



**NEXOPTIC TECHNOLOGY CORP.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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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**

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 8)	\$ 68,460	\$ 337,027
Accounts receivable	28,550	25,420
Prepaid expenses and deposits	32,921	55,393
	<u>\$ 129,931</u>	<u>\$ 417,840</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 1,311,804	\$ 1,004,126
<b>Loans payable (Note 3)</b>	<u>55,090</u>	<u>53,572</u>
	1,366,894	1,057,698
<b>Shareholders' equity</b>		
Share capital (Note 5)	78,375,453	78,375,453
Reserve (Note 5)	9,158,774	9,426,769
Accumulated other comprehensive income	598,686	598,204
Deficit	<u>(89,369,876)</u>	<u>(89,040,284)</u>
	<u>(1,236,963)</u>	<u>(639,858)</u>
	<u>\$ 129,931</u>	<u>\$ 417,840</u>

Approved and authorized by the Board on May 30, 2022.

"Richard Geruson"

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,**

	<b>2022</b>	<b>2021</b>
<b>EXPENSES</b>		
Research and development (Note 4)	\$ 331,976	\$ 211,834
General and administrative (Notes 4 and 6)	634,002	499,140
Business development (Note 4)	<u>124,087</u>	<u>56,030</u>
Total operating expenses	(1,090,065)	(767,004)
Accrued severance recovery (Note 6)	-	149,742
Recovery on accounts payable	-	14,358
Foreign exchange	10,092	1,333
Finance expense (Note 3)	<u>(1,518)</u>	<u>(1,356)</u>
	8,574	164,077
Net loss for the period	(1,081,491)	(602,927)
<b>OTHER COMPREHENSIVE LOSS</b>		
<b>Item that may be reclassified subsequently to profit or loss</b>		
Foreign exchange on translating foreign operations	<u>(482)</u>	<u>161</u>
Comprehensive loss for the period	<u>\$ (1,081,009)</u>	<u>\$ (602,766)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.01)</u>	<u>(0.00)</u>
<b>Weighted average number of common shares outstanding</b>	<u>147,431,150</u>	<u>147,296,150</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,**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (1,081,491)	\$ (602,927)
Non-cash items:		
Accrued finance expense	1,518	1,356
Recovery on accounts payable	-	(14,358)
Severance liability recovery	-	(149,742)
Share-based payments	483,904	137,370
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	308,845	6,727
Accounts receivable	(3,264)	32,998
Prepaid expenses and deposits	22,451	8,230
	<u>(268,037)</u>	<u>(580,346)</u>
<b>Effect of foreign exchange on cash</b>	(530)	-
<b>Change in cash and cash equivalents during the period</b>	(268,567)	(580,346)
<b>Cash and cash equivalents, beginning of the period</b>	<u>337,027</u>	<u>2,338,615</u>
<b>Cash and cash equivalents, end of the period</b>	<u>\$ 68,460</u>	<u>\$ 1,758,269</u>

There were no significant non-cash investing or financing activities for the periods ended March 31, 2022 and 2021.

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' EQUITY (DEFICIENCY)**

(Unaudited)

(Expressed in Canadian Dollars)

	<u>Share Capital</u>		<u>Reserve</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Deficit</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>				
<b>Balance, December 31, 2020</b>	147,296,150	\$ 78,255,444	\$ 9,493,272	\$ 601,058	\$ (86,826,250)	\$ 1,523,524
Share-based payments	-	-	137,370	-	-	137,370
Net loss and comprehensive loss for the period	-	-	-	161	(602,927)	(602,766)
<b>Balance, March 31, 2021</b>	147,296,150	\$ 78,255,444	\$ 9,630,642	\$ 601,219	\$ (87,429,177)	\$ 1,058,128
Options exercised	135,000	120,009	(53,909)	-	-	66,100
Expiry of options	-	-	(788,299)	-	788,299	-
Expiry of warrants	-	-	(314,300)	-	314,300	-
Share-based payments	-	-	952,635	-	-	952,635
Net loss and comprehensive loss for this period	-	-	-	(3,015)	(2,713,706)	(2,716,721)
<b>Balance, December 31, 2021</b>	147,431,150	\$ 78,375,453	\$ 9,426,769	\$ 598,204	\$ (89,040,284)	\$ (639,858)
Option expired	-	-	(605,588)	-	605,588	-
Warrants expired	-	-	(146,311)	-	146,311	-
Share-based payments	-	-	483,904	-	-	483,904
Net loss and comprehensive loss for the period	-	-	-	482	(1,081,491)	(1,081,009)
<b>Balance, March 31, 2022</b>	147,431,150	\$ 78,375,453	\$ 9,158,774	\$ 598,686	\$ (89,369,876)	\$ (1,236,963)

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, 2022**

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### **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 \$1,081,491 (2021 - \$602,927) for the three months ended March 31, 2022 and had an accumulated deficit of \$89,369,876 (December 31, 2021 - \$89,040,284) as at March 31, 2022. 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. By January 2020, the Company had moved its personnel to remote working environments and experienced minimal disruption to ongoing operations. The Company anticipates that travel bans and self-imposed quarantine periods will continue to inhibit some measure of operational efficiency for some time. It is not possible to reliably estimate the length and severity of these conditions and the impact on the condition of the Company in future periods.

### **2. BASIS OF PREPARATION**

#### **Statement of compliance**

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, 2021.

#### **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, 2022**

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

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

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Red Hill Energy Inc. ("Red Hill") which operates in the United States and Spectrum Optix Inc. ("Spectrum") which operates in Canada. All material intercompany transactions have been eliminated upon consolidation. A subsidiary is an entity over which the Company has control, where control indicates exposure or rights to variable returns and the ability to affect those returns through power over the investee. In the three months ended March 31, 2022, the Company incorporated its wholly owned subsidiary NexOptic Asia Ltd., which is domiciled in South Korea, and has the functional currency of the South Korean won (KRW).

### **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, 2022.

- **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.

- **Canada Emergency Business Account loan ("CEBA loan")**

In determining the initial fair value of the CEBA loan, the Company applied judgment to assume that the Company would repay \$60,000 by December 31, 2022 and the Company used a discount rate of 12%, an estimate of its incremental borrowing interest rate.



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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2022****2. BASIS OF PREPARATION (cont'd...)****Use of judgments and estimates (cont'd...)**

- Share-based payments and compensation

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

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted for share-based payments made to employees or others providing similar services. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying common shares, the expected life of the share option or warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 5.

**3. LOANS PAYABLE**

In the year ended December 31, 2020, the Company received two \$40,000 revolving lines of credit as part of the Canada Emergency Business Account (CEBA) program due to COVID-19. The loans are interest-free and require no principal payments until December 2022 ("Initial Term Date"). The loan can be extended to December 2025 and 25% (\$20,000) will be forgiven if the principal is repaid before the Initial Term Date. If the loan is extended past the Initial Term Date, it will carry an interest rate of 5% per annum beginning January 1, 2023 until the loan is repaid in full or the maximum maturity date of December 31, 2025. The Company has recognized the forgiveness in the year ended December 31, 2020 as the Company intends, with reasonable assurance, to repay the loans prior to the Initial Term Date. As at March 31, 2022, the Company has not made a payment to the loan. The loans have been discounted using an incremental borrowing rate of 12%. On January 22, 2022, the Initial Term Date has been extended to December 31, 2023. The reconciliation of the loans payable is as follows:

<b>Loans payable</b>	
<b>Balance, December 31, 2020</b>	\$ 47,832
Accrued finance expense	5,740
<b>Balance, December 31, 2021</b>	53,572
Accrued finance expense	7,258
<b>Balance, March 31, 2022</b>	\$ 55,090

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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2022****4. OPERATING EXPENSES**

	For the three months ended March 31,	
	2022	2021
<b>Research and Development</b>		
Engineering and design	\$ 82,674	\$ 85
Professional fees	22,835	45,670
Tax credits and recoveries	(18,928)	-
Salaries	88,054	68,890
Share-based payments (Notes 5 and 6)	148,231	74,987
Supplies and resources	5,245	20,240
Travel	3,865	1,962
	<u>\$ (331,976)</u>	<u>\$ (211,834)</u>
	For the three months ended March 31,	
	2022	2021
<b>General and Administrative</b>		
Consulting fees (Note 6)	\$ 111,327	\$ 149,788
Insurance	18,000	9,500
Investor relations	42,005	84,055
Office and administration	28,931	26,297
Professional fees (Note 6)	11,765	18,418
Property costs	46,136	-
Salaries (Note 6)	55,521	53,570
Share-based payments (Notes 5 and 6)	280,392	62,383
Shareholder communications and filings	25,608	35,433
Sales and marketing	12,100	57,740
Travel	2,217	1,956
	<u>\$ (634,002)</u>	<u>\$ (499,140)</u>
	For the three months ended March 31,	
	2022	2021
<b>Business development (Korea office)</b>		
Office supplies	\$ 954	\$ 6,502
Professional fees and services	33,109	-
Salaries	33,078	47,319
Share-based payments (Notes 5 and 6)	55,279	-
Travel	1,667	2,209
	<u>\$ (124,087)</u>	<u>\$ (56,030)</u>

**5. SHARE CAPITAL AND RESERVE**

## a) Authorized Share Capital

Unlimited number of common shares without par value.

## b) Issued Share Capital

The Company did not complete any private placements in the period ended March 31, 2022 or year ended December 31, 2021.

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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2022****5. SHARE CAPITAL AND RESERVE (cont'd...)**

## c) 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 26,486,230 common shares for issuance under the Option Plan and 3,000,000 common shares under the Incentive Plan. The Incentive Plan allows for the issuance of stock appreciation rights, deferred share units, restricted share units and other share-based awards.

## d) Stock Options

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2020	20,255,000	\$ 0.57
Exercised	(135,000)	0.49
Expired	(1,610,000)	0.76
Granted	<u>1,840,000</u>	<u>0.75</u>
Balance, December 31, 2021	20,350,000	0.45
Expired	<u>(1,140,000)</u>	<u>0.67</u>
Balance outstanding, March 31, 2022	19,210,000	\$ 0.56
Balance exercisable, March 31, 2022	16,783,750	\$ 0.57

Stock options outstanding as at March 31, 2022:

	Number outstanding	Number exercisable	Exercise price	Expiry date
<b>Options</b>	1,345,000	1,345,000	1.75 <sup>(1)</sup>	June 7, 2022
	1,035,000	1,035,000	1.15	November 20, 2022
	300,000	300,000	1.00	June 26, 2023
	50,000	50,000	0.70	December 19, 2023
	1,100,000	1,100,000	0.65	January 30, 2024
	1,840,000	696,250	0.75	September 29, 2026
	<u>13,540,000</u>	<u>12,257,500</u>	<u>0.36</u>	May 26, 2030
	19,210,000	16,783,750		

(1) Expired unexercised subsequent to period end.

As at March 31, 2022, the outstanding stock options had a weighted average remaining life of 6.36 (December 31, 2021 – 6.46) years.

## e) Restricted Share Units

	Number of Restricted Share Units	Weighted average fair value per share at grant date
Balance, December 31, 2020	-	\$ -
Granted	<u>1,500,000</u>	<u>0.74</u>
Balance outstanding, December 31, 2021 and March 31, 2022	1,500,000	\$ 0.74
Balance vested, March 31, 2022	-	\$ -

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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2022****5. SHARE CAPITAL AND RESERVE (cont'd...)****e) Restricted Share Units (cont'd...)**

The Restricted Share Units ("RSUs") have time-based vesting conditions which mature on September 29, 2022.

**f) Share-Based Payments**

The Company recognized share-based payments expense of \$210,203 (2021 - \$137,370) for options vesting during the period ended March 31, 2022.

Share-based payments expense is estimated using the following assumptions. The expected volatility assumption is based on the historical and implied volatility of the Company's common share price on the TSX-V. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares.

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

	2022	2021
Risk-free interest rate	-	1.45%
Expected life of options	-	8.9 years
Expected annualized volatility	-	94.0%
Dividend rate	-	-
Forfeiture rate	-	-

*Restricted Share Units*

As the performance conditions of the RSU granted were not market-related, the fair value per RSU used to calculate compensation expense for the RSU granted is determined to be \$0.74, equal to the market price on the date of grant.

*Share-based payments expense*

The share-based payments expense for the year was allocated as follows:

	Stock option expense	RSU expense	Total share-based payments expense
For the period ended March 31, 2022			
Research and development	\$ 125,423	\$ 22,808	\$ 148,231
General and administrative	29,502	250,890	280,392
Business development	<u>55,278</u>	<u>-</u>	<u>55,279</u>
	<u>\$ 210,203</u>	<u>\$ 273,699</u>	<u>\$ 483,902</u>
For the period ended March 31, 2021			
Research and development	\$ 74,987	\$ -	\$ 74,987
General and administrative	<u>62,383</u>	<u>-</u>	<u>62,383</u>
	<u>\$ 137,370</u>	<u>\$ -</u>	<u>\$ 137,370</u>

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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2022****5. SHARE CAPITAL AND RESERVE (cont'd...)**

## g) Warrants and Conditional Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2020	1,379,539	\$ 1.46
Expired	(404,923)	1.12
Balance, December 31, 2021	974,616	\$ 1.60
Expired	(226,154)	1.12
Balance outstanding, March 31, 2022	748,462	\$ 1.75
Balance exercisable, March 31, 2022	-	\$ -

Warrants and Conditional Warrants outstanding as at March 31, 2022:

	Number outstanding	Number exercisable	Exercise price	Expiry date
<b>Warrants</b>	748,462	-	\$ 1.75 <sup>(1)</sup>	June 7, 2022

<sup>(1)</sup> 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.

## h) Custodial and Rights Agreement and Voting Support Agreement

The Company entered into a custodial and rights agreement ("Rights Agreement") with Computershare Trust Company of Canada ("Computershare"), as custodial agent whereby 3DB, Inc. ("3DB"), a private company jointly owned by the former CEO and former Chairman, has deposited 8,000,000 shares of the Company held by Computershare. 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 Rights 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.

The Company entered into a voting support agreement ("Support Agreement") with 3DB. 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 6). The shares deposited under the Rights Agreement are subject to the Support Agreement.

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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2022****6. RELATED PARTY TRANSACTIONS****Management Compensation**

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:

<b>Payments to key management personnel</b>	<b>2022</b>	<b>2021</b>
Consulting fees – general and administrative	\$ 54,391	\$ 110,098
Salaries and short-term benefits – general and administrative	45,000	45,000
Share-based payments to officers – general and administrative	114,404	23,231
Share-based payments to directors – general and administrative	133,563	31,554

During the three months ended March 31, 2022, the Company was charged legal fees, included in professional fees, of \$5,651 (2021 - \$8,088) by S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee.

As at March 31, 2022, the Company had balances outstanding with related parties of \$280,125 (December 31, 2021 - \$204,867) included in accounts payable and accrued liabilities. These balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

**Settlement Agreements**

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 5(h)) 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 was non-interest bearing and 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 year ended December 31, 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.

**7. 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. The loans payable are carried at amortized cost and carried at the Company's estimated 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 March 31, 2022, the Company had cash equivalents of \$68,460 (December 31, 2021 - \$nil) 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.

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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2022****7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)****Financial Risk Factors (cont'd...)***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, 2022, the Company had a working capital deficiency of \$1,181,873 (December 31, 2021 – \$586,286). 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, 2023 with the possibility of extending to December 31, 2025.

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.

As at March 31, 2022, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent	
US dollar	\$	(701,481)	\$	(876,571)
South Korean won	₩	30,758,814	\$	31,650

**8. CAPITAL MANAGEMENT**

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company's capital structure includes shareholders' equity of deficiency \$1,236,963 (December 31, 2021 – deficiency of \$639,858). 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, 2022.