



NEXOPTIC

NEXOPTIC TECHNOLOGY CORP.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2020

**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

	March 31, 2020	December 31, 2019
ASSETS		
Current		
Cash and cash equivalents (Note 9)	\$ 617,163	\$ 194,045
Accounts receivable	23,766	44,732
Prepaid expenses and deposits	29,770	66,283
	<u>\$ 670,699</u>	<u>\$ 305,060</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 1,354,363	\$ 1,308,860
Shareholders' deficiency		
Share capital (Note 7)	74,492,403	73,649,752
Reserve (Note 7)	8,190,043	8,506,917
Accumulated other comprehensive income	601,610	601,444
Deficit	(83,967,720)	(83,761,913)
	<u>(683,664)</u>	<u>(1,003,800)</u>
	<u>\$ 670,699</u>	<u>\$ 305,060</u>

Approved and authorized by the Board on May 28, 2020.

"Richard Gerson" 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 MARCH 31

	2020	2019
EXPENSES		
Research and development (Note 6)	\$ 92,800	\$ 2,483,513
General and administrative (Note 6)	<u>387,237</u>	<u>1,673,138</u>
Total operating expenses	(480,037)	(4,156,651)
Finance expense (Note 5)	-	(2,140)
Foreign exchange	(42,683)	-
Interest and other income	<u>39</u>	<u>15,428</u>
	(42,644)	13,288
Net loss for the period	(522,681)	(4,143,363)
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that may be reclassified subsequently to profit or loss		
Foreign exchange loss on translating foreign operations	<u>166</u>	<u>(28)</u>
Comprehensive loss for the period	<u>\$ (522,515)</u>	<u>\$ (4,143,391)</u>
Basic and diluted loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.03)</u>
Weighted average number of common shares outstanding	<u>136,816,899</u>	<u>127,458,979</u>

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

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

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (522,681)	\$ (4,143,363)
Non-cash items:		
Accrued finance expense	-	2,140
Amortization expense	-	1,397,206
Depreciation expense	-	35,594
Share-based payments	-	1,144,642
Changes in non-cash working capital items:		
Accounts receivable	20,966	43,193
Prepaid expenses and deposits	36,657	(127,851)
Accounts payable and accrued liabilities	45,525	68,741
	<u>(419,533)</u>	<u>(1,579,698)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercised warrants	842,651	-
Lease payments	-	(30,998)
	<u>842,651</u>	<u>(30,998)</u>
Change in cash and cash equivalents during the period	423,118	(1,610,696)
Cash and cash equivalents, beginning of period	<u>194,045</u>	<u>2,704,156</u>
Cash and cash equivalents, end of period	<u>\$ 617,163</u>	<u>\$ 1,093,460</u>

There were no significant non-cash investing or financing activities for the periods ended March 31, 2020, and 2019.

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

NEXOPTIC TECHNOLOGY CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Unaudited)

(Expressed in Canadian Dollars)

	<u>Share Capital</u>		Reserve	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount				
Balance, December 31, 2018	127,458,979	\$ 70,491,447	\$ 10,003,112	\$ 601,755	\$ (29,026,708)	\$ 52,069,606
Share-based payments	-	-	1,144,642	-	-	1,144,642
Expiry of options	-	-	(347,936)	-	347,936	-
Expiry of warrants	-	-	(1,149,080)	-	1,149,080	-
Net loss and comprehensive loss for this period	-	-	-	(28)	(4,143,363)	(4,143,391)
Balance, March 31, 2019	127,458,979	70,491,447	9,650,738	601,727	(31,673,055)	49,070,857
Private placement	7,531,449	3,087,894	-	-	-	3,087,894
Share issue costs	128,870	(144,105)	35,767	-	-	(108,338)
Options exercised	805,000	214,516	(93,766)	-	-	120,750
Share-based payments	-	-	17,021	-	-	17,021
Expiry of options	-	-	(871,449)	-	871,449	-
Expiry of warrants	-	-	(231,394)	-	231,394	-
Net loss and comprehensive loss for this period	-	-	-	(283)	(53,191,701)	(53,191,984)
Balance, December 31, 2019	135,924,298	73,649,752	8,506,917	601,444	(83,761,913)	(1,003,800)
Warrants exercised	1,872,558	842,651	-	-	-	842,651
Expiry of options	-	-	(239,727)	-	239,727	-
Expiry of warrants	-	-	(77,147)	-	77,147	-
Net loss and comprehensive loss for the period	-	-	-	166	(522,681)	(522,515)
Balance, March 31, 2020	137,796,856	\$ 74,492,403	\$ 8,190,043	\$ 601,610	\$ (83,967,720)	\$ (683,664)

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

NEXOPTIC TECHNOLOGY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2020

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 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 1500 – 409 Granville Street, Vancouver, British Columbia, Canada V6C 1T2.

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.

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 \$522,681 (2019 - \$4,143,363) and had an accumulated deficit of \$83,967,720 (December 31, 2019 - \$83,761,913) as at March 31, 2020. 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.

COVID-19

Since March 31, 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 the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. By January 2020, the Company had moved its personnel to remote working environments and has experienced minimal disruption to ongoing operations.

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, 2019.

Basis of consolidation and presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

NEXOPTIC TECHNOLOGY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2020

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

Basis of consolidation and presentation (cont'd...)

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.

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 March 31, 2020.

- **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 operating 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.

- **Right-of-use assets and lease liability**

The Company applies judgement in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

NEXOPTIC TECHNOLOGY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2020

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

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

- Intangible assets – impairment

The application of the Company's accounting policy for intangible assets expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available. Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. In December 2019, the Company determined to record an impairment charge against intangibles

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 – amortization

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

- Share-based payments and compensation

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

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted for share-based payments made to employees or others providing similar services. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying common shares, the expected life of the share option or warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 7.

- Right-of-use assets and lease liability

The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency, and geographic location. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations are estimated using a discount rate similar to the Company's specific borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in a similar environment.

NEXOPTIC TECHNOLOGY CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2020**3. INTANGIBLE ASSETS**

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

	March 31, 2020	December 31, 2019
Cost		
Balance, beginning of period	\$ -	\$ 55,888,236
Impairment	-	(55,888,236)
Balance, end of period	-	-
Accumulated Amortization		
Balance, beginning of period	\$ -	\$ 6,520,294
Amortization expense	-	5,355,956
Impairment	-	(11,876,250)
Balance, end of period	-	-
Net Book Value	\$ -	\$ -

In December 2019, the Company determined 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 and as such, indicators of impairment existed leading to a test of recoverable amount, which resulted in an impairment expense of \$44,011,986. A value in use calculation is not applicable as the Company does not have any expected cash flows from using the assets at this stage of operations. In estimating the fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than \$Nil. As this valuation technique requires management's judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

4. EQUIPMENT AND RIGHT-OF-USE ASSETS

	Software	Computer equipment	Office equipment	Right-of-use assets (Office leases)	Total
Cost					
Balance, December 31, 2018	19,596	49,037	8,921	-	77,554
Adoption of IFRS 16	-	-	-	157,699	157,699
Impairment of equipment	(19,596)	(49,037)	(8,921)	-	(77,554)
Termination of lease (Note 5)	-	-	-	(157,699)	(157,699)
Balance, December 31, 2019 and March 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated Depreciation					
Balance, December 31, 2018	9,798	18,488	3,390	-	31,676
Depreciation expense	9,798	9,165	1,659	106,749	127,371
Impairment of equipment	(19,596)	(27,653)	(5,049)	-	(52,298)
Termination of lease (Note 5)	-	-	-	(106,749)	(106,749)
Balance, December 31, 2019 and March 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -
Net Book Value					
Balance, December 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
Balance, March 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -

NEXOPTIC TECHNOLOGY CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2020**5. LEASE LIABILITIES****Lease liabilities**

Balance, January 1, 2019	\$ 157,699
Accrued finance expense	7,026
Lease payments	(111,696)
Termination of lease	(53,029)
Balance, December 31, 2019 and March 31, 2020	\$ -

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

The Company paid \$Nil (2019 - \$15,000) on short-term leases in the three months ended March 31, 2020 included in office and administration expense.

In the year ended December 31, 2019, the Company terminated an office lease and derecognized the associated right-of-use asset of \$50,950 and lease liability of \$53,029. The Company recognized a loss on the lease termination of \$42,920 in the statement of loss and comprehensive loss and included in the loss are cash payments of \$45,000 required to terminate the lease.

6. OPERATING EXPENSES

Research and Development	2020	2019
Amortization of intangible assets (Note 3)	\$ -	\$ 1,397,206
Depreciation of equipment (Note 4)	-	5,085
Consulting fees	4,923	53,435
Engineering and design	3,405	298,546
Management fees (Note 8)	-	85,000
Manufacturing contract	1,985	-
Professional fees	15,103	41,020
Tax credits and recoveries	(19,820)	-
Salaries	79,150	82,000
Share-based payments (Notes 7 and 8)	-	410,343
Supplies and resources	2,470	73,002
Travel	5,584	37,876
	\$ (92,800)	\$ (2,483,513)

NEXOPTIC TECHNOLOGY CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2020**6. OPERATING EXPENSES (cont'd...)**

General and Administrative	2020	2019
Consulting fees (Note 8)	\$ 66,692	\$ 149,782
Depreciation (Note 4)	-	30,509
Insurance	6,950	7,217
Investor relations	125,420	237,966
Management fees (Note 8)	-	57,000
Office and administration	18,138	94,683
Professional fees (Note 8)	26,259	13,169
Salaries (Note 8)	80,541	126,075
Share-based payments (Notes 7 and 8)	-	734,299
Shareholder communications and filings	30,628	31,158
Sales and marketing	25,876	79,266
Travel	6,733	112,014
	<u>\$ (387,237)</u>	<u>\$ (1,673,138)</u>

7. SHARE CAPITAL AND RESERVE**a) Authorized Share Capital**

Unlimited number of common shares without par value.

b) Voting Support Agreement

Subsequent to March 31, 2020, the Company entered into a voting support agreement ("Support Agreement") with 3DB, Inc. ("3DB"), a private company jointly owned by the former CEO and former Chairman which owns approximately 29% of the outstanding common shares of the Company. The Support Agreement requires that 3DB 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 (Note 8).

c) Issued Share Capital

Period ended March 31, 2020

The Company did not complete any private placements in the period ended March 31, 2020.

Year ended December 31, 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.

NEXOPTIC TECHNOLOGY CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2020**7. SHARE CAPITAL AND RESERVE (cont'd...)****d) Stock Options and Long-Term Equity Incentive Plan**

The Company has a stock option plan ("Option Plan") and long term equity incentive plan ("Incentive Plan") in place that allows for the reservation of 27,184,860 common shares for issuance under the combined Option Plan and Incentive Plan. The Incentive Plan allows for the issuance of stock appreciation rights, deferred share units, restricted share units and other share-based awards. As at March 31, 2020, there have been no grants under the Incentive Plan. The Option Plan and Incentive Plan are subject to the approval of the TSX Venture Exchange ("TSX-V").

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2018	9,147,000	\$ 0.97
Exercised	(805,000)	0.15
Expired	(1,670,000)	0.98
Granted	<u>2,650,000</u>	0.65
Balance, December 31, 2019	9,322,000	0.95
Expired	<u>(370,000)</u>	0.87
Balance outstanding and exercisable, March 31, 2020	8,952,000	\$ 0.95

Stock options outstanding as at March 31, 2020:

	Number	Exercise price	Expiry date
Stock Options	50,000	\$ 0.50 ⁽¹⁾	May 15, 2020
	40,000	0.95 ⁽¹⁾	May 15, 2020
	110,000	1.75 ⁽¹⁾	May 15, 2020
	100,000	0.65 ⁽¹⁾	May 15, 2020
	1,255,000	0.15	September 21, 2020
	527,000	0.40	July 5, 2021
	225,000	0.50	September 14, 2021
	420,000	0.95	January 10, 2022
	2,065,000	1.75	June 7, 2022
	1,110,000	1.15	November 20, 2022
	1,100,000	1.00	June 26, 2023
	50,000	0.70	December 19, 2023
	<u>1,900,000</u>	<u>0.65</u>	January 30, 2024
	8,952,000	\$ 0.95	

⁽¹⁾ Expired unexercised subsequent to period end.

As at March 31, 2020, the outstanding stock options had a weighted average remaining life of 2.33 (December 31, 2019 – 2.58) years.

NEXOPTIC TECHNOLOGY CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2020**7. SHARE CAPITAL AND RESERVE (cont'd...)****e) Share-Based Payments**

During the period ended March 31, 2020, the Company granted Nil (2019 – 2,650,000) stock options with a weighted average fair value of \$Nil (2019 - \$0.43) per option. The Company recognized share-based payments expense of \$Nil (2019 - \$1,144,642) 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 period:

	2020	2019
Risk-free interest rate	-	1.83%
Expected life of options	-	5 years
Expected annualized volatility	-	85.7%
Dividend rate	-	-
Forfeiture rate	-	-

f) Warrants and Conditional Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2018	14,453,954	\$ 1.46
Granted	7,847,846	0.60
Expired	(4,643,686)	1.36
Balance, December 31, 2019	17,658,114	1.08
Exercised	(1,872,558)	0.45
Expired	(4,950,864)	0.44
Balance outstanding, March 31, 2020	10,834,692	\$ 0.81
Balance exercisable, March 31, 2020	8,308,231	\$ 0.63

Warrants and Conditional Warrants outstanding as at March 31, 2020:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Warrants	1,136,154	460,385	\$ 1.12 ⁽¹⁾	September 21, 2020
	283,769	-	1.12 ⁽¹⁾	July 5, 2021
	148,077	-	1.12 ⁽¹⁾	September 14, 2021
	247,692	-	1.12 ⁽¹⁾	January 10, 2022
	1,171,154	-	1.75 ⁽¹⁾	June 7, 2022
	7,664,146	7,664,146	0.60 ⁽²⁾	December 14, 2020
	183,700	183,700	0.60	December 17, 2020
	10,834,692	8,308,231	\$ 0.68	

⁽¹⁾ 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.

⁽²⁾ Subsequent to March 31, 2020, these warrants were repriced to \$0.36.

NEXOPTIC TECHNOLOGY CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2020**7. SHARE CAPITAL AND RESERVE (cont'd...)****g) Custodial and Rights Agreement**

Subsequent to March 31, 2020, the Company entered into a custodial and rights agreement ("Rights Agreement") with Computershare Trust Company of Canada ("Computershare"), as custodial agent whereby 3DB has deposited 8,000,000 shares of the Company 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 from May 15, 2020 (the "Term"). The overall number of Rights the Company may issue is unlimited, provided that the aggregate number of Right issued and outstanding or exercised during the Term may not exceed the 8,000,000 shares so deposited. 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.

8. 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	2020	2019
Consulting fees – general and administrative	\$ 25,554	\$ 39,711
Management fees – general and administrative ⁽¹⁾	-	57,000
Management fees – research and development ⁽¹⁾	-	85,000
Salaries and short-term benefits – general and administrative	45,000	45,000
Share-based payments to officers – general and administrative	-	86,388
Share-based payments to directors – general and administrative	-	431,940

⁽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 three months ended March 31, 2020, the Company was charged legal fees, included in professional fees, of \$10,000 (2019 - \$8,060) by S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee.

As at March 31, 2020, the Company had balances outstanding with related parties of \$105,816 (December 31, 2019 - \$120,040) included in accounts payable. These balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

Settlement Agreements

Included in accounts payable and accrued liabilities as at March 31, 2020 is an accrued severance liability of \$568,000 (December 31, 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 (Note 7(b)) 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.

NEXOPTIC TECHNOLOGY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2020

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

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

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

Financial Risk Factors

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. As at March 31, 2020, the Company had cash equivalents of \$5,793 (December 31, 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 refunds on office deposits 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 March 31, 2020, the Company had a working capital deficit of \$683,664 (December 31, 2019 – \$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 \$568,000. The Company is uncertain of the payment terms with respect to the severance accrual.

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 and cash equivalents. 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.

NEXOPTIC TECHNOLOGY CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2020**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)****Financial risk factors (cont'd...)***Market Risk (cont'd...)*

b) Foreign currency risk (cont'd...)

As at March 31, 2020, the Company's net foreign denominated financial assets are as follows:

	Foreign currency	Canadian dollar equivalent
US dollar	\$ (382,632)	\$ (542,840)

10. 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' deficiency of \$683,664 (December 31, 2019 - \$1,003,800). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage current and working capital requirements. The Company is not subject to externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the period ended March 31, 2020.

11. SUBSEQUENT EVENTS

Subsequent to the period ended March 31, 2020, the Company:

- Received \$80,000 revolving line of credit as part of the Canada Emergency Business Account (CEBA) program due to COVID-19.
- Entered into the Support Agreement (Note 7(b)), Rights Agreement (Note 7(g)) and Severance Agreements (Note 8) with 3DB, a significant shareholder of the Company.
- Granted an aggregate of 14,740,000 stock options to employees, directors and consultants having an exercise price of \$0.36 and a term of 10 years.
- Repriced 7,531,449 share purchase warrants from \$0.60 to \$0.36, subject to the approval of the TSX-V.