NEXOPTIC TECHNOLOGY CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)
(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2019

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

NEXOPTIC TECHNOLOGY CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)
AS AT

		June 30, 2019		December 31, 2018
ASSETS				
Current				
Cash and cash equivalents (Note 11)	$	2,443,411	$	2,704,156
Accounts receivable		43,985		102,079
Prepaid expenses and deposits		192,961		94,486
		2,680,357		2,900,721
Deposits		16,809		16,809
Equipment and right-of-use assets (Note 5)		132,333		45,878
Intangible assets (Note 4)		46,573,530		49,367,942
	$	49,403,029	$	52,331,350
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 9)	$	984,798	$	261,744
Lease liabilities (Note 6)		93,599		-
		1,078,397		261,744
Lease liabilities (Note 6)		5,482		-
		1,083,879		261,744
Shareholders' equity				
Share capital (Note 8)		73,649,752		70,491,447
Reserve (Note 8)		9,373,764		10,003,112
Accumulated other comprehensive income		601,050		601,755
Deficit		(35,305,416)		(29,026,708)
		48,319,150		52,069,606
	$	49,403,029	$	52,331,350

Approved and authorized by the Board on August 29, 2019.

"Arch Meredith" Director *"Paul McKenzie"* Director

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

NEXOPTIC TECHNOLOGY CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	For the three months ended June 30,		For the six months ended June 30,	
	2019	**2018**	**2019**	**2018**
EXPENSES				
Research and development (Note 7)	$ 3,003,573	$ 1,988,456	$ 5,487,086	$ 4,113,840
General and administrative (Note 7)	869,182	1,387,687	2,542,320	2,220,713
Total operating expenses	(3,872,755)	(3,376,143)	(8,029,406)	(6,334,553)
Finance expense (Note 6)	(2,662)	-	(4,802)	-
Foreign exchange	7,060	-	7,060	-
Interest and other income	-	22,211	15,428	45,371
	4,398	22,211	17,686	45,371
Net loss for the period	(3,868,357)	(3,353,932)	(8,011,720)	(6,289,182)
OTHER COMPREHENSIVE LOSS				
Item that may be reclassified subsequently to profit or loss				
Foreign exchange gain (loss) on translating foreign operations	(677)	36	(705)	97
Comprehensive loss for the period	$ (3,869,034)	$ (3,353,896)	$ (8,012,425)	$ (6,289,085)
Basic and diluted loss per common share	$ (0.03)	$ (0.03)	$ (0.06)	$ (0.05)
Weighted average number of common shares outstanding	135,924,298	126,336,692	128,426,811	125,924,093

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

NEXOPTIC TECHNOLOGY CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED JUNE 30

		2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	(8,011,720)	$	(6,289,182)
Non-cash items:				
Accrued finance expense		4,802		-
Amortization expense		2,794,412		2,794,411
Depreciation expense		71,244		10,947
Share-based payments		1,161,663		682,757
Changes in non-cash working capital items:				
Accounts receivable		58,093		(14,273)
Prepaid expenses and deposits		(98,542)		(136,492)
Deposits				-
Accounts payable and accrued liabilities		722,417		(97,467)
		(3,297,630)		(3,049,299)
CASH FLOWS FROM INVESTING ACTIVITIES				
Equipment acquired		-		(32,368)
		-		(32,368)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from private placement		3,087,894		-
Share issuance costs		(108,338)		-
Proceeds from exercised warrants		-		722,988
Proceeds from exercised options		120,750		-
Lease payments		(63,420)		-
		3,036,886		722,988
Change in cash and cash equivalents during the period		(260,745)		(2,358,679)
Cash and cash equivalents, beginning of period		2,704,156		8,143,697
Cash and cash equivalents, end of period	$	2,443,412	$	5,785,018
Supplementary cash flow information:				
Non-cash transactions:				
Shares issued for finders' fees for private placement	$	65,724	$	-
Broker warrants issued for private placement		35,767		-

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

NEXOPTIC TECHNOLOGY CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	Share Capital					
	Number	Amount	Reserve	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2017	125,393,299	$ 69,767,383	$ 9,731,094	$ 601,877	$ (17,154,855)	$ 62,945,499
Shares issued for warrants exercised	2,065,680	724,064	(1,076)	-	-	722,988
Share-based payments	-	-	682,757	-	-	682,757
Net loss and comprehensive loss for the period	-	-	-	97	(6,289,182)	(6,289,085)
Balance, June 30, 2018	127,458,979	70,491,447	10,412,775	601,974	(23,444,037)	58,062,159
Share-based payments	-	-	5,505	-	-	5,505
Expiry of warrants	-	-	(415,168)	-	415,168	-
Net loss and comprehensive loss for the period	-	-	-	(219)	(5,997,839)	(5,998,058)
Balance, December 31, 2018	127,458,979	70,491,447	10,003,112	601,755	(29,026,708)	52,069,606
Private placement	7,531,449	3,087,894	-	-	-	3,087,894
Share issuance costs	128,870	(144,105)	35,767	-	-	(108,338)
Shares issued for options exercised	805,000	214,516	(93,766)	-	-	120,750
Share-based payments	-	-	1,161,663	-	-	1,161,663
Expiry of options	-	-	(583,932)	-	583,932	-
Expiry of warrants	-	-	(1,149,080)	-	1,149,080	-
Net loss and comprehensive loss for the period	-	-	-	(705)	(8,011,720)	(8,012,425)
Balance, June 30, 2019	135,924,298	$ 73,649,752	$ 9,373,764	$ 601,050	$ (35,305,416)	$ 48,319,150

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

1. NATURE OF OPERATIONS AND GOING CONCERN

NexOptic Technology Corp. (with its subsidiaries, collectively, the “Company” or “NexOptic”) is a technology company investing in the area of innovative optical and lens technologies. NexOptic was incorporated under the *Company Act* (British Columbia) on October 11, 2007. The Company name was changed from Elissa Resources Ltd. on February 12, 2016. The Company maintains its registered office at 2080 – 777 Hornby Street, Vancouver, British Columbia, Canada V6Z 1S4. The Company’s principal place of business is 500 – 666 Burrard Street, Vancouver, British Columbia, Canada V6C 3P6.

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

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

The Company reported a net loss of $8,011,720 (2018 - $6,289,182) and had an accumulated deficit of $35,305,416 (December 31, 2018 - $29,026,708) as at June 30, 2019. The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or achieve profitable operations. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management may be required to curtail certain expenses. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PREPARATION

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

The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company’s annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of IFRS 16 as detailed in Note 3.

Basis of consolidation and presentation

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

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

Use of judgments and estimates

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

2. BASIS OF PREPARATION (cont'd…)

Use of judgments and estimates (cont'd…)

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

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

- Research and development expenditures

  Distinguishing the research and development phases of a technology or product and determining whether the recognition requirements for the capitalization of development costs are met requires judgment. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired. No research and development costs were capitalized during the period ended June 30, 2019.

- Functional currency

  The functional currency of the Company and its subsidiaries is the currency of their respective primary economic environment, and the Company reconsiders the functional currency if there is a change in events and conditions, which determined the primary economic environment.

- Going concern

  The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operation expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

- Deferred income tax

  The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

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

- Intangible assets – impairment and amortization

  The application of the Company's accounting policy for intangible assets expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

  Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. Management estimates that intangible assets acquired will have a useful life of 10 years. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

2. BASIS OF PREPARATION (cont'd…)

Use of judgments and estimates (cont'd…)

- Share-based payments and compensation

  The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services for share-based payments made to those other than employees or others providing similar services.

  The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted for share-based payments made to employees or others providing similar services. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying common shares, the expected life of the share option or warrant, volatility and dividend yield and making assumptions about them. Additional estimates were made with respect to the vesting of the conditional warrants issued for the acquisition of Spectrum. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 8.

3. SIGNIFICANT ACCOUNTING POLICIES

New standard adopted

IFRS 16, Leases

The Company adopted IFRS 16 - Leases ("IFRS 16") on January 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this will be for leases that are one year or less in duration or for leases of assets with low values. Under IFRS 16 a lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. For all leases, the lease liability was measured at January 1, 2019 as the present value of any future minimum lease payments discounted using the appropriate incremental borrowing rate. The associated right of use assets was measured at the amount equal to the lease liability on January 1, 2019.

The following leases accounting policies have been applied as of January 1, 2019 on adoption of IFRS 16:

At inception of a contract, we assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We assess whether the contract involves the use of an identified asset, whether we have the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if we have the right to direct the use of the asset.

As a lessee, we recognize a right-of-use asset, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain measurements of the lease liability.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards adopted (cont'd…)

IFRS 16, Leases (cont'd…)

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

As part of the initial application of IFRS 16, we have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

<u>Impact of transition to IFRS 16:</u>

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. The cumulative effect of initial application is recognized in deficit at January 1, 2019. Comparative amounts for 2018 remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liabilities. Lease liabilities have been measured by discounting future lease payments at the incremental borrowing rate at January 1, 2019. The incremental borrowing rate applied was 8.95% per annum and represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment.

As of the initial date of application of IFRS 16, the Company has three office leases outstanding. The remaining non-cancelable periods of the leases were 6 months, 12 months, and 19 months respectively. The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

The application of IFRS 16 to leases, previously classified as operating leases under IAS 17, resulted in the recognition of right-of-use assets of $157,699 (Note 5) and lease liabilities (Note 6) with no net impact on deficit.

(Expressed in Canadian Dollars)

4. INTANGIBLE ASSETS

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

	June 30, 2019	December 31, 2018
Cost		
Balance, beginning and end of period	$ 55,888,236	$ 55,888,236
Accumulated Amortization		
Balance, beginning of period	$ 6,520,294	$ 931,471
Amortization expense	2,794,412	5,588,823
Balance, end of period	$ 9,314,706	$ 6,520,294
Net Book Value	$ 46,573,530	$ 49,367,942

5. EQUIPMENT AND RIGHT-OF-USE ASSETS

	Software	Computer equipment	Office equipment	Right-of-use assets (Office leases)	Total
Cost					
Balance, December 31, 2017	$ -	$ 38,258	$ 5,697	$ -	$ 43,955
Additions	19,596	10,779	3,224	-	33,599
Balance, December 31, 2018	19,596	49,037	8,921	-	77,554
Adoption of IFRS 16 (Note 3)	-	-	-	157,699	157,699
Balance, June 30, 2019	$ 19,596	$ 49,037	$ 8,921	$ 157,699	$ 235,253
Accumulated Depreciation					
Balance, December 31, 2017	$ -	$ 7,705	$ 1,710	$ -	$ 9,415
Depreciation expense	9,798	10,783	1,680	-	22,261
Balance, December 31, 2018	9,798	18,488	3,390	-	31,676
Depreciation expense	4,859	4,545	823	61,017	71,244
Balance, June 30, 2019	$ 14,657	$ 23,033	$ 4,213	$ 61,017	$ 102,920
Net Book Value					
Balance, December 31, 2018	$ 9,798	$ 30,549	$ 5,531	$ -	$ 45,878
Balance, June 30, 2019	$ 4,939	$ 26,004	$ 4,708	$ 96,682	$ 132,333

(Expressed in Canadian Dollars)

6. LEASE LIABILITIES

Pursuant to the adoption of IFRS 16 (Note 3), the Company has recognized the impact of off-balance lease obligations as of December 31, 2018:

Reconciliation of lease liabilities		January 1, 2019
Off-balance lease obligations as of December 31, 2018	$	196,925
Current leases with a term of 12 months or less (short-term leases)		(30,000)
Gross lease liabilities as of January 1, 2019		166,925
Discounting		(9,226)
Lease liabilities on application of IFRS 16 at January 1, 2019	$	157,699

The Company has applied an incremental borrowing rate of 8.95%.

Lease liabilities		
Balance, January 1, 2019	$	157,699
Accrued finance expense		4,802
Lease payments		(63,420)
Balance, June 30, 2019	$	99,081
Current (less than one year)	$	93,599
Long-term	$	5,482

The Company paid $30,000 on short-term leases in the six months ended June 30, 2019 included in office and administration expense.

7. OPERATING EXPENSES

	For the three months ended June 30,				For the six months ended June 30,			
Research and Development		**2019**		**2018**		**2019**		**2018**
Amortization of intangible assets (Note 5)	$	1,397,206	$	1,397,206	$	2,794,411	$	2,794,411
Depreciation of equipment (Note 6)		5,142		3,091		10,227		10,947
Consulting fees		22,901		50,478		76,336		155,114
Engineering and design		647,905		276,330		946,451		660,410
Management fees (Note 9)		85,000		85,000		170,000		170,000
Manufacturing contract		639,985		-		639,985		-
Professional fees		49,915		84,745		90,935		144,763
Salaries		92,000		61,000		174,000		108,083
Share-based payments (Notes 8 and 9)		-		-		410,343		-
Supplies		26,223		17,821		99,225		45,004
Travel		37,296		12,785		75,172		25,108
	$	(3,003,573)	$	(1,988,456)	$	(5,487,086)	$	(4,113,840)

(Expressed in Canadian Dollars)

7. OPERATING EXPENSES (cont'd…)

	For the three months ended June 30,		For the six months ended June 30,	
General and Administrative	**2019**	**2018**	**2019**	**2018**
Consulting fees (Note 9)	$ 134,413	$ 66,993	$ 284,195	$ 164,679
Depreciation (Note 6)	30,508	-	61,017	-
Insurance	6,655	4,748	13,872	8,079
Investor relations	315,971	172,840	553,937	408,121
Management fees (Note 9)	57,000	62,000	114,000	119,000
Office and administration	76,988	108,320	171,671	195,520
Professional fees (Note 9)	35,848	26,666	49,017	45,864
Salaries (Note 9)	91,403	76,421	217,478	152,863
Share-based payments (Notes 8 and 9)	17,021	682,757	751,320	682,757
Shareholder communications and filings	20,200	20,989	51,358	62,249
Sales and marketing	54,077	79,955	133,343	167,961
Travel	29,098	85,998	141,112	213,620
	$ (869,182)	$ (1,387,687)	$ (2,542,320)	$ (2,220,713)

8. SHARE CAPITAL AND RESERVE

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

Period ended June 30, 2019

In June 2019, the Company completed a private placement of 7,531,449 units at a price of $0.41 per unit for gross proceeds of $3,087,894. Each unit is comprised of one common share and one share purchase warrant ("Unit"). Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.60 for a period of 18 months, subject to accelerated expiry provisions ("Warrant").

The Company paid finders' fees of $76,886, issued 128,870 common shares as finders' fees valued at $65,724 and issued 316,397 brokers' warrants. Each broker's warrant entitles the holder to acquire one common share at a price of $0.60 for a period of 18 months. The broker's warrants were valued at $35,767 based on a Black-Scholes valuation with a risk-free interest rate of 1.39%, term of 1.5 years, volatility of 56.7% and a dividend rate of 0%. The Company incurred other share issuance costs of $31,452.

Year ended December 31, 2018

The Company did not complete any private placements in the year ended December 31, 2018.

c) Stock options

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

(Expressed in Canadian Dollars)

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

c) Stock options (cont'd…)

Stock option transaction are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2017	7,997,000	$	0.96
Granted	1,150,000		0.99
Balance, December 31, 2018	9,147,000		0.97
Exercised	(805,000)		0.15
Forfeit	(680,000)		1.12
Granted	2,650,000		0.65
Balance outstanding, June 30, 2019	10,312,000	$	0.94
Balance exercisable, June 30, 2019	10,312,000	$	0.94

Stock options outstanding as at June 30, 2019:

	Number	Exercise price	Expiry date
Stock Options	1,255,000	$ 0.15	September 21, 2020
	100,000	0.15	February 22, 2021
	547,000	0.40	July 5, 2021
	275,000	0.50	September 14, 2021
	475,000	0.95	January 10, 2022
	2,300,000	1.75	June 7, 2022
	1,560,000	1.15	November 20, 2022
	1,100,000	1.00	June 26, 2023
	50,000	0.70	December 19, 2023
	2,650,000	0.65	January 30, 2024
	10,312,000	$ 0.94	

As at June 30, 2019, the outstanding stock options had a weighted average remaining life of 3.17 (December 31, 2018 – 3.13) years.

d) Share-based payments

During the period ended June 30, 2019, the Company granted 2,650,000 (2018 – 1,100,000) stock options with a weighted average fair value of $0.43 (2018 - $0.62) per option. The Company recognized share-based payments expense of $1,144,642 (2018 - $682,757) for options granted and vested during the period.

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

	2019	2018
Risk-free interest rate	1.83%	1.97%
Expected life of options	5 years	5 years
Expected annualized volatility	85.7%	79.7%
Dividend rate	-	-
Forfeiture rate	-	-

(Expressed in Canadian Dollars)

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

e) Warrants and Conditional Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2017	17,699,616	$	1.31
Exercised	(2,065,680)		0.35
Expired	(1,179,982)		1.10
Balance, December 31, 2018	14,453,954		1.46
Granted	7,847,846		0.60
Expired	(4,622,148)		1.36
Balance outstanding, June 30, 2019	17,679,652	$	1.08
Balance exercisable, June 30, 2019	15,013,191	$	1.02

Warrants and Conditional Warrants outstanding as at June 30, 2019:

	Number outstanding	Number exercisable	Exercise price		Expiry date
Warrants	6,704,960	6,704,960	$ 1.50	(1)	February 23, 2020
	1,136,154	460,385	1.12	(2)	September 21, 2020
	53,846	-	1.12	(2)	February 22, 2021
	294,538	-	1.12	(2)	July 5, 2021
	148,077	-	1.12	(2)	September 14, 2021
	255,769	-	1.12	(2)	January 10, 2022
	1,238,462	-	1.75	(2)	June 7, 2022
	7,664,146	7,664,146	0.60		December 14, 2020
	183,700	183,700	0.60		December 17, 2020
	17,679,652	15,013,191	$ 1.46		

(1) Each warrant entitles the holder to acquire a Unit. Each Unit contains a common share and a share purchase warrant exercisable at $1.50 until February 23, 2020.

(2) Exercise of the Conditional Warrants is conditional upon and subject to the exercise of corresponding classes of options and warrants of the Company outstanding prior to the acquisition of Spectrum, such that for each 65 shares of the Company issued on the existing options and warrants, the holders of the Conditional Warrants may exercise in the aggregate only 35 corresponding Conditional Warrants.

9. RELATED PARTY TRANSACTIONS

Management Compensation

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:

Payments to key management personnel		2019		2018
Consulting fees – general and administrative	$	124,227	$	50,663
Management fees – general and administrative[1]		71,250		114,000
Management fees – research and development[1]		106,250		170,000
Salaries and short-term benefits – general and administrative		90,000		90,000
Share-based payments to officers – general and administrative		86,388		186,206
Share-based payments to directors – general and administrative		431,940		496,551

9. RELATED PARTY TRANSACTIONS (cont'd…)

(1) The former CEO and former Chairman resigned as key management personnel on April 24, 2019 to become employees of the Company. They continue to be related parties of the Company due to a significant shareholding. The compensation incurred for the remaining period ended June 30, 2019 was $42,750 and $63,750 respectively, and are excluded from the fees noted in the table above.

During the period ended June 30, 2019, the Company was charged legal fees, included in professional fees, of $33,804 (2018 - $17,041) by S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee.

As at June 30, 2019, the Company had balances outstanding with related parties of $132,383 (December 31, 2018 - $82,126) included in accounts payable. All balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

10. SEGMENTED INFORMATION

The Company operates in one segment, being technology investment. As at June 30, 2019, all of the Company's long-term assets are situated in Canada.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

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

Financial risk factors

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. As at June 30, 2019, the Company had cash equivalents of $69,592 (December 31, 2018 - $2,273,645) 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 June 30, 2019, the Company had a working capital of $1,408,999 (December 31, 2018 - $2,544,491). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

(Expressed in Canadian Dollars)

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

Financial risk factors (cont'd…)

Market risk (cont'd…)

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.

As at June 30, 2019, the Company's net foreign denominated financial assets are as follows:

	Foreign currency	Canadian dollar equivalent
US dollar	$ (196,932)	$ (257,725)

12. CAPITAL MANAGEMENT

The Company's capital management policy is to maintain a strong but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company's capital structure includes shareholders' equity of $48,319,150 (December 31, 2018 - $52,069,606). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage current and working capital requirements. The Company is not subject to externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the period ended June 30, 2019.