NEXOPTIC TECHNOLOGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED JUNE 30, 2021

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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 six months ended June 30, 2021. The discussion below should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended June 30, 2021 and audited consolidated financial statements for the years ended December 31, 2020 and 2019. Those consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at August 30, 2021.

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

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

BACKGROUND AND CORE BUSINESS

NexOptic Technology Corp. and its subsidiaries (collectively, the "Company" or "NexOptic") is a technology company developing award-winning artificial intelligence ("AI") and award-winning imaging products which enhance how images are either captured, processed and/or experienced. NexOptic was incorporated under the Company Act (British Columbia) on October 11, 2007. The Company maintains its registered and place of business office at 1500 – 409 Granville Street, Vancouver, British Columbia, Canada V6C 1T2.

NexOptic's primary focus is its patent pending artificial intelligence for imaging called "Aliis™", an acronym for, "All Light Intelligent Imaging Solutions." Throughout 2020, several of the world's largest and more influential semiconductor companies invited NexOptic into their esteemed partnership programs and continue to strongly support Aliis™ and NexOptic. These include the Arm AI Partner Program, the NVIDIA Jetson Ecosytem and Qualcomm's Advantage Network.

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

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

Artificial Intelligence & All Light Intelligent Imaging Solutions: Aliis™

Artificial intelligence (AI) allows machines to learn from experience, intercept new inputs, and perform human-like tasks. Technologies such as machine learning and natural language processing (NLP) are used to train computers to perform specific tasks by processing large amounts of data. AI is gaining momentum as it can add intelligence to existing products. AI systems offer faster response, tailored approach, accurate information, and fewer redundancies—all of which are key factors to achieve higher efficiency in an organization. Computer vision is concerned with the automatic extraction, analysis, and understanding of useful information from a single image or a sequence of images. It involves the development of a theoretical and algorithmic basis to achieve automatic visual understanding. Humans use their eyes and brains to see and visually sense the world around them. Computer vision aims to give a similar capability to a machine or computer.

In November 2020, NexOptic announced that Arm Ltd. ("Arm") had selected NexOptic to join its esteemed AI Partner Program. Aliis™ complements Arm's ecosystem for on-chip AI deployment for intelligent endpoint devices. The partnership is creating expansion opportunities for Aliis™ within the vast Arm IoT network. Further, significant segments of the world's consumer and business electronics industries run on ARM®-based technology, and the future of edge-based AI, also known as TinyML, is enabled by the architectures and core technology developed by ARM®. Aliis™ is now fully integrated for deployment onto a variety of Arm chipsets and NexOptic is receiving tremendous marketing support from Arm to its global customer base. In April 2021, Arm featured members of NexOptic's executive and technology teams on an exclusive Arm webinar that set an Arm webinar live attendance record.

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

In all instances (NVIDIA, Qualcomm and Arm), each original equipment manufacturer ("OEM") retains control over the choice to license Aliis™ directly from NexOptic with optimized versions of Aliis™, this significantly reduces their integration costs and allows them immediate Aliis™ access.

First NexOptic Commercial Agreement for Aliis™

On April 7, 2021, NexOptic announced that it had entered into an exclusive agreement with Pristine Surgical LLC of Manchester, New Hampshire to deploy Aliis™ into Pristine's single-use endoscopic visualization platform.

Pristine Surgical is a single-use surgical visualization company dedicated to improving patient care, safety and efficacy. The endoscopic market stands at 25 million endoscopic (arthroscopy and laparoscopy) procedures performed worldwide each year. Pristine's platform combines high-performance digital image sensors, advanced high-brightness LEDs and powerful graphics processing hardware and software with Pristine Connect, a cloud-based SaaS platform which makes the full surgical episode more efficient for patient, surgeon and surgery center. Pristine's single-use design eliminates the risks posed by cross-contamination, reduces sterilization and maintenance costs and provides consistently clear images. Headquartered in Manchester, N.H., Pristine Surgical is led by an experienced management team, a seven-person board of managers and a 10-person medical advisory board.

Further Commercial Viability Potential of Aliis™

NexOptic's AI presents an opportunity to be successfully applied to imaging verticals and industries. Imaging and AI both remain rapidly growing industries. With integration into several high volume, globally recognized chipsets now complete, and with anticipated continued joint marketing initiatives by NexOptic's chipset partners, the opportunity for additional commercial transactions including with leading global OEM customers continues to increase. NexOptic is discussing opportunities with third parties. Advanced dialogues with these third parties, including with other leading semiconductor companies and a variety of OEM's, continue.

Patent Focus

NexOptic is taking constructive steps to create a patent estate around Aliis™ and remains patent pending on multiplefronts with ongoing processes for even more patent applications surrounding Aliis™ in the near future.

By May and June 2021, the United States Patent and Trademark Office had issued two Notices of Allowance for important NexOptic patents covering image noise removal as well as bright spot removal during video and image capture using a neural network. Once issued, they will provide key intellectual property protection for NexOptic's disruptive AI for all levels of imaging including but not limited to, video and data compression.

A Notice of Allowance is an indication that the invention qualifies for a patent and that administrative and other steps are required prior to its issuance. An invention is still considered "patent pending" until the final patent has been issued.

In the 3rd quarter 2020, NexOptic became patent pending on a new AI that transforms Image Signal Processors ("ISP") technology. Engineered into Aliis™, the neural ISP technology is now available to OEM customers through NexOptic's aforementioned strategic partnerships. Image signal processors are a traditional technology that manipulate images from raw data into the precise and coherent imagery viewers are accustomed to seeing. They are increasingly also being used for new application paths in robotics, smart cities, industrial automation, automotive, healthcare and beyond.

Korean Subsidiary

Since September 2020, NexOptic has operated a Korean office (Seoul) for regional sales & marketing, and customer account management as well as for technology development guidance including siliconization of Aliis™ algorithms – embedding AI directly onto a chip – for sales into entirely new market verticals. Regionally, South Korea, Taiwan and China represent the global hub of siliconized semiconductor supply chains. and software engineer support.

DoubleTake™ Remains Paused

By April 2020, after addressing challenges to its manufacturing supply chain, combined with uncertainty in consumer demand at the start of the COVID-19 pandemic, NexOptic announced that it had postponed the commercial launch of DoubleTake™, its award-winning sport-optics device. Due in part to the Company's limited size, coupled with the significant increasing global interest in Aliis™, the DoubleTake™ project remains on hold in order for the Company to apply full resources and attention to Aliis™'s growth and commercialization. NexOptic does not plan on continuing the advancement of its lens designs for cell phones.

Upon designing a superior lens and upon reviewing the costs, benefits, and feasibility of commercializing expansion and continuation of issued patents related to the Company's flat wedge lenses, the following patents are no longer being maintained as filed by NexOptic's subsidiary Spectrum Optix (Patent Nos. US 9759900 and US 10228549 entitled FLAT WEDGE-SHAPED LENS AND IMAGE PROCESSING METHOD) as disclosed in the Company's news release dated December 24, 2019.

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

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

On May 15th, 2020 (the effective date) the Company entered into three separate agreements with significant shareholder 3DB, Inc. ("3DB"), a private Alberta company. 3DB is represented by the former management team of NexOptic, Darcy and John Daugela, former Executive Chairman and CEO respectively who were employed by the Company between until April 24, 2019. The agreements include, a voting support agreement (the "Support Agreement"), a custodial and rights agreement, (the "Rights Agreement"), and a release, indemnity, and settlement agreement, ("the Settlement Agreements"), all effective May 15, 2020. As of the time of the execution of the Agreements, 3DB held 40,265,798 common shares, representing 29.2% of the issued and outstanding shares of the Company and a further 2,747,899 warrants, which together with the common shares held representing 30.6% of the Company's shares on a partially diluted basis assuming the exercise of the warrants held by 3DB only.

On August 11, 2021, 3DB Inc., a company disclosed to be co controlled by Darcy Daugela and/or certain family members, filed an "Early Warning Report," stating that as of such date it had disposed of 26,926,261 of its common shares in NexOptic and continued to own and control 13,339,537 shares of NexOptic. The Company notes that pursuant to the Rights Agreement (below), 8,000,000 of such shares are the subject of escrow arrangements for the purpose of incentive rights grants at the discretion of NexOptic. Such rights are held by persons unaffiliated with the Daugelas or 3DB Inc. On exercise of such rights, 3DB would have actual ownership and direction over a maximum of 5,339,537 common shares representing approximately 3.6% of NexOptic's outstanding shares as of 8/11/2021.

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

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

The Rights Agreement is also entered into with Computershare Trust Company of Canada ("Computershare"), as custodial agent whereby 3DB has deposited 8,000,000 common shares of NexOptic held by Computershare and has agreed that the Company may issue "incentive rights" (the "Rights") to acquire such shares to such persons as the Company designates at an exercise price equal to the greater of $0.25 per share or average closing price of the Company's shares for the five days preceding the issuance of the incentive right. The Rights Agreement has an overall seven-year term (the "Term").

The 8,000,000 rights have been allocated at a price of $0.36 to current directors and management. The overall number of Rights the Company may issue is unlimited, provided that the aggregate number of Rights issued and outstanding or exercised during the Term may not exceed the 8,000,000 shares so deposited. Any shares remaining deposited with Computershare at the end of the Term will be returned to 3DB. 3DB will retain voting rights and all dividends associated with the deposited shares and is permitted to tender such shares in a business combination. The Rights will be non-transferable and will expire on the earlier of the expiry date fixed by the Company at the time of issuance, the end of the Term or within a specified time of the recipient of the Rights ceasing to be an "eligible person" as defined in the Rights Agreement. A copy of the Rights Agreement has been filed on the Company's SEDAR profile at www.sedar.com.

Finally, the release, indemnity and settlement agreements (**the "Settlement Agreements"** and together with the Rights Agreement and the Support Agreement, the "Agreements") with each of John and Darcy Daugela in respect of the employment agreements entered into by the Daugelas with the Company dated December 1, 2017.

OUTLOOK

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

OUTSTANDING SHARE DATA

At the date of this report, the Company has

- 147,296,150 issued and outstanding common shares;
- 18,645,000 outstanding stock options with a weighted average exercise price of $0.55; and
- 1,095,770 warrants with a weighted average exercise price of $1.46.

SELECTED FINANCIAL INFORMATION

Summary of Quarterly results

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Interest income	$ -	$ -	$ 4	$ 44
Net loss for the period	(543,049)	(626,034)	(626,034)	(839,071)
Comprehensive loss for the period	(545,426)	(626,431)	(626,431)	(839,117)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.01)

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Interest income	$ 4	$ 39	$ 718	$ 352
Net loss for the period	(3,818,038)	(522,681)	(46,873,525)	(2,449,819)
Comprehensive loss for the period	(3,818,147)	(522,515)	(46,873,606)	(2,449,344)
Basic and diluted loss per share	(0.03)	(0.00)	(0.34)	(0.02)

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

Results of Operations for the three-month period ended June 30, 2021 compared to 2020

The comprehensive loss for the three-month period ended June 30, 2021 was $545,426 (2020 – $3,818,147). Significant changes to the results of operations are explained as follows:

Research and development costs

Research and Development	For the three months ended June 30, 2021	For the three months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Consulting fees	$ -	$ -	$ -	$ 4,923
Engineering and design	-	70,471	85	73,876
Manufacturing contract	-	-	-	1,985
Professional fees	49,908	25,131	95,578	40,234
Tax credits and recoveries	(17,854)	(20,739)	(17,854)	(40,559)
Salaries	74,976	54,094	143,866	133,244
Share-based payments	60,333	181,586	135,319	181,586
Supplies and resources	3,600	3,600	23,840	6,070
Travel	-	-	1,962	5,584
	$ (170,963)	$ (314,143)	$ (382,797)	$ (406,943)

Research and development expenses of $170,963 (2020 – $314,413) relates to the development of its AI as the Company invests in its core technologies.

- Professional fees include amounts paid for legal work on the Company's patent portfolio. The Company has worked in the current period to expand its patent portfolio with respect to its AI technology.
- Salaries of $74,976 (2020 - $54,094) increased due to an increase to the AI team and due to temporary salary reductions implemented in the second quarter of 2020 to manage ongoing costs.
- Share-based payments expense of $60,333 (2020 - $181,586) is recorded relative to the vesting of stock options valued using the Black-Scholes methodology.
- Supplies and resources of $3,600 (2020 - $3,600) are purchases of technological resources for the AI development team.
- Tax credits and recoveries in the period relate to amounts received under a technology licensing agreement.

General and administrative costs

General and Administrative	For the three months ended June 30, 2021	For the three months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Consulting fees	$ 123,461	$ 77,175	$ 273,249	$ 143,867
Insurance	9,330	8,225	18,830	15,175
Investor relations	55,002	172,914	139,057	298,334
Office and administration	26,115	19,322	52,412	37,460
Professional fees	29,352	39,781	47,770	66,040
Salaries	51,179	41,283	104,749	121,824
Share-based payments	46,973	3,142,237	109,357	3,142,237
Shareholder communications and filings	13,108	39,464	48,541	70,092
Sales and marketing	15,620	4,550	73,360	30,426
Travel	635	-	2,590	6,733
	$ (370,775)	$ (3,544,951)	$ (869,915)	$ (3,932,188)

- Consulting fees includes compensation to the CFO and accounting staff as well as fees paid to a director and consultants to make strategic introductions with potential partners in the development and commercialization of the Company's technologies.
- Investor relations expenses of $55,002 (2020 - $172,914) includes expenditures for its market maker, news releases, public relations and investor outreach services. Additionally, the Company incurred $15,620 (2020 - $4,550) 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. The Company has spent less on its corporate marketing in the current period.

- Salaries for general and administrative personnel has increased to $51,579 (2020 - $41,283). The increase is attributable to temporary salary reductions in 2020.
- Share-based payments expense of $31,108 (2020 - $3,142,237) is recorded relative to the vesting of stock options valued using the Black-Scholes methodology.

Business development costs

Business development costs for the three months ended June 30, 2021 of $67,084 (2020 - $nil) relate to the Company's satellite operations in South Korea. The team in South Korea has been established for the purpose of developing commercial sales opportunities for the Company. Expenditures include costs of sales staff and related overhead.

Results of Operations for the six-month period ended June 30, 2021 compared to 2020

Research and development costs

Research and development expenses of $382,797 (2020 – $406,943) relates to the development of its AI as the Company invests in its core technologies.

- Engineering and design of $85 (2020 - $73,876) has declined as the Company's sport optics product is on hold.
- Professional fees include amounts paid for legal work on the Company's patent portfolio. The Company has worked in the current period to expand its patent portfolio with respect to its AI technology.
- Salaries of $143,866 (2020 - $133,244) increased due to an increase to the AI team and due to temporary salary reductions implemented in the second quarter of 2020 to manage ongoing costs.
- Share-based payments expense of $135,319 (2020 - $181,586) is recorded relative to the vesting of stock options valued using the Black-Scholes methodology.
- Supplies and resources of $23,840 (2020 - $6,070) are purchases of technological resources for the AI development team.
- Tax credits and recoveries in the period relate to amounts received under a technology licensing agreement.

General and administrative costs

- Consulting fees includes compensation to the CFO and accounting staff as well as fees paid to a director and consultants to make strategic introductions with potential partners in the development and commercialization of the Company's technologies. The increase reflects an increase in support provided by the Chairman.
- Investor relations expenses of $139,057 (2020 - $298,334) includes expenditures for its market maker, news releases, public relations and investor outreach services. Additionally, the Company incurred $73,360 (2020 - $30,426) 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. The Company has spent less on its corporate marketing in the current period.
- Salaries for general and administrative personnel has increased to $104,749 (2020 - $121,824). The increase in compensation paid to the CEO is attributable to temporary salary reductions in 2020 offset by a decrease in support staff.
- Share-based payments expense of $109,356 (2020 - $3,142,237) is recorded relative to the vesting of stock options valued using the Black-Scholes methodology.

Business development costs

Business development costs for the three months ended June 30, 2021 of $123,114 (2020 - $nil) relate to the Company's satellite operations in South Korea. The team in South Korea has been established for the purpose of developing commercial sales opportunities for the Company. Expenditures include costs of sales staff and related overhead.

Non-recurring items

In the six months ended June 30, 2021, the Company recognized a recovery on accrued severance of $209,129 (2020 - $18,944) pursuant to the Settlement Agreements.

LIQUIDITY AND CAPITAL RESOURCES

Cash has decreased, on a net basis, by $1,064,667 to $1,273,928 at June 30, 2021 from a balance of $2,338,615 as at December 31, 2020. The Company had a working capital of $670,578 as at June 30, 2021.

Overall cash utilization for operating activities increased from 2020 to 2021. In the six months ended June 30, 2021, the Company expended $1,062,514 in operating activities as compared to $1,051,330 in 2020. The expenditure rate was comparable between the periods.

Financing activities provided funds of $1,217,924 for warrants exercised in the six months ended June 30, 2020. Additionally, the Company received $80,000 for CEBA loan funds from the Government of Canada. There were no financing cashflows in the six months ended June 30, 2021.

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

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

Management will apply funds from the private placements for investment in its strategic priorities, being substantially Aliis™, and for working capital. The contractual commitments of the Company are not significant, and the Company may sustain operations by reducing overhead and delaying investment.

OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

As at June 30, 2021, 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, Chief Financial Officer, and directors of the Company. The remuneration of the key management personnel is as follows:

For the six months ended June 30,	**2021**	**2020**
Payments to key management personnel:		
Consulting fees (G&A) – paid to a company in which the CFO has a significant investment	$ 35,834	$ 43,770
Consulting fees (G&A) – paid to a company controlled by the Chairman	160,810	5,946
Salaries and short-term benefits (G&A) – Paul McKenzie	90,000	82,500
Share-based payments to officers – general and administrative	16,005	1,046,669
Share-based payments to directors – general and administrative	16,005	1,738,730

During the six months ended June 30, 2021, the Company was charged legal fees, included in professional fees, of $16,815 (2020 - $33,925) by S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee.

As at June 30, 2021, the Company had balances outstanding with related parties of $87,043 (December 31, 2020 - $83,172) included in accounts payable. These balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

Control Group Settlement Agreements

Included in accounts payable and accrued liabilities as at June 30, 2021 is an accrued severance liability of $nil (December 31, 2020 - $209,129) due to the former CEO and former Chairman of the Company. Effective May 15, 2020, the Company entered into indemnity and settlement agreements ("Settlement Agreements") which provide for the severance liability to be settled over a 36-month period and to be offset, on a monthly basis, by proceeds from sales of the Company's securities as held by 3DB. 3DB is restricted under the Support Agreement to dispose of the lesser of 25,000 shares or 10% of the aggregate trading valued on the TSX-V on the prior trading day, subject to certain conditions. The severance liability is non-interest bearing and is secured by promissory notes. During the year ended December 31, 2020, the Company paid $8,525 and recognized a recovery of $350,346 with respect to the Settlement Agreements. During the period ended June 30, 2021, the Company recognized a recovery of $209,129 with respect to the Settlement Agreements and the severance liability was discharged by the former employees and the underlying promissory notes released.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments

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

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

Financial risk factors

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. As at June 30, 2021, the Company had cash equivalents of $5,850 (December 31, 2020 - $5,793) in term deposits. The Company considers the risk of financial loss on cash and cash equivalents to be remote.

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, 2021, the Company had a working capital of $670,578 (December 31, 2020 – working capital of $1,582,947). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's loans payable have an Initial Term Date of December 31, 2022 with the possibility of extending to December 31, 2025.

Market risk

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

a) Interest rate risk

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

b) Foreign currency risk

The Company's has established a business development team in South Korea. As such, the Company is exposed to some foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar, South Korean won and US dollar may have an adverse effect on the Company's business. The Company may mitigate its foreign currency risk by substituting Canadian vendors for certain services. Foreign currency risk is considered low relative to the overall financial operating plan.

RISK FACTORS

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

COVID-19

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

Competition

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

Development Risk

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

Limited Protection of Patents and Proprietary Rights

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

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

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

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

Infringement of Intellectual Property Rights

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

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

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

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

No Assurance of Commercial Production

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

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

Slow Acceptance of the Company's Technology

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

Sales and Distribution

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

Experimental Field

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

Technological Advancements

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

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

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

Risk of Obsolescence

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

Additional Funding Requirements

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

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

Limited Operating History

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

Lack of Operating Cash Flow

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

Exposure to Foreign Currency Exchange Rates

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

Substantial Control by Insiders

A Company shareholder beneficially owns approximately 25% of the Company's shares. (Please see section: "Control Group Voting Support, Assignment of Incentive Rights and Indemnity and Settlement Agreements" of this document for additional perspective). As a result, the shareholder will be able to influence or control matters requiring approval by the Company's shareholders, including the approval of mergers, acquisitions, or other extraordinary transactions. They may also have interests that differ from those of investors and may vote in a manner that is adverse to investors' interests. This concentration of ownership may have the effect of deterring, delaying, or preventing a change of control of the Company, could deprive the Company's shareholders of an opportunity to receive a premium for their Company Shares as part of a sale of the Company, and might ultimately affect the market price of the Company's shares.

Market for Securities and Volatility of Share Price

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

Dependence on Management and Key Personnel

The Company's management will make all decisions with respect to the Company's assets, including investment decisions and the day-to-day operations of the Company. As a result, the success of the Company for the foreseeable future will depend largely upon the ability of its management team, employees and consultants. The loss of any key individual could have a material adverse effect on the Company. If the Company lost the services of one or more of its executive officers or key employees and consultants, it would need to devote substantial resources to finding replacements, and until replacements were found, the Company would be operating without the skills or leadership of such personnel, any of which could have a significant adverse effect on the Company's business. The Company currently does not carry "key-man" life insurance policies covering any of these officers or consultants.

The future success of the Company depends in significant part on the contributions of its executive officers and scientific and technical personnel. The loss of the services of one or more key individuals may significantly delay or prevent achievement of scientific or business objectives. Competition for qualified and experienced personnel in the technology field is generally intense, and the Company will rely heavily on its ability to attract and retain qualified personnel in order to successfully implement its scientific and business objectives. The failure to attract or retain key executives and personnel could impact the Company's operations, including failure to achieve targets and advancement of the Technology.

Expansion and Growth

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

Adverse General Economic Conditions

The unprecedented events in global financial markets in the past several months have had a profound impact on the global economy. Some of the key impacts of the financial market turmoil included contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and consumer demand and unpredictable market liquidity. Similar disturbances in the financial markets or other economic conditions, including but not limited to, inflation, deflation, decreased consumer demand, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's operations. Specifically, a global credit/liquidity crisis could impact the cost and availability of financing and overall liquidity. Volatile commodity and consumables prices and currency exchange rates could impact costs and the devaluation and volatility of global stock markets could impact the valuation of the Company's equity and other securities. These and other factors could have a combined material adverse effect on the Company's financial condition and results of its operations.

Conflicts of Interest

Some of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including technology companies) and, because of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The BCBCA provides that if a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA. To the proposed management of the Company's knowledge, as at the date hereof there are no existing or potential material conflicts of interest between the Company and a proposed director or officer of the Company except as otherwise disclosed herein.

Partnerships and Collaborations

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

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

Dividends

To date, the Issuer has not paid any dividends on their outstanding shares. Any decision to pay dividends on the shares of the Company will be made by its board of directors based on the Company's earnings, financial requirements, and other conditions.

Uninsured Risks

The Company may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the Company may incur a liability to third parties (in excess of any insurance coverage) arising from any damage or injury caused by the Company's operations.

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this Management Discussion and Analysis constitute "forward-looking statements." These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified using words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Information concerning the interpretation of drill results, mineral resource and reserve estimates and capital cost estimates may also be deemed as forward-looking statements as such information constitutes a prediction of what mineralization might be found to be present and how much capital will be required if a project is developed. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in this Management Discussion and Analysis should not be relied upon. These statements speak only as of the date of this Management Discussion and Analysis. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this Management Discussion and Analysis. Such statements are based on several assumptions that may prove to be incorrect, including, but not limited to, assumptions about:

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

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

ADDITIONAL INFORMATION

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