NEXOPTIC TECHNOLOGY CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)
(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

NEXOPTIC TECHNOLOGY CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)
AS AT

		September 30, 2020		December 31, 2019
ASSETS				
Current				
Cash and cash equivalents (Note 10)	$	2,839,107	$	194,045
Accounts receivable		21,451		44,732
Prepaid expenses and deposits		116,035		66,283
	$	2,976,593	$	305,060
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
Current				
Accounts payable and accrued liabilities (Note 9)	$	974,388	$	1,308,860
Accrued Liabilities (Note 9)		255,417		-
Loan Payable (Note 3)		80,000		-
		1,309,805		1,308,860
Shareholders' equity (deficiency)				
Share capital (Note 8)		78,196,458		73,649,752
Reserve (Note 8)		10,177,370		8,506,917
Accumulated other comprehensive income		601,455		601,444
Deficit		(87,308,495)		(83,761,913)
		1,666,788		(1,003,800)
	$	2,976,593	$	305,060

Approved and authorized by the Board on November 23, 2020.

"Richard Geruson" Director *"Paul McKenzie"* Director

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

NEXOPTIC TECHNOLOGY CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
EXPENSES				
Research and development (Note 7)	$ 237,970	$ 1,850,428	$ 644,913	$ 7,337,514
General and administrative (Note 7)	668,912	552,056	4,601,100	3,094,376
Total operating expenses	(906,882)	(2,402,484)	(5,246,013)	(10,431,890)
Finance expense (Note 6)	-	(1,991)	-	(6,793)
Foreign exchange	9,986	(2,776)	(10,589)	4,284
Interest and other income	44	352	87	15,780
Severance liability recovery (Note 9)	57,781	-	76,725	-
Termination of lease (Note 6)	-	(42,920)	-	(42,920)
	67,811	(47,335)	66,223	(29,649)
Net loss for the period	(839,071)	(2,449,819)	(5,179,790)	(10,461,539)
OTHER COMPREHENSIVE LOSS				
Item that may be reclassified subsequently to profit or loss				
Foreign exchange on translating foreign operations	(46)	475	11	(230)
Comprehensive loss for the period	$ (839,117)	$ (2,449,344)	$ (5,179,779)	$ (10,461,769)
Basic and diluted loss per common share	$ (0.01)	$ (0.02)	$ (0.04)	$ (0.08)
Weighted average number of common shares outstanding	144,869,854	135,924,298	139,856,600	130,953,437

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

NEXOPTIC TECHNOLOGY CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE NINE MONTHS ENDED SEPTEMBER 30

		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	(5,179,790)	$	(10,461,539)
Non-cash items:				
Accrued finance expense		-		6,793
Amortization expense		-		4,191,618
Depreciation expense		-		106,950
Severance liability recovery		(76,725)		-
Share-based payments		3,702,055		1,161,663
Termination of lease		-		42,920
Changes in non-cash working capital items:				
Accounts receivable		23,281		86,821
Prepaid expenses and deposits		(49,710)		(87,190)
Accounts payable and accrued liabilities		(2,361)		593,216
		(1,583,250)		(4,358,748)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from private placement		-		3,087,894
Share issuance costs		(3,719)		(108,338)
Proceeds from exercised warrants		3,695,481		-
Proceeds from exercised options		456,550		120,750
Loan funds		80,000		-
Lease payments		-		(140,842)
		4,228,312		2,959,464
Change in cash and cash equivalents during the period		2,645,062		(1,399,284)
Cash and cash equivalents, beginning of period		194,045		2,704,156
Cash and cash equivalents, end of period	$	2,839,107	$	1,304,872
Supplementary cash flow information:				
Non-cash transactions:				
Shares issued for finders' fees for private placement	$	-	$	65,724
Broker warrants issued for private placement		-		35,767

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

NEXOPTIC TECHNOLOGY CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Unaudited)
(Expressed in Canadian Dollars)

	Share Capital					
	Number	Amount	Reserve	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2018	127,458,979	$ 70,491,447	$ 10,003,112	$ 601,755	$ (29,026,708)	$ 52,069,606
Private Placement	7,531,449	3,087,894	-	-	-	3,087,894
Share issue costs	128,870	(144,105)	35,767	-	-	(108,338)
Options exercised	805,000	214,516	(93,766)	-	-	120,750
Share-based payments	-	-	1,161,663	-	-	1,161,663
Expiry of options	-	-	(868,402)	-	868,402	-
Expiry of warrants	-	-	(1,380,473)	-	1,380,473	-
Net loss and comprehensive loss for this period	-	-	-	(230)	(10,461,539)	(10,461,769)
Balance, September 30, 2019	135,924,298	73,649,752	8,857,901	601,525	(37,239,372)	45,869,806
Expiry of options	-	-	(350,984)	-	350,984	-
Net loss and comprehensive loss for this period	-	-	-	(81)	(46,873,525)	(46,873,606)
Balance, December 31, 2019	135,924,298	73,649,752	8,506,917	601,444	(83,761,913)	(1,003,800)
Share issue costs	-	(3,719)	-	-	-	(3,719)
Options exercised	1,642,000	828,207	(371,657)	-	-	456,550
Warrants exercised	9,639,852	3,722,218	(26,737)	-	-	3,695,481
Share-based payments	-	-	3,702,055	-	-	3,702,055
Expiry of options	-	-	(687,115)	-	687,115	-
Expiry of warrants	-	-	(946,093)	-	946,093	-
Net loss and comprehensive loss for the period	-	-	-	11	(5,179,790)	(5,179,779)
Balance, September 30, 2020	147,206,150	$ 78,196,458	$ 10,177,370	$ 601,455	$ (87,308,495)	$ 1,666,788

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

1. NATURE OF OPERATIONS AND GOING CONCERN

NexOptic Technology Corp. (with its subsidiaries, collectively, the "Company" or "NexOptic") is a technology company investing in the area of innovative optical technologies. NexOptic was incorporated under the *Company Act* (British Columbia) on October 11, 2007. The Company name was changed from Elissa Resources Ltd. on February 12, 2016. 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 1500 – 409 Granville Street, Vancouver, British Columbia, Canada V6C 1T2.

The Company is developing technologies relating to imagery and light concentration for lens and image capture systems. The business of technology investment involves a high degree of risk and there can be no assurance that projects under research and development will proceed through to achieve commercialization. Risks related to the value of the Company's investments and continued existence include the ability to protect intellectual property rights, the ability of the Company to raise alternative financing, and risks inherent to new technologies, such as risk of obsolescence, confirmation of feasibility, completion of prototypes, slow adoption and competing technological advances.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company reported a net loss of $5,179,790 (2019 - $10,461,539) and had an accumulated deficit of $87,308,495 (December 31, 2019 - $83,761,913) as at September 30, 2020. The Company's ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or achieve profitable operations. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management may be required to curtail certain expenses. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

COVID-19

Since March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. By January 2020, the Company had moved its personnel to remote working environments and has experienced minimal disruption to ongoing operations.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2019.

Basis of consolidation and presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PREPARATION (cont'd…)

Basis of consolidation and presentation (cont'd…)

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The condensed consolidated interim financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Use of judgments and estimates

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key areas of judgment applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Research and development expenditures

  Distinguishing the research and development phases of a technology or product and determining whether the recognition requirements for the capitalization of development costs are met requires judgment. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired. No research and development costs were capitalized during the period September 30, 2020.

- Functional currency

  The functional currency of the Company and its subsidiaries is the currency of their respective primary economic environment, and the Company reconsiders the functional currency if there is a change in events and conditions, which determined the primary economic environment.

- Going concern

  The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

- Deferred income tax

  The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

- Right-of-use assets and lease liability

  The Company applies judgement in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

2. BASIS OF PREPARATION (cont'd…)

Use of judgments and estimates (cont'd…)

- Intangible assets – impairment

  The application of the Company's accounting policy for intangible assets expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available. Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. In December 2019, the Company determined to record an impairment charge against intangibles

The key areas of estimates applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Intangible assets – amortization

  Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. Management estimated that intangible assets acquired would have a useful life of 10 years. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

- Share-based payments and compensation

  The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services for share-based payments made to those other than employees or others providing similar services.

  The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted for share-based payments made to employees or others providing similar services. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying common shares, the expected life of the share option or warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 8.

- Right-of-use assets and lease liability

  The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency, and geographic location. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations are estimated using a discount rate similar to the Company's specific borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in a similar environment.

(Expressed in Canadian Dollars)

3. LOAN PAYABLE

The Company received two $40,000 revolving lines of credit as part of the Canada Emergency Business Account (CEBA) program due to COVID-19. The loans are interest free and require no principal payments until December 2022 (“Initial Term Date”). The loan can be extended to December 2025 and 25% will be forgiven if the principal is repaid before the Initial Term Date.

4. INTANGIBLE ASSETS

The intangible assets of Spectrum include patents issued to Spectrum for its wedge imaging technology.

	September 30, 2020	December 31, 2019
Cost		
Balance, beginning of period	$ -	$ 55,888,236
Impairment	-	(55,888,236)
Balance, end of period	-	-
Accumulated Amortization		
Balance, beginning of period	$ -	$ 6,520,294
Amortization expense	-	5,355,956
Impairment	-	(11,876,250)
Balance, end of period	-	-
Net Book Value, end of period	$ -	$ -

In December 2019, the Company determined not to make further investments or pursue its initial square aperture land prism lens designs after reviewing the costs, benefits and feasibility of commercializing such technology and as such, indicators of impairment existed leading to a test of recoverable amount, which resulted in an impairment expense of $44,011,986. A value in use calculation is not applicable as the Company does not have any expected cash flows from using the assets at this stage of operations. In estimating the fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than $Nil. As this valuation technique requires management’s judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

(Expressed in Canadian Dollars)

5. EQUIPMENT AND RIGHT-OF-USE ASSETS

	Software	Computer equipment	Office equipment	Right-of-use assets (Office leases)	Total
Cost					
Balance, December 31, 2018	19,596	49,037	8,921	-	77,554
Adoption of IFRS 16	-	-	-	157,699	157,699
Impairment of equipment	(19,596)	(49,037)	(8,921)	-	(77,554)
Termination of lease (Note 6)	-	-	-	(157,699)	(157,699)
Balance, December 31, 2019 and September 30, 2020	$ -	$ -	$ -	$ -	$ -
Accumulated Depreciation					
Balance, December 31, 2018	9,798	18,488	3,390	-	31,676
Depreciation expense	9,798	9,165	1,659	106,749	127,371
Impairment of equipment	(19,596)	(27,653)	(5,049)	-	(52,298)
Termination of lease (Note 6)	-	-	-	(106,749)	(106,749)
Balance, December 31, 2019 and September 30, 2020	$ -	$ -	$ -	$ -	$ -
Net Book Value					
Balance, end of period	$ -	$ -	$ -	$ -	$ -

6. LEASE LIABILITIES

Lease liabilities	
Balance, January 1, 2019	$ 157,699
Accrued finance expense	7,026
Lease payments	(111,696)
Termination of lease	(53,029)
Balance, December 31, 2019 and September 30, 2020	$ -

The Company has applied an incremental borrowing rate of 8.95%.

The Company paid $Nil (2019 - $15,000) on short-term leases in the nine months ended September 30, 2020 included in office and administration expense.

In the year ended December 31, 2019, the Company terminated an office lease and derecognized the associated right-of-use asset of $50,950 and lease liability of $53,029. The Company recognized a loss on the lease termination of $42,920 in the statement of loss and comprehensive loss and included in the loss are cash payments of $45,000 required to terminate the lease.

(Expressed in Canadian Dollars)

7. OPERATING EXPENSES

	For the three months ended September 30,		For the nine months ended September 30,	
Research and Development	**2020**	**2019**	**2020**	**2019**
Amortization of intangible assets (Note 5)	$ -	$ 1,397,206	$ -	$ 4,191,618
Depreciation of equipment (Note 6)	-	5,197	-	15,424
Consulting fees	-	66,002	4,923	142,338
Engineering and design	387	4,137	74,263	955,588
Management fees (Note 9)	-	85,000	-	255,000
Manufacturing contract	-	255,512	1,985	895,497
Professional fees	31,876	56,786	72,110	147,721
Tax credits and recoveries	(158,229)	(163,817)	(198,788)	(168,817)
Salaries	62,067	115,143	195,311	289,143
Share-based payments (Notes 8 and 9)	296,449	-	478,035	410,343
Supplies	5,401	12,229	11,471	111,454
Travel	19	17,033	5,603	92,205
	$ (237,970)	$ (1,850,428)	$ (644,913)	$ (7,337,514)

	For the three months ended September 30,		For the nine months ended September 30,	
General and Administrative	**2020**	**2019**	**2020**	**2019**
Consulting fees (Note 9)	$ 93,366	$ 81,851	$ 237,233	$ 366,046
Depreciation (Note 6)	-	30,509	-	91,526
Insurance	9,500	7,690	24,675	21,562
Investor relations	289,722	116,595	588,056	670,532
Management fees (Note 9)	-	57,000	-	171,000
Office and administration	38,515	72,149	75,975	243,820
Professional fees (Note 9)	34,231	47,752	100,271	96,769
Property costs	29,301	28,763	29,301	28,763
Salaries (Note 9)	54,588	74,215	176,412	291,693
Share-based payments (Notes 8 and 9)	81,783	-	3,224,020	751,320
Shareholder communications and filings	12,746	17,186	82,838	68,544
Sales and marketing	22,649	-	53,075	133,343
Travel	2,511	18,346	9,244	159,458
	$ (668,912)	$ (552,056)	$ (4,601,100)	$ (3,094,376)

8. SHARE CAPITAL AND RESERVE

a) Authorized Share Capital

Unlimited number of common shares without par value.

b) Voting Support Agreement

The Company entered into a voting support agreement ("Support Agreement") with 3DB, Inc. ("3DB"), a private company jointly owned by the former CEO and former Chairman which owns approximately 27% of the outstanding common shares of the Company. The Support Agreement requires that 3DB vote with all recommendations of the Company with certain exceptions. The Support Agreement is for a period of three years and may be terminated by 3DB earlier in certain events including the issuance of a cease-trade order for a period of more than 60 trading days in any 12-month period, the Company's common shares cease to be listed on a recognized stock exchange in Canada or a default in the settlement agreements (Note 9).

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVE (cont'd…)

c) Issued Share Capital

Period ended September 30, 2020

The Company did not complete any private placements in the period ended September 30, 2020.

Year ended December 31, 2019

In June 2019, the Company completed a private placement of 7,531,449 units at a price of $0.41 per unit for gross proceeds of $3,087,894. Each unit is comprised of one common share and one share purchase warrant ("Unit"). Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.60 for a period of 18 months, subject to accelerated expiry provisions.

The Company paid finders' fees of $76,886, issued 128,870 common shares as finders' fees valued at $65,724 and issued 316,397 brokers' warrants. Each broker's warrant entitles the holder to acquire one common share at a price of $0.60 for a period of 18 months. The broker's warrants were valued at $35,767 based on a Black-Scholes valuation with a risk-free interest rate of 1.39%, term of 1.5 years, volatility of 56.7% and a dividend rate of 0%. The Company incurred other share issuance costs of $31,452.

d) Stock Options and Long-Term Equity Incentive Plan

The Company has a stock option plan ("Option Plan") and long term equity incentive plan ("Incentive Plan") in place that allows for the reservation of 26,434,860 common shares for issuance under the Option Plan and 750,000 common shares under the Incentive Plan. The Incentive Plan allows for the issuance of stock appreciation rights, deferred share units, restricted share units and other share-based awards. As at September 30, 2020, there have been no grants under the Incentive Plan.

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2018	9,147,000	$	0.97
Exercised	(805,000)		0.15
Expired	(1,670,000)		0.98
Granted	2,650,000		0.65
Balance, December 31, 2019	9,322,000		0.95
Exercised	(1,642,000)		0.28
Expired	(1,400,000)		0.61
Granted	14,740,000		0.36
Balance outstanding, September 30, 2020	21,020,000	$	0.61
Balance exercisable, September 30, 2020	16,972,500	$	0.66

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVE (cont'd…)

d) Stock Options and Long-Term Equity Incentive Plan (cont'd…)

Stock options outstanding as at September 30, 2020:

	Number outstanding	Number exercisable	Exercise price		Expiry date
Warrants	410,000	410,000	$ 0.40		July 5, 2021
	125,000	125,000	0.50		September 14, 2021
	395,000	395,000	0.95		January 10, 2022
	2,065,000	2,065,000	1.75		June 7, 2022
	1,035,000	1,035,000	1.15		November 20, 2022
	1,100,000	1,100,000	1.00		June 26, 2023
	50,000	50,000	0.70		December 19, 2023
	1,700,000	1,700,000	0.65		January 30, 2024
	14,140,000	10,092,500	0.36	(1)	May 26, 2030
	21,020,000	16,972,500	$ 0.61		

(1) 90,000 exercised subsequent to the period ended September 30, 2020.

As at September 30, 2020, the outstanding stock options had a weighted average remaining life of 7.23 (December 31, 2019 – 2.58) years.

e) Share-Based Payments

During the period ended September 30, 2020, the Company granted 14,740,000 (2019 – 2,650,000) stock options with a weighted average fair value of $0.31 (2019 - $0.43) per option. The Company recognized share-based payments expense of $3,702,055 (2019 - $1,161,663) for options granted and vested during the period.

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the period:

	2020	2019
Risk-free interest rate	0.56%	1.83%
Expected life of options	10 years	5 years
Expected annualized volatility	91.1%	85.7%
Dividend rate	-	-
Forfeiture rate	-	-

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVE (cont'd…)

f) Warrants and Conditional Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2018	14,453,954	$	1.46
Granted	7,847,846		0.60
Expired	(4,643,686)		1.36
Balance, December 31, 2019	17,658,114		1.08
Exercised	(9,639,852)		0.38
Expired	(6,194,710)		0.35
Balance outstanding, September 30, 2020	1,823,552	$	1.48
Balance exercisable, September 30, 2020	115,552	$	0.76

Warrants and Conditional Warrants outstanding as at September 30, 2020:

	Number outstanding	Number exercisable	Exercise price		Expiry date
Warrants	283,769	21,538	$ 1.12	(1)	July 5, 2021
	121,154	-	1.12	(1)	September 14, 2021
	226,154	13,462	1.12	(1)	January 10, 2022
	1,111,923	-	1.75	(1)	June 7, 2022
	80,552	80,552	0.36		December 17, 2020
	1,823,552	115,552	$ 1.48		

(1) Exercise of the Conditional Warrants is conditional upon and subject to the exercise of corresponding classes of options and warrants of the Company outstanding prior to the acquisition of Spectrum, such that for each 65 shares of the Company issued on the existing options and warrants, the holders of the Conditional Warrants may exercise in the aggregate only 35 corresponding Conditional Warrants.

g) Custodial and Rights Agreement

The Company entered into a custodial and rights agreement ("Rights Agreement") with Computershare Trust Company of Canada ("Computershare"), as custodial agent whereby 3DB has deposited 8,000,000 shares of the Company held by Computershare and has agreed that the Company may issue "incentive rights" (the "Rights") to acquire such shares to such persons as the Company designates at an exercise price equal to the greater of $0.25 per share or average closing price of the Company's shares for the five days preceding the issuance of the incentive right. The Rights Agreement has an overall seven-year term from May 15, 2020 (the "Term"). The overall number of Rights the Company may issue is unlimited, provided that the aggregate number of Right issued and outstanding or exercised during the Term may not exceed the 8,000,000 shares so deposited. The Rights will be non-transferable and will expire on the earlier of the expiry date fixed by the Company at the time of issuance, the end of the Term or within a specified time of the recipient of the Rights ceasing to be an "eligible person" as defined in the Rights Agreement.

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

Management Compensation

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

Payments to key management personnel		2020		2019
Consulting fees – general and administrative	$	102,516	$	151,535
Management fees – general and administrative (1)		-		71,250
Management fees – research and development (1)		-		106,250
Salaries and short-term benefits – general and administrative		124,500		135,000
Share-based payments to officers – general and administrative		1,062,301		86,388
Share-based payments to directors – general and administrative		1,754,362		431,940

(1) The former CEO and former Chairman resigned as key management personnel on April 24, 2019 to become employees of the Company until their termination later in 2019. They continue to be related parties of the Company due to a significant shareholding.

During the nine months ended September 30, 2020, the Company was charged legal fees, included in professional fees, of $35,082 (2019 - $48,804) by S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee.

As at September 30, 2020, the Company had balances outstanding with related parties of $85,936 (December 31, 2019 - $120,040) included in accounts payable. These balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

Settlement Agreements

Included in accounts payable and accrued liabilities as at September 30, 2020 is an accrued severance liability of $482,750 (December 31, 2019 - $568,000) due to the former CEO and former Chairman of the Company. Effective May 15, 2020, the Company entered into indemnity and settlement agreements (“Settlement Agreements”) which provide for the severance liability to be settled over a 36-month period and to be offset, on a monthly basis, by proceeds from sales of the Company’s securities as held by 3DB. 3DB is restricted under the Support Agreement (Note 8(b)) to dispose of the lesser of 25,000 shares or 10% of the aggregate trading valued on the TSX-V on the prior trading day, subject to certain conditions. The severance liability is non-interest bearing and is secured by promissory notes. During the period ended September 30, 2020, the Company paid $8,525 and recognized recovery of $76,725 with respect to the Settlement Agreements.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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. The loan payable is carried at amortized cost and carried at the settlement value.

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.

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

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 September 30, 2020, the Company had cash equivalents of $5,840 (December 31, 2019 - $69,437) 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 and some refunds on office deposits which are anticipated to be recoverable. 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 September 30, 2020, the Company had a working capital of $2,002,205 (December 31, 2019 – deficit of $1,003,800). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms with the exception of accrued severance of $482,750 (Note 9).

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 asset exposed to interest rate risk consists of cash and cash equivalents. 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 a number of 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 mitigate its foreign currency risk by substituting Canadian vendors for certain services. Foreign currency risk is considered low relative to the overall financial operating plan.

As at September 30, 2020, the Company's net foreign denominated financial assets are as follows:

	Foreign currency	Canadian dollar equivalent
US dollar	$ (364,080)	$ (485,647)

11. CAPITAL MANAGEMENT

The Company's capital management policy is to maintain a strong but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company's capital structure includes shareholders' equity of $1,666,788 (December 31, 2019 – deficiency of $1,003,800). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage current and working capital requirements. The Company is not subject to externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the period ended September 30, 2020.

12. SUBSEQUENT EVENTS

Subsequent to the period ended September 30, 2020, the Company:

a) Issued 90,000 common shares for options that were exercised for gross proceeds of $32,400.