NEXOPTIC TECHNOLOGY CORP.

(formerly Elissa Resources Ltd.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2015

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Set out below is a review of the activities, results of operations and financial condition of NexOptic Technology Corp. (formerly Elissa Resources Ltd.) ("NXO", "NexOptic", or the "Company") and its subsidiaries for the year ended December 31, 2015. The discussion below should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2015 and 2014. 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 March 29, 2016.

The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol NXO.

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. (formerly Elissa Resources Ltd.). and its subsidiaries (collectively, the "Company" or "NexOptic") is a technology company investing in the area of 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 has identified a significant business opportunity in a private technology development company, Spectrum Optix Inc. of Calgary, Canada. Prior to the execution of a change in business (see below), the Company had been focused on mineral exploration.

COMPANY HIGHLIGHTS

Agreement with Spectrum Optix Inc.

The Company has entered into a multi-stage, option agreement ("Agreement") with Spectrum Optix Inc. ("Spectrum"), a private technology development company, headquartered in Calgary, Alberta. To date, the Company has earned an 11.8% interest in Spectrum by advancing $710,000 ($590,000 in total advanced as at December 31, 2015). Details of the Agreement are included in the accompanying consolidated financial statements for the year ended December 31, 2015 and on the Company's website www.nexoptic.com.

Spectrum is developing technologies relating to imagery and light concentration for lens and image capture based systems. Spectrum's core, patent pending technology, referred to and trademarked as Blade Optics™ is focused on a novel approach to collecting and concentrating an electromagnetic wave, such as a visible light, and, if required by the application, maintaining the original image at high levels of quality and compactness. Spectrum's technology employs flat surfaces and holds potential for significant consolidation to the length of lens stacks found in traditional light capture based systems such as cameras and telescope lenses in addition to potential improvements to quality, clarity and resolution of other imagery systems including those found in computer graphics, mobile devices and others. Due to anticipated reductions to the length of the lens stacks and the employment of flat surfaces, a potential decrease of lens manufacturing costs and the cost of the surrounding hardware is quite possible. Imaging applications are being explored by Spectrum that utilize both pre- and post-optical imaging solution improvements.

Spectrum recently completed a lengthy trade study whereby Ruda Cardinal Inc., an internationally recognized leader in optical design, located in Tucson Arizona, modeled and tested several of Spectrum's lens stack design iterations in order to identify the final lens stack design to be utilized in a planned and forthcoming Proof of Concept (POC) prototype to be built by Ruda Cardinal on behalf of Spectrum. The resulting lens stack design met all initial criteria, including being scalable to various sizes. Simulated image results obtained by Ruda Cardinal using Zemax ray tracing software exceeded Spectrum's preliminary image quality target for its modeled lens stack design.

The Company believes that Ruda Cardinal is well qualified to deliver to Spectrum a high quality lens stack (POC) prototype, a revolutionary digital telescope in a timely and cost effective manner.

The planned digital telescope prototype will utilize Spectrum's Blade Optics™ patent pending technology, other optical elements and electronic components. The prototype is intended to demonstrate the marketable features of Spectrum's Blade Optics™ technology and its potential to serve as a platform to be used in various optical applications ranging from telescopes, cameras, surveillance equipment, mobile devices and other imaging verticals.

Spectrum's POC prototype will be designed to be a fixed magnification digital telescope with a narrow field of view and will be similar in function to many conventional telescopes sold today. However, as a result of the application of Blade Optics™, a unique distinction of Spectrum's lens design is anticipated to be its reduced lens stack depth to aperture ratio compared to traditional curved lens systems for fixed magnification imaging. This could set Spectrum's Blade Optics™ technology apart from existing lens technologies in the fixed magnification lens market, which includes products such as spotting scopes, telescopes, binoculars, certain camera lenses and other consumer and industrial imaging products.

Spectrum intends to source and possibly modify suitable electronic and digital components for its POC prototype, which is anticipated to include image capture and processing pieces intended to enhance and refine image quality. Spectrum's Senior Systems Designer, Mr. Rob Cardinal, will be in charge of sourcing these components as he is an expert in image analysis and reconstruction and software development for massively parallel GPU computer systems.

Spectrum is currently seeking patent protection for its core optical technologies, In September of 2015 Spectrum filed its first provisional patent application. The first provisional patent application outlines its core technology, which contains flat lenses, and how it may be used in an imaging method to obtain a quality image with a compact lens system, among other features. Spectrum engaged a partner attorney in the firm of Lewis Roca Rothgerber Christie, an established U.S. intellectual property law firm, to assist in developing the company's intellectual property patents and additional patent strategies. Risks associated with patentability and other aspects of the patenting processes can be found in the *Risk Factors* section of this document.

Change of Business

On February 19, 2016, the Company announced the completion of its change of business ("COB"). The Company has completed its transition from a Resource Issuer to a Technology Issuer (as defined by the policies of the TSX-V).

On February 22, 2016, the Company resumed trading under the symbol "NXO" to reflect the name change to NexOptic Technology Corp.

The Company's near term focus will be to continue exercising its options to acquire, in the aggregate, 100% of Spectrum.

In connection with the COB, Mr. Paul McKenzie, CEO of NexOptic, was appointed to the Board of Directors of Spectrum. Mr. John Daugela, CEO of Spectrum, was appointed to the Board of Directors of NexOptic.

Marketing and Investor Awareness Program

The Company has engaged Primoris Group Inc. ("Primoris") to provide national and international media relations services and Equity Marketing Strategies ("Equity") for investor awareness services.

From its office in Toronto, Canada, Primoris will provide a full range of media relations services including the coordination of editorial coverage through print, radio, TV and online media outlets. The editorial coverage will aim to focus on Spectrum's patent pending Blade Optics™ technology. Equity is based in Vancouver, Canada and has been engaged to provide investor awareness services for NexOptic.

Primoris has been engaged by NexOptic for a one year period at a rate of CDN$3,500 per month, subject to early termination upon 30 days' written notice by either party. The agreement is renewable on a month-to-month basis following the initial one-year period. NexOptic has granted Primoris options to purchase 125,000 common shares of NexOptic at an exercise price of CDN$0.15 per share for a period of five years from the date of issuance.

Further, Equity Marketing Strategies ("Equity") has been engaged for a one year period at a rate of CDN$6,000 per month. NexOptic has granted Equity options to purchase 250,000 common shares of NexOptic at an exercise price of CDN$0.15 per share for a period of five years from the date of issuance (together with the options granted to Primoris, the "Options"). The Options will vest quarterly over the initial year of the option term and are subject to regulatory approval.

Financings Completed in the Year Ended December 31, 2015

Share Consolidation and Financing April 2015

In April 2015, the Company received shareholder and Exchange approval to complete a share consolidation on the basis of one new common share for each three common shares outstanding.

Following approval for the consolidation, the Company completed a private placement of 15,000,000 units (the "Units") at a price of $0.05 per Unit for gross proceeds of $750,000. Each Unit is comprised of one common share and one share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.10 until April 16, 2017. Finder's fees are payable in connection with portions of the Offering in accordance with the policies of the TSX Venture Exchange.

Private Placement September 2015

The Company completed an additional private placement of 12,507,801 units of NexOptic. (the "Units") in September, 2015 at an issue price of $0.12 per Unit, for gross proceeds of $1,500,936 (the "Private Placement"). Each Unit is comprised of one common share in the capital of NexOptic (the "NexOptic Shares") and one common share purchase warrant (each a "Warrant").

Each Warrant will entitle the holder to purchase one additional NexOptic Share at an exercise price of $0.20 for a period of two years from the date of issuance of the Units. If, during this two year period and after the expiry of the 4 month hold period on the NexOptic Shares and the Warrants, the closing price of the NexOptic Shares is at least $0.40 for a period of 10 consecutive trading days, NexOptic may, at its option, accelerate the expiry date of the Warrants by issuing a news release and giving written notice thereof all holders of Warrants, and, in such case, the Warrants will expire on the earlier of: (i) the 30th day after the date on which the news release is disseminated by NexOptic; and (ii) the original expiry date.

The net proceeds from the Private Placement are intended to primarily be used to fund NexOptic's further investment in Spectrum pursuant to the terms of the Investment Agreement and for general working capital purposes. Finders' fees of 8% cash and 8% broker warrants were paid on some portions of the Private Placement. In aggregate, $54,177 in cash and 450,640 broker warrants were issued having the same terms as those issued in the Private Placement in accordance with Exchange regulations and approvals.

Stock Options

During the year ended December 31, 2015, the Company granted an aggregate 2,620,000 stock options to various directors, officers and consultants of the Company at an exercise price of $0.15 per share and a term of 5 years. Subsequent to year end, the Company granted a further 565,000 options at a price of $0.15 per share for a term of 5 years (inclusive of the Options granted to Equity and Primoris as above).

OUTLOOK

The Company's focus in the near term will be advancing its interest under the Spectrum Agreement and working collaboratively with Spectrum supporting the advancement of their core technologies.

SELECTED FINANCIAL INFORMATION

Selected Annual Information

	2015	2014	2013
Total assets	$ 1,709,689	$ 2,218,873	$ 2,652,451
Non-current liabilities	-	-	-
Other income (including interest)	-	2,719	11,522
Net loss for the year	(3,351,613)	(633,747)	(970,238)
Comprehensive loss for the year	(2,983,579)	(469,830)	(847,073)
Basic and diluted loss per share	(0.13)	(0.02)	(0.03)

The focus of the Company over the years ended December 31, 2014 and 2013 has been the exploration and evaluation of its mineral property claims in the USA. The composition of the Company's land package has changed based on the evaluations made by management over the potential of those properties. In the year ended December 31, 2015, the Company focused on completing the COB and advancing its investment in Spectrum. The COB triggered a write-down on the Thor REE Property in fiscal 2015 of $2,247,627 to reflect the change in focus.

Summary of Quarterly results

	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Interest income	-	-	-	-
Net loss for the period	(2,393,787)	(624,879)	(239,939)	(93,007)
Comprehensive income (loss) for the period	(2,251,363)	(519,152)	(287,405)	74,342
Basic and diluted loss per share	(0.09)	(0.02)	(0.01)	(0.01)

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Interest income	-	241	685	2,034
Net loss for the period	(195,790)	(97,871)	(221,045)	(119,041)
Comprehensive loss for the period	(124,312)	(11,653)	(284,498)	(49,067)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.00)

Results of Operations for the year ended December 31, 2015 compared to 2014

The comprehensive loss for the year ended December 31, 2015 was $2,983,579 (2014 – $469,830). Significant changes to the comprehensive loss are explained as follows:

- Consulting fees increased to $66,201 (2014 - $18,567) for compensation paid to the CFO appointed in November 2014 and for services provided by Smart & Biggar in review of Spectrum's intellectual property.

- Directors' fees of $18,000 (2014 - $Nil) have been accrued for services provided by the directors of the Company.

- Investor relations expense increased to $143,619 (2014 - $7,176) for a communications consultant engaged by the Company in the current period and investor outreach services.

- The President has suspended invoicing the Company resulting in a decline to management fees of $Nil (2014 - $84,000) for the current period.

- Office and administration has increased by $36,606 to $111,829 (2014 - $75,223) resulting from an increased rent expense and additional activity pursuant to the COB.

- Professional fees of $116,917 (2014 - $118,676) related to costs associated with the Spectrum Agreement, services provided by the Company's Corporate Secretary and additional legal support services.

- Salaries of $141,038 (2014 - $106,391) relate to CEO compensation.

- Share-based payments of $305,169 (2014 - $Nil) in the current period relate to the valuation of stock options granted and vesting.

- Transaction costs of $93,451 (2014 - $Nil) relate to specific costs for professional fees, filing fees and assurance work with respect to the COB.

- Write-off of resource property of $2,247,627 (2014 – $102,286) relate to the write-down of the Thor REE Property in 2015 and the write-off of the South Standby Property in 2014.

Results of Operations for the three month period ended December 31, 2015 compared to 2014

The comprehensive loss for the three month period ended December 31, 2015 was $2,251,363 (2014 – $123,312). Significant changes to the comprehensive loss are explained as follows:

- Consulting fees increased to $20,250 (2014 - $4,130) for compensation paid to the CFO appointed in November 2014 and intellectual property consulting fees from Smart & Biggar.

- Directors' fees of $6,000 (2014 - $Nil) have been accrued for services provided by the directors of the Company.

- The President has suspended invoicing the Company resulting in a decline to management fees of $Nil (2014 - $21,000) for the current period.

- Professional fees declined to $21,805 (2014 - $65,758) as the Company was completing significant work on the Spectrum Agreement in the prior period.

- Write-off of resource property of $2,247,627 (2014 – $918) relate to the write-down of the Thor REE Property in 2015 and the write-off of the South Standby Property in 2014.

LIQUIDITY AND CAPITAL RESOURCES

Cash has increased by $839,062 to $1,002,887 at December 31, 2015 from a balance of $163,825 as at December 31, 2014. The Company had working capital of $959,628 as at December 31, 2015.

Overall cash utilization for operating activities increased from 2014 to 2015. In 2015, the Company expended $797,156 in operating activities as compared to $472,529 in 2014. The increase is consist with the increase in transaction costs, and investor relations expenses in the period resulting from the COB and Spectrum Agreement.

Investing activities resulted in a net cash outflow of $513,532 in 2015 of which $490,000 was forwarded to Spectrum pursuant to the Agreement. Expenditures of $23,532 relate to the annual maintenance fees on the Thor Property. Investing activities consumed $140,560 in 2014 related to exploration and evaluation activities net of a refund of $32,370 from the return of a reclamation deposit and an initial tranche of $100,000 forwarded to Spectrum under the First Option.

Financing activities provided $2,149,190 in fiscal 2015 from gross private placement proceeds of $2,250,936 net of share issue costs of $101,746. The Company did not complete any private placements in fiscal 2014.

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 which 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 favourable. 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.

OUTSTANDING SHARE DATA

At the date of this report the Company has 39,441,449 issued and outstanding common shares, 3,460,000 outstanding stock options with a weighted average exercise price of $0.20 and 26,958,441 warrants with a weighted average exercise price of $0.15.

OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

At December 31, 2015, 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 Chief Executive Officer, Chief Financial Officer and directors of the Company. The remuneration of the key management personnel is as follows:

		2015		2014
Payments to key management personnel:				
Salaries and short-term benefits (CEO)	$	142,000	$	103,101
Share-based payments		269,115		-
Directors' fees		18,000		-

During the year ended December 31, 2015, the Company was charged management fees of $Nil (2014 - $84,000), accounting fees of $Nil (2014 - $48,000) and rent of $Nil (2014 - $660) by a company controlled by a director and officer of the Company. As at December 31, 2015, the amount owed to that company was $216 (2014 - $12,078). The amount due to the related party has no specific terms of repayment, is unsecured and non-interest-bearing.

During the year ended December 31, 2015, the Company was charged legal fees of $121,401 (2014 - $44,468) by S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee.

During the year ended December 31, 2015, the Company was charged accounting fees of $46,920 (2014 - $2,515) by a company of which the CFO is a significant shareholder.

As at December 31, 2015, the amount of $51,697 (2014 - $36,187) included in accounts payable is due to related parties. All balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in notes 2 and 3 of its consolidated financial statements for the year ended December 31, 2015. The preparation of the consolidated 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 financial statements and the reported expenses during the period. Actual results could differ from these estimates. Management considers the following estimates to be the most critical in understanding the judgments and estimates that are involved in the preparation of the Company's consolidated financial statements and the uncertainties that could impact the results of operations, financial condition and cash flows:

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

- The recoverability of the carrying value of the Company's investment

  The fair value of the Company's investment in Spectrum requires management to determine whether there are any indications of impairment. Management evaluates the legal standing of the underlying assets of the investment and reviews the progress and development of the underlying assets in the period when making the assessment of whether there are indications of impairment for the investment.

- The determination of the Company's functional currency

  The functional currency of the Company and its subsidiaries is the currency of the 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.

The key 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 is the provision for income taxes and recognition of deferred income tax assets and liabilities, the valuation of stock options and broker warrants using the Black-Scholes pricing model, and fair value of the Company's investment in Spectrum, which requires management to make certain estimates regarding the value of those shares in relation to unquoted share prices (refer to *Financial Instruments and Other Instruments*).

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted 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, 2015.

New standards not yet adopted

IFRS 9 *Financial Instruments (Revised)*

IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 *Financial instruments: recognition and measurement*. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's consolidated financial statements has not yet been determined.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments

Cash and cash equivalents is carried in the statement of financial position at fair value using a level 1 fair value measurement. Receivables, 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 Company's investment in Spectrum is valued using a level 3 fair value measurement. The Company evaluates the fair value of the investment in the equity of Spectrum by reference to recent equity placements in Spectrum, based on negotiated prices between the Company and Spectrum, an unrelated party, and by evaluating the fair value changes relative to changes in Spectrum's net assets.

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 a high-credit quality financial institution.

Receivables mainly consist of government sales tax ("GST") receivable from the Government of Canada. The Company believes that the credit risk concentration with respect to receivables is minimal.

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, 2015, the Company had a working capital of $959,628 (2014 - $121,958). All of 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 property development and exploration work occurs in the USA in US dollars. As such, the Company is exposed to foreign currency risk in fluctuations. Fluctuations in the exchange rate between the Canadian dollar and US dollar may have a material adverse effect on the Company's business and financial condition.

As at December 31, 2015, the Company's net foreign denominated financial assets are as follows:

	Foreign currency	Canadian dollar equivalent
US dollar	$ 2,054	$ 2,850

Based on the above, assuming all other variables remain constant, a 5% weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of approximately $142 (2014 - $1,324) in the Company's net loss.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices to determine the appropriate strategic action to be taken by the Company.

RISK FACTORS

The principal activity of the Company will be, for the present and near term, to continue exercising its options to acquire, in the aggregate, 100% of Spectrum Optix which owns Blade Optics^{TM} (the "Technology", which relates to a high efficiency optical concept, including the use of flat lenses. Herein, the "Company" refers to NexOptic and Spectrum Optix jointly.

Competition

The lens industry is highly competitive with a number of 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 will be 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 period 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 of 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.

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 take action 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. A number 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 of time 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.

Regulatory Approvals

The Company may be subject to various laws, regulations, regulatory actions and court decisions in Canada, the United States and in other countries that may have negative effects on the Company. Failure to obtain regulatory approvals or delays in obtaining regulatory approvals by the Company, its collaborators, customers, vendors or service providers would adversely affect the marketing of products and services developed by the Company, and the Company's ability to generate revenues. Changes in the regulatory environment imposed upon the Company could adversely affect the ability of the Company to attain its corporate objectives.

No Assurance of Commercial Production

The Company will be 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.

Slow Acceptance of the Company's Technology

It should be understood that the marketplace may 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 is 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.

Experimental Field

The Company will be 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.

Expansion Risk

Any expansion of the Company's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Company will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that the Company will be able to manage growth successfully. Any inability of the Company to manage growth successfully could have a material adverse effect on the Company's business, financial condition and results of operations.

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 in order 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 Issuer and the Target have each incurred losses since their inception and the Company is expected to continue to incur losses. As such, the Company will be subject to all of 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 a number of 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 immediately foreseeable 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.

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, including but not limited to Paul McKenzie and John Daugela and its key consultants, including, but not limited to Ian Powell and Robert Cardinal. The loss of any one of these individuals 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.

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

Certain 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, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The BCBCA provides that in the event that 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.

Substantial Control by Insiders

In the event that all of the Target Options are exercised and the Company acquires a 100% interest in the Target, the Vendors will beneficially own approximately 35% of the Company Shares. As a result, the Vendors 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.

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 on the basis of 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.

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.

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 by the use of 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 and when a project is actually 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 a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the potential applications of Spectrum's technologies;
- the timing and expenditures required to develop such technologies, including development of Spectrum's first 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.