NEXOPTIC TECHNOLOGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

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Set out below is a review of the activities, results of operations and financial condition of NexOptic Technology Corp. ("NXO", "NexOptic", or the "Company") and its subsidiaries for the year ended December 31, 2017. The discussion below should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2017 and 2016. Those consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at April 30, 2018.

The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "NXO" and OTCQX under the symbol "NXOPF" in addition to trading in multiple listings in Germany under the symbol "E3O1"
Additional information related to the Company is available on SEDAR at www.sedar.com and the Company's website at www.nexoptic.com.

BACKGROUND AND CORE BUSINESS

NexOptic Technology Corp. and its subsidiaries (collectively, the "Company" or "NexOptic") is a technology company developing innovative optical and lens technologies. NexOptic was incorporated under the Company Act (British Columbia) on October 11, 2007. The Company maintains its registered office at 2080 – 777 Hornby Street, Vancouver, British Columbia, Canada V6Z 1S4. The Company's principal place of business is 1450 – 700 West Georgia Street, Vancouver, British Columbia, Canada V7Y 1K8.

In 2014, the Company identified a significant business opportunity in a private technology development company, Spectrum Optix Inc. ("Spectrum") of Calgary, Canada, and thereafter exercised an option to acquire, in the aggregate, 100% of Spectrum in 2017. Spectrum is a wholly owned subsidiary of NexOptic. Upon the acquisition of Spectrum, the companies blended their management teams which now manage NexOptic and its subsidiaries. NexOptic also appointed two new directors in 2017, Mr. Arch Meredith and Ms. Karen Fleming, who replaced two parting NexOptic directors, Mr. Garry Clark and Ms. Kerry Suffolk. (Additional details on the restructuring of NexOptic's management and its board appointments are noted below in the "Corporate Updates" section.)

The Company is developing technologies relating to imagery and light concentration for lens and image capture systems. The Company's core, patented and patent pending technologies, referred to and trademarked as Blade Optics™, are focused on novel approaches to collecting and concentrating an electromagnetic wave, such as visible light, and, if required by the application, maintaining the original image at high levels of quality and compactness. Some of the lens designs involve flat surfaces, and intention of the technologies are for significant consolidation in the length of lens stacks found in traditional light capture systems found in most of today's imaging systems. Further, Blade Optics™ offers potential for improvements to quality, clarity, and resolution of for a multitude of applications in multiple imaging verticals including, but not limited to, those found in mobile devices. The Company is exploring imaging applications that utilize both pre- and post-optical imaging solution improvements.

The building of a 5-inch aperture Proof-of-Concept (POC) prototype was commissioned in 2016. Alignment and assembly of the optics, construction of the casing, and testing of the full lens stack were completed in the 1st quarter of 2017 (further details on the POC prototype can be found below as noted)

The Company was pleased with the unprocessed imaging results from the POC prototype. Tests of the prototype delivered image resolutions comparable to conventional 5-inch-aperture telescopes while maintaining the device's unique form factor. The POC prototype incorporates the breakthrough Blade Optics™ system, so the entire device can be housed in a body approximately 5 inches deep while keeping a diagonal aperture of roughly 5 inches. The prototype's lens stack depth is significantly thinner than comparable conventional telescopes on the market today. Image processing techniques specific to the demands of the POC prototype were completed in the 1st quarter of 2017.

The Company commissioned electrical engineer Larry McNish, a member of the Royal Astronomical Society of Canada, to field-test the prototype. McNish has been an amateur astronomer and astrophotographer for 30 years and has served as president of the Calgary Centre of the Royal Astronomical Society of Canada.

Images taken with the device were subsequently shown at an unveiling/media event held on April 4th, 2017 in Vancouver, BC, and were also posted to and remain available for viewing on NexOptic's website.

On November 3, 2017, NexOptic exercised its final option to acquire the balance of outstanding shares of Spectrum Optix Inc. The Company issued 43,767,172 common shares ("Acquisition Shares") and an aggregate of 8,461,816 conditional warrants ("Conditional Warrants") to the shareholders of Spectrum. Each Conditional Warrant is exercisable into a common share or unit of the Company.

Exercise of the Conditional Warrants is conditioned 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:

Number	Exercise price	Expiry date
1,149,982	$ 1.12	June 21, 2018
118,354	1.12 (1)	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		

(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.

The Acquisition Shares have been deposited into escrow and are being released over a period of 36 months beginning February 19, 2016. 13,130,152 Acquisition Shares have been released from escrow.

In connection with the acquisition, the Company issued 254,237 common shares and made a cash payment of $200,000 in accordance with the finder's fee agreement.

Patents and Patent Strategy

Patent protection on its core optical technologies is important to NexOptic. On June 29th, 2017, the Company announced the receipt from the United States Patent and Trademark Office, ("USPTO") a Notice of Allowance (and subsequently received its patent) on the first patent application filed by Spectrum Optix directed to its Blade Optics™ lens technology (Application No. 15/222,058 FLAT WEDGE-SHAPED LENS AND IMAGE PROCESSING METHOD). The Company is broadening the jurisdictions from which this patent will be issued with additional applications in key international markets. After the receipt of the patent, the Company submitted and continues to submit new applications to the USPTO on several of its other novel lens and image processing designs. NexOptic is working closely with senior partners in two well respected US IP law firms and has previously sought counsel from Canada's leading IP law firm to advise on its intellectual property protection strategy: Lewis Roca Rothgerber Christie of Los Angeles, CA, Stevens Law Group of Silicon Valley, CA (and Smart & Biggar, Toronto, ON)

As noted, the Company anticipates making additional patent filings specific to both hardware and computational designs in the future. Risks associated with patentability and other aspects of the patenting process can be found in the *Risk Factors* section of this document.

NexOptic's Sport Optics Product Line

In November of 2017 NexOptic announced that it was making progress in the creation of its own line of sport optics products and had engaged a leading technology design architecture firm, NewDealDesign of San Francisco as well as the San Francisco branch office of a leading consumer product development firm, Synapse to provide holistic innovative consumer product designs and analysis of the electrical, firmware, and software architecture options that will be used to inform a go-forward development strategy that meets the Company's business and technical objectives. Throughout this process NexOptic has maintained 100% ownership and control of its initial proposed consumer product line for the sports optics marketplace. The Company feels that it has the potential to alter and influence the sports optics marketplace with the innovations it has already achieved. Beyond the published date of this document, NexOptic intends to issue updates on its sports optics line by way of future news releases.

NexOptic's Mobile Device Lens Stack (Smartphones)

In October of 2017, NexOptic announced that it had completed its first detailed lens stack design for mobile devices including smartphones and in January of this year the Company had refined its mobile lens stack design to the point of ordering initial parts for the construction of a demonstration prototype. NexOptic's mobile lens design specification was chosen to demonstrate the capabilities of the lens design for long range viewing in a mobile device. This lens system design has an aperture of 4.8mm with an effective focal length of 11.5mm and horizontal full field of view of 25 degrees. The design will be housed in roughly a 6 to 7mm depth, the typical depth of many smartphones in the marketplace today. This lens design has a 35mm equivalent focal length of 76mm and has the potential to generate a 12MP image in a 25-degree full field of view. All design specification numbers are approximate, and subject to change. NexOptic believes its lens stack design for mobile devices substantially increases the potential aperture compared to leading smartphone-imaging systems currently in the market. For comparison, the Company's design is expected to have 3.5 times more light-gathering area than a leading smartphone long-range lens with a 2.5mm aperture. Increasing the aperture within the depth constraints of a smartphone (approximately 6 to 7 millimeters) creates the potential to capture higher quality images at long ranges with these iconic consumer devices. Additionally, the lens system can have a much better diffraction limit than a smaller aperture system, providing the potential for greatly improved angular resolution.

Technology Potential

On April 24, 2018, NexOptic announced that it applied for and was selected to demonstrate its technology for General Dynamics Mission Systems–Canada (A division of General Dynamics Corp.) Small and Medium Enterprise/Business Initiative. NexOptic was one of two SMEs selected to integrate its technology over the General Dynamics' Future Tactical Network ("FTN") – a secure LTE network designed for use in emergency and defense operations. Using its proof of concept prototype containing the original, and patented, Blade Optics™ lens design, NexOptic demonstrated video feeds through the secure network from a field reconnaissance position displaying a target approximately 13km away. The initiative was held at the Calgary General Dynamics facility and led to multiple demonstrations for General Dynamics' clients. The demonstration utilized General Dynamics' Future Tactical Network, which allows for secure LTE & Wi-Fi communication between vehicles, command centers and headquarters, as well as allowing non-secure traffic to be broadcasted without affecting the secure channels.

Private Placement

On August 23, 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. 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.

In connection with the private placement, the Company paid aggregate finders' fees of $14,458 in cash and issued 210,960 finder units bearing the same terms as the units. The Company also issued 6,400 finder warrants bearing the same terms as the warrants and issued a further 219,800 broker warrants, with each broker warrant entitling the holder to acquire one unit, on the same terms as the placement units, at a price of $1.10 per unit until February 23, 2019, subject to approval of the TSXV.

Corporate Updates

On October 17, 2017, the Company graduating from the OTCQB in the United States to the OTCQX® Best Market, under the symbol "NXOPF." The Company also retained Trapeze Capital Corp. to provide market-making services in accordance with TSX-V policies. Trapeze will receive compensation of $5,500 per month and will not receive any common shares or options of NexOptic as compensation.

On January 10, 2017, the Company appointed Mr. Stephen Petranek to the Board of Directors. On October 23, 2017, the Company appointed Mr. Arch Meredith to the Board of Directors.

On November 7, 2017, Mr. John Daugela, replaced Mr. Paul McKenzie as CEO of NexOptic. Mr. McKenzie was appointed as Chief Business Officer of NexOptic and will remain as NexOptic's President. Further, Mr. Darcy Daugela, an advisor to both NexOptic and Spectrum, replaced Mr. Arnold Armstrong as Chairman of NexOptic, while Mr. Armstrong remains as a Director of NexOptic. To accommodate the additions to the Board of Directors, Mr. Garry Clark and Ms. Kerry Suffolk resigned from the Company's Board of Directors.

On December 14, 2017, the Company welcomed Ms. Karen Fleming to the Board of Directors.

OUTLOOK

The Company's focus is the advancement of the core technologies including the sport optic and smartphone projects discussed above.

OUTSTANDING SHARE DATA

At the date of this report, the Company has

- 125,926,299 issued and outstanding common shares;
- 7,997,000 outstanding stock options with a weighted average exercise price of $0.96;
- 16,828,462 (8,485,000 warrants and 8,343,462 Conditional Warrants) warrants with a weighted average exercise price of $1.31;
- 118,354 Conditional Warrants exercisable at $1.12 which are convertible to one common share and one common share purchase warrant exercisable at $1.50;
- and 219,800 brokers' warrants exercisable at $1.10 which are convertible to one common share and one common share purchase warrant exercisable at $1.50.

SELECTED FINANCIAL INFORMATION

Selected Annual Information

	2017	2016	2015
Total assets	$ 63,279,567	$ 2,879,549	$ 1,709,689
Non-current liabilities	-	-	-
Other income (including interest)	30,864	2,352	-
Net loss for the year	(9,257,998)	(1,695,579)	(3,351,613)
Comprehensive loss for the year	(9,257,299)	(1,696,865)	(2,983,579)
Basic and diluted loss per share	(0.09)	(0.04)	(0.13)

In the year ended December 31, 2015, the Company focused on completing the change of business 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. In the year ended December 31, 2016, the Company continued to invest efforts into Spectrum. In the year ended December 31, 2017, the Company completed the acquisition of Spectrum and focused on more on research and development. The loss for the year ended December 31, 2017 included a non-cash share-based payments expense of $5,424,792 for stock options granted and vesting as well as a non-cash amortization charge of $931,471 against intangible assets.

Summary of Quarterly results

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Interest income	$ 17,799	$ 9,268	$ 2,229	$ 1,568
Net loss for the period	(3,848,652)	(504,584)	(3,966,072)	(938,690)
Comprehensive income (loss) for the period	(3,849,181)	(503,321)	(3,966,101)	(938,696)
Basic and diluted loss per share	(0.03)	(0.01)	(0.06)	(0.02)

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Interest income	$ 2,352	$ -	$ -	$ -
Net loss for the period	(359,560)	(703,999)	(268,606)	(363,414)
Comprehensive income (loss) for the period	(360,045)	(701,882)	(269,003)	(365,935)
Basic and diluted loss per share	(0.01)	(0.02)	(0.01)	(0.01)

Results of Operations for the year ended December 31, 2017 compared to 2016

The comprehensive loss for the year ended December 31, 2017 was $9,257,300 (2016 – $1,696,865). Overall, activity increased from the prior year as the results of Spectrum have been consolidated effective November 3, 2017. Significant changes to the comprehensive loss are explained as follows:

Non-cash and non-recurring items

- Amortization of $931,471 (2016 - $Nil) related to the amortization of the intangible assets acquired with the exercise of the Third Option over Spectrum.

- The loss from investment in associate relates to the Company's portion of the net loss incurred by Spectrum up to the date of the acquisition. The loss is non-cash and was $476,380 (2016 – $102,781) for the period. The amount will not be recognized in future periods following the completion of the acquisition.

- Share-based payments expense, a non-cash charge, of $5,424,792 (2016 - $580,567) in the current year relates to a greater valuation of stock options granted and vested during the year.

Expense analysis

- Research and development expense of $691,489 (2016 - $Nil) follows the consolidation of Spectrum's financial activities in the fourth quarter of 2017. The expenditures include significant investment into the design and development of the sport optics project as well as additional research and development contractors and supplies as the Company invests in its core technologies.

- Investor relations expense increased to $524,386 (2016 - $277,113) for additional communications consultants engaged by the Company in the current year and increased investor outreach services. Additionally, the Company incurred $118,211 (2016 - $Nil) for technology marketing costs, which includes brand awareness expenditures for Spectrum's technologies to potential partner and/or end user companies and consumers.

- Salaries increased to $268,864 (2016 - $161,975) following pay raises to the former CEO and office manager and incorporation of compensation for the President, the Chairman and an Optical Scientist in the fourth quarter. Salaries in the prior year only included salaries to former CEO (current President) and office manager.

- Professional fees increased to $212,693 (2016 - $101,524) related to fees associated with acquisition of Spectrum and the inclusion of Spectrum's professional fees related to intellectual property management.

- Office and administration has increased to $213,445 (2016 - $156,215) resulting from the incorporation of Spectrum's activity for the fourth quarter of the year.

- Consulting fees increased to $153,432 (2016 - $40,063) reflecting an increase in activity across the entity and inclusion of consultants to Spectrum following the acquisition date.

- Travel costs of $ 113,905 (2016 - $37,141) have increased due to additional travel to meet with significant technology vendor, potential investors, and technology partners.

Results of Operations for the three-month period ended December 31, 2017 compared to 2016

The comprehensive loss for the three months ended December 31, 2017 was $3,849,181 (2016 – $360,045). Significant changes to the comprehensive loss are explained as follows:

- Research and development expense of $691,489 (2016 - $Nil) follows the consolidation of Spectrum's financial activities in the fourth quarter of 2017. The expenditures include significant investment into the design and development of the sport optics project as well as additional research and development contractors and supplies as the Company invests in its core technologies.

- Investor relations expenses of $157,129 (2016 - $66,011) increased over the prior period as the Company has engaged a communications consultant for investor outreach services. Additionally, the Company incurred $20,856 (2016 - $Nil) for technology marketing costs, which includes brand awareness expenditures for Spectrum's technologies to potential partner and/or end user companies and consumers.

- Salaries has increased to $110,020 (2016 - $ 48,991) relating to compensation for the President, and the introduction of payments to the Chairman and an Optical Scientist. Increases are also due to pay raises for the President and office manager.
- Consulting fees increased to $107,882 (2016 - $16,913) reflecting an increase in activity across the entity and inclusion of consultants to Spectrum following the acquisition date.
- Directors' fees of $36,000 (2016 - $24,000) have been paid for services provided by the directors of the Company.

Overall, the activity for the fourth quarter ended December 31, 2017 has increased over the comparative period reflecting the consolidation of Spectrum's financial results upon the acquisition date of November 3, 2017.

LIQUIDITY AND CAPITAL RESOURCES

Cash has increased by $6,821,326 to $8,143,697 at December 31, 2017 from a balance of $1,322,371 as at December 31, 2016. The Company had working capital of $7,914,400 as at December 31, 2017.

Overall cash utilization for operating activities increased from 2016 to 2017. In 2017, the Company expended $2,848,842 in operating activities as compared to $1,023,333 in 2016. The increase is consistent with an increase in activity in the Company pursuing and then completing the Spectrum acquisition.

Investing activities resulted in a net cash outflow of $1,476,494 in 2017 (2016 - $971,831), of which $1,412,133 (2016 - $998,000) was forwarded to Spectrum pursuant to the Agreement for Spectrum share purchases.

Financing activities provided $11,146,661 (2016 - $2,314,648) of cash in the year ended December 31, 2017. The Company generated the funds of $3,573,537 from the exercise of warrants, and $250,701 from the exercise of options. The Company completed a private placement, which generated funds of $7,375,456 and share issuance costs of $53,033. In the prior period, the Company generated $1,293,778 from the exercise of warrants and options and $1,050,500 from a private placement less share issuance costs of $43,132.

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

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

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

OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

At December 31, 2017, 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.

COMMITMENTS

The Company has a lease agreement for office space expiring in 2018. The minimum annual lease payments required is as follows:

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

RELATED PARTY TRANSACTIONS

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

		2017		2016
Payments to key management personnel:				
Salaries and short-term benefits	$	242,333	$	161,975
Share-based payments		2,619,361		205,818
Director 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 amount of $77,917 (2016 - $27,569) included in accounts payable, and the amount of $10,963 (2016 - $Nil) included in accounts receivables are due to related parties. All balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements are disclosed in Note 3 of the Company's annual consolidated financial statements for the year ended December 31, 2017.

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 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 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 leases 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.

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. As at December 31, 2017, the Company had cash equivalents of $6,539,037 (2016 - $750,000) in cashable 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 the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

a) Interest rate risk

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

b) Foreign currency risk

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

RISK FACTORS

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

Development Risk

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

Limited Protection of Patents and Proprietary Rights

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

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

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

Infringement of Intellectual Property Rights

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

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

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

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

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 is a research and development company with no history of production or sale. There is no assurance that it will seek or achieve commercial production of any product or the sale of any product.

Slow Acceptance of the Company's Technology

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

Experimental Field

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

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 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 to meet demands or to remain competitive. The future success of the Company will be influenced by its ability to continue to adapt its products. Although the Company has committed resources to improve its products, there can be no assurance that these efforts will increase profits.

Risk of Obsolescence

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

Additional Funding Requirements

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

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

Limited Operating History

The Company has incurred losses since inception and is expected to continue to incur losses. As such, the Company will be subject to all 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 several factors, including the growth rate of the developmental lens industry, the continued market acceptance of the Technology and the competitiveness of the Company. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of its early stage of operations.

Lack of Operating Cash Flow

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

Dependence on Management and Key Personnel

The Company's management will make all decisions with respect to the Company's assets, including investment decisions and the day-to-day operations of the Company. As a result, the success of the Company for the foreseeable future will depend largely upon the ability of its management team, employees and consultants, including, but not limited to, Paul McKenzie, Darcy Daugela and John Daugela. 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

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

Substantial Control by Insiders

The initial shareholders of Spectrum beneficially own approximately 35% of the Company's 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 based on the Company's earnings, financial requirements, and other conditions.

Uninsured Risks

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

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 several assumptions that may prove to be incorrect, including, but not limited to, assumptions about:

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

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

ADDITIONAL INFORMATION

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