



NEXOPTIC

NEXOPTIC TECHNOLOGY CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2018

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

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

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

NEXOPTIC TECHNOLOGY CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31

	2018	2017
OPERATING EXPENSES		
Research and development (Note 7)	\$ 2,125,384	\$ -
General and administrative (Note 7)	833,026	845,860
Total operating expenses	(2,958,410)	(845,860)
Interest and other income	23,160	1,568
Loss from investment in associate (Note 4)	-	(94,398)
	23,160	(92,830)
Net loss for the period	(2,935,250)	(938,690)
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that may be reclassified subsequently to profit or loss		
Foreign exchange gain (loss) on translating foreign operations	61	(6)
Comprehensive loss for the period	\$ (2,935,189)	\$ (968,696)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	125,506,910	62,037,873

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

NEXOPTIC TECHNOLOGY CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (2,935,250)	\$ (938,690)
Non-cash items:		
Share-based payments	-	520,072
Amortization expense	1,397,205	-
Depreciation expense	7,857	-
Loss from investment in associate	-	94,398
Changes in non-cash working capital items:		
Accounts receivable	(13,768)	(5,323)
Prepaid expenses and deposits	(7,221)	(8,710)
Accounts payable and accrued liabilities	(114,179)	17,662
	<u>(1,665,356)</u>	<u>(320,591)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Funds to Spectrum – share purchases	-	(575,000)
Equipment acquired	(25,940)	-
	<u>(25,940)</u>	<u>(575,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercised warrants	96,250	2,234,726
Proceeds from options	-	199,701
Obligation to issue shares	-	53,821
	<u>96,250</u>	<u>2,488,248</u>
Change in cash and cash equivalents during the period	(1,595,046)	1,592,657
Cash and cash equivalents, beginning of period	<u>8,143,697</u>	<u>1,322,371</u>
Cash and cash equivalents, end of period	<u>\$ 6,548,651</u>	<u>\$ 2,915,028</u>

There were no significant non-cash transactions for the periods ended March 31, 2018 and 2017.

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

NEXOPTIC TECHNOLOGY CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Expressed in Canadian Dollars)

	Share Capital		Obligation to Issue Shares	Reserve	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount					
Balance, December 31, 2016	52,912,046	\$ 9,167,016	\$ -	\$ 983,087	\$ 601,178	\$ (7,922,357)	\$ 2,828,924
Shares issued for options exercised	906,333	565,414	-	(365,713)	-	-	199,701
Shares issued for warrants exercised	13,523,527	2,280,827	53,821	(46,101)	-	-	2,288,547
Share-based payments	-	-	-	520,072	-	-	520,072
Expiry of stock options	-	-	-	(25,500)	-	25,500	-
Net loss and comprehensive loss for the period	-	-	-	-	(6)	(938,690)	(931,696)
Balance, March 31, 2017	67,341,906	12,013,257	53,821	1,065,845	601,172	(8,835,547)	4,898,548
Acquisition of Spectrum (Note 4)	44,021,409	49,319,233	-	3,483,187	-	-	52,802,420
Private placement	6,915,920	7,008,055	-	314,368	-	-	7,322,423
Shares issued for options exercised	315,000	90,774	-	(39,774)	-	-	51,000
Shares issued for warrants exercised	6,799,064	1,336,064	(53,821)	2,746	-	-	1,284,990
Share-based payments	-	-	-	4,904,721	-	-	4,904,721
Net loss and comprehensive loss for the period	-	-	-	-	705	(8,319,308)	(8,318,603)
Balance, December 31, 2017	125,393,299	69,767,383	-	9,731,094	601,877	(17,154,855)	62,945,499
Shares issued for warrants exercised	275,000	96,250	-	-	-	-	96,250
Net loss and comprehensive loss for the period	-	-	-	-	61	(2,935,250)	(2,935,189)
Balance, March 31, 2018	125,457,339	\$ 69,863,633	\$ -	\$ 9,731,094	\$ 601,938	\$(20,090,105)	\$ 60,106,560

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

NEXOPTIC TECHNOLOGY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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.

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

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

The Company reported a net loss of \$2,935,250 (2017 - \$938,690) and had an accumulated deficit of \$20,090,105 (December 31, 2017 - \$17,154,855) as at March 31, 2018. The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or achieve profitable operations. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management may be required to curtail certain discretionary expenses. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

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

The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company’s annual financial statements for the year ended December 31, 2017, except for the following:

IFRS 9 *Financial instruments*

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

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

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

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FOR THE THREE MONTHS ENDED MARCH 31, 2018

2. BASIS OF PREPARATION (cont'd...)

Statement of compliance (cont'd...)

IFRS 9 *Financial instruments* (cont'd...)

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

Basis of consolidation and presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

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

Comparative financial results

Certain financial information from the comparative period has been reclassified to conform with the presentation of the statement of loss and comprehensive loss for the current period. The Company has determined to present the statement of loss and comprehensive loss by function to improve the relevancy of the disclosure following the acquisition of control of Spectrum on November 3, 2017 (Note 4).

Use of judgments and estimates

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

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

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

- Research and development expenditures

Distinguishing the research and development phases of a technology or product and determining whether the recognition requirements for the capitalization of development costs are met requires judgment. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired. No research and development costs were capitalized during the period ended March 31, 2018.

- 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2018

2. BASIS OF PREPARATION (cont'd...)

Use of judgments and estimates (cont'd...)

- 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.

- 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 condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Intangible assets – 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 8.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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FOR THE THREE MONTHS ENDED MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES

Standards issued or amended but not yet effective

IFRS 16 *Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases, including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases, as is required by IAS 17 *Leases*, and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The impact of IFRS 16 on the Company's consolidated financial statements has not yet been determined.

IFRIC 23 *Uncertainty Over Income Tax Treatments*

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

4. INVESTMENT

During the year ended December 31, 2014, the Company entered into an agreement (the "Agreement"), as subsequently amended, with Spectrum Optix Inc. ("Spectrum"), a private technology development company. Pursuant to the Agreement, the Company was 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;

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, effective November 3, 2017, 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").

In connection with the Agreement, the Company signed a finder's fee agreement payable for which 123,809 common shares were issued during the First Option and \$200,000 in cash and common shares valued at \$300,000 were paid and issued concurrent with the exercise of the Third Option.

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.

Investment in associate is as follows:

	Investment in Spectrum
Balance, December 31, 2016 (ownership – 20.68%)	\$ 1,505,219
Funds invested in Spectrum	1,412,133
Loss from investment in associate from January 1, 2017 to November 3, 2017	<u>(476,380)</u>
Balance, November 3, 2017	\$ 2,440,972

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2018**4. INVESTMENT (cont'd...)***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.

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
		<u>\$ 55,443,392</u>
Net Assets Acquired		
Cash		\$ 140,537
Accounts receivable		35,105
Prepays		9,243
Equipment		39,056
Patents		55,888,236
Accounts payable and accrued liabilities		(668,785)
Net assets		<u>\$ 55,443,392</u>

- ⁽¹⁾ The Acquisition Shares have been deposited into escrow to be released over a period of 36 months beginning February 19, 2016; 19,695,228 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 ⁽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
<u>1,400,000</u>	<u>1.75</u>	<u>June 7, 2022</u>
<u>8,461,816</u>		

- ⁽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.

NEXOPTIC TECHNOLOGY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2018**4. INVESTMENT (cont'd...)***Conditional Warrants*

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.

5. INTANGIBLE ASSETS

	March 31, 2018	December 31, 2017
Wedge Imaging		
Cost		
Balance, beginning of the period	\$ 55,888,236	\$ -
Acquired with Spectrum	-	55,888,236
Balance, end of period	\$ 55,888,236	\$ 55,888,236
Accumulated Amortization		
Balance, beginning of period	\$ 931,471	\$ -
Amortization expense	1,397,206	931,471
Balance, end of period	\$ 2,328,677	\$ 931,471
Net Book Value	\$ 53,559,560	\$ 54,956,765

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

6. EQUIPMENT

	Software	Computer equipment	Office equipment	Total
Cost				
Balance, December 31, 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
Additions	19,596	3,120	3,224	25,940
Balance, March 31, 2018	\$ 19,596	\$ 41,378	\$ 8,921	\$ 69,895
Accumulated Amortization				
Balance, December 31, 2016	\$ -	\$ -	\$ -	\$ -
Amortization expense	-	7,705	1,710	9,415
Balance, December 31, 2017	-	7,705	1,710	9,415
Amortization expense	4,832	2,491	534	7,857
Balance, March 31, 2018	\$ 4,832	\$ 10,196	\$ 2,244	\$ 17,272
Net Book Value				
Balance, December 31, 2017	\$ -	\$ 30,533	\$ 3,987	\$ 34,540
Balance, March 31, 2018	\$ 14,764	\$ 31,182	\$ 6,677	\$ 52,623

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2018**7. OPERATING EXPENSES**

The financial results of Spectrum are consolidated as of November 3, 2017.

Research and Development	2018	2017
Amortization of intangible assets (Note 5)	\$ 1,397,206	\$ -
Depreciation of equipment (Note 6)	7,857	-
Consulting fees	104,636	-
Engineering and design	384,080	-
Management fees (Note 9)	85,000	-
Professional fees	60,018	-
Salaries	47,083	-
Supplies	27,183	-
Travel	12,321	-
	<u>\$ (2,125,384)</u>	<u>\$ -</u>

General and Administrative	2018	2017
Consulting fees (Note 9)	\$ 97,686	\$ 17,275
Insurance	7,720	2,250
Investor relations	235,281	151,573
Management fees (Note 9)	57,000	-
Office and administration	87,200	37,485
Professional fees (Note 9)	19,198	21,632
Salaries (Note 9)	76,442	57,447
Share-based payments (Notes 8 and 9)	-	520,072
Shareholder communications and filings	36,871	20,353
Sales and marketing	88,006	-
Travel	127,622	17,773
	<u>\$ (833,026)</u>	<u>\$ (845,860)</u>

8. SHARE CAPITAL AND RESERVE

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

Period ended March 31, 2018

The Company did not complete any private placements in the period ended March 31, 2018.

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").

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%.

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FOR THE THREE MONTHS ENDED MARCH 31, 2018**8. SHARE CAPITAL AND RESERVE (cont'd...)**

b) Issued share capital (cont'd...)

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

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.

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, 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 and March 31, 2018	7,997,000	\$	0.96
Balance exercisable, December 31, 2017 and March 31, 2018	7,997,000	\$	0.96

Stock options outstanding as at March 31, 2018:

	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 March 31, 2018, the outstanding stock options had a weighted average remaining life of 3.68 (December 31, 2017 – 3.93) years.

d) Share-based payments

The Company did not grant any stock options in the period ended March 31, 2018.

During the period ended March 31, 2017, the Company granted 550,000 stock options with a weighted average fair value of \$0.95 per option. The Company recognized share-based payments expense of \$520,072 for options granted and vesting during the period ended March 31, 2017.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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FOR THE THREE MONTHS ENDED MARCH 31, 2018

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

d) Share-based payments (cont'd...)

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

	2018	2017
Risk-free interest rate	-	1.09%
Expected life of options	-	4.86 years
Expected annualized volatility	-	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, 2016	22,418,271	\$ 0.19
Issued	15,603,936	1.44
Exercised	(20,322,591)	0.18
Balance, December 31, 2017	17,699,616	1.31
Exercised	(275,000)	0.35
Balance outstanding, March 31, 2018	17,424,616	\$ 1.32
Balance exercisable, March 31, 2018	9,159,338	\$ 1.25

Warrants and Conditional Warrants outstanding as at March 31, 2018:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Warrants	1,820,680	1,820,680	\$ 0.35	June 21, 2018
	1,149,982	169,615	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
	17,424,616	9,159,338		

(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.

NEXOPTIC TECHNOLOGY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2018

9. 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:

	2018	2017
Payments to key management personnel:		
Consulting fees – general and administrative	\$ 21,225	\$ 17,275
Management fees – general and administrative	57,000	-
Management fees – research and development	85,000	-
Salaries and short-term benefits – general and administrative	45,000	36,000
Share-based payments – general and administrative	-	316,682

During the period ended March 31, 2018, the Company was charged legal fees, included in professional fees, of \$4,134 (2017 - \$22,426) by S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee.

As at March 31, 2018, the Company had balances outstanding with related parties of \$33,424 (2017 - \$28,103) 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.

10. SEGMENTED INFORMATION

The Company operates in one segment, being technology investment. As at March 31, 2018, all of the Company's long-term assets are situated in Canada.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

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 March 31, 2018, the Company had cash equivalents of \$6,057,470 (December 31, 2017 - \$6,539,037) in term deposits. The Company considers the risk of financial loss on cash and cash equivalents to be remote. The Company's receivables consist materially of GST input tax credits recoverable from the government of Canada. The Company considers credit risk with respect to these amounts to be low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2018, the Company had a working capital of \$6,454,583 (December 31, 2017 - \$7,914,400). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

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FOR THE THREE MONTHS ENDED MARCH 31, 2018

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors (cont'd...)

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 March 31, 2018, the Company's net foreign denominated financial assets are as follows:

	Foreign currency	Canadian dollar equivalent
Cash - US dollar	\$ 48,770	\$ 62,884

12. 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 \$60,106,560 (December 31, 2017 - \$62,945,499). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage current and working capital requirements. The Company is not subject to externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the period ended March 31, 2018.

13. SUBSEQUENT EVENTS

Subsequent to the period ended March 31, 2018, the Company issued 701,000 common shares for warrants exercised at a price of \$0.35 for gross proceeds of \$245,350.