

	Six months ended		Year ended	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Deferred revenue, beginning	\$ 609,001	\$ 383,022		
Revenue recognized that was included in deferred revenue	(465,687)	(383,022)		
Amount received for revenue unearned	278,826	609,001		
Deferred revenue, ending	\$ 422,140	\$ 609,001		
Current	422,140	609,001		
Non-current	-	-		
Deferred revenue, ending	\$ 422,140	\$ 609,001		

Contract Assets

	Six months ended		Year ended	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Contract assets, beginning	\$ 386,202	\$ 244,478		
Contract assets, billed over the period	(260,089)	(188,845)		
Contract assets additions related to technology services	67,522	330,569		
Contract assets, ending	\$ 193,635	\$ 386,202		
Current	193,635	386,202		
Non-current	-	-		
Contract assets, ending	\$ 193,635	\$ 386,202		

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14. 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		Three months ended		Six months ended		Six months ended	
	June 30, 2022		June 30, 2021		June 30, 2022		June 30, 2021	
Countries of domicile	\$	3,480,060	\$	6,015,050	\$	6,662,277	\$	13,656,832
Foreign countries		(245,325)	\$	76,502		56,795		161,423
	\$	3,234,735	\$	6,091,552	\$	6,719,072	\$	13,818,255

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

15. EXPENSES BY NATURE

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

Cost of Sales

	Three months ended		Three months ended		Six months ended		Six months ended	
	June 30, 2022		June 30, 2021		June 30, 2022		June 30, 2021	
Cost of sales								
Cost of products/services	\$	921,893	\$	2,399,680	\$	2,517,304	\$	5,606,509
Salaries and wages		600,070		1,399,307		976,877		2,604,756
Consulting fees		13,046		-		26,789		-
Employee benefits		11,470		-		26,446		-
	\$	1,546,479	\$	3,798,987	\$	3,547,416	\$	8,211,265

Sales and marketing

	Three months ended		Three months ended		Six months ended		Six months ended	
	June 30, 2022		June 30, 2021		June 30, 2022		June 30, 2021	
Sales and marketing								
Advertising	\$	691,388	\$	1,871,549	\$	1,817,761	\$	3,985,324
Consultant fees		102,594		1,047,688		526,503		2,106,615
Salaries, wages, and commissions		705,955		711,096		1,223,022		1,828,863
Employee benefits		25,319		34,569		37,960		63,596
Investor relations		180,642		76,466		322,156		556,504
Management fees		-		50,000		289,911		100,000
Software and other expense		121,132		256,472		226,665		494,427
	\$	1,827,030	\$	4,047,840	\$	4,443,978	\$	9,135,329

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15. EXPENSES BY NATURE (continued)

General and administrative

	Three months ended	Three months ended	Six months ended	Six months ended
General and administrative	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Compliance fees	\$ 42,402	\$ 79,028	\$ 101,875	\$ 166,446
Salaries and wages	1,245,022	1,923,183	2,821,555	2,620,520
Consultant fees	94,016	116,348	124,644	263,812
Employee benefit	256,040	228,217	372,077	478,678
Management fees	186,938	215,198	558,196	370,365
Office, general, and other	1,601,626	270,438	2,042,105	702,704
Computer, software, and maintenance	251,165	54,569	638,087	169,746
Professional fees	592,376	114,992	1,083,020	526,305
Shipping and warehouse costs	233,688	416,178	582,314	880,797
	\$ 4,503,273	\$ 3,418,151	\$ 8,323,873	\$ 6,179,373

Research and Development

	Three months ended	Three months ended	Six months ended	Six months ended
Research and development	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Salaries and wages	\$ 518,931	\$ 551,655	\$ 992,977	\$ 1,994,110
Employee benefits	\$ 31,379	\$ 50,146	\$ 58,510	\$ 109,045
Consultant fees	\$ 192,106	\$ 471,301	\$ 511,571	\$ 980,461
Platform, maintenance, and other	\$ 137,856	\$ 257,432	\$ 344,408	\$ 441,875
	\$ 880,272	\$ 1,330,534	\$ 1,907,466	\$ 3,525,491

16. SEGMENTED INFORMATION

For the three and six months ended June 30, 2022, the Company has two reportable segments:

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

The above reportable segments are the way the Company reports information regarding segment performance, including net profit (loss) for the three and six months ended June 30, 2022.

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16. SEGMENTED INFORMATION (continued)

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

Six months ended						
June 30, 2022	eCommerce		Technology Services		Corporate	Total
Revenue	\$	5,652,400	\$	1,066,672	\$	6,719,072
Cost of Sales		(2,945,630)		(601,786)		(3,547,416)
Gross Profit		2,706,770		464,886		3,171,656
Sales & Marketing		(1,533,057)		(2,273,289)	(637,632)	(4,443,978)
General & Administrative		(1,437,106)		(4,402,087)	(2,484,680)	(8,323,873)
Research & Development		-		(1,907,466)	-	(1,907,466)
Total comprehensive (loss)		(391,450)		(7,521,801)	(8,798,976)	(16,712,227)
June 30, 2021	eCommerce		Technology Services		Corporate	Total
Revenue	\$	10,419,085	\$	3,399,170	\$	13,818,255
Cost of Sales		(5,948,470)		(2,262,795)		(8,211,265)
Gross Profit		4,470,615		1,136,375		5,606,990
Sales & Marketing		(3,436,389)		(4,928,895)	(770,045)	(9,135,329)
General & Administrative		(2,172,284)		(1,071,143)	(2,935,946)	(6,179,373)
Research & Development		(2,727)		(3,522,764)	-	(3,525,491)
Total comprehensive (loss)		(1,135,226)		(9,426,663)	(4,627,335)	(15,189,224)
Three months ended						
June 30, 2022	eCommerce		Technology Services		Corporate	Total
Revenue	\$	2,681,348	\$	553,387	\$	3,234,735
Cost of Sales		(1,199,176)		(347,303)		(1,546,479)
Gross Profit		1,482,172		206,084		1,688,256
Sales & Marketing		(577,962)		(1,056,235)	(192,833)	(1,827,030)
General & Administrative		(663,010)		(2,438,363)	(1,401,900)	(4,503,273)
Research & Development		-		(880,272)	-	(880,272)
Total comprehensive (loss)		64,450		(3,084,231)	(5,964,214)	(8,983,995)
June 30, 2021	eCommerce		Technology Services		Corporate	Total
Revenue	\$	4,426,211	\$	1,665,341	\$	6,091,552
Cost of Sales		(2,580,002)		(1,218,985)		(3,798,987)
Gross Profit		1,846,209		446,356		2,292,565
Sales & Marketing		(1,451,985)		(2,355,848)	(240,007)	(4,047,840)
General & Administrative		(1,024,714)		(1,973,406)	(420,031)	(3,418,151)
Research & Development		(2,727)		(1,327,807)	-	(1,330,534)
Total comprehensive (loss)		(627,146)		(4,526,722)	(764,866)	(5,918,734)

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

June 30, 2022	eCommerce		Technology Services		Corporate	Total
Total asset	\$	3,621,182	\$	7,060,903	\$	23,411,424
Total liabilities	\$	-	\$	(4,522,052)	\$	(4,600,573)
Net assets (liabilities)	\$	3,621,182	\$	2,538,851	\$	18,810,851
December 31, 2021	eCommerce		Technology Services		Corporate	Total
Total asset	\$	5,087,984	\$	2,507,632	\$	29,510,258
Total liabilities	\$	(2,096,542)	\$	(2,439,484)	\$	(5,248,241)
Net assets (liabilities)	\$	2,991,442	\$	68,148	\$	24,262,017

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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.

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 June 30, 2022, the Company is exposed to currency risk through cash, accounts receivable and accounts payable denominated in USD. A 10% change in exchange rate could increase/decrease the Company's net loss by \$321,993.

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 June 30, 2022, the Company's financial instruments were classified as amortized cost. The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

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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 June 30, 2022, the claim remains at the preliminary stage. It is premature to determine the outcome of this claim.

19. SUBSEQUENT EVENTS

On July 15, 2022 the Company introduced a shares-based Employee Pay Program 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. The Employee Pay Program impacts the Company's operating cash flows but has no impact on net income.

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

As at June 30, 2022, the disposal group comprised of the following assets and liabilities:

Assets of disposal group held for sale

Cash & Cash Equivalents	\$	12,493
Receivables		29,023
Prepaid expenses		1,256
Inventory		520,467
Intangible assets		5,270
Assets of disposal group held for sale	\$	568,509

Disposal group liabilities

Accounts payable	\$	119
Disposal group liabilities		119

On August 2, 2022 the Company announced that it entered into an arrangement agreement dated effective July 29, 2022 with its wholly-owned subsidiary 1000259749 Ontario Inc. ("Spinco") and a special purpose financing company, 1373222 B.C. Ltd. ("FinanceCo"). The Arrangement Agreement, a copy of which will be available under the Company's profile on SEDAR, sets out the terms on which Nextech will complete a plan of arrangement under the Business Corporations Act (British Columbia) whereby the Company's ARway platform and associated assets will be spun out to Spinco.