NEXOPTIC

NEXOPTIC TECHNOLOGY CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2017

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NEXOPTIC TECHNOLOGY CORP.

We have audited the accompanying consolidated financial statements of NexOptic Technology Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NexOptic Technology Corp. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2018

NEXOPTIC TECHNOLOGY CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT DECEMBER 31

		2017		2016
ASSETS				
Current				
Cash and cash equivalents (Note 12)	$	8,143,697	$	1,322,371
Accounts receivable (Note 8)		68,083		5,937
Prepaid expenses and deposits		36,688		12,478
		8,248,468		1,340,786
Deposits (Note 10)		39,794		33,544
Investment in associate (Note 4)		-		1,505,219
Equipment (Note 6)		34,540		-
Intangible assets (Note 5)		54,956,765		-
	$	63,279,567	$	2,879,549
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 8)	$	334,068	$	50,625
Shareholders' equity				
Share capital (Note 7)		69,767,383		9,167,016
Reserve (Note 7)		9,731,094		983,087
Accumulated other comprehensive income		601,877		601,178
Deficit		(17,154,855)		(7,922,357)
		62,945,499		2,828,924
	$	63,279,567	$	2,879,549

Approved and authorized by the Board on April 27, 2018

"John Daugela" Director *"Paul McKenzie"* Director

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

NEXOPTIC TECHNOLOGY CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31

	2017	2016
EXPENSES		
Amortization of intangible assets (Note 5)	$ 931,471	$ -
Consulting fees	153,432	40,063
Depreciation of equipment (Note 6)	9,415	-
Directors' fees (Note 8)	36,000	24,000
Insurance	11,923	7,232
Investor relations	524,386	277,113
Loss from investment in associate (Note 4)	476,380	102,781
Office and administration	213,444	156,215
Professional fees (Note 8)	212,693	101,524
Property costs	24,303	26,163
Research and development	691,489	-
Salaries (Note 8)	268,864	161,975
Share-based payments (Notes 7 and 8)	5,424,792	580,567
Shareholder communications and filings	78,155	70,754
Technology marketing	118,211	-
Transaction costs (Notes 4 and 8)	-	112,403
Travel	113,904	37,141
	(9,288,862)	(1,697,931)
OTHER INCOME		
Interest and other income	30,864	2,352
Net loss for the year	(9,257,998)	(1,695,579)
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that may be reclassified subsequently to profit or loss		
Foreign exchange gain (loss) on translating foreign operations	699	(1,286)
Comprehensive loss for the year	$ (9,257,299)	$ (1,696,865)
Basic and diluted loss per common share	$ (0.09)	$ (0.04)
Weighted average number of common shares outstanding	106,208,548	44,686,441

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

NEXOPTIC TECHNOLOGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31

		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the year	$	(9,257,998)	$	(1,695,579)
Non-cash items:				
Share-based payments		5,424,792		580,567
Amortization expense		931,471		-
Depreciation expense		9,415		-
Loss from investment in associate		476,380		102,781
Changes in non-cash working capital items:				
Accounts receivable		(27,041)		630
Prepaid expenses and deposits		(21,323)		16,758
Accounts payable and accrued liabilities		(384,537)		(28,490)
		(2,848,841)		(1,023,333)
CASH FLOWS FROM INVESTING ACTIVITIES				
Funds to Spectrum – share purchases		(1,412,133)		(998,000)
Spectrum acquisition, net of finder's fee		(59,462)		-
Equipment acquired		(4,899)		-
Reclamation deposit		-		26,169
		(1,476,494)		(971,831)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from exercised warrants		3,573,537		1,293,778
Proceeds from options		250,701		13,502
Share issue costs		(53,033)		(43,132)
Proceeds from private placement		7,375,456		1,050,500
		11,146,661		2,314,648
Change in cash and cash equivalents during the year		6,821,326		319,484
Cash and cash equivalents, beginning of year		1,322,371		1,002,887
Cash and cash equivalents, end of year	$	8,143,697	$	1,322,371
Supplementary cash flow information:				
Non-cash transactions:				
Equity instruments issued for Spectrum acquisition	$	52,502,420	$	-
Shares issued for finder's fees for Spectrum acquisition		300,000		-
Broker and finders' warrants for private placements		314,368		15,380

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

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

	Share Capital					
	Number	**Amount**	**Reserve**	**Accumulated Other Comprehensive Income**	**Deficit**	**Total**
Balance, December 31, 2015	38,821,449	$ 6,851,659	$ 502,229	$ 602,464	$ (6,325,778)	$ 1,630,574
Private placement, net of share issue costs	4,202,000	991,988	15,380	-	-	1,007,368
Shares issued for options exercised	36,667	24,332	(10,830)	-	-	13,502
Shares issued for warrants exercised	9,851,930	1,299,037	(5,259)	-	-	1,293,778
Share-based payments	-	-	580,567	-	-	580,567
Expiry of stock options	-	-	(99,000)	-	99,000	-
Net loss and comprehensive loss for the year	-	-	-	(1,286)	(1,695,579)	(1,696,865)
Balance, December 31, 2016	52,912,046	9,167,016	983,087	601,178	(7,922,357)	2,828,924
Acquisition of Spectrum	44,021,409	49,319,233	3,483,187	-	-	52,802,420
Private placement, net of share issue costs	6,915,920	7,008,055	314,368	-	-	7,322,423
Shares issued for options exercised	1,221,333	656,188	(405,487)	-	-	250,701
Shares issued for warrants exercised	20,322,591	3,616,891	(43,354)	-	-	3,573,537
Share-based payments	-	-	5,424,793	-	-	5,424,793
Expiry of stock options	-	-	(25,500)	-	25,500	-
Net loss and comprehensive loss for the year	-	-	-	699	(9,257,998)	(9,257,299)
Balance, December 31, 2017	125,393,299	$ 69,767,383	$ 9,731,094	$ 601,877	$(17,154,855)	$ 62,945,499

The accompanying notes are an integral part of these consolidated 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 and lens 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 1450 – 700 West Georgia Street, Vancouver, British Columbia, Canada V7Y 1K8.

During the year ended December 31, 2016, the Company completed its transition from a Resource Issuer to a Technology Issuer within the meaning of such terms in the policies of the TSX Venture Exchange (“TSXV”). 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. Changes in future conditions could require material impairment of investments or intangible assets. During the year ended December 31, 2017, the Company acquired the remaining outstanding 65% interest in Spectrum Optix Inc. (“Spectrum”).

These consolidated 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 consolidated 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. The Company reported a net loss of $9,257,998 (2016 - $1,695,579) and had an accumulated deficit of $17,154,855 (2016 - $7,922,357) as at December 31, 2017. These circumstances may cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

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 attain additional financing, management may be required to curtail certain discretionary expenses. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”).

Basis of consolidation and presentation

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

The accounting policies set out in Note 3 have been applied consistently by the Company and its subsidiaries to all periods presented.

2. BASIS OF PREPARATION (cont'd…)

Use of judgments and estimates

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

- Recoverability of the carrying value of the Company's investment in associate

  The fair value of the Company's investment in associate (Note 4) required 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.

- Assessment of control

  In determining whether the Company controls Spectrum, management is required to consider and assess the definition of significant influence in accordance with IAS 28 *Investment in Associates* and control in accordance with IFRS 10 *Consolidated Financial Statements.* There is judgment required to determine when and whether the rights of the Company result in control of Spectrum.

- Acquisition of Spectrum

  The acquisition of Spectrum required management to make a judgment as to whether Spectrum constituted a business combination or an asset acquisition under the definitions of IFRS 3. The assessment required management to assess the inputs, processes and ability of Spectrum to produce outputs at the time of acquisition. Pursuant to the assessment, Spectrum was considered an asset acquisition (Note 4).

- 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 year ended December 31, 2017.

- 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 operation 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.

2. BASIS OF PREPARATION (cont'd…)

Use of judgments and estimates (cont'd…)

- 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.

The key areas of estimates 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:

- 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. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. Management estimates that intangible assets acquired with Spectrum will 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. Additional estimates were made with respect to the vesting of the conditional warrants issued for the acquisition of Spectrum. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Notes 4 and 7.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Red Hill Energy (US) Inc. ("Red Hill"), 0875514 BC Ltd. ("0875514") and Spectrum. All material intercompany transactions have been eliminated upon consolidation. A subsidiary is an entity over which the Company has control, where control indicates exposure or rights to variable returns and the ability to affect those returns through power over the investee.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Currency Translation

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per International Accounting Standards ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates* and should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company, 0875514 and Spectrum is the Canadian dollar; the US subsidiary's functional currency is the US dollar. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Under IFRS, the results and financial position of all the Company's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction); and
- all resulting exchange differences are recognized as a separate component of equity.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Cash equivalents

Cash equivalents consist of a cashable guaranteed investment certificate that is readily convertible into a known amount of cash within 90 days or less.

Investment in associate

Associates are those entities over which the Company is able to exert significant influence, but which are neither subsidiaries nor interests in a joint venture. The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's proportionate share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss for the period. Distributions received from an associate are accounted for as a reduction to the carrying amount of the Company's investment in the associate.

Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associates.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use (i.e., present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded in profit or loss. Cash and cash equivalents are included in this category of financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost using the effective interest method, less any impairment.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets, except those measured at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities in the following category:

Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Inputs for the asset or liability that are not based on observable market data.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of non-current assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Capital stock

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

Shares issued as consideration for goods or services provided by to those other than employees or others providing similar services are measured at the fair value of the goods or services received, except where the fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted.

Share-based payments

The Company has a stock option plan that is described in Note 7(c). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from reserve. For those unexercised options that expire, the recorded value is transferred to deficit.

Equipment

The Company has acquired office and computer equipment for use in its research and business activities.

Depreciation is recognized using the straight-line method at the rate of 30% per annum for computer equipment and 20% for office equipment.

Intangible assets

The Company owns intangible assets consisting of patents. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

The Company does not hold any significant intangible assets with indefinite lives.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Intangible assets (cont'd…)

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in general and administrative expenses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use to the end of their useful lives.

Government assistance

Government grants, including grants from similar bodies, consisting of investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Research grants that compensate the Company for expenses incurred are recognized in profit or loss in reduction thereof on a systematic basis in the same years in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

Research and development costs

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Investment tax credits related to current expenditures are included in the determination of net income as the expenditures are incurred when there is reasonable assurance they will be realized.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria will be deemed by the Company to have been met when revenue is received by the Company and a determination that it has sufficient resources to market and sell its product offerings. Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures will be expensed as incurred.

Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized to date.

Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share, as the effects of including all outstanding options and warrants would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is possible that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

New standards not yet adopted

IFRS 9 *Financial Instruments* (Revised)

IFRS 9 was issued by the IASB in July 2014. 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 amortized 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 Company has evaluated the impact of IFRS 9 on the consolidated financial statements and does not anticipate material changes upon adoption.

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 impact of IFRS 16 on the Company's consolidated financial statements has not yet been determined.

4. INVESTMENT

During the year ended December 31, 2014, the Company entered into an agreement (the "Agreement"), as subsequently amended, with Spectrum, a private technology development company. Pursuant to the Agreement, the Company has been granted an option to acquire up to a 100% interest in Spectrum, as follows:

First Option: the Company has acquired a 6.6% interest in Spectrum having advanced $200,000;

Following the exercise of the First Option, the Company continued to pursue the acquisition of Spectrum which is considered a Change of Business ("COB") in accordance with the policies of the TSXV. During the year ended December 31, 2016, the Company incurred $112,403 in transaction costs related to the completion of the COB;

Second Option: the Company exercised the Second Option and acquired a further 28.4% interest in Spectrum, for an aggregate interest of 35%, in exchange of the advancement of $2,800,000 towards the development of Spectrum's lens technologies in the year ended December 31, 2017; and

Third Option: the Company exercised the Third Option and acquired the remaining 65% interest in Spectrum, for an aggregate interest of 100% in exchange for the issuance by the Company of 43,767,172 common shares ("Acquisition Shares") and 8,461,816 conditional warrants ("Conditional Warrants").

(Expressed in Canadian Dollars)

4. INVESTMENT (cont'd…)

In connection with the Agreement, the Company signed a finder's fee agreement payable as to:

a) $10,000 at the time the Company purchases a 3.3% interest payable in shares (66,666 common shares issued);

b) $10,000 upon the acquisition of a cumulative 6.6% interest payable in shares (57,143 common shares issued); and

c) 5% of the number of common shares of the Company issued pursuant to the Third Option; 50% of this portion will be payable in shares and 50% payable in cash, such payment not to exceed $200,000 in cash and $300,000 value in common shares (issued and paid).

Investment in Associate

On October 14, 2016, NexOptic increased its interest in Spectrum to 19.97%. Concurrently, it was determined that the Company exercises significant influence over Spectrum. From October 14, 2016, the Company accounted for its investment in Spectrum on an equity basis. As at December 31, 2016, the Company had advanced $1,588,000 (2015 - $590,000) to Spectrum under the terms of the Agreement and earned share ownership of 20.68% (2015 - 10.6%) in Spectrum.

Investment in associate is as follows:

	Investment in Spectrum
Balance, December 31, 2015	$ 610,000
Funds invested in Spectrum	998,000
Loss from investment in associate from October 14, 2016 to December 31, 2016	(102,781)
Balance, December 31, 2016	1,505,219
Funds invested in Spectrum	1,412,133
Loss from investment in associate from January 1, 2017 to November 3, 2017	(476,380)
Balance, November 3, 2017	$ 2,440,972

Acquisition of Control

On November 3, 2017, the Company executed the Third Option and acquired the remaining outstanding shares of Spectrum by issuing 43,767,172 common shares and 8,461,816 Conditional Warrants. The financial results of Spectrum are consolidated as of November 3, 2017.

This transaction has been accounted for as an acquisition of net assets, rather than a business combination, as the net assets acquired did not represent a separate business operation. The Company applied IFRS 2 *Share-based Payments* in accounting for and assessing the transaction.

(Expressed in Canadian Dollars)

4. INVESTMENT (cont'd…)

Acquisition of Control (cont'd…)

The acquisition of control of Spectrum is allocated as follows:

Purchase Price	
Fair value of 43,767,172 common shares of NexOptic[1]	$ 49,019,233
Fair value of the 8,461,816 Conditional Warrants	3,483,187
Fair value of the 254,237 shares issued for finder's fee	300,000
Finder's fee paid in cash	200,000
Investment in associate as of November 3, 2017	2,440,972
	$ 55,443,392
Net Assets Acquired	
Cash	$ 140,537
Accounts receivable	35,105
Prepaids	9,243
Equipment	39,056
Patents	55,888,236
Accounts payable and accrued liabilities	(668,785)
Net assets	$ 55,443,392

(1) The Acquisition Shares have been deposited into escrow to be released over a period of 36 months beginning February 19, 2016; 13,130,152 Acquisition Shares have been released from escrow.

Conditional Warrants

Each Conditional Warrant issued pursuant to the acquisition of Spectrum is exercisable into a common share or unit of the Company. 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.

The following table sets forth the exercise prices and expiry dates of the Conditional Warrants issued for the acquisition:

Number	Exercise price		Expiry date
1,149,982	$ 1.12		June 21, 2018
118,354	1.12	(2)	February 23, 2019
3,727,403	1.50		February 23, 2019
1,136,154	1.12		September 21, 2020
53,846	1.12		February 22, 2021
404,923	1.12		July 5, 2021
175,000	1.12		September 14, 2021
296,154	1.12		January 10, 2022
1,400,000	1.75		June 7, 2022
8,461,816			

(2) Each warrant entitles the holder to acquire a Unit. Each Unit contains a common share and a share purchase warrant exercisable at $1.50 until February 23, 2019.

The Conditional Warrants were valued using option pricing models. The weighted average inputs to value the Conditional Warrants were as follows: risk-free interest rate of 1.50%, term of 2.25 years, volatility of 103.7% and a dividend rate of 0%. Further, the Company applied a discount factor to the distinctive tranches of Conditional Warrants to reflect the conditional exercise pending exercise of the corresponding options and warrants relative to estimates of future share prices and anticipated exercise behaviour.

(Expressed in Canadian Dollars)

5. INTANGIBLE ASSETS

	Square Imaging Aperture
Cost	
Balance, December 31, 2015 and 2016	$ -
Acquired with Spectrum	55,888,236
Balance, December 31, 2017	$ 55,888,236
Accumulated Amortization	
Balance, December 31, 2015 and 2016	$ -
Amortization expense	931,471
Balance, December 31, 2017	$ 931,471
Net Book Value	
Balance, December 31, 2016	$ -
Balance, December 31, 2017	$ 54,956,765

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

6. EQUIPMENT

	Computer equipment	Office equipment	Total
Cost			
Balance, December 31, 2015 and 2016	$ -	$ -	$ -
Acquired with Spectrum	33,359	5,697	39,056
Additions	4,899	-	4,899
Balance, December 31, 2017	$ 38,258	$ 5,697	$ 43,955
Accumulated Amortization			
Balance, December 31, 2015 and 2016	$ -	$ -	$ -
Amortization expense	7,705	1,710	9,415
Balance, December 31, 2017	$ 7,705	$ 1,710	$ 9,415
Net Book Value			
Balance, December 31, 2016	$ -	$ -	$ -
Balance, December 31, 2017	$ 30,553	$ 3,987	$ 34,540

7. SHARE CAPITAL AND RESERVE

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

Year ended December 31, 2017

In August 2017, the Company completed a private placement of 6,704,960 units at a price of $1.10 per unit for gross proceeds of $7,375,456. 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 $1.50 until February 23, 2019 (“Warrant”).

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND RESERVE (cont'd)

b) Issued share capital (cont'd…)

Year ended December 31, 2017 (cont'd…)

The Company paid finders' fees of $14,458 and issued 210,960 finders' units bearing the same terms as the Units. Upon issuance, the finders' units were granted as 210,960 common shares fair valued at $232,056 and 210,960 Warrants. The Company also issued 6,400 finders' warrants bearing the same terms as the Warrants. The 217,360 Warrants were valued at $96,596 based on a Black-Scholes valuation with a risk-free interest rate of 1.27%, term of 1.5 years, volatility of 94.7% and a dividend rate of 0%.

The Company issued a further 219,800 broker's warrants. Each broker's warrant entitles the holder to acquire one Unit at a price of $1.10 until February 23, 2019. The broker's warrants were valued at $217,772 based on a Black-Scholes valuation with a risk-free interest rate of 1.27%, term of 1.5 years, volatility of 94.7% and a dividend rate of 0% and consideration to the embedded Warrant. The Company incurred other share issuance costs of $38,575.

Year ended December 31, 2016

In June 2016, the Company completed a private placement of 4,202,000 units at a price of $0.25 per unit for gross proceeds of $1,050,500. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.35 until June 21, 2018.

The Company paid finders' fees of $27,440 and issued 109,760 broker's warrants exercisable at a price of $0.35 per share for a period of two years subject to accelerated expiry provisions. The broker's warrants were valued at $15,380 based on a Black-Scholes valuation with a risk-free interest rate of 0.60%, term of 2 years, volatility of 125% and a dividend rate of 0%. An additional $15,692 was incurred as share issuance costs.

c) Stock options

The Company has a stock option plan (the "Plan") in place that allows for the reservation of common shares issuable under the Plan to a maximum of 10% of the number of issued and outstanding common shares of the Company at any given time. The exercise price of each option is required to be set at the closing price of the Company's common shares on the trading day prior to the date of grant.

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2015	2,895,000	$	0.20
Granted	1,800,000		0.34
Exercised	(36,667)		0.37
Expired	(150,000)		0.81
Balance, December 31, 2016	4,508,333		0.24
Granted	4,760,000		1.46
Exercised	(1,221,333)		0.21
Expired	(50,000)		0.63
Balance outstanding, December 31, 2017	7,997,000	$	0.96
Balance exercisable, December 31, 2017	7,997,000	$	0.96

(Expressed in Canadian Dollars)

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

c) Stock options (cont'd…)

Stock options outstanding as at December 31, 2017:

	Number		Exercise price	Expiry date
Stock Options	2,060,000	$	0.15	September 21, 2020
	100,000		0.15	February 22, 2021
	752,000		0.40	July 5, 2021
	325,000		0.50	September 14, 2021
	550,000		0.95	January 10, 2022
	2,600,000		1.75	June 7, 2022
	1,610,000		1.15	November 20, 2022
	7,997,000	$	0.96	

As at December 31, 2017, the outstanding stock options had a weighted average remaining life of 3.93 (2016 – 3.92) years.

d) Share-based payments

During the year ended December 31, 2017, the Company granted 4,760,000 (2016 - 1,800,000) stock options with a weighted average fair value of $1.14 (2016 - $0.33) per option. The Company recognized share-based payments expense of $5,424,792 (2016 - $580,567) for options granted and vesting during the year.

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

	2017	2016
Risk-free interest rate	1.20%	0.66%
Expected life of options	4.98 years	4.88 years
Expected annualized volatility	111.99%	125.00%
Dividend rate	-	-
Forfeiture rate	-	-

e) Warrants and Conditional Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2015	32,046,691	$	0.24
Issued	4,311,760		0.35
Exercised	(9,851,930)		0.13
Expired	(4,088,250)		0.90
Balance, December 31, 2016	22,418,271		0.19
Issued	15,603,936		1.44
Exercised	(20,322,591)		0.18
Balance outstanding, December 31, 2017	17,699,616	$	1.31
Balance exercisable, December 31, 2017	9,286,261	$	1.23

(Expressed in Canadian Dollars)

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

e) Warrants and Conditional Warrants (cont'd…)

Warrants and Conditional Warrants outstanding as at December 31, 2017:

	Number outstanding	Number exercisable	Exercise price		Expiry date
Warrants	2,095,680	2,095,680	$ 0.35		June 21, 2018
	1,149,982	21,538	1.12	(2)	June 21, 2018
	219,800	219,800	1.10	(1)	February 23, 2019
	118,354	-	1.12	(1) (2)	February 23, 2019
	3,727,403	-	1.50	(2)	February 23, 2019
	6,922,320	6,922,320	1.50		February 23, 2019
	1,136,154	26,923	1.12	(2)	September 21, 2020
	53,846	-	1.12	(2)	February 22, 2021
	404,923	-	1.12	(2)	July 5, 2021
	175,000	-	1.12	(2)	September 14, 2021
	296,154	-	1.12	(2)	January 10, 2022
	1,400,000	-	1.75	(2)	June 7, 2022
	17,699,616	9,286,261			

(1) Each warrant entitles the holder to acquire a Unit. Each Unit contains a common share and a share purchase warrant exercisable at $1.50 until February 23, 2019.

(2) 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.

8. RELATED PARTY TRANSACTIONS

Management Compensation

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:

	2017	2016
Payments to key management personnel:		
Salaries and short-term benefits	$ 242,333	$ 156,000
Share-based payments	2,619,361	205,818
Directors' fees	36,000	24,000

During the year ended December 31, 2017, the Company was charged legal fees, included in professional fees and transaction costs, of $93,977 (2016 - $82,551) 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, 2017, the Company was charged accounting fees of $81,475 (2016 - $40,063) by a company of which the CFO is a significant shareholder.

During the year ended December 31, 2017, the Company was charged management fees of $5,800 (2016 - $Nil) and research and development fees of $52,200 (2016 - $Nil) by a company jointly owned by the CEO and the Chairman of the Company.

As at December 31, 2017, the Company had balances outstanding with related parties of $77,917 (2016 - $20,572) included in accounts payable and $10,963 (2016 - $Nil) included in accounts receivable. All balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

(Expressed in Canadian Dollars)

9. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.00% (2016 - 26.00%) to income before income taxes. The reasons for the differences are as follows:

	2017	2016
Income before income tax	$ (9,257,998)	$ (1,695,579)
Statutory income tax rate	26.00%	26.00%
Income tax expense computed at Canadian statutory rates	(2,407,079)	(440,851)
Items not deductible for tax purposes	1,478,519	152,420
Differences between Canadian and foreign tax rates	(2,679)	(226)
Change in timing differences	121,273	13,154
True-up of tax losses to statutory returns	29,142	-
Unused tax losses and tax offsets not recognized in tax assets	780,824	275,503
Income tax recovery	$ -	$ -

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2017	2016
Non-capital losses	$ 9,449,486	$ 3,996,050
Resource properties	3,845,458	3,820,670
Equipment	74,617	56,851
Share issue costs	109,004	95,553
Long term investments	755,316	51,392
Non-refundable income tax credits	258,359	-
Unrecognized deductible temporary differences	$ 14,492,240	$ 8,020,516

As at December 31, 2017, the Company has US non-capital losses of $294,740 and Canadian non-capital losses of $9,059,103 that may be applied to reduce future taxable income. If these losses are not used to offset future income, they will expire through the year ended December 31, 2037.

10. COMMITMENTS

The Company has a lease agreement for office space expiring in 2018. A total of $38,544 has been classified as deposits in the consolidated statements of financial position. The minimum annual lease payments required is as follows:

For the year ending December 31	$
2018	70,685
2019	3,905
Total	74,590

11. SEGMENTED INFORMATION

The Company operates in one segment, being technology investment. As at December 31, 2017, all of the Company's long-term assets are situated in Canada.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash and cash equivalents are carried in the consolidated statements of financial position at fair value using a Level 1 fair value measurement. 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, 2017, the Company had cash equivalents of $6,539,037 (2016 - $750,000) in term deposits.

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, 2017, the Company had a working capital of $7,914,400 (2016 - $1,290,161). 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 asset exposed to interest rate risk consists 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 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 reduce its foreign currency risk as needed by substituting Canadian vendors as required. Foreign currency risk is considered low relative to the overall financial operating plan.

As at December 31, 2017, the Company's net foreign denominated financial assets are as follows:

	Foreign currency	Canadian dollar equivalent
Cash - US dollar	$ 49,478	$ 62,070

13. 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 $62,945,499 (2016 - $2,828,924). 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 year ended December 31, 2017.

14. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2017, the Company issued 533,000 common shares for warrants exercised at a price of $0.35 for gross proceeds of $186,550.