NEXOPTIC TECHNOLOGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

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Set out below is a review of the activities, results of operations and financial condition of NexOptic Technology Corp. ("NXO", "NexOptic", or the "Company") and its subsidiaries for the year ended December 31, 2018. The discussion below should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2018 and 2017. Those consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at April 30 2019.

The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "NXO" and OTCQX under the symbol "NXOPF" in addition to trading in multiple listings in Germany under the symbol "E3O1"

Additional information related to the Company is available on SEDAR at www.sedar.com and the Company's website at www.nexoptic.com.

BACKGROUND AND CORE BUSINESS

NexOptic Technology Corp. and its subsidiaries (collectively, the "Company" or "NexOptic") is a technology company developing innovative optical and lens technologies. NexOptic was incorporated under the Company Act (British Columbia) on October 11, 2007. The Company maintains its registered office at 2080 – 777 Hornby Street, Vancouver, British Columbia, Canada V6Z 1S4. The Company's principal place of business is Suite 500 - 666 Burrard Street, Vancouver, BC V6C 3P6.

The Company is developing technologies relating to imagery and light concentration for lenses as well as artificial intelligence ("AI") for image capture systems. The Company's core, patented and patent pending technologies, referred to and trademarked as Blade Optics™, are focused on AI for imagery as well as novel approaches to collecting and concentrating an electromagnetic wave, such as visible light, and, if required by the application, maintaining the original image at high levels of quality and compactness. Some of the lens designs involve flat surfaces, and intention of the technologies are for significant consolidation in the length of lens stacks found in traditional light capture systems found in most of today's imaging systems. Further, Blade Optics™ offers potential for improvements to quality, clarity, and resolution of for a multitude of applications in multiple imaging verticals. The Company's applications utilize both pre- and post-optical imaging solution improvements which include novel geometrical lens designs as well as artificial intelligence algorithms.

To validate one of its earliest engineered lens designs, NexOptic built a proof-of-concept telescope prototype ("POC") collaboratively with Ruda Cardinal Inc. ("Ruda") of Tucson, Arizona. Ruda, a leader in the field of optical engineering, specializes in providing creative solutions to unique and complicated optical challenges for NASA, a select group of Fortune 500 companies and others. The POC was built with a lens stack depth to aperture ratio of nearly 1:1 which is significantly (up to eight times) thinner than comparable conventional telescopes on the market today. The 5-inch-aperture prototype telescope includes a Blade Optics™ lens engineered with flat surfaces.

Risks associated with the investment and development of lens and imaging technologies can be found in the Risk Factors section of this document.

NexOptic's Mobile Device Lens Stack (Smartphones)

On August 9, 2018, NexOptic published independent test results, as provided to it by Optikos Corporation of Wakefield, Massachusetts ("Optikos") on its smartphone lens assembly ("Lens"). NexOptic's optical engineers interpreted the data, as provided to them by Optikos, to show that NexOptic's Lens assembly had an overall angular resolution of greater than thirty-five percent (35%) relative to the current top-rated smartphone lens. Optikos, a world leader in the fields of optical and electro-optical metrology, provides optically-based product design and development, standard and custom metrology products, and IQ Lab™ testing services to a range of commercial, government, and consumer products organizations globally.

NexOptic's smartphone Lens is scalable from small to large configurations, demonstrating the potential to be used in a variety of optical applications. The Lens, as tested, had engineered specifications chosen to demonstrate the capabilities of the lens for long range viewing in the rapidly growing, smartphone, telephoto marketplace. It was engineered with an aperture of 4.8mm, an effective focal length of 11.5mm and horizontal full field of view of 25 degrees. The design is housed in roughly a 6 to 7mm depth, the typical depth of many of today's smartphones. For comparison, the Company's final designs are expected to have approximately 3.5 times more light-gathering area than a leading smartphone long-range lens with a 2.5mm aperture thereby creating the potential to capture higher quality images at long ranges with these iconic consumer devices. Additionally, the engineered system can have a much better diffraction limit than a smaller aperture system, providing the potential for greatly improved angular resolution. All design specification numbers are approximate, and subject to change. Additional details on the information related to the Optikos' tests can be found in NexOptic's August 9, 2018 news release.

Off-the-shelf sensor configuration and rudimentary image processing features were used for these tests. NexOptic's desktop demonstration Lens was built to prove the engineering and showcase the technology on a preliminary basis. NexOptic's path to a smartphone-based unit is continuing and includes discussions and feedback from some of the world's leading makers of smartphones.

DoubleTake,™ NexOptic's Binoculars Reimagined Wins Multiple Prestigious Awards

Designed to be rugged, water-resistant, and lightweight, DoubleTake™ entirely reimagines what binoculars can be by incorporating NexOptic's ultra-high magnification lenses within a state-of-the-art digital experience. The reimagined binocular product is designed to appeal to the growing premium sport optics consumer market. DoubleTake™ has received multiple awards thus far in 2019 and continues to garner media attention including the coveted DigitalTrends "Top Tech of CES 2019" award for photography, the GearJunkie "Best in Show" Winter Gear 2019 award and the 2019 Gold Award for Advanced Image Capture in the Consumer Goods category by the prestigious Edison Awards™.
Initial design and concept collaborations for DoubleTake™ began between NexOptic and the award winning industrial design firm, NewDealDesign of San Francisco in 2017. Later the San Francisco branch office of Synapse, a leading consumer product development firm, were engaged to further expedite the product to design completion in advance of the planned global launch of the product to consumers later this year (2019).

DoubleTake™'s design includes an AI-capable chipset enabling upgrades from NexOptic as well as planned third-party support. The design includes the ability to switch instantly from 2.5X magnification to 10X. Furthermore, the system will provide advanced image stabilization, high-resolution panning, superior low-light performance, an equivalent focal length greater than 500mm in a compact form factor, a large 52mm diagonal aperture that will capture far more light, a 5" high-definition, built-in LCD display, and a dual lens system featuring 4K video. The Bluetooth and Wi-Fi enabled system will allow for sharing. With the innovations it has already achieved, the Company feels that it has the potential to alter and influence the sports optics and binocular marketplaces.

Designs are now finalized on all key hardware specifications including using an Ambarella processing chip and Sony sensor. NexOptic has identified key suppliers for critical components and has received preliminary cost estimates based on potential order volumes in anticipation of near term production. The Company anticipates DoubleTake™ being available to consumers later in 2019.

NexOptic also anticipates creating other sport optic products for consumers including PocketPro™ a more compacted version of DoubleTake™ and others.

The Company maintains 100% ownership and control of its proposed binocular product lineup.

Artificial Intelligence for Photography

On October 30, 2018, the Company announced it had created its own patent pending sophisticated AI for photography. NexOptic wants to lead the way for the next generation of imaging systems with world class AI and computer vision.
NexOptic's AI drastically reduces image noise and motion blur common in poor lighting imaging environments by leveraging deep convolutional neural networks. In addition to enhancing image quality, this technology can be used to improve long-range image stabilization and image capture in extreme lighting conditions. NexOptic believes that this technology will have significant commercial applications in a number of industry verticals, and has the potential to be incorporated into its current sport optics (including DoubleTake™) and smartphone lens offerings.

The Company is currently in discussions with a variety of potential corporate users and partners for its AI.

Rich Geruson and Paul McKenzie Appointed as NexOptic's Chairman and CEO respectively.

On March 21, 2019 the Company announced that Richard J. (Rich) Geruson, had joined its Board of Directors. On April 24, 2019, in preparation for the Company's anticipated next stages of development, NexOptic's Board of Directors appointed Rich Geruson as its Chairman and Paul McKenzie as its Chief Executive Officer.

Mr. Geruson has rapidly grown several technology companies large and small. His experience spans CEO roles at Lexmark, Phoenix Technologies, and VoiceSignal Technologies, and Senior Vice President and executive positions at Nokia, IBM, Toshiba, and McKinsey & Co. As CEO of Lexmark, a multibillion-dollar imaging technology and solutions company with 10,000 employees, he grew printer sales faster than at any time in the preceding 10 years while simultaneously executing extensive process reengineering, transforming the business from negative EBITDA and high debt to positive multi-hundred-million-dollar EBITDA and a healthy debt profile.

Mr. McKenzie, a co-Founder of NexOptic, was reappointed to the CEO position having served in its capacity until November 2017. In his career he has overseen and negotiated joint-venture and alliance partnerships with companies whose market-capitalizations have exceeded $20 billion and has been integral in raising close to US $100 million for his associated companies. He has acted in the capacity of co-Founder, CEO, CFO, President and/or Director to several successful, publicly traded companies.

The above two appointments replace NexOptic co-Founders Darcy and John Daugela (the "Daugela's") who respectively held the positions of Chairman and CEO since November 2017. The Daugela's now serve as VP of Technology Development (Darcy Daugela) and VP of Business Development (John Daugela) The Daugela's no longer serve on the Company's Board of Directors.

Medical Leave of Absence by Board Member

On April 4th, 2019 NexOptic reported that director Ms. Karen Fleming had taken a medical leave of absence from the Company.

Patents and Patent Strategy

Patent protection directed to its core optical technologies is important to NexOptic. The Company has two granted patents from the United States Patent and Trademark Office, ("USPTO") filed by Spectrum Optix directed to its original Blade Optics™ lens technology (Patent Nos. US 9759900 and US 10228549 entitled FLAT WEDGE-SHAPED LENS AND IMAGE PROCESSING METHOD). The Company has filed and continues to file new applications on its other novel lens and image processing designs and has several pending US and PCT applications related thereto. Recent provisional patent applications filed with the USPTO utilize a variety of lens stack designs, all of which differ geometrically from NexOptic's original patents granted by the USPTO.

The Company has filed for patent protection to its original Blade Optics™ lens technology in key international markets and has patents pending in China, Hong Kong, Japan and Europe and has granted patents in Canada and South Korea,.

The Company also has patent applications pending related to its DoubleTake Lens and AI networks for photography and anticipates making additional patent filings specific to both hardware and computational designs in the future.

Risks associated with patentability and other aspects of the patenting process can be found in the Risk Factors section of this document.

Commercial Viability Potential

NexOptic lenses, and artificial intelligence technologies, present an opportunity to be successfully engineered into multiple additional imaging verticals and industries. NexOptic continues to examine a variety of opportunities for the Company to become commercially viable. The Company plans to introduce its first product to consumers in 2019.

OUTLOOK

The Company's continued focus is the advancement and pursuit of commercialization of its innovative imaging technologies.

OUTSTANDING SHARE DATA

At the date of this report, the Company has

- 128,263,979 issued and outstanding common shares;
- 10,992,000 outstanding stock options with a weighted average exercise price of $0.97; and
- 10,171,037 (6,704,960 warrants and 3,466,077 Conditional Warrants) warrants with a weighted average exercise price of $1.46.

SELECTED FINANCIAL INFORMATION

Selected Annual Information

	2018	2017	2016
Total assets	$ 52,331,350	$ 63,279,567	$ 2,879,549
Non-current liabilities	-	-	-
Other income (including interest)	80,765	30,864	2,352
Net loss for the year	(12,287,021)	(9,257,998)	(1,695,579)
Comprehensive loss for the year	(12,287,143)	(9,257,299)	(1,696,865)
Basic and diluted loss per share	(0.10)	(0.09)	(0.04)

The significant increase in net loss for the year ended December 31, 2018 related to a new level of corporate activity in research and development since the acquisition of Spectrum in November 2017 and consolidation of its financial results since that time. The loss for the year ended December 31, 2018 included a non-cash share-based payments expense of $688,262 for stock options granted and vesting as well as a non-cash amortization charge of $5,588,824 against intangible assets. In the year ended December 31, 2017, the Company completed the acquisition of Spectrum and started the consolidation of Spectrum's financial results in November 2017. The loss for the year ended December 31, 2017 included a non-cash share-based payments expense of $5,424,792 for stock options granted and vesting as well as a non-cash amortization charge of $931,471 against intangible assets following the acquisition of Spectrum on November 2, 2018.

Summary of Quarterly results

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Interest income	$ 14,046	$ 21,348	$ 22,211	$ 23,160
Net loss for the period	(2,997,421)	(3,000,418)	(3,353,932)	(2,935,250)
Comprehensive loss for the period	(2,996,958)	(3,001,100)	(3,353,896)	(2,935,189)
Basic and diluted loss per share	(0.02)	(0.02)	(0.03)	(0.02)

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Interest income	$ 20,028	$ 7,039	$ 2,229	$ 1,568
Net loss for the period	(3,834,219)	(519,017)	(3,966,072)	(938,690)
Comprehensive loss for the period	(3,834,779)	(517,723)	(3,966,101)	(938,696)
Basic and diluted loss per share	(0.03)	(0.01)	(0.06)	(0.02)

Through the quarters presented and ended November 3, 2017, the Company focused on its investment into Spectrum. The peaks in the net loss for the three months ended June 30, 2017 and March 31, 2017 are partly attributable to non-cash expenses for share-based payments expense of $3,484,730 and $520,072 respectively. The significant increase in the quarterly net loss from December 31, 2017 relative to previous quarters reflects the consolidation of the financial results of Spectrum effective November 3, 2017, and is expected to reflect a new level of corporate activity in research and development going forward, as well as a non-cash share-based payments expense of $1,419,990. There was a non-cash charge of $682,757 in the three months ended June 30, 2018 for the valuation of stock options and associated share-based payments expense and a non-cash charge of approximately $1,397,000 over each of the March, June, September, and December 2018 quarters for amortization of intangible assets.

Results of Operations for the three-month period ended December 31, 2018 compared to 2017

The comprehensive loss for the three-month period ended December 31, 2018 was $2,996,958 (2017 – $3,834,779). Overall, activity increased from the prior year as the results of Spectrum have been consolidated effective November 3, 2017. Significant changes to the comprehensive loss are explained as follows:

Non-recurring items

The loss from investment in associate relates to the Company's portion of the net loss incurred by Spectrum up to the date of the acquisition. The loss is non-cash and was $61,960 for the three-month period ended December 31, 2017 with no corresponding amount in the current period. The amount will not be recognized in current and future periods following the completion of the acquisition.

Research and development costs

Research and Development	For the three months ended December 31, 2018	For the three months ended December 31, 2017	For the years ended December 31, 2018	For the years ended December 31, 2017
Amortization of intangible assets	$ 1,397,206	$ 931,471	$ 5,588,824	$ 931,471
Depreciation of equipment	5,612	9,415	22,262	9,415
Consulting fees	156,418	-	456,621	-
Engineering and design	320,350	639,288	1,380,728	639,288
Management fees	90,000	38,833	345,000	38,833
Professional fees and patent costs	46,670	40,589	226,655	40,589
Salaries	71,167	16,042	240,250	16,042
Supplies	61,127	-	249,231	-
Travel	1,295	-	103,514	-
	$ (2,149,845)	$ (1,675,638)	$ (8,613,085)	$ (1,675,638)

Research and development expenses of $2,149,845 (2017 - $1,675,638) are now consolidated into the financial results of the Company following the completion of the acquisition of Spectrum and its patented technologies. The expenditures include significant investment into the design and development of the sport optics and cell phone lens projects as well as additional research and development contractors and supplies as the Company invests in its core technologies.

- Amortization of intangible assets reflects the amortization of the capitalized value of the patents on the completion of the Spectrum acquisition.
- Consulting fees include the engagement of technical specialists to assist in specific aspects of the optical engineering and industry research.
- Engineering and design costs include amounts paid to for work with respect to the development of the sport optics product and additional engineering firms for support in lens design and enhancement, and development of Artificial Intelligence based image processing
- Management fees include amounts paid to Darcy Daugela, appointed Executive Chairman November 3, 2017 until April 24, 2019, who manages and oversees the Company's operations including research facility in Edmonton, Alberta.
- Professional fees include amounts paid for legal work and patents costs on the Company's patent portfolio.
- Salaries are paid to technical staff in the Company's research facility in Edmonton, Alberta.

General and administrative costs

General and Administrative	For the three months ended December 31, 2018	2017	For the years ended December 31, 2018	2017
Consulting fees	$ 129,024	$ 101,582	$ 325,186	$ 147,132
Directors' fee	60,000	36,000	60,000	36,000
Insurance	7,377	5,363	21,967	11,923
Investor relations	233,532	171,916	823,203	524,386
Management fees	52,000	48,000	228,000	48,000
Office and administration	108,593	95,667	435,567	213,444
Professional fees	5,924	74,478	91,561	172,104
Property cost	329	(472)	24,249	24,303
Salaries	127,107	65,645	375,401	224,489
Share-based payments	5,505	1,419,990	688,262	5,424,792
Shareholder communications and filings	23,605	23,550	108,537	78,155
Sales and marketing	38,257	20,856	269,485	118,211
Travel	70,369	54,074	303,283	113,904
	$ (861,622)	$ (2,116,649)	$ (3,754,701)	$ (7,136,844)

- Investor relations expenses of $233,531 (2017 - $171,916) increased over the prior period as the Company increased its spend with a communications consultant for investor outreach services as well as working with a new European market consultant in the current period. Additionally, the Company incurred $38,257 (2017 - $20,856) for sales and marketing costs, which includes brand awareness expenditures for the Company's technologies to potential partner and/or end user companies and consumers.

- Management fees of $52,000 (2017 - $48,000) reflect amounts paid to John Daugela, former CEO, who was appointed November 3, 2017.

- Office and administration of $108,593 (2017 - $95,667) increased following the incorporation of Spectrum overheads. The expenses include rent, accounting support services and general office costs.

- Share-based payments expense of $5,505 (2017 - $1,419,990) relates to the valuation of stock options granted and vested in the period. Options were granted to individuals whose corresponding compensation expense, as applicable, is included in general and administrative expenses.

- Professional fees of $5,924 (2017 – $74,478) decreased due to additional costs in the year ended December 31, 2017 for the timing of annual general meetings and audit fees over the Spectrum acquisition.

Results of Operations for the year ended December 31, 2018 compared to 2017

The comprehensive loss for the year ended December 31, 2018 was $12,287,143 (2017 – $9,257,299). Overall, activity increased from the prior year as the results of Spectrum have been consolidated effective November 3, 2017. Significant changes to the comprehensive loss are explained as follows:

Non-recurring items

The loss from investment in associate relates to the Company's portion of the net loss incurred by Spectrum up to the date of the acquisition. The loss is non-cash and was $476,380 for the year ended December 31, 2017 with no corresponding amount in the current year. The amount will not be recognized in current and future periods following the completion of the acquisition.

Research and development costs

Research and development expenses of $8,613,085 (2017 - $1,675,638) are now consolidated into the financial results of the Company following the completion of the acquisition of Spectrum and its patented technologies. The expenditures include significant investment into the design and development of the sport optics, and cell phone lens, and artificial intelligence projects as well as additional research and development contractors and supplies as the Company invests in its core technologies.

- Amortization of intangible assets reflects the amortization of the capitalized value of the patents on the completion of the Spectrum acquisition.
- Consulting fees include the engagement of technical specialists to assist in specific aspects of the optical engineering and industry research.
- Engineering and design costs include amounts paid to for work with respect to the development of the sport optics product and additional engineering firms for support in lens design and enhancement and artificial intelligence development
- Management fees include amounts paid to Darcy Daugela, appointed Executive Chairman November 3, 2017 until April 24, 2019, who manages and oversees the Company's operations including research facility in Edmonton, Alberta.
- Professional fees include amounts paid for legal work on the Company's patent portfolio.
- Salaries are paid to technical staff in the Company's research facility in Edmonton, Alberta.

General and administrative costs

- Consulting fees now include regular consultants to Spectrum which provide market communication support services and therefore increased to $325,186 (2017 - $147,132). In the prior period, amounts reflect amounts paid to the CFO, and fees to consultant following the acquisition of Spectrum on November 3, 2017.
- Investor relations expenses of $823,202 (2017 - $524,386) increased over the prior period as the Company increased its spend with a communications consultant for investor outreach services as well as working with a new European market consultant in the current period. Additionally, the Company incurred $269,485 (2017 - $118,211) for sales and marketing costs, which includes brand awareness expenditures for the Company's technologies to potential partner and/or end user companies and consumers.
- Management fees of $228,000 (2017 - $48,000) reflect amounts paid to John Daugela, former CEO, who was appointed November 3, 2017.
- Professional fees of $91,561 (2017 – $172,104) decreased due to additional costs in 2017 with respect to the closing of the Spectrum acquisition and associated compliance filings as well as higher audit fees.
- Office and administration of $435,567 (2017 - $213,445) increased following the incorporation of Spectrum overheads. The expenses include rent, accounting support services and general office costs.
- Salaries for general and administrative personnel has increased to $375,401 (2017 - $224,489). The increase is attributable to the addition of office staff in Edmonton and an increase in rate paid to Paul McKenzie, President.
- Share-based payments expense of $688,262 (2017 - $5,424,792) relates to the valuation of stock options granted and vested in the period. Options were granted to individuals whose corresponding compensation expense, as applicable, is included in general and administrative expenses.
- Travel has increased to $303,283 (2017 - $113,904) as the Company's team has been actively meeting with potential strategic partners, potential development partners, meeting with current and potential investors and attending industry events.

LIQUIDITY AND CAPITAL RESOURCES

Cash has decreased by $5,439,541 to $2,704,156 at December 31, 2018 from a balance of $8,143,697 as at December 31, 2017. The Company had working capital of $2,672,097 as at December 31, 2018.

Overall cash utilization for operating activities increased from 2017 to 2018. In the year ended December 31, 2018, the Company expended $6,128,930 in operating activities as compared to $2,848,841 in 2017. The increase is consistent with consolidation of Spectrum's activities in the current year and increase in staff executing the Company's research and development plan since the comparative period. In the year ended December 31, 2017, the Company forwarded $1,412,133 as part of its investment plan into Spectrum which reflected cash use for Spectrum's activities in that period.

Financing activities provided $722,988 (2017 - $11,146,661) of cash in the year ended December 31, 2018 generated from the exercise of warrants. In the prior year, the Company generated funds of $3,824,238 from exercised warrants and options. Funds generated by equity instruments are commensurate with the timing of expiry dates and exercise price relative to prevailing market prices for the Company's common shares. In the prior year a tranche of 8,130,000 warrants exercisable at $0.10 and expiring April 16, 2017 were exercised as well as a tranche of 10,045,791 warrants exercisable at $0.20 and expiring in September 2017 were exercised. Additionally, the Company completed a private placement in 2017, which generated funds of $7,375,456 and share issuance costs of $53,033.

The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing.

Management is actively targeting sources of additional financing through financial transactions that would assure continuation of the Company's operations. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate expenditures and/or investments and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Management will apply funds from the private placements for investment according to the agreement with Spectrum over the short term and for working capital. Additional funds will be required to satisfy the investment in the Spectrum agreement, and to maintain general working capital. The contractual commitments of the Company are not significant, and the Company may sustain operations by reducing overhead and delaying investment.

The Company has lease commitments for office spaces totaling $196,924 ending July 2020.

OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

At December 31, 2018, the Company had no material off statement of financial position arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market, or credit risk to the Company.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions in process other than as discussed elsewhere in this document.

RELATED PARTY TRANSACTIONS

Key management personnel comprise the Chairman, Chief Executive Officer, President & Chief Business Officer, Chief Financial Officer, and directors of the Company. The remuneration of the key management personnel is as follows:

For the year ended December 31		2018		2017
Payments to key management personnel:				
Consulting fees (G&A) – paid to a company in which the CFO has a significant investment	$	106,014	$	81,475
Directors' fees – general and administrative		60,000		36,000
Management fees (G&A) – John Daugela, and a company owned by Darcy and John Daugela		228,000		48,000
Management fees (R&D) – Darcy Daugela		345,000		38,333
Salaries and short-term benefits (G&A) – Paul McKenzie		180,000		156,000
Share-based payments to officers – general and administrative		186,206		1,414,459
Share-based payments to directors – general and administrative		496,550		1,204,902

During the year ended December 31, 2018, the Company was charged legal fees, included in professional fees, of $23,273 (2017 - $93,977) by S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee.

As at December 31, 2018, the Company had balances outstanding with related parties of $82,126 (2017 - $77,917) included in accounts payable. All balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements are disclosed in Note 3 of the Company's annual consolidated financial statements for the year ended December 31, 2018.

IFRS 9 *Financial Instruments (Revised)*

On January 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated, and no material changes resulted from adopting this new standard.

- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date. The Company's receivables are materially recoverable input tax credits receivable from the government of Canada.

Standards issued or amended but not yet effective

IFRS 16 *Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases, including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases, as is required by IAS 17 *Leases*, and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is in the process of evaluating the impact of IFRS 16 on the consolidated financial statements to consider office space leases.

IFRIC 23 *Uncertainty Over Income Tax Treatments*

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short-term nature of the financial instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. As at December 31, 2018, the Company had cash equivalents of $2,273,645 (2017 - $6,539,037) in term deposits. The Company considers the risk of financial loss on cash and cash equivalents to be remote. The Company's receivables consist materially of GST input tax credits recoverable from the government of Canada. The Company considers credit risk with respect to these amounts to be low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company had a working capital of $2,638,977 (2017 - $7,914,400). All the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

   The Company's financial assets exposed to interest rate risk consist of cash. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes the interest rate risk is low given the current low global interest rate environment.

b) Foreign currency risk

   The Company's has engaged several vendors in the pursuit of research and development activities in the US. As such, the Company is exposed to some foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar and US dollar may have an adverse effect on the Company's business and costs to proceed with preferred vendors. The Company may reduce its foreign currency risk as needed by substituting Canadian vendors as required. Foreign currency risk is considered moderate relative to the overall financial operating plan.

RISK FACTORS

The principal activity of the Company is the investment in and development of its core technologies (the "Technology"), which relates to a high efficiency optical concept, including the use of flat lenses as well as novel artificial intelligence for image capture systems.

Competition

The lens industry is highly competitive with several well-established market participants. Competition in this industry occurs on many fronts, including developing and bringing new products to market before others, developing new technologies to improve existing products, developing new products to provide the same benefits as existing products at less cost, developing new products to provide benefits superior to those of existing products, and acquiring or licensing complementary or novel technologies from other companies or individuals. The Company may be unable to contend successfully with current or future competitors which include major technology companies, many of which are large, well-established companies with access to financial, technical, and marketing resources significantly greater than the Company and substantially greater experience in developing, licensing, and manufacturing products, conducting research and development activities, and obtaining regulatory approvals. The Company's competitors may develop or acquire new or improved products that are similar to those offered by the Company, while not necessarily being direct competitors currently, or may make technological advances that reduce their cost of production so that they may engage in price competition.

Development Risk

Substantial corporate resources are being expended on the development of the Technology. The Technology remains in the research and development stages and has not yet been commercialized. There can be no guarantee that the Technology will achieve the objectives which the Company believes are necessary for it to result in a successful product in the market. In addition, the Technology is in early stages of development and there can be no guarantee that technical milestones can be achieved. There are significant risks, expenses, delays, and difficulties frequently encountered in establishing new products in the technology industry, which is characterized by an increasing number of market entrants, intense competition, and high failure rate. Further, there is always the risk in product development that the products will fail to function as intended or that the market for such products will not develop as anticipated or when anticipated. There is often a lengthy time between the time of technology conceptualization to technology commercialization, and there can be no assurances that development of new technologies will be completed at all, on time or within budget. Failure to successfully commercialize the Technology may materially and adversely affect the Company's financial condition and results of operations.

Limited Protection of Patents and Proprietary Rights

The Company's success will depend in part on its ability to protect its proprietary rights and technologies, including, but not limited to the Technology. The Company will rely on a combination of contractual arrangements, licenses, patents, trade secrets, and know-how to protect its proprietary technology and rights and the Company's failure to protect its intellectual property rights may result in the loss of valuable technologies and undermine its competitive position. However, not all these measures may apply or may afford only limited protection. In addition, the laws of some foreign countries do not protect proprietary technology rights to the same extent as do the laws of Canada and the United States. A failure of the Company to adequately protect its proprietary rights may adversely affect the business of the Company.

Filing, prosecuting and defending patents on the Company's intellectual property throughout the world would be prohibitively expensive. The laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States or federal and provincial laws in Canada. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. Proceedings to enforce the Company's patent rights in foreign jurisdictions could result in substantial cost and divert its efforts and attention from other aspects of its business. The Company may have limited remedies if patents are infringed in certain jurisdictions or if it is compelled to grant a license to a third-party, which could materially diminish the value of those patents. This could limit the Company's potential revenue opportunities.

Unpatented trade secrets, improvements, confidential know-how and continuing technological innovation may be important to the Company's scientific and commercial success. Although the Company will attempt to, and will continue to attempt to, protect proprietary information through reliance on trade secret laws and the use of confidentiality agreements with collaborators, contract manufacturers, licensees, clinical investigators, employees and consultants and other appropriate means, these measures may not effectively prevent disclosure of or access to proprietary information, and, in any event, others may develop independently, or obtain access to, the same or similar information.

Despite the Company's efforts to protect its proprietary rights, there can be no assurance that the Technology will not be infringed upon, that the Company would have adequate remedies for any such infringement or adequate funds to act against those infringing the Technology, or that its trade secrets will not otherwise become known or independently developed by its competitors. There can also be no assurance that any patents now or hereafter issued to, licensed by, or applied for by the Company will be upheld, if challenged, or that the protections afforded thereby will not be circumvented by others. There can be no assurance that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Technology.

Infringement of Intellectual Property Rights

While the Company believes that its intellectual property does not infringe upon the proprietary rights of third parties, its commercial success depends, in part, upon the Company not infringing intellectual property rights of others. Several of the Company's competitors and other third parties have been issued or may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those utilized by the Company. Some of these patents may grant very broad protection to the owners of the patents.

The Company may become subject to claims by third parties that its technology infringes their intellectual property rights due to the growth of products in its target markets, the overlap in functionality of those products and the prevalence of products.

Litigation may be necessary to determine the scope, enforceability, and validity of third-party proprietary rights or to establish the Company's proprietary rights. Some of its competitors have, or are affiliated with companies having, substantially greater resources than the Company and these competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period than the Company.

Regardless of their merit, any such claims could be time consuming to evaluate and defend, result in costly litigation, divert management's attention and focus away from the business, subject the Company to significant liabilities and equitable remedies, including injunctions, require the Company to enter into costly royalty or licensing agreements and require the Issuer to modify or stop using infringing technology.

No Assurance of Commercial Production

The Company is a research and development company with no history of production or sale. There is no assurance that it will seek or achieve commercial production of any product or the sale of any product. There is no assurance that the Company will meet proposed commercial production timelines or will be able to achieve commercial production within financial targets.

The Company has not previously produced a consumer product on a commercial scale and has no manufacturing facility. The Company may in the future be dependent on third party manufacturers for the manufacture of a product, or product components, as well as on third parties for a supply chain. The Company currently has no plans to build internal commercial scale manufacturing capabilities. Contract manufacturing organizations may need to increase the scale of production and may or may not be able to scale production. It could be expensive and take a significant amount of time to arrange for alternative suppliers. The Company may be unable to enter into agreements for commercial supply with third-party manufacturers, or may be unable to do so on unacceptable terms. Any significant disruption in the Company's supplier relationships could harm the Company's business.

Slow Acceptance of the Company's Technology

The marketplace might be slow to accept or understand the significance of the Company's Technology due to its unique nature and the competitive landscape. Market confusion may slow sales and acceptance of the Company's potential products. If the Company were unable to promote, market and monetize the Technology and secure relationships with industry professionals and product manufacturers, the Company's business and financial condition would be adversely affected.

Sales and Distribution

The Company does not currently have any proven market for sales or completed distribution agreements. The successful commercialization of a consumer product will be reliant on the Company's ability to identify, execute and maintain a successful mechanism to market.

Experimental Field

The Company is engaged in the research and development of the Technology with the goal of commercializing viable products. The development of the Technology will require extensive experimental effort and can require significant investment. Customers may be hesitant to implement any new technologies developed without extensive and time-consuming testing.

Technological Advancements

The markets for the Company's Technology are characterized by rapidly changing technology and evolving industry standards, which could result in product obsolescence or short product life cycles. Accordingly, the Company's success will be dependent upon its ability to anticipate technological changes in the industries it serves and to successfully identify, obtain, develop, and market new products that satisfy evolving industry requirements.

The lens industry is subject to significant technological advancements, changing industry standards, market trends, customer preferences and competitive pressures, which can, among other things, necessitate revisions in pricing strategies, price reductions, and reduced profit margins.

The success of the Company will depend on its ability to secure technological superiority in its services and maintain such superiority in the face of new technologies. No assurance can be given that further modification of product offerings of the Company will not be required to meet demands or to remain competitive. The future success of the Company will be influenced by its ability to continue to adapt its products. Although the Company has committed resources to improve its products, there can be no assurance that these efforts will increase profits.

Risk of Obsolescence

New developments in technology may negatively affect the development or sale of some or all of the Company's products or make its products obsolete. The inability of the Company to enhance existing products in a timely manner or to develop and introduce new products that incorporate new technologies, conform to increasingly regulatory requirements, and achieve market acceptance in a timely manner could negatively impact the Company's competitive position. New product development or modification is costly, involves significant research, development, time, and expense, and may not necessarily result in the successful commercialization of any new products.

Additional Funding Requirements

The Company will require additional financing to implement its business plan. The Company may raise additional funds through gap financing, debt financing, and/or subsequent equity financing. The Company may also borrow funds from a financial institution(s) using the assets of the Company as security for said loan(s). The Company may also obtain additional financing through certain government subsidies or tax incentives available in certain geographic areas, if available, at the Company's discretion. Failure to obtain such additional capital on terms acceptable to the Company could restrict its ability to implement its growth plans. Further, a shortage of funds may prevent or delay the Company from getting its products to the marketplace, achieving profitability, or enabling the Company to pay distributions to its shareholders. There is no assurance that the Company will have adequate capital to conduct its business or satisfy its financial obligations.

The ability of the Company to arrange financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change, and shareholders may suffer additional dilution. There can be no assurance that the Company will generate cash flow from operations necessary to support the continuing operations of the Company.

Limited Operating History

The Company has incurred losses since inception and is expected to continue to incur losses. As such, the Company will be subject to all the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues. The Company's ability to reach and then sustain profitability depends on several factors, including the growth rate of the developmental lens industry, the continued market acceptance of the Technology and the competitiveness of the Company. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of its early stage of operations.

Lack of Operating Cash Flow

The Company currently has no source of operating cash flow, which is expected to continue for the near future. The Company's failure to achieve profitability and positive operating cash flows could have a material adverse effect on its financial condition and results of operations.

Exposure to Foreign Currency Exchange Rates

The Company's business leverages suppliers and partners in foreign jurisdictions. The Company's business may expand internationally and as a result, a significant portion of its revenues, expenses, current assets and current liabilities may be preliminary denominated in foreign currencies, while its financial statements are expressed in Canadian dollars. A decrease in the value of such foreign currencies relative to the U.S. dollar could result in losses in revenues from currency exchange rate fluctuations. To date, the Company has not hedged against risks associated with foreign exchange rate exposure. The Company cannot be sure that any hedging techniques it may implement in the future will be successful or that its business, financial condition, and results of operations will not be materially adversely affected by exchange rate fluctuations.

Substantial Control by Insiders

A Company shareholder beneficially own approximately 32% of the Company's shares. As a result, the shareholder will be able to influence or control matters requiring approval by the Company's shareholders, including the election of directors and the approval of mergers, acquisitions, or other extraordinary transactions. They may also have interests that differ from those of investors and may vote in a manner that is adverse to investors' interests. This concentration of ownership may have the effect of deterring, delaying, or preventing a change of control of the Company, could deprive the Company's shareholders of an opportunity to receive a premium for their Company Shares as part of a sale of the Company, and might ultimately affect the market price of the Company Shares.

Market for Securities and Volatility of Share Price

There can be no assurance that an active trading market in the Company's securities will be established or sustained. The market price for the Company's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Dependence on Management and Key Personnel

The Company's management will make all decisions with respect to the Company's assets, including investment decisions and the day-to-day operations of the Company. As a result, the success of the Company for the foreseeable future will depend largely upon the ability of its management team, employees and consultants. The loss of any key individual could have a material adverse effect on the Company. If the Company lost the services of one or more of its executive officers or key employees and consultants, it would need to devote substantial resources to finding replacements, and until replacements were found, the Company would be operating without the skills or leadership of such personnel, any of which could have a significant adverse effect on the Company's business. The Company currently does not carry "key-man" life insurance policies covering any of these officers or consultants.

The future success of the Company depends in significant part on the contributions of its executive officers and scientific and technical personnel. The loss of the services of one or more key individuals may significantly delay or prevent achievement of scientific or business objectives. Competition for qualified and experienced personnel in the technology field is generally intense, and the Company will rely heavily on its ability to attract and retain qualified personnel in order to successfully implement its scientific and business objectives. The failure to attract or retain key executives and personnel could impact the Company's operations, including failure to achieve targets and advancement of the Technology.

Expansion and Growth

As the Company's development and commercialization plans and strategies develop, the Company expects that it will need to expand the size of its employee base for managerial, operational, sales, marketing, financial and other resources. Future growth would impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, motivate and integrate additional employees. In addition, the Company's management may have to divert a disproportionate amount of its attention away from the Company's day-to-day activities and devote a substantial amount of time to managing these growth activities. The Company's future financial performance and its ability to commercialize its Technology and its ability to compete effectively will depend, in part, on the Company's ability to effectively manage any future growth.

Adverse General Economic Conditions

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy. Some of the key impacts of the financial market turmoil included contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A similar slowdown in the financial markets or other economic conditions, including but not limited to, inflation, fuel and energy costs, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's operations. Specifically, a global credit/liquidity crisis could impact the cost and availability of financing and overall liquidity, volatile energy, commodity and consumables prices and currency exchange rates could impact costs and the devaluation and volatility of global stock markets could impact the valuation of the Company's equity and other securities. These factors could have a material adverse effect on the Company's financial condition and results of operations.

Conflicts of Interest

Some of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including technology companies) and, because of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The BCBCA provides that if a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA. To the proposed management of the Company's knowledge, as at the date hereof there are no existing or potential material conflicts of interest between the Company and a proposed director or officer of the Company except as otherwise disclosed herein.

Partnerships and Collaborations

The Company may seek third-party collaborators for development and commercialization of potential future products and projects. The Company is not currently party to any such arrangement. The Company's ability to generate revenues from these arrangements will depend on its collaborators' abilities to successfully perform the functions assigned to them in these arrangements.

Collaboration agreements may not lead to development or commercialization of the Technology in the most efficient manner or at all.

Dividends

To date, the Issuer has not paid any dividends on their outstanding shares. Any decision to pay dividends on the shares of the Company will be made by its board of directors based on the Company's earnings, financial requirements, and other conditions.

Uninsured Risks

The Company may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the Company may incur a liability to third parties (in excess of any insurance coverage) arising from any damage or injury caused by the Company's operations.

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this Management Discussion and Analysis constitute "forward-looking statements." These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified using words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Information concerning the interpretation of drill results, mineral resource and reserve estimates and capital cost estimates may also be deemed as forward-looking statements as such information constitutes a prediction of what mineralization might be found to be present and how much capital will be required if a project is developed. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in this Management Discussion and Analysis should not be relied upon. These statements speak only as of the date of this Management Discussion and

Analysis. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this Management Discussion and Analysis. Such statements are based on several assumptions that may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the potential applications of the Company's technologies;
- the timing and expenditures required to develop such technologies, including development of any future prototype vertical;
- the ability of the Company to procure patent or other intellectual property protection for its technologies and to license or enforce such patents, if any;
- the ability to attract and retain skilled staff;
- foreign currency and exchange rates;
- market competition; and
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, risks related to international operations, actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, as well as those factors discussed in the section "Risk Factors". Factors that could cause actual results to differ materially include, but are not limited to, the risk factors discussed in the section. The Company cautions that the foregoing list of important factors is not exhaustive. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

ADDITIONAL INFORMATION

Additional information regarding the Company can be found at www.sedar.com and the Company's website www.nextopic.com.