



**NexTech AR Solutions Corp.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**NOTICE TO READER**

The accompanying condensed interim financial statements of NexTech AR Solutions Corp. for the three months ended August 31, 2018 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditors.

# NexTech AR Solutions Corp.

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

	August 31, 2018	May 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,027,441	\$ 2,523,717
Receivables	51,878	14,325
Prepaid	83,669	62,444
<b>Total current assets</b>	<b>2,162,988</b>	<b>2,600,486</b>
<b>Non-current assets</b>		
Equipment (Note 3)	127,402	41,364
Intangible assets (Note 4)	2,389,614	2,329,861
<b>Total non-current assets</b>	<b>2,517,016</b>	<b>2,371,225</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,680,004</b>	<b>\$ 4,971,711</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 389,527	\$ 160,031
Prepaid sales & deposits (Note 5)	6,830	-
Convertible debenture (Note 6)	229,015	218,024
<b>TOTAL LIABILITIES</b>	<b>625,372</b>	<b>378,055</b>
<b>EQUITY</b>		
Share capital (Note 7)	5,435,398	5,375,398
Equity portion of convertible debenture (Note 6)	44,324	44,324
Deficit	(1,425,090)	(826,066)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4,054,632</b>	<b>4,593,656</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 4,680,004</b>	<b>\$ 4,971,711</b>

**Nature of operations and going concern** (Note 1)

**Events after the reporting date** (Note 12)

These financial statements are authorized for issuance by the Board of Directors on October 30, 2018

**Approved by the Board of Directors**

"Evan Gappelberg" , Director

"Paul Duffy" , Director

The accompanying notes are an integral part of these interim financial statements.

## NexTech AR Solutions Corp.

Condensed Interim Statement of Comprehensive Loss  
(Expressed in Canadian dollars)

	<b>Three Months Ended August 31, 2018</b>
<b>REVENUES</b>	\$ 22,544
<b>COST OF GOODS SOLD</b>	(12,738)
Gross profit	9,806
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	
Accretion expense (Note 6)	10,991
Administrative fees and office costs (Note 8)	86,950
Amortization (Notes 3 and 4)	24,377
Business development	2,398
Consulting fees (Note 8)	239,156
Investor relations	17,097
Management fees (Note 8)	104,085
Professional fees	81,700
Travel	45,621
Total general and administrative expenses	612,375
<b>OTHER INCOME</b>	
Foreign exchange gain	(3,545)
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ (599,024)</b>
<b>Loss per common share</b>	
Basic and diluted loss per common share	\$ (0.02)
Weighted average number of common shares outstanding	37,537,872

The accompanying notes are an integral part of these interim financial statements.

## NexTech AR Solutions Corp.

Condensed Interim Statement of Changes in Shareholders' Equity  
(Expressed in Canadian dollars)

	Number of shares	Share capital	Equity portion of convertible debenture	Deficit	Total
<b>Balance as at May 31, 2018</b>	37,537,872	\$ 5,375,398	\$ 44,324	\$ (826,066)	\$ 4,593,656
Shares released from escrow for services (Note 7)	-	60,000	-	-	60,000
Loss for the period	-	-	-	(599,024)	(594,024)
<b>Balance as at August 31, 2018</b>	<b>37,537,872</b>	<b>\$ 5,435,398</b>	<b>\$ 44,324</b>	<b>\$ (1,425,090)</b>	<b>\$ 4,059,632</b>

The accompanying notes are an integral part of these interim financial statements.

## NexTech AR Solutions Corp.

Condensed Interim Statement of Cash Flows  
(Expressed in Canadian dollars)

	<b>Three Months Ended August 31, 2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Loss for the period	\$ (599,024)
Items not affecting cash:	
Amortization	24,377
Accretion expense	10,991
Consulting fees	60,000
<b>Changes in non-cash working capital items:</b>	
Receivables	(37,553)
Prepaid sales and deposits	6,830
Prepaid expenses	(21,224)
Accounts payable and accrued liabilities	229,495
<b>Net cash used in operating activities</b>	<b>(326,108)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of equipment	(89,582)
Additions to intangible assets	(80,586)
<b>Net cash used in investing activities</b>	<b>(170,168)</b>
Net change in cash during the period	(496,276)
Cash, beginning of the period	2,523,717
<b>Cash, end of the period</b>	<b>\$ 2,027,441</b>

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these financial statements.

# NexTech AR Solutions Corp.

Notes to the Condensed Interim Financial Statements  
For the Three Months Ended August 31, 2018  
(Expressed in Canadian dollars)

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## 1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

NexTech AR Solutions Corp. (the “Company” or “NexTech”) was incorporated in the province of British Columbia on January 12, 2018. The Company’s principal business activities are the acquisition and development of augmented reality technology for purpose of generating advertising revenue and sale of its Applications (“Apps”). The Company’s registered office is located at 501 – 543 Granville Street, Vancouver, British Columbia, Canada V6C 1X8.

These condensed interim financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to generate advertising revenue to establish profitable operations and to obtain the necessary equity or debt financing to fund operations as required. These factors indicate the existence of uncertainty on the ability of the Company to continue as a going concern. These condensed interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## 2. BASIS OF PREPARATION

### Basis of Measurement and Presentation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited financial statements for the period ended May 31, 2018, except that they do not include all the information required for the annual audited financial statements. These financial statements should be read in conjunction with the financial statements of the Company for the period ended May 31, 2018.

These condensed interim financial statements have been prepared on a historical cost basis. The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of the policies and reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

### Accounting pronouncements not yet effective

The following standard has been issued by the IASB and has not yet been adopted by the Company. The Company is currently evaluating the impact the new standard is expected to have on its consolidated financial statements.

IFRS 16 Leases was issued in January 2016 (effective for NexTech on June 1, 2019) and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

## NexTech AR Solutions Corp.

Notes to the Condensed Interim Financial Statements  
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### 3. EQUIPMENT

	Trade show equipment	Studio equipment	Total
<b>Costs</b>			
May 31, 2018	\$ 16,440	\$ 25,472	\$ 41,912
Additions	-	89,582	89,582
Disposals	-	-	-
August 31, 2018	16,440	115,054	131,494
<b>Accumulated depreciation</b>			
May 31, 2018	548	-	548
Additions	822	2,722	3,544
Disposals	-	-	-
August 31, 2018	1,370	2,722	4,092
<b>Net book value</b>			
May 31, 2018	\$ 15,892	\$ 25,472	\$ 41,364
August 31, 2018	\$ 15,070	\$ 112,332	\$ 127,402

### 4. INTANGIBLE ASSETS

- (a) On March 20, 2018, the Company issued 12,000,000 shares valued at \$1,150,000 to acquire a license for augmented reality technology (Note 7). The Company purchased the license to use it as a platform for generating advertising revenue. The license was acquired from Future Farm Technologies Inc. ("Future Farm"). Future Farm is a related party as it has directors in common and as a consequence of this transaction became a major shareholder. Future Farm had originally acquired the license for \$1,150,000. As no considerable work had been performed or events had occurred since the acquisition by Future Farm, the fair value was determined to approximate the original price paid. Additionally, in relation to the license, the Company issued 3,775,000 shares valued at \$943,750 to satisfy an existing commitment between Future Farm and the original vendor (Note 7).
- (b) On March 20, 2018, the Company issued 1,000,000 common shares valued at \$250,000 to acquire an application ("App") portfolio from Future Farm (Note 7). The App portfolio generates revenue from sales and advertising.



## NexTech AR Solutions Corp.

Notes to the Condensed Interim Financial Statements  
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### 4. INTANGIBLE ASSETS (continued)

The following table summarizes the continuity of the Company's intangible assets:

	License	App Portfolio	Development Costs	Total
<b>Costs</b>				
May 31, 2018	\$ 2,093,750	\$ 250,000	\$ -	\$ 2,343,750
Additions	-	-	80,586	80,586
Disposals	-	-	-	-
August 31, 2018	2,093,750	250,000	80,586	2,424,336
<b>Accumulated depreciation</b>				
May 31, 2018	-	13,889	-	13,889
Additions	-	20,833	-	20,833
Disposals	-	-	-	-
August 31, 2018	-	34,722	-	34,722
<b>Net book value</b>				
May 31, 2018	\$ 2,093,750	\$ 236,111	\$ -	\$ 2,329,861
August 31, 2018	\$ 2,093,750	\$ 215,278	\$ -	\$ 2,389,614

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2018	May 31, 2018
Accounts payable	\$ 251,476	\$ 110,551
Accrued liabilities	138,051	49,480
	\$ 389,527	\$ 160,031

### 6. CONVERTIBLE DEBENTURES

On February 12, 2018, the Company issued convertible debentures (the "Debentures") for proceeds of \$250,000. The debentures are unsecured, non-interest bearing and mature twelve months from the date of issue. The debenture holders are entitled at their sole discretion to convert the unpaid principal balance into common shares at a conversion rate of \$0.05 per share and will convert automatically and without further action of the holders immediately prior to the Company completing a going public transaction or the listing of its shares on the Canadian Securities Exchange. The debenture holders were also issued a total of 5,000,000 warrants, which have an exercise price of \$0.05 per share and which expire on February 11, 2019. These convertible debentures are accounted for according to the substance and include both a liability component and an equity component. The initial liability component of \$205,676 was calculated at the present value of interest payments and expected return of capital at a rate of 20% representing the interest rate that would have been charged for a nonconvertible debenture. The equity component of \$44,324 was measured based on the residual value of the instrument taken as a whole after deducting the amount determined separately for the liability component.

## NexTech AR Solutions Corp.

Notes to the Condensed Interim Financial Statements  
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### 6. CONVERTIBLE DEBENTURES (continued)

The following table summarizes the continuity of the liability components of the Company's convertible debentures:

As at May 31, 2018	\$	218,024
Accretion expense		10,991
As at August 31, 2018	\$	229,015

### 7. SHARE CAPITAL

#### Authorized

As at August 31, 2018 the authorized share capital of the Company was an unlimited number of common shares.

#### Share Capital

#### Share Purchase Warrants

The following table summarizes the share purchase warrants outstanding and exercisable at August 31, 2018:

Date Issued	Expiry Date		Exercise Price	Number Outstanding
March 29, 2018	March 29, 2020	Private placement warrants	\$ 0.50	11,213,600
February 16, 2018	February 16, 2019	Convertible debenture warrants	\$ 0.05	5,000,000

The weighted average outstanding life of the outstanding warrants at August 31, 2018 was 1.23 years.

On June 22, 2018, the Company and Future Farm entered into a plan of arrangement in order to proceed with a corporate restructuring by the way of a statutory plan of arrangement (the "Arrangement"), whereby a series of share exchanges will take place with the result that the shareholders of the Future Farm will also become shareholders of the Company. The Arrangement was completed on August 30, 2018. As a result of the Arrangement, Future Farm effectively spun-out 11,000,000 of its common shares of the Company to the Future Farm shareholders on a pro rata basis. Future Farm shareholders now own approximately 25.86% of the issued and outstanding common shares of the Company. The Company is in the process of listing its shares on the Canadian Securities Exchange ("CSE").

During the three months ended August 31, 2018, the Company released 240,000 common shares from escrow pursuant to a consulting agreement with a third party. These shares were valued at \$60,000 and share capital was increased by this amount.

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### 8. 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:

	<b>Three months ended August 31, 2018</b>
Management fees	\$ 104,085
Consulting fees	56,251
Administrative fees	23,668
	<b>\$ 184,004</b>

Amounts due to related parties as of August 31, 2018 are as follows:

<b>Related party liabilities</b>	<b>August 31, 2018</b>
CEO - fees and expenses	\$ 129,051
President – fees	65,000
Directors – fees and expenses	22,179
Seabord Services Corp. – CFO and accounting services	7,350
Corporate Secretary – Consulting fees	884
	<b>\$ 224,464</b>

The Company issued a convertible debenture of \$125,000 to the wife of the Chief Executive Officer. There were also 5,000,000 warrants with an exercise price of \$0.05 issued with respect to the debenture (Note 6).

### 9. 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 distributor of the Company's Apps.

#### 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 financings and from

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### **9. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

convertible debentures. 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 August 31, 2018 the Company is exposed to currency risk through cash, accounts receivable and accounts payable denominated in USD with a net asset amount of \$621,152.

#### **Interest Rate Risk**

When the Company has sufficient cash, it is invested in term deposits which can be reinvested without penalty after thirty days should interest rates rise. As at August 31, 2018 the Company did not have any interest-bearing loans or interest-bearing investments. Accordingly, the Company does not have significant interest rate risk.

#### **Management of Capital**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the development of its technologies. The Company relies mainly on equity issuances to raise new capital. In the management of capital, the Company includes the components of equity. The Company's investment policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without penalty. The Company is not subject to any externally imposed capital requirements.

### **10. FINANCIAL INSTRUMENTS BY CATEGORY**

#### **Fair Values**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and notes 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 August 31, 2018, the Company's financial instruments were classified as amortized at cost.

The carrying values of cash, receivables, and accounts payable and accrued liabilities and convertible debentures approximate their fair value because of the short-term nature of these instruments.

## **NexTech AR Solutions Corp.**

Notes to the Condensed Interim Financial Statements  
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### **11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the period from June 1, to August 31, 2018, the Company has not issued any new shares.

For the three months ended August 31, 2018, the Company recorded \$60,000 of consulting fees related to the release of 240,000 common shares from escrow, with the offsetting amount credited to share capital (Note 7).

During the period ended August 31, 2018, no cash was paid for income taxes or interest.

### **12. EVENTS AFTER THE REPORTING DATE**

On October 30, 2018, the Company filed its Listing Statement with the Canadian Securities Exchange ("CSE") and announced that its first trading day would be October 31, 2018.