



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

**FOR THE THREE MONTHS ENDED MARCH 31, 2023**

**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, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 362,296	\$ 762,336
Accounts receivable	9,994	45,233
Prepaid expenses and deposits	<u>154,502</u>	<u>201,725</u>
	<u>\$ 526,792</u>	<u>\$ 1,009,294</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 1,558,174	\$ 1,920,484
Loans payable (Note 3)	<u>60,000</u>	<u>60,000</u>
	<u>1,618,174</u>	<u>1,980,484</u>
<b>Employee obligation</b>	<u>18,365</u>	<u>16,494</u>
	<u>1,636,539</u>	<u>1,996,978</u>
<b>Shareholders' deficiency</b>		
Share capital (Note 5)	82,039,470	81,604,286
Reserve (Note 5)	6,165,654	5,862,692
Accumulated other comprehensive income	597,157	599,106
Deficit	<u>(89,912,028)</u>	<u>(89,053,768)</u>
	<u>(1,109,747)</u>	<u>(987,684)</u>
	<u>\$ 526,792</u>	<u>\$ 1,009,294</u>

Approved and authorized by the Board on May 29, 2023.

"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>2023</b>	<b>2022</b>
<b>EXPENSES</b>		
Research and development (Note 4)	\$ 165,267	\$ 331,976
General and administrative (Notes 4 and 6)	590,888	634,002
Business development (Note 4)	<u>100,245</u>	<u>124,087</u>
Total operating expenses	(826,400)	(1,090,065)
Foreign exchange	(1,860)	10,092
Finance expense (Note 3)	<u>-</u>	<u>(1,518)</u>
	(1,860)	8,574
Net loss for the period	(858,260)	(1,081,491)
<b>OTHER COMPREHENSIVE LOSS</b>		
<b>Item that may be reclassified subsequently to profit or loss</b>		
Foreign exchange on translating foreign operations	<u>(1,949)</u>	<u>482</u>
<b>Comprehensive loss for the period</b>	<b>\$ (860,209)</b>	<b>\$ (1,081,009)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>193,350,322</b>	<b>147,431,150</b>

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>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (858,260)	\$ (1,081,491)
Non-cash items:		
Accrued finance expense	-	1,518
Share-based payments	302,962	483,904
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	73,162	308,845
Accounts receivable	35,124	(3,264)
Prepaid expenses and deposits	47,221	22,451
Employee obligation	1,871	-
	<u>(397,920)</u>	<u>(268,037)</u>
<b>Effect of foreign exchange on cash</b>	(2,120)	(530)
<b>Change in cash and cash equivalents during the period</b>	(400,040)	(268,567)
<b>Cash and cash equivalents, beginning of the period</b>	<u>762,336</u>	<u>337,027</u>
<b>Cash and cash equivalents, end of the period</b>	<u>\$ 362,296</u>	<u>\$ 68,460</u>
<b>Supplementary cash flow information:</b>		
Shares issued for debt	\$ 436,961	\$ -
Share issue costs in accounts payable and accrued liabilities	1,777	-
Interest paid	-	-
Taxes paid	-	-

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

**NEXOPTIC TECHNOLOGY CORP.**
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Unaudited)

(Expressed in Canadian Dollars)

	<u>Share Capital</u>		Reserve	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount				
<b>Balance, December 31, 2021</b>	147,431,150	\$ 78,375,453	\$ 9,426,769	\$ 598,204	\$ (89,040,284)	\$ (639,858)
Expiry of options	-	-	(605,588)	-	605,588	-
Expiry of warrants	-	-	(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)
Private placement	39,564,053	2,225,478	-	-	-	2,225,478
Share issuance costs	-	(106,645)	28,604	-	-	(78,041)
RSU exercised	1,500,000	1,110,000	(1,110,000)	-	-	-
Option expired	-	-	(2,715,529)	-	2,715,529	-
Warrants expired	-	-	(400,650)	-	400,650	-
Share-based payments	-	-	901,493	-	-	901,493
Net loss and comprehensive loss for the period	-	-	-	420	(2,800,071)	(2,799,651)
<b>Balance, December 31, 2022</b>	188,495,203	\$ 81,604,286	\$ 5,862,692	\$ 599,106	\$ (89,053,768)	\$ (987,684)
Shares for debt	6,772,472	436,961	-	-	-	436,961
Share issuance costs	-	(1,777)	-	-	-	(1,777)
Share-based payments	-	-	302,962	-	-	302,962
Net loss and comprehensive loss for the period	-	-	-	(1,949)	(858,260)	(860,209)
<b>Balance, March 31, 2023</b>	195,217,675	\$ 82,039,470	\$ 6,165,654	\$ 597,157	\$ (89,912,028)	\$ (1,109,747)

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, 2023 AND 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 consolidated 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 \$858,260 (2022 - \$1,081,491) and had an accumulated deficit of \$89,912,028 (December 31, 2022 - \$89,053,767) and a working capital deficiency of \$1,091,382 (December 31, 2022 - \$971,190) as at March 31, 2023. 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 curtail certain expenses. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

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

#### **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, 2022.

#### **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.

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, NexOptic Asia Ltd. (“NexOptic Asia”) which is domiciled in South Korea, 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.

## NEXOPTIC TECHNOLOGY CORP.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

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

### 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 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 consolidated 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, 2023.

- 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.

- 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. The maturity date has been extended to December 31, 2023.

- 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.



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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022****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 December 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, 2021</b>	\$	53,572
Accrued finance expense		6,428
<b>Balance, December 31, 2022 and March 31, 2023</b>	\$	60,000

**4. OPERATING EXPENSES**

<b>Research and Development</b>	<b>2023</b>	<b>2022</b>
Engineering and design	\$ -	\$ 82,674
Professional fees	49,801	22,835
Tax credits and recoveries	(51,522)	(18,928)
Salaries	74,975	88,054
Share-based payments (Notes 5)	89,019	148,233
Supplies and resources	-	5,243
Travel	2,994	3,865
	<u>\$ (165,267)</u>	<u>\$ (311,976)</u>
<b>General and Administrative</b>	<b>2023</b>	<b>2022</b>
Consulting fees (Note 6)	\$ 55,909	\$ 111,327
Insurance	6,750	18,000
Investor relations	166,881	42,005
Office and administration	24,744	28,931
Professional fees (Note 6)	30,126	11,765
Property costs	-	46,136
Salaries (Note 6)	64,298	55,521
Share-based payments (Notes 5 and 6)	184,255	280,392
Shareholder communications and filings	21,476	25,608
Sales and marketing	29,529	12,100
Travel	6,920	2,217
	<u>\$ (590,888)</u>	<u>\$ (634,002)</u>

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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022****4. OPERATING EXPENSES (cont'd...)**

<b>Business development (Korea office)</b>	<b>2023</b>	<b>2022</b>
Office supplies	\$ 7,825	\$ 954
Professional fees and services	4,608	33,109
Salaries and benefits	56,134	33,078
Share-based payments (Note 5)	29,688	55,279
Travel	1,990	1,667
	<u>\$ (100,245)</u>	<u>\$ (124,087)</u>

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

Unlimited number of common shares without par value.

**b) Issued Share Capital**

*Period ended March 31, 2023*

The Company completed the settlement of an aggregate of \$436,961 in debt owed to various parties, including \$333,621 in advances made to the Company by its CEO. An aggregate of 6,722,472 common shares were issued at a price of \$0.065 (Note 6).

*Year ended December 31, 2022*

In the year ended December 31, 2022, the Company completed a non-brokered private placement of 39,564,053 units ("Units") for gross proceeds of \$2,225,478. Each Unit comprised one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.12 per share for a period of 24 months, subject to acceleration provisions. The Company paid finders' fees of \$32,032, incurred other share issuance costs of \$46,005 and issued 569,462 finders' warrants on the same terms as the Unit warrant. The finders' warrants were valued at \$28,604 using the following Black-Scholes methodology inputs: risk-free interest rate of 4.18%, term of 2 years, volatility of 118.96% and dividend rate of 0%.

**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 32,699,040 common shares for issuance under the Option Plan and 4,000,000 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.

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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022****5. SHARE CAPITAL AND RESERVE (cont'd...)****d) Stock Options**

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2021	20,350,000	\$ 0.57
Expired	<u>(3,520,000)</u>	<u>1.22</u>
Balance, December 31, 2022 and March 31, 2023 <sup>(1)</sup>	16,830,000	\$ 0.10
Balance exercisable, March 31, 2023 <sup>(1)</sup>	16,176,250	\$ 0.10

Stock options outstanding as at March 31, 2023:

	Number outstanding	Number exercisable	Exercise price	Expiry date
<b>Options</b>	300,000	300,000	\$ 0.10 <sup>(1)</sup>	June 26, 2023
	50,000	50,000	0.10 <sup>(1)</sup>	December 19, 2023
	1,100,000	1,100,000	0.10 <sup>(1)</sup>	January 30, 2024
	1,840,000	1,458,750	0.10 <sup>(1)</sup>	September 29, 2026
	<u>13,540,000</u>	<u>13,267,500</u>	0.10 <sup>(1)</sup>	May 26, 2030
	16,830,000	16,176,250		

(1) During the period ended March 31, 2023, exercise price was amended to \$0.10 as approved at the annual general meeting on January 10, 2023.

As at March 31, 2023, the outstanding stock options had a weighted average remaining life of 6.20 (December 31, 2022 – 6.45) years.

**e) Restricted Share Units**

	Number of Restricted Share Units	Weighted average fair value per share at grant date
Balance, December 31, 2021	1,500,000	\$ 0.74
Shares issued	<u>(1,500,000)</u>	<u>0.74</u>
Balance December 31, 2022 and March 31, 2023	-	\$ -

**f) Share-Based Payments***Stock Options*

During the period ended March 31, 2023, the Company amended the exercise prices of 16,830,000 outstanding stock options to \$0.10. This resulted in additional share-based payments expense of \$250,795 for the period ended March 31, 2023. The weighted average assumptions used for the Black-Scholes valuation of the modified options were annualized volatility of 108.26%, risk-free interest rate of 3.20%, expected life of 6.42 years and a dividend rate of Nil%.

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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022****5. SHARE CAPITAL AND RESERVE (cont'd...)**

## f) Share-Based Payments (cont'd...)

*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, 2023			
Research and development	\$ 89,019	\$ -	\$ 89,019
General and administrative	184,255	-	184,255
Business development	<u>29,688</u>	<u>-</u>	<u>29,688</u>
	\$ 302,962	\$ -	\$ 302,962

	Stock option expense	RSU expense	Total share-based payments expense
For the period ended March 31, 2022			
Research and development	\$ 125,423	\$ 22,810	\$ 148,233
General and administrative	29,502	250,890	280,392
Business development	<u>55,279</u>	<u>-</u>	<u>55,279</u>
	\$ 210,204	\$ 273,700	\$ 483,904

## g) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2021	974,616	\$ 1.60
Expired	(974,616)	1.60
Granted	<u>40,133,515</u>	<u>0.12</u>
Balance, December 31, 2022 and March 31, 2023	40,133,515	\$ 0.12
Balance outstanding and exercisable, March 31, 2023	40,133,515	\$ 0.12

Warrants outstanding as at March 31, 2023:

	Number outstanding	Number exercisable	Exercise price	Expiry date
<b>Warrants</b>	40,133,515	40,133,515	\$ 0.12	November 7, 2024

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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022****5. SHARE CAPITAL AND RESERVE (cont'd...)****h) Custodial and Rights 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.

**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>2023</b>	<b>2022</b>
Consulting fees – general and administrative	\$ 12,900	\$ 71,641
Salaries and short-term benefits – general and administrative	45,000	45,000
Share-based payments to officers – general and administrative	39,604	114,404
Share-based payments to directors – general and administrative	82,948	133,563

In the three months ended March 31, 2023, the Company repriced 9,375,000 stock options held by directors and officers of the Company resulting in additional share-based payments expense of \$118,076 for key management personnel.

During the three months ended March 31, 2023, the Company was charged legal fees, included in professional fees, of \$16,459 (2022 - \$5,651) by S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee.

As at March 31, 2023, the Company had balances outstanding with related parties of \$397,557 (December 31, 2022 - \$688,029) included in accounts payable and accrued liabilities. The Company had a prepayment balance of \$31,206 with an officer of the Company. These balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

In the three months ended March 31, 2023, the Company issued 5,132,626 common shares to Paul McKenzie, CEO, for the settlement of amounts payable of \$333,621.

**7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****Financial Instruments**

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and employee obligation 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.

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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022****7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)****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. The Company considers the risk of financial loss on cash and cash equivalents to be remote. The Company's receivables consist materially of GST input tax credits recoverable from the government of Canada. The Company considers credit risk with respect to these amounts to be low.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2023, the Company had a working capital deficiency of \$1,091,382 (December 31, 2022 – \$971,190). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Employee obligations are due upon departure of the related employee. 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*

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. The Company is not exposed to any substantial interest rate risk and does not rely on interest income for its operations. Risk with respect to interest rates is considered low.

## 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 moderate relative to the overall financial operating plan with an increase in the current year relative to changing economic conditions and the Company's current reliance on certain foreign vendors.

As at March 31, 2023, the Company's net foreign denominated financial liabilities are as follows:

	Foreign currency		Canadian dollar equivalent
US dollar	\$	(861,876)	\$ (1,166,376)
South Korean won	₩	(19,550,368)	\$ (20,274)

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

(Unaudited)

(Expressed in Canadian Dollars)

**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

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**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 \$1,091,747 (December 31, 2022 – deficiency of \$987,684). 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, 2023.