NEXOPTIC TECHNOLOGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED MARCH 31, 2018

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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 three months ended March 31, 2018. The discussion below should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018 and consolidated financial statements for the years ended December 31, 2017 and 2016. Those consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at May 30, 2018.

The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "NXO" and OTCQX under the symbol "NXOPF" in addition to trading in multiple listings in Germany under the symbol "E3O1"

Additional information related to the Company is available on SEDAR at www.sedar.com and the Company's website at www.nexoptic.com.

BACKGROUND AND CORE BUSINESS

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

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

To validate one of its earliest engineered lens designs, NexOptic elected to build a proof-of-concept telescope prototype ("POC") collaboratively with Ruda Cardinal Inc. ("Ruda") of Tucson, Arizona. Ruda, a leader in the field of optical engineering, specializes in providing creative solutions to unique and complicated optical challenges for NASA, a select group of Fortune 500 companies and others. The POC was built with a lens stack depth to aperture ratio of nearly 1:1 which is significantly (up to eight times) thinner than comparable conventional telescopes on the market today. The 5-inch-aperture prototype telescope includes a Blade Optics™ lens engineered with flat surfaces.

In April of 2017 the first images successfully captured with the POC were presented publicly at a media event held in Vancouver, Canada. The world-premiere event was co-sponsored in part by one of Canada's leading independent brokerage firms and the event attracted, live, on-location national news coverage, from one of Canada's largest broadcasters of television news.

NexOptic's Mobile Device Lens Stack (Smartphones)

In January of this year the Company had refined its mobile lens stack design to the point of ordering initial parts for the construction of a demonstration prototype. The designs' specification was chosen to demonstrate the capabilities of the lens for long range viewing in a rapidly growing, smartphone, telephoto marketplace. The lens is engineered with an aperture of 4.8mm, an effective focal length of 11.5mm and horizontal full field of view of 25 degrees. The design will be housed in roughly a 6 to 7mm depth, the typical depth of many smartphones in the marketplace today. For comparison, the Company's design is expected to have 3.5 times more light-gathering area than a leading smartphone long-range lens with a 2.5mm aperture thereby creating the potential to capture higher quality images at long ranges with these iconic consumer devices. Additionally, the lens system can have a much better diffraction limit than a smaller aperture system, providing the potential for greatly improved angular resolution. All design specification numbers are approximate, and subject to change.

On May 22, 2018, NexOptic announced that, on receiving and assembling custom manufactured lenses, it had completed preliminary testing on its smartphone lens system. The testing was completed on a benchtop basis. Initial bar target test results from NexOptic's benchtop prototype indicate that on-axis resolvable targets (measuring resolution), are nearly identical to simulation values. Furthermore, bar target test results indicate that the lens provides improved angular resolution when compared to market leading smartphone telephoto lenses. In a preliminary test, the desktop prototype provided twenty-five percent (25%) better angular resolution on the bar chart than the smartphone lens in one of the current top-rated smartphones. The design utilized in the desktop prototype is scalable from small to large configurations, demonstrating potential use in diverse optical applications.

Off-the-shelf sensor configuration and rudimentary image processing features were used for testing purposes Additional tests will be conducted and more advanced image processing techniques and improved sensors will be explored to determine and maximize the performance capabilities. NexOptic notes that its desktop demonstration was built to prove the engineering and showcase the technology on a preliminary basis and to refine NexOptic's path to a smartphone-based unit. NexOptic will be engaging an industry-leading, independent third party to test optical resolution, and looks forward to reporting the ongoing progress of its smartphone prototype as the Company continues to work towards completing a functional prototype of this lens system.

Risks associated with the investment and development of lens technology can be found in the Risk Factors section of this document.

NexOptic's Sport Optics Product Line

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

Patents and Patent Strategy

Patent protection on its core optical technologies is important to NexOptic. On June 29th, 2017, the Company announced the receipt from the United States Patent and Trademark Office, ("USPTO") a Notice of Allowance (and subsequently received its patent) on the first patent application filed by Spectrum Optix directed to its Blade Optics™ lens technology (Application No. 15/222,058 FLAT WEDGE-SHAPED LENS AND IMAGE PROCESSING METHOD). After the receipt of the patent, the Company submitted and continues to submit new applications to the USPTO on several of its other novel lens and image processing designs. Recent provisional patents filed with the USPTO utilize a variety of lens stack designs, all of which differ geometrically from NexOptic's original patent issued by the USPTO.

The Company is broadening the jurisdictions from which this patent will be issued with additional applications in key international markets. NexOptic's original patent, as issued by the USPTO is now patent pending in the following jurisdictions: China, South Korea, Japan, the European Union (including Great Britain) and Canada.

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

Commercial Viability Potential

NexOptic lenses present an opportunity to be successfully engineered into multiple additional imaging verticals and industries. NexOptic continues to examine a variety of opportunities for the Company to become commercially viable.

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

OUTLOOK

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

OUTSTANDING SHARE DATA

At the date of this report, the Company has

- 126,369,299 issued and outstanding common shares;
- 7,997,000 outstanding stock options with a weighted average exercise price of $0.96;
- 16,385,462 (8,042,000 warrants and 8,343,462 Conditional Warrants) warrants with a weighted average exercise price of $1.36;
- 118,354 Conditional Warrants exercisable at $1.12 which are convertible to one common share and one common share purchase warrant exercisable at $1.50;
- and 219,800 brokers' warrants exercisable at $1.10 which are convertible to one common share and one common share purchase warrant exercisable at $1.50.

SELECTED FINANCIAL INFORMATION

Summary of Quarterly results

	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Interest income	$ 23,160	$ 17,799	$ 9,268	$ 2,229
Net loss for the period	(2,935,250)	(3,848,652)	(504,584)	(3,966,072)
Comprehensive loss for the period	(2,935,189)	(3,849,181)	(503,321)	(3,966,101)
Basic and diluted loss per share	(0.02)	(0.03)	(0.01)	(0.06)

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Interest income	$ 1,568	$ 2,352	$ -	$ -
Net loss for the period	(938,690)	(359,560)	(703,999)	(268,606)
Comprehensive loss for the period	(938,696)	(360,045)	(701,882)	(269,003)
Basic and diluted loss per share	(0.02)	(0.01)	(0.02)	(0.01)

Through the quarters presented, the Company focused on its investment into Spectrum. The peaks in the net loss for the three months ended June 30, 2017 and March 31, 2017 are partly attributable to non-cash expenses for share-based payments expense of $3,484,730 and $520,072 respectively. The significant increase in the net loss for March 31, 2018 and December 31, 2017 relative to previous quarters reflects the consolidation of the financial results of Spectrum effective November 3, 2017 and is expected to reflect a new level of corporate activity in research and development going forward.

Results of Operations for the three-month period ended March 31, 2018 compared to 2017

The comprehensive loss for the three months ended March 31, 2018 was $2,935,189 (2017 – $938,696). Overall, activity increased from the prior year as the results of Spectrum have been consolidated effective November 3, 2017. Significant changes to the comprehensive loss are explained as follows:

Non-recurring items

The loss from investment in associate relates to the Company's portion of the net loss incurred by Spectrum up to the date of the acquisition. The loss is non-cash and was $94,398 for the three-month period ending March 31, 2017 with no corresponding amount in the current period. The amount will not be recognized in current and future periods following the completion of the acquisition.

Research and development costs

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

Research and development expenses of $2,125,384 (2017 - $Nil) are now consolidated into the financial results of the Company following the completion of the acquisition of Spectrum and its patented technologies. The expenditures include significant investment into the design and development of the sport optics and cell phone lens projects as well as additional research and development contractors and supplies as the Company invests in its core technologies.

- Amortization of intangible assets reflects the amortization of the capitalized value of the patents on the completion of the Spectrum acquisition. Details regarding management's estimates with respect to the intangible assets are provided in the accompanying condensed consolidated interim financial statements.

- Consulting fees include the engagement of technical specialists to assist in specific aspects of the optical engineering and industry research.

- Engineering and design costs include amounts paid to NewDealDesign for work with respect to the sport optics product and additional engineering firms for support in lens design and enhancement.

- Management fees include amounts paid to Darcy Daugela, appointed Executive Chairman November 3, 2017, who manages and oversees the Company's operations including research facility in Edmonton, Alberta.

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

- Salaries are paid to technical staff in the Company's research facility in Edmonton, Alberta.

General and administrative costs

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

- Consulting fees now include regular consultants to Spectrum which provide market communication support services and therefore increased to $97,686 (2017 - $17,275). In the prior period, amounts reflect amounts paid to the CFO.

- Investor relations expenses of $235,281 (2017 - $151,573) increased over the prior period as the Company increased its spend with a communications consultant for investor outreach services. Additionally, the Company incurred $88,006 (2017 - $Nil) 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 $57,000 (2017 - $Nil) reflect amounts paid to John Daugela, CEO, who was appointed November 3, 2017.

- Office and administration of $87,200 (2017 - $37,485) increased following the incorporation of Spectrum overheads. The expenses include rent, accounting support services and general office costs.

- Salaries for general and administrative personnel has increased to $76,442 (2017 - $57,447). The increase is attributable to the addition of office staff in Edmonton and an increase in rate paid to Paul McKenzie, President.

- Travel has increased to $127,622 (2017 - $17,773) as the Company's team has been actively meeting with potential strategic partners, potential development partners, meeting with current and potential investors and attending industry events.

LIQUIDITY AND CAPITAL RESOURCES

Cash has decreased by $1,595,046 to $6,548,651 at March 31, 2018 from a balance of $8,143,697 as at December 31, 2017. The Company had working capital of $6,454,583 as at March 31, 2018.

Overall cash utilization for operating activities increased from 2017 to 2018. In the three-month period ended March 31, 2018, the Company expended 1,665,356 in operating activities as compared to $320,591 in 2017. The increase is consistent with consolidation of Spectrum's activities in the current period and increase in staff executing the Company's research and development plan since the comparative period. In the three months ended March 31, 2017, the Company forwarded $575,000 as part of its investment plan into Spectrum which reflected cash use for Spectrum's activities in that period.

Financing activities provided $96,250 (2017 - $2,488,248) of cash in the three months ended March 31, 2018. The Company generated the funds of $96,250 from the exercise of warrants. In the prior period, the Company generated funds of $2,488,248 from exercised warrants and options, inclusive of an obligation of $53,821 to issues shares.

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

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

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

OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

At March 31, 2018, 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 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 (G&A) – paid to a company in which the CFO has a significant investment	$	21,225	$	17,275
Management fees (G&A) – a company owned by Darcy and John Daugela		57,000		-
Management fees (R&D) – Darcy Daugela		85,000		-
Salaries and short-term benefits (G&A) – Paul McKenzie		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 and transaction costs, 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 amount of $33,424 (December 31, 2017 - $28,103) included in accounts payable, and the amount of $10,963 (2017 - $Nil) included in accounts receivables are due to related parties. All balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

CHANGES IN ACCOUNTING POLICIES

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

IFRS 9 *Financial Instruments (Revised)*

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.

- 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.

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.

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.

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 the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

a) Interest rate risk

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

b) Foreign currency risk

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

RISK FACTORS

The principal activity of the Company is the investment in and development of its core technologies (the "Technology"), which relates to a high efficiency optical concept, including the use of flat lenses. The following risk factors are select key risk factors central to the Company's operations. A more comprehensive list of risk factors is included in the Company's management's discussion and analysis for the year ended December 31, 2017.

Competition

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

Development Risk

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

Limited Protection of Patents and Proprietary Rights

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

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

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

Infringement of Intellectual Property Rights

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

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

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

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

No Assurance of Commercial Production

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

Slow Acceptance of the Company's Technology

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

Experimental Field

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

Expansion Risk

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

Technological Advancements

The markets for the Company's Technology are characterized by rapidly changing technology and evolving industry standards, which could result in product obsolescence or short product life cycles. Accordingly, the Company's success will be dependent upon its ability to anticipate technological changes in the industries it serves and to successfully identify, obtain, develop, and market new products that satisfy evolving industry requirements.

The lens industry is subject to significant technological advancements, changing industry standards, market trends, customer preferences and competitive pressures, which can, among other things, necessitate revisions in pricing strategies, price reductions, and reduced profit margins.

The success of the Company will depend on its ability to secure technological superiority in its services and maintain such superiority in the face of new technologies. No assurance can be given that further modification of product offerings of the Company will not be required to meet demands or to remain competitive. The future success of the Company will be influenced by its ability to continue to adapt its products. Although the Company has committed resources to improve its products, there can be no assurance that these efforts will increase profits.

Risk of Obsolescence

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

Additional Funding Requirements

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

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

Limited Operating History

The Company has incurred losses since inception and is expected to continue to incur losses. As such, the Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The Company's ability to reach and then sustain profitability depends on several factors, including the growth rate of the developmental lens industry, the continued market acceptance of the Technology and the competitiveness of the Company. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of its early stage of operations.

Lack of Operating Cash Flow

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

Substantial Control by Insiders

The initial shareholders of Spectrum beneficially own approximately 35% of the Company's shares. As a result, the Vendors will be able to influence or control matters requiring approval by the Company's shareholders, including the election of directors and the approval of mergers, acquisitions, or other extraordinary transactions. They may also have interests that differ from those of investors and may vote in a manner that is adverse to investors' interests. This concentration of ownership may have the effect of deterring, delaying, or preventing a change of control of the Company, could deprive the Company's shareholders of an opportunity to receive a premium for their Company Shares as part of a sale of the Company, and might ultimately affect the market price of the Company Shares.

Market for Securities and Volatility of Share Price

There can be no assurance that an active trading market in the Company's securities will be established or sustained. The market price for the Company's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this Management Discussion and Analysis constitute "forward-looking statements." These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified 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 and when a project is actually developed. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in this Management Discussion and Analysis should not be relied upon. These statements speak only as of the date of this Management Discussion and Analysis. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this Management Discussion and Analysis. Such statements are based on several assumptions that may prove to be incorrect, including, but not limited to, assumptions about:

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

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

ADDITIONAL INFORMATION

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