NEXOPTIC TECHNOLOGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

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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, 2020. The discussion below should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2020 and 2019. Those consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at March 8, 2021.

The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "NXO" and OTCQB 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 award-winning artificial intelligence ("AI") and award-winning imaging products which enhance how images are either captured, processed and/or experienced. NexOptic was incorporated under the Company Act (British Columbia) on October 11, 2007. The Company maintains its registered and place of business office at 1500 – 409 Granville Street, Vancouver, British Columbia, Canada V6C 1T2.

NexOptic's primary focus in 2020 was on its patent pending artificial intelligence for imaging called "Aliis™", an acronym for, "All Light Intelligent Imaging Solutions." Several of the world's largest and more influential semiconductor companies have taken a strong interest in Aliis™, most recently the Arm AI Partner Program (November 2020) and prior to that, also in 2020, NVIDIA Corporation ("NVIDIA") and Qualcomm Technologies, Inc.("Qualcomm").

The reason for the significant interest is that Aliis™ delivers superior all light performance for both still imaging and video by learning a camera profile and optimally enhancing its quality and its resolution in a fraction of a second using edge processing. The result is superior resolution and sharpness, dramatic reductions to image noise and motion-blur, noticeable enhancements to long-range image stabilization by enabling faster shutter speeds, and significantly reduced file and bandwidth requirements for storage or streaming applications. Aliis™ also improves downstream applications such as computational imaging, facial recognition, and object detection, and as a result has broad market applicability for AI-leveraged security, autonomous vehicles, and other AI applications.

Risks associated with the investment and development of the AI imaging technologies can be found in the Risk Factors section of this document.

Artificial Intelligence - All Light Intelligent Imaging Solutions: Aliis™

In November 2020, NexOptic announced that Arm Ltd. ("Arm") had selected NexOptic to join its esteemed AI Partner Program. Aliis™ complements Arm's ecosystem for on-chip AI deployment for intelligent endpoint devices. The partnership creates expansion opportunities for Aliis™ within the vast Arm IoT network. NexOptic continues to work with Arm's technical teams to build an optimized solution of Aliis™ that will be deployed using Arm's intellectual property.

In July 2020, NexOptic announced that it was chosen to join the NVIDIA Partner Network as a Preferred Partner to leverage the powerful edge AI advantages of their NVIDIA® Jetson™ platform with next-generation Aliis™ offerings. Since then, and with the assistance of NVIDIA's engineers, Aliis™ has been fully integrated into NVIDIA's Jetson™ platform, and NexOptic continues to optimize and expand its supported feature sets for Jetson™. In the second quarter of fiscal 2020, NexOptic reported that Qualcomm selected Aliis™ to be part of its Qualcomm® Platform Solutions Ecosystem in order to optimize Aliis™ into select Qualcomm® Snapdragon™ mobile platforms. Since then, NexOptic successfully integrated Aliis™ into their chipsets and continues to optimize the expanding capabilities of Aliis™ into them. NexOptic continuously expands Aliis's AI capabilities and anticipates that they will be engineered into current and future semiconductor offerings by NVIDIA, Qualcomm and Arm in the future. NexOptic continues to work closely with all of its partner companies.

In all instances (NVIDIA, Qualcomm and Arm), each original equipment manufacturer ("OEM") retains control over the choice to license Aliis™ directly from NexOptic with optimized versions of Aliis™, this significantly reduces their integration costs. Through these esteemed partnership relationships, global OEMs requiring premium imaging enhancement now have direct access to NexOptic's industry-leading machine learning imaging solutions optimizable to many of NVIDIA's, Qualcomm's and Arm's vast customer networks.

With much of the major integration processes completed, it is expected that NexOptic's partner companies will soon begin working on joint NexOptic marketing initiatives for Aliis™.

At the start of the third quarter 2020, NexOptic had announced that it was patent pending on a new AI that transforms Image Signal Processors ("ISP") technology. Engineered into Aliis™, the neural ISP technology is now available to OEM customers through NexOptic's aforementioned strategic partnerships. Image signal processors are a traditional technology that manipulate images from raw data into the precise and coherent imagery viewers are accustomed to seeing. They are increasingly also being used for new application paths in robotics, smart cities, industrial automation, automotive, healthcare and beyond.

Upgrades and added functionality to NexOptic's primary AI platform is ongoing. All of NexOptic's AI for imaging is patent pending and is branded by NexOptic as: Aliis™, as proprietary machine learning algorithms built to encompass virtually all light environments and enable super high-resolution functionality. Additional benefits of Aliis™ include:

- Works with any sensor for images and video
- Learns and embeds the camera's optimal light profile
- Executes on edge processing at a fraction of a second
- Enables faster shutter speeds
- Increases resolution and sharpness
- Reduces image-noise and motion-blur
- Improves image color and detail
- Reduces file size and bandwidth dramatically for storage or streaming

NexOptic Expands Operations in Seoul, South Korea

The Company has been increasing its sales initiatives throughout Asia and further exploring siliconization of NexOptic algorithms since the announcement on September 11, 2020. NexOptic's new Seoul office is responsible for managing NexOptic's South Korean office manager regional accounts, which include ongoing dialogues with leading large OEMs. Additionally, the Company continues to explore the siliconization of its algorithms – embedding AI directly onto a chip – for sales into entirely new market verticals. Regionally, South Korea, Taiwan and China represent the global hub of siliconized semiconductor supply chains.

COVID-19 Impact and Outlook for Aliis™ and DoubleTake™

Aliis™ is part of the imaging solution that can positively impact changes to societal behaviors designed to slow and contain the spread of viruses. Data collection, tracking, contact tracing and social distancing including reductions in movement and international travel are expected to be with us beyond COVID-19. Efforts are being made to eliminate or reduce common touch points in businesses, factories, and public spaces. NexOptic's Aliis™ can be a part of these solutions in many industries, including mobile, transportation, health care, manufacturing, streaming, storage, and smart security. This includes downstream applications like computational imaging, reductions to sizes of media and video files, facial recognition, object detection and tracking, plus broad market applicability for smart security, visual mapping and many other applications.

On March 31, 2020, after assessing challenges to its manufacturing supply chain, combined with uncertainty in consumer demand resulting from the COVID-19 pandemic, NexOptic announced that it would be postponing the commercial launch of DoubleTake™, its revolutionary and award-winning sport-optics device. The Company still has the project under review for possible reimplementation. NexOptic is not currently active in the advancement of its lens designs for cellphones, electing instead to increase its focus on Aliis™.

The newest DoubleTake™ lens was designed by NexOptic and is patent pending. It has extra-low dispersion optical glass and no plastic lens components. It does not increase the size or diminish the magnification capabilities of DoubleTake's™ previous lens design. DoubleTake™ is engineered to be rugged, shock & water-resistant, and lightweight, and is expected to appeal to the premium sport optics consumer market. DoubleTake™ has received multiple awards such as the coveted DigitalTrends "Top Tech of CES 2019" award for photography, the GearJunkie "Best in Show" Winter Gear 2019 award and the 2019 Gold Award for Advanced Image Capture in the Consumer Goods category by the prestigious Edison Awards™.

Patent Strategy

Patent protection directed to its core technologies is important to NexOptic and adjustments are frequently made to best protect the Company's assets. Patents are pending with the USPTO on Aliis™ networks for imaging, including for downstream applications and the reduction of file sizes in both still and video image capture. NexOptic anticipates making ongoing adjustments and new filings to expand its patent portfolio primarily in the area of computational designs.

Risks associated with patentability and other aspects of the patenting process can be found in the Risk Factors section of this document.

Commercial Viability Potential of Aliis™

NexOptic's AI presents an opportunity to be successfully applied to multiple imaging verticals and industries. Imaging and AI both remain rapidly growing industries. Increasingly machines are communicating with each other through AI enhanced imaging. With integration into several high volume, globally recognized chipsets now completed, and with anticipated forthcoming joint marketing initiatives with NexOptic's partners, the opportunity for commercial transactions with leading global OEM customers continues to increase. NexOptic is discussing multiple opportunities with third party corporations that could conclude initial commercial contracts later this year (2021). Advanced dialogues with these third parties, including with other leading semiconductor companies and a variety of OEM's, continue.

If and when it is brought back into priority status by NexOptic, DoubleTake™ offers the potential to disrupt both the binocular industry as well as the sport optics imaging industry.

Control Group Voting Support, Assignment of Incentive Rights and Indemnity and Settlement Agreements

On May 15th, 2020 (the effective date) the Company entered into three separate agreements with significant shareholder 3DB, Inc. ("3DB"), a private Alberta company. The agreements include, a voting support agreement (the "Support Agreement"), a custodial and rights agreement, (the "Rights Agreement"), and a release, indemnity and settlement agreement, ("the Settlement Agreements"), all effective May 15, 2020. As of the time of the execution of the Agreements, 3DB held 40,265,798 common shares, representing 29.2% of the issued and outstanding shares of the Company and a further 2,747,899 warrants, which together with the common shares held representing 30.6% of the Company's shares on a partially diluted basis assuming the exercise of the warrants held by 3DB only. The Agreements do not immediately impact the holdings of 3DB.

The Support Agreement sets forth certain restrictions on the manner and volume of the Company's shares that 3DB may dispose during the term of the Support Agreement, being the lesser of 25,000 shares or 10% of the aggregate trading volume on the TSX Venture Exchange on the prior trading day and, in the case of a "block trade," may not complete such sales as would result in the acquiror, together with all joint actors thereof, holding more than 2.0% of the issued and outstanding common shares or at a price less than the discounted market price (as such term is defined in the TSX Venture Exchange Corporate Finance Manual).

Further, 3DB and its principles, John and Darcy Daugela, have agreed to vote with all recommendations of the Company with certain exceptions. The Support Agreement is for a period of three years and may be terminated by 3DB earlier in certain events including the issuance of a cease trade order for a period of more than 60 trading days in any 12-month period, the Company's common shares cease to be listed on a recognized stock exchange in Canada or a default in the settlement agreements described below. A copy of the Support Agreement has also been filed on the Company's SEDAR profile at www.sedar.com.

The Rights Agreement is also entered into with Computershare Trust Company of Canada ("Computershare"), as custodial agent whereby 3DB has deposited 8,000,000 common shares of NexOptic held by Computershare and has agreed that the Company may issue "incentive rights" (the "Rights") to acquire such shares to such persons as the Company designates at an exercise price equal to the greater of $0.25 per share or average closing price of the Company's shares for the five days preceding the issuance of the incentive right. The Rights Agreement has an overall seven-year term (the "Term"). The overall number of Rights the Company may issue is unlimited, provided that the aggregate number of Rights issued and outstanding or exercised during the Term may not exceed the 8,000,000 shares so deposited. Any shares remaining deposited with Computershare at the end of the Term will be returned to 3DB. 3DB will retain voting rights and all dividends associated with the deposited shares and is permitted to tender such shares in a business combination. The Rights will be non-transferable and will expire on the earlier of the expiry date fixed by the Company at the time of issuance, the end of the Term or within a specified time of the recipient of the Rights ceasing to be an "eligible person" as defined in the Rights Agreement. A copy of the Rights Agreement has been filed on the Company's SEDAR profile at www.sedar.com.

Finally, the release, indemnity and settlement agreements (the "Settlement Agreements" and together with the Rights Agreement and the Support Agreement, the "Agreements") with each of John and Darcy Daugela in respect of the employment agreements entered into by the Daugelas with the Company dated December 1, 2017. The Settlement Agreements provide for mutual releases and indemnities between the parties in consideration of the payment of severance to the Daugelas monthly over a 36-month period. The payments are to be offset, subject to adjustment for proceeds of sales of Company's securities as held by 3DB on a month by month basis. Included in accounts payable and accrued liabilities as at December 31, 2020 is an accrued severance liability of $209,129 (2019 - $568,000) due to the former CEO and former Chairman of the Company. During the year ended December 31, 2020, the Company paid $8,525 and recognized recovery of $350,346 with respect to the Settlement Agreements.

OUTLOOK

The Company is continuing efforts to be successful in, what continues to be the COVID-19 pandemic economy through the commercialization of its technologies including downstream applications for Aliis™. The Company feels that its AI and other offerings hold potential to positively impact specific segments of current and future global economies.

OUTSTANDING SHARE DATA

At the date of this report, the Company has

- 147,296,150 issued and outstanding common shares;
- 20,255,000 outstanding stock options with a weighted average exercise price of $0.57; and
- 1,379,539 warrants with a weighted average exercise price of $1.46.

SELECTED FINANCIAL INFORMATION

Selected Annual Information

	2020	2019	2018
Total assets	$ 2,447,748	$ 305,060	$ 52,331,350
Non-current liabilities	59,423	-	-
Other income (including interest)	91	16,498	80,765
Net loss for the year	(5,805,824)	(57,335,064)	(12,287,021)
Comprehensive loss for the year	(5,806,210)	(57,335,375)	(12,287,143)
Basic and diluted loss per share	(0.04)	(0.43)	(0.10)

The loss for the year ended December 31, 2020 is mainly due to the $4,153,919 related to non-cash share-based payments for stock options granted and vested. The significant increase in net loss for the year ended December 31, 2019 relates to the Company determining not to make further investments or pursue its initial square aperture land prism lens designs after reviewing the costs, benefits and feasibility of commercializing such technology resulting in an impairment of intangibles of $44,011,986. The loss for the year ended December 31, 2018 included a non-cash share-based payments expense of $688,262 for stock options granted and vesting as well as a non-cash amortization charge of $5,588,823 against intangible assets.

SELECTED FINANCIAL INFORMATION

Summary of Quarterly results

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Interest income	$ 4	$ 44	$ 4	$ 39
Net loss for the period	(626,034)	(839,071)	(3,818,038)	(522,681)
Comprehensive loss for the period	(626,431)	(839,117)	(3,818,147)	(522,515)
Basic and diluted loss per share	(0.00)	(0.01)	(0.03)	(0.00)

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Interest income	$ 718	$ 352	$ -	$ 15,428
Net loss for the period	(46,873,525)	(2,449,819)	(3,868,357)	(4,143,363)
Comprehensive loss for the period	(46,873,606)	(2,449,344)	(3,869,034)	(4,143,391)
Basic and diluted loss per share	(0.34)	(0.02)	(0.03)	(0.03)

The periods June 30, 2020 and March 31, 2019 are partly attributable to non-cash expenses for share-based payments expense of $3,323,823 and $1,144,642 respectively. The peak in the net loss for the three months ended December 31, 2019 was due to the non-cash $44,011,986 impairment with regards to intangible assets. The Company recognizes a non-cash charge of approximately $1,397,000 each quarter from March 31, 2019 to September 30, 2019 for amortization of intangible assets with an additional charge of $1,164,338 in the quarter ended December 31, 2019.

Results of Operations for the three-month period ended December 31, 2020 compared to 2019

The comprehensive loss for the three-month period ended December 31, 2020 was $626,431 (2019 – $46,873,606). Significant changes to the results of operations are explained as follows:

Research and development costs

	For the three months ended December 31,		For the years ended December 31,	
Research and Development	**2020**	**2019**	**2020**	**2019**
Amortization of intangible assets	$ -	$ 1,164,338	$ -	$ 5,355,956
Depreciation of equipment	-	5,198	-	20,622
Consulting fees	5,303	12,889	10,226	155,227
Engineering and design	-	33,797	74,263	989,385
Management fees	-	28,333	-	283,333
Manufacturing contract	-	327,411	1,985	1,222,908
Professional fees	29,865	37,077	101,975	184,798
Tax credits and recoveries	(19,607)	(33,061)	(218,395)	(201,878)
Salaries	80,933	76,968	276,244	366,111
Share-based payments	(175,317)	-	302,718	410,343
Supplies	3,600	216	15,071	111,670
Travel	-	10,840	5,603	103,045
Recovery (expense)	$ 75,223	$ (1,664,006)	$ (569,690)	$ (9,001,520)

Research and development recovery of $75,223 (2019 – expense of $1,664,006) relates to the development of its AI as the Company invests in its core technologies. In the prior period, the expense represented a declining investment into the design and development of the sport optics and cell phone lens projects.

- Amortization of intangible assets of $Nil (2019 - $1,164,338) has completed with the impairment of the Company's intangible assets in the fourth quarter of 2019.

- Consulting fees of $5,303 (2019 - $12,889) decreased as the Company required less external support in the current period. The AI is developed internally by staff. In the prior period, additional consultants were used to support the sport optics project.

- Engineering and design of $Nil (2019 - $33,797) decreased and manufacturing contract expense of $Nil (2019 - $327,411) decreased overall as the Company made significant investments into pre-production prototypes and testing, tooling and materials for its DoubleTake product following engineering and design investments in the prior period.

- Management fees in the prior period include amounts paid to Darcy Daugela, former Executive Chairman and former VP of Technology Development, with respect to the Company's research and development operations. Refer to Related Party Transactions below for further discussion.

- Professional fees include amounts paid for legal work on the Company's patent portfolio.

- Share-based payments recovery of $175,317 (2019 - $Nil) are recorded relative to the valuation, granting and vesting of stock options for research and development staff and consultants.

- Tax credits and recoveries in the period relate to amounts received under a technology licensing agreement.

General and administrative costs

General and Administrative	For the three months ended December 31, 2020	2019	For the years ended December 31, 2020	2019
Consulting fees	$ 93,730	$ 88,357	$ 330,963	$ 454,403
Depreciation	-	15,223	-	106,749
Directors' fees	40,000	60,000	40,000	60,000
Insurance	9,500	8,799	34,175	30,361
Investor relations	91,858	233,890	679,914	904,422
Management fees	-	19,000	-	190,000
Office and administration	22,900	43,836	98,875	287,656
Professional fees	14,472	25,186	114,743	121,955
Property costs	(272)	(50)	29,029	28,713
Salaries	53,773	75,408	230,185	367,101
Share-based payments	627,181	-	3,851,201	751,320
Shareholder communications and filings	22,045	15,958	104,883	84,502
Sales and marketing	28,124	11,307	81,199	144,650
Travel	4,163	10,814	13,407	170,272
Recovery (expense)	$ (1,007,474)	$ (607,728)	$ (5,608,574)	$ (3,702,104)

- Consulting fees includes compensation to the CFO and accounting staff as well as fees paid to a director and consultants to make strategic introductions with potential partners in the development and commercialization of the Company's technologies.
- Depreciation of right-of-use assets of $Nil (2019 - $15,223) relates to amortization of lease liabilities upon adoption of IFRS 16 *Leases* ("IFRS 16"). All leases terminated in fiscal 2019 and related assets fully depreciated or derecognized.
- Directors' fees of $40,000 (2019 - $60,000) provide an annual stipend of $10,000 per non-executive director. Fees of 2019 have been accrued but not paid.
- Investor relations expenses of $91,858 (2019 - $233,890) includes expenditures for its market maker, news releases, public relations and investor outreach services. Additionally, the Company incurred $28,124 (2019 - $11,307) for sales and marketing costs, which includes brand awareness expenditures for the Company's technologies to potential partner and/or end user companies and consumers. While there was an increase in the three months ended December 31, 2020, there is an overall decrease for the year to date.
- Management fees of $Nil (2019 - $19,000) reflect amounts paid to John Daugela, former CEO and former VP of Business Development. Refer to Related Party Transactions below for further discussion.
- Office and administration costs of $22,900 (2019 - $43,836) reflects the Company's efforts to reduce overhead expenditures including reduced office space and associated costs.
- Salaries for general and administrative personnel has decreased to $53,773 (2019 - $75,408). The decrease is attributable a reduction in support staff.
- Share-based payments of $627,181 (2019 - $Nil) are recorded relative to the granting and vesting of stock options for management, directors and support staff and consultants.
- Travel of $4,163 (2019 - $10,814) has been reduced as the Company has made a concerted effort to curtail expenditures and natural reduction of movement due to COVID-19.

Business development costs

Business development costs for the three months ended December 31, 2020 of $21,251 (2019 - $Nil) relate to the establishment and initiation of the Company's satellite operations in South Korea. The team in South Korea has been established for the purpose of developing commercial sales opportunities for the Company.

Results of Operations for the year ended December 31, 2020 compared to 2019

The comprehensive loss for the year ended December 31, 2020 was $5,806,210 (2019 – $57,335,375). Significant changes to the comprehensive loss are explained as follows:

Research and development expenses of $569,690 (2019 - $9,001,520) relates to the development of the Company's AI as the Company invests in its core technologies. In the prior period, the expense represented investment into the design and development of the sport optics and cell phone lens projects and associated non-cash charges.

- Amortization of intangible assets of $Nil (2019 - $5,355,956) has completed with the impairment of the Company's intangible assets in the fourth quarter of 2019.

- Consulting fees of $10,226 (2019 - $155,227) decreased as the Company required less external support in the first three quarters. The AI is developed internally by staff. In the prior period, additional consultants were used to support the sport optics project.

- Engineering and design of $74,263 (2019 - $989,385) and manufacturing contract expense of $1,985 (2019 - $1,222,908) have decreased overall as the Company made significant investments into pre-production prototypes and testing, tooling and materials for its DoubleTake product following engineering and design investments in the prior period.

- Management fees in the prior period include amounts paid to Darcy Daugela, former Executive Chairman and former VP of Technology Development, with respect to the Company's research and development operations. Refer to Related Party Transactions below for further discussion.

- Professional fees include amounts paid for legal work on the Company's patent portfolio.

- Salaries of $276,244 (2019 - $366,111) decreased due to a net decrease to the R&D team from 2019 as well as temporary salary reductions in the second quarter of 2020 to manage ongoing costs which were rescinded at the end of July 2020.

- Share-based payments of $302,718 (2019 - $410,343) are recorded relative to the granting and vesting of stock options for research and development staff and consultants.

- Supplies expenditures of $15,071 (2019 - $111,670) decreased due to fewer purchases in relation to technical hardware and trial design schematics of its DoubleTake and mobile lens products.

- Tax credits and recoveries relate to amounts received by the Company under Alberta's Scientific Research and Experimental Development Tax Credit program. It also includes amounts received under a technology licensing agreement.

- Travel of $5,603 (2019 - $103,045) has been reduced as the Company has made a concerted effort to curtail expenditures and natural reduction of movement due to COVID-19.

General and administrative costs

- Consulting fees includes compensation to the CFO and accounting staff as well as fees paid to a director and consultants to make strategic introductions with potential partners in the development and commercialization of the Company's technologies. The Company has reduced corporate overhead from the prior period and accordingly reduced consulting fee expenditures.

- Depreciation of right-of-use assets of $Nil (2019 - $106,749) relates to amortization of lease liabilities upon adoption of IFRS 16. All leases terminated in fiscal 2019 and related assets fully depreciated or derecognized.

- Directors' fees of $40,000 (2019 - $60,000) provide an annual stipend of $10,000 per non-executive director. Fees for 2019 have been accrued but not paid.

- Investor relations expenses of $679,914 (2019 - $904,422) includes expenditures for its market maker, news releases, public relations and investor outreach services. Additionally, the Company incurred $81,199 (2019 - $144,650) for sales and marketing costs, which includes brand awareness expenditures for the Company's technologies to potential partner and/or end user companies and consumers.

- Management fees of $Nil (2019 - $190,000) reflect amounts paid to John Daugela, former CEO and former VP of Business Development. Refer to Related Party Transactions below for further discussion.

- Office and administration costs of $98,875 (2019 - $287,656) reflects the Company's efforts to reduce overhead expenditures including reduced office space and associated costs.
- Salaries for general and administrative personnel has decreased to $230,185 (2019 - $367,101). The decrease is attributable to a reduction in support staff and a voluntary salary reduction in the second quarter of 2020 to manage ongoing costs that has been rescinded at the end of July 2020.
- Share-based payments of $3,851,201 (2019 - $751,320) are recorded relative to the granting and vesting of stock options for management, directors and support staff and consultants.
- Travel of $13,407 (2019 - $170,272) has been reduced as the Company has made a concerted effort to curtail expenditures and natural reduction of movement due to COVID-19.

Business development costs

In the fourth quarter of 2020, the Company initiated satellite operations in South Korea. The team in South Korea has been established for the purpose of developing commercial sales opportunities for the Company.

LIQUIDITY AND CAPITAL RESOURCES

Cash has increased, on a net basis, by $2,144,570 to $2,338,615 at December 31, 2020 from a balance of $194,045 as at December 31, 2019. The Company had a working capital of $1,582,947 as at December 31, 2020.

Overall cash utilization for operating activities decreased from 2019 to 2020. In year ended December 31, 2020, the Company expended $2,115,045 in operating activities as compared to $5,470,530 in 2019. The Company has worked to reduce expenditures to manage capital resources.

Financing activities provided net cash of $4,259,615 in the year ended December 31, 2020. The exercise of warrants provided funds of $3,695,481. The exercise of options provided funds of $488,950. Additionally, the Company received $80,000 in government loans as part of the Canada Emergency Business Account (CEBA). In the prior period, the Company's private placement generated net of $2,979,556 in funds as well as $120,750 in the exercise of options. The Company paid $156,696 in lease payments in the prior period; there are no leases as of December 31, 2019.

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 in its strategic priorities, being substantially ALLIS™, and for working capital. The contractual commitments of the Company are not significant, and the Company may sustain operations by reducing overhead and delaying investment.

In the year ended December 31, 2019, the Company terminated lease agreements and reduced overall commitments. This enabled the Company to streamline and refine its remote working opportunities for all of its employees. NexOptic employees have seamlessly integrated into "at home" working environments and the Company has no plans to seek new office space for at least the remainder of this year.

OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

At December 31, 2020, the Company had no material off statement of financial position arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market, or credit risk to the Company.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions in process other than as discussed elsewhere in this document.

RELATED PARTY TRANSACTIONS

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

For the year ended December 31		2020		2019
Payments to key management personnel:				
Consulting fees (G&A) – paid to a company in which the CFO has a significant investment	$	81,751	$	122,476
Consulting fees (G&A) – paid to a company controlled by a director		73,987		76,362
Directors' fees – general and administrative		40,000		60,000
Management fees (G&A) – John Daugela, and a company owned by Darcy and John Daugela (1)		-		71,250
Management fees (R&D) – Darcy Daugela (1)		-		106,250
Salaries and short-term benefits (G&A) – Paul McKenzie		177,000		180,000
Share-based payments to officers – general and administrative		1,073,895		86,388
Share-based payments to directors – general and administrative		1,765,956		431,940
Accrual of severance provision		-		568,000

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

During the year ended December 31, 2020, the Company was charged legal fees, included in professional fees, of $43,041 (2019 - $64,028) by S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee.

As at December 31, 2020, the Company had balances outstanding with related parties of $83,172 (2019 - $120,040) included in accounts payable. These balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand

Control Group Settlement Agreements

Included in accounts payable and accrued liabilities as at December 31, 2020 is an accrued severance liability of $209,129 (2019 - $568,000) due to the former CEO and former Chairman of the Company. Effective May 15, 2020, the Company entered into indemnity and settlement agreements ("Settlement Agreements") which provide for the severance liability to be settled over a 36-month period and to be offset, on a monthly basis, by proceeds from sales of the Company's securities as held by 3DB. 3DB is restricted under the Support Agreement to dispose of the lesser of 25,000 shares or 10% of the aggregate trading valued on the TSX-V on the prior trading day, subject to certain conditions. The severance liability is non-interest bearing and is secured by promissory notes. During the year ended December 31, 2020, the Company paid $8,525 and recognized recovery of $350,346 with respect to the Settlement Agreements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments

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

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. As at December 31, 2020, the Company had cash equivalents of $5,844 (2019 - $69,437) in term deposits. The Company considers the risk of financial loss on cash and cash equivalents to be remote. The Company's receivables consist materially of GST input tax credits recoverable from the government of Canada and some third party receivables which are anticipated to be recoverable. The Company considers credit risk with respect to these amounts to be low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had a working capital of $1,582,947 (2019 – deficit of $1,003,800). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms with the exception of accrued severance of $209,129. The Company's loans payable have an Initial Term Date of December 31, 2022 with the possibility of extending to December 31, 2025.

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 mitigate its foreign currency risk by substituting Canadian vendors for certain services. Foreign currency risk is considered low relative to the overall financial operating plan.

RISK FACTORS

The principal activity of the Company for the immediate future is the continued investment in and development of its core technologies (the "Technology"), which relates to AI for image correction, image enhancement and file size compression. This can be applied to both still and video images through the removal of image noise.

COVID-19

Since January, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include in some instances the closing non-essential businesses, travel bans, self-imposed quarantine periods and physical distancing, continue to cause significant material disruptions to businesses globally resulting in an economic slowdown. Global equity markets remain volatility and unpredictable. The duration and overall lasting impact of the COVID-19 outbreak is currently unknown, as is the efficacy of government and central bank interventions. It is not possible to reliably estimate the length and severity what these developments will have on the financial results and condition of NexOptic in future periods.

Competition

The AI imaging industry is highly competitive with several well-established market participants. Competition in this industry occurs on many fronts, including developing and bringing new technologies to market before others, developing new technologies to improve existing offerings, developing new means in which to provide the same benefits as existing products at less cost, developing new products to provide benefits superior to those of existing offerings, and acquiring or licensing complementary or novel technologies from other companies or individuals. NexOptic 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 technologies that are similar to those offered by the Company, while not necessarily being direct competitors currently.

Development Risk

Substantial corporate resources are being expended on the development of the Company's technologies. The capabilities of Aliis™ is continuously being upgraded and is not currently 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 offerings to the marketplace. There are significant risks, expenses, delays, and difficulties frequently encountered in establishing new technologies to 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 software 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 commercialized 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 its AI. 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.

Filing, prosecuting and defending patents on the Company's intellectual property throughout the world could be prohibitively expensive. The laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States or federal and provincial laws in Canada. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. Proceedings to enforce the Company's patent rights in foreign jurisdictions could result in substantial cost and divert its efforts and attention from other aspects of its business. The Company may have limited remedies if patents are infringed in certain jurisdictions or if it is compelled to grant a license to a third-party, which could materially diminish the value of those patents. This potentially could limit the Company's total revenue opportunities.

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.

No Assurance of Commercial Production

Though its AI offerings are advanced and patent pending, the Company simultaneously remains a research and development company with no history of production or sale. There is no assurance that the Company will meet proposed commercial delivery timelines or will be able to achieve commercial success.

The Company has not previously delivered a consumer product on a commercial scale and has no manufacturing facility. The Company may find itself dependent on affiliations with one or more semiconductor companies who may in turn alter their platforms in such a manner that Aliis™ is no longer relevant to their offerings. Individual semiconductor companies may also unexpectedly lose market share and/or industry relevance. In the case of DoubleTake™, the Company could in the future become dependent on third party manufacturers for its manufacture, or product components, as well as on third parties for a supply chain. The Company currently has no plans to build internal commercial scale manufacturing capabilities or to manufacture its own semiconductors. Contract manufacturing organizations for DoubleTake™ may need to increase the scale of production and may or may not be able to scale production. It could be expensive and take a significant amount of time to arrange for alternative suppliers. The Company may be unable to enter into agreements for commercial supply with third-party manufacturers or may be unable to do so on unacceptable terms. Any significant disruption in the Company's supplier relationships could harm the Company's business.

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 and AI. If the Company were unable to promote, market and monetize the Technology and secure relationships with OEM partners or product manufacturers, the Company's business and financial condition would be adversely affected.

Sales and Distribution

The Company does not currently have any proven market for sales or completed distribution agreements. The successful commercialization of its technologies will be reliant on the Company's ability to identify, execute and maintain a successful mechanism to market.

Experimental Field

The Company is engaged in the research and development of the Technology with the goal of commercializing viable software offerings and consumer products. The need to keep its Technology offerings relevant 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.

Technological Advancements

The markets for the Company's Technology are characterized by rapidly changing technology and evolving industry standards, which could result in software of 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 offerings that satisfy evolving industry requirements.

The lens and AI for imaging industries are 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 developments or modifications can be costly, involve significant research, development, time, and expense, and may not necessarily result in the successful commercialization of any new commercial offerings.

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 or at all. 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 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 optics 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.

Exposure to Foreign Currency Exchange Rates

The Company's consumer product division leverages suppliers and partners in foreign jurisdictions and its potential future OEM partnerships for its software are not geographically centralized. The Company's business may expand internationally and as a result, a significant portion of its revenues, expenses, current assets and current liabilities may be preliminary denominated in foreign currencies, while its financial statements are expressed in Canadian dollars. A decrease in the value of such foreign currencies relative to the U.S. dollar could result in losses in revenues from currency exchange rate fluctuations. To date, the Company has not hedged against risks associated with foreign exchange rate exposure. The Company cannot be sure that any hedging techniques it may implement in the future will be successful or that its business, financial condition, and results of operations will not be materially adversely affected by exchange rate fluctuations.

Substantial Control by Insiders

A Company shareholder beneficially owns approximately 25% of the Company's shares. (Please see section: "Control Group Voting Support, Assignment of Incentive Rights and Indemnity and Settlement Agreements" of this document for additional perspective). As a result, the shareholder will be able to influence or control matters requiring approval by the Company's shareholders, including 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's shares.

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 companies.

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. The loss of any key individual 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.

Expansion and Growth

As the Company's development and commercialization plans and strategies develop, the Company expects that it will need to expand the size of its employee base for managerial, operational, sales, marketing, financial and other resources. Future growth would impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, motivate and integrate additional employees. In addition, the Company's management may have to divert a disproportionate amount of its attention away from the Company's day-to-day activities and devote a substantial amount of time to managing these growth activities. The Company's future financial performance and its ability to commercialize its Technology and its ability to compete effectively will depend, in part, on the Company's ability to effectively manage any future growth.

Adverse General Economic Conditions

The unprecedented events in global financial markets in the past several months 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 consumer demand and unpredictable market liquidity. Similar disturbances in the financial markets or other economic conditions, including but not limited to, inflation, deflation, decreased consumer demand, 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 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 and other factors could have a combined material adverse effect on the Company's financial condition and results of its 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.

Partnerships and Collaborations

The Company may seek third-party collaborators for development and commercialization of potential future products and projects. The Company is not currently party to any such arrangement. The Company's ability to generate revenues from these arrangements will depend on its collaborators' abilities to successfully perform the functions assigned to them in these arrangements.

Collaboration agreements may not lead to development or commercialization of the Technology in the most efficient manner or at all.

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.

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 using 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 a project is 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.nexoptic.com.