

NEXE Innovations Inc.
(formerly Whatcom Capital Corp.)

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended February 28, 2021

(Unaudited Expressed in Canadian Dollars)

NEXE Innovations Inc. (formerly Whatcom Capital Corp.)
Consolidated Condensed Interim Statements of Financial Position
(Unaudited Expressed in Canadian Dollars)

	Note	February 28, 2021	May 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 19,797,860	\$ 3,311,463
Term deposits	5	30,000	14,000
Other receivables		421,491	274,718
Due from related parties	11	32	32
Prepaid expenses and deposits		1,027,621	931
Total current assets		21,277,003	3,601,144
Non-current assets			
Prepaid expenses and deposits		1,049,901	761,260
Plant and equipment	6	3,568,175	2,585,563
Intangible assets	7	1,143,414	1,694,740
Total non-current assets		5,761,489	5,041,563
Total assets		\$ 27,038,492	\$ 8,642,707
LIABILITIES			
Current liabilities			
Current portion of Government loan payable	8	\$ 500,004	\$ 208,335
Trade and other payables		1,799,052	664,793
Due to related parties	11	15,074	15,074
Total current liabilities		2,314,130	888,202
Non-current liabilities			
Government loan payable	8	1,007,137	1,254,214
Total liabilities		3,321,267	2,142,416
Shareholder's equity			
Share capital	9	30,837,958	11,141,565
Subscription receipts received		56,681	-
Share option reserve	10	1,084,482	836,639
Contributed surplus	10	5,857,628	411,678
Deficit		(14,119,526)	(5,889,591)
Total equity		23,717,224	6,500,291
Total liabilities and shareholders' equity		\$ 27,038,492	\$ 8,642,707

Nature of operations and going concern (Note 1)
Commitments (Note 16)
Subsequent events (Note 17)

Approved and authorized on behalf of the Board:

"Darren Footz"

Director

"Ash Guglani"

Director

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

NEXE Innovations Inc. (formerly Whatcom Capital Corp.)
Consolidated Condensed Interim Statements of Loss and Other Comprehensive Loss
(Unaudited Expressed in Canadian Dollars)

	Note	Three months ended		Nine months ended	
		February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Administrative		71,268	21,016	152,637	59,374
Advisory and consulting fees	11	1,468,828	112,623	2,383,137	214,319
Advertising and media		1,345,906	30,880	1,442,037	64,102
Contractor expense		37,100	16,314	37,100	38,474
Depreciation	6	100,314	56,903	192,898	170,707
Interest expense	8	104,368	48,811	296,763	145,177
Legal expense		31,970	90,434	156,326	118,680
Transfer Agent & Regulatory		63,334	-	63,334	-
Meals and Entertainment		36,029	6,670	52,169	13,995
Rent expense		-	-	-	-
Property tax		21,142	40,092	30,431	40,092
Research and development		129,166	20,235	176,553	39,854
Salary	11	260,783	116,408	372,975	244,122
Stock based compensation	10	82,614	81,000	247,843	251,102
Travel expense		9,455	28,448	22,358	51,885
Total operating expenses		3,762,278	669,835	5,626,561	1,451,883
Operating loss before other items		3,762,278	669,835	5,626,561	1,451,883
Other items					
Listing expense	4	2,614,701	-	2,614,701	-
Foreign exchange loss		(7,862)	-	(7,840)	-
Interests/(other income)		(3,103)	(20,135)	(3,194)	(20,135)
		2,603,735	(20,135)	2,603,666	(20,135)
Loss and other Comprehensive loss for the period		6,366,013	649,700	8,230,228	1,431,748
Basic and diluted loss per share	9	0.10	0.04	0.25	0.08
Weighted average number of shares outstanding		61,139,538	18,182,004	32,343,829	18,182,004

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

NEXE Innovations Inc. (formerly Whatcom Capital Corp.)
Consolidated Condensed Interim Statements of Changes in Shareholders' Equity
(Unaudited Expressed in Canadian Dollars)

	Number of Common Shares	Common Share Capital	Number of Preferred Shares	Preferred Share Capital	Option Reserve	Contributed Surplus	Deficit	Total Equity
Balance, May 31, 2019	18,182,004	\$ 23,715	16,000,044	\$ 7,757,708	\$ 504,536	\$ (516,699)	\$ (3,701,988)	\$ 4,067,272
Net loss for the period ended February 29, 2020	-	-	-	-	-	-	(1,431,748)	(1,431,748)
Share issued for private placement, net of costs	-	-	6,143,539	4,048,425	-	385,069	-	4,433,495
Stock-based compensation	-	-	-	-	251,102	-	-	251,102
Balance, February 29, 2020	18,182,004	\$ 23,715	22,143,583	\$ 11,806,134	\$ 755,638	\$ (131,630)	\$ (5,133,736)	\$ 7,320,411
Balance, May 31, 2020	18,182,004	\$ 23,715	22,791,251	\$ 11,117,850	\$ 836,639	\$ 411,678	\$ (5,889,591)	\$ 6,500,291
Net loss for the period ended February 28, 2021	-	-	-	-	-	-	(8,230,228)	(8,230,228)
Share issued for private placement, net of costs	18,651,038	7,740,196	230,383	121,619	-	5,445,950	-	13,307,765
Shares issued as fees of private placement	93,750	75,000	-	-	-	-	-	75,000
Shares issued on conversion of preferred shares	25,902,959	11,646,604	(23,647,995)	(11,646,604)	-	-	-	-
Shares issued on exercise of warrants	9,537,695	8,152,443	-	-	-	-	-	8,152,443
Shares issued to former Whatcom shareholders on RTO	4,000,000	3,200,000	-	-	-	-	-	3,200,000
Shares issued for services	-	-	626,361	407,135	-	-	-	407,135
Proceeds from exercise of options deposit	-	56,681	-	-	-	-	-	56,681
Stock based compensation	-	-	-	-	247,843	-	-	247,843
Balance, February 28, 2021	76,367,446	\$ 30,894,639	-	\$ -	\$ 1,084,482	\$ 5,857,628	\$ (14,119,526)	\$ 23,717,224

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

NEXE Innovations Inc. (formerly Whatcom Capital Corp.)
Consolidated Condensed Interim Statements of Cash Flow
(Unaudited Expressed in Canadian Dollars)

	Nine months ended	
	February 28, 2021	February 29, 2020
Cash flows from operating activities		
Net loss for the period	(8,230,228)	(1,340,540)
Items not affecting cash:		
Listing expense	2,614,701	-
Accretion	254,193	464,485
Stock based compensation	247,843	251,102
Write down of subsidiary	-	(91,208)
Depreciation of property, plant and equipment	192,898	170,707
	(4,920,593)	(545,454)
Change in non-cash working capital balances:		
Increase in other receivables	(146,773)	(27,007)
Increase/(decrease) in trade and other payables	1,133,970	51,073
Increase in bank indebtedness	-	(94,688)
Increase/(decrease) in prepaids expenses and deposits	(1,315,331)	1,316
	(5,248,727)	(614,760)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,301,192)	145,505
Investment in intangible assets	(198,674)	(120,449)
Cash acquired through RTO with Whatcom	580,287	-
	(919,579)	25,056
Cash flows from financial activities		
Purchase of term deposit	(16,000)	-
Proceeds from exercise of warrants	8,152,443	-
Proceeds from issuance of share capital	13,794,913	4,433,495
Proceeds from government grant	750,000	-
Redemption of term deposit	-	737,135
Repayment of government loan	(83,334)	-
Proceeds from exercise of options deposit	56,681	-
	22,654,703	5,170,630
Net change in cash and cash equivalents during the period	16,486,397	4,580,926
Cash and cash equivalents, beginning of the period	3,311,463	-
Cash and cash equivalents, end of the period	19,797,860	4,580,926

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

NEXE INNOVATIONS INC. (FORMERLY WHATCOM CAPITAL CORP.)
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2021
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS AND GOING CONCERN

NEXE Innovations Inc. was incorporated pursuant to the Business Corporations Act (British Columbia) on September 19, 2019 as “Whatcom Capital Corp.”. On December 15, 2020, the Company changed its name to “NEXE Innovations Inc.”. The Company’s registered and records office is located at 704 - 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5 and its head office is located at 109 – 19355 22nd Avenue, Surrey, British Columbia V3Z 3S6.

On December 15, 2020, the Company completed its acquisition of NEXE Innovations Inc., a private British Columbia company, (“NEXE”) pursuant to the terms of an amalgamation agreement dated August 11, 2020, as amended, (the “Agreement”) among the Company, the Company acquired all of the issued and outstanding securities of NEXE from NEXE’s securityholders (the “Transaction”). In conjunction with closing of the Transaction, the Company completed a consolidation on the basis of two and one-half pre-consolidation common shares of the Company were exchanged for one post-consolidation common share of the Company (the “Consolidation”). Each holder of NEXE Shares received one (1) post-Consolidation common share of the Company (a “Resulting Issuer Share”) for each NEXE Share held, each holder of NEXE Class A Preferred Shares, Series A (“Series A Shares”) received one (1) Resulting Issuer Share for each Series A Share held, each holder of NEXE Class A Preferred Shares, Series A Preferred (“Series A Preferred Shares”) received one (1) Resulting Issuer Share for each Series A Preferred Share held, and each holder of NEXE Class A Preferred Shares, Series 1 (“Series 1 Shares”) received one and one-half (1.5) Resulting Issuer Shares for each Series 1 Share held. All currently outstanding convertible securities of NEXE, including NEXE share purchase warrants and NEXE stock options were exchanged or replaced with convertible securities of the Resulting Issuer based on a 1:1 ratio and on the same economic terms and conditions as previously issued.

The Company also changed its name to NEXE Innovations Inc. on closing of the Transaction (the “Name Change”).

As the Transaction constitutes a reverse takeover, all information contained in this Prospectus relates to NEXE, being the reverse takeover acquirer.

These consolidated condensed interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue depends upon its ability to raise adequate financing and to commence profitable operations.

The Company has predominately experienced operating losses and negative operating cash flows; operations of the Company having been primarily funded by the issuance of share capital. The Company expects to incur further losses in the development of its business. Management has estimated that the Company has sufficient financing to complete current work plans; however, future development will require additional financing in order to complete and commence profitable operations. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future. See Note 17 - Subsequent Events. These factors represent a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

NEXE INNOVATIONS INC. (FORMERLY WHATCOM CAPITAL CORP.)
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2021
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

These consolidated condensed interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these condensed consolidated interim financial statements, then adjustments to the carrying values of assets and liabilities would be necessary.

	February 28, 2021	May 31, 2020
Deficit	\$ 14,119,526	\$ 5,889,591
Working capital	\$ 18,962,873	\$ 2,712,942

There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition. The Company continues to raise financing and receive government grants.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated condensed interim financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated condensed interim financial statements are for the three and nine months ended February 28, 2021 and have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB). They do not include all the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2020. The policies applied in these consolidated condensed interim financial statements are consistent with the accounting policies disclosed in Notes 2, 3 and 4 of the audited consolidated financial statements for the year ended May 31, 2020.

These consolidated condensed interim financial statements were approved and authorized for issue by the Board of Directors on April 29, 2021.

NEXE INNOVATIONS INC. (FORMERLY WHATCOM CAPITAL CORP.)
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2021
(EXPRESSED IN CANADIAN DOLLARS)

2. BASIS OF PRESENTATION (continued)

Basis of measurement

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

Functional and presentation currency

These consolidated condensed interim financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated condensed interim financial statements.

Principles of consolidation

These consolidated condensed interim financial statements include the accounts of the Company and its wholly owned subsidiaries, NEXE Technology Corp., G-Pak Holdings Ltd.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated condensed financial statements from the date that control commences until the date that control ceases.

All significant inter-company balances and transactions between the Company and its subsidiaries have been eliminated in preparing the consolidated condensed interim financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

The following new standards, amendments and interpretations have been issued but are not effective for the nine months ended February 28, 2021 and, accordingly, have not been applied in preparing these financial statements.

NEXE INNOVATIONS INC. (FORMERLY WHATCOM CAPITAL CORP.)
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2021
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 – Insurance Contracts ("IFRS 17"), that replaces IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. In June 2019, the IASB proposed an amendment to IFRS 17 providing a deferral of one year of the effective date to January 1, 2022. Early adoption is permitted. The Company is currently assessing the potential impact of this standard. Other new standards or amendments are either not applicable or not expected to have a significant impact on the Company's consolidated condensed interim financial statements.

NEWLY ADOPTED ACCOUNTING STANDARDS

The Company adopted the following accounting standards that are effective June 1, 2020, for annual accounting periods:

New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments ("IFRIC 23"). IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

Business Combinations

IFRS 3, Business Combinations – issued by the IASB in January of 2008. IASB has issued the amendments to IFRS 3, which relate to the definition of a business. The amendments are as follows:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. Early adoption of this amendment is permitted.

Management has concluded that there was no significant impact to the Company's consolidated condensed interim financial statements as a result of adopting this new standard.

Other new standards or amendments are either not applicable or not expected to have a significant impact on the Company's consolidated condensed interim financial statements.

NEXE INNOVATIONS INC. (FORMERLY WHATCOM CAPITAL CORP.)
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2021
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4. REVERSE TAKEOVER TRANSACTION

On December 15, 2020, Whatcom Capital Corp., Nexe Innovations Inc. and 1260350 BC Ltd. (a wholly owned subsidiary of Whatcom Capital Corp.), completed a three-cornered amalgamation agreement entered into on July 27, 2020 whereby each holder of NEXE Shares received one (1) post-Consolidation common share of the Company (a “**Resulting Issuer Share**”) for each NEXE Share held, each holder of NEXE Class A Preferred Shares, Series A (“**Series A Shares**”) received one (1) Resulting Issuer Share for each Series A Share held, each holder of NEXE Class A Preferred Shares, Series A Preferred (“**Series A Preferred Shares**”) received one (1) Resulting Issuer Share for each Series A Preferred Share held, and each holder of NEXE Class A Preferred Shares, Series 1 (“**Series 1 Shares**”) received one and one-half (1.5) Resulting Issuer Shares for each Series 1 Share held. All currently outstanding convertible securities of NEXE, including NEXE Warrants and NEXE Options were exchanged or replaced with convertible securities of the Resulting Issuer based on a 1:1 ratio and on the same economic terms and conditions as previously issued.

In conjunction with closing of the Transaction, Whatcom completed a consolidation on the basis of two and one-half pre-consolidation common shares were exchanged for one post-consolidation common share of Whatcom (the “**Consolidation**”).

For accounting purposes, NEXE is treated as the accounting parent company (legal subsidiary) and Whatcom as the accounting subsidiary (legal parent).

The Transaction is measured at the fair value of the shares that NEXE would have had to issue to shareholders of Whatcom to give shareholders of Whatcom the same percentage equity interest in the combined entity that results from the reverse takeover had it taken the legal form of NEXE acquiring Whatcom. The fair value of the common shares was determined to be \$0.80 based on the concurrent NEXE Private Placement and is considered as a significant estimate and judgement.

	<u>On December 15, 2020</u>	
Net assets acquired		
Cash	\$	580,287
Other current assets	\$	10,012
Accrued liabilities	\$	(5,000)
Net assets acquired	\$	585,299
Consideration		
Fair value of 4,000,000 shares of NEXE at \$0.80 per share	\$	3,200,000
Listing Expense	\$	2,614,701

5. TERM DEPOSITS

The term deposits are short-term GICs held with a Canadian bank that revolve until withdrawn, and act as collateral for the Company’s corporate credit cards.

NEXE INNOVATIONS INC. (FORMERLY WHATCOM CAPITAL CORP.)
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
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6. PLANT AND EQUIPMENT

Plant and equipment as at February 28, 2021 and May 31, 2020 were as follows:

	Computer Equipment	Furniture and Equipment	Machinery	Building Improvement	Manufacturing Facility	Land	Government Loan Benefit	Total
Net book value at May 31, 2020	\$ 2,126	\$ 611,047	\$ 989,081	\$ 49,156	\$ 1,760,025	\$ 341,270	\$ (1,167,142)	\$ 2,585,563
Additions	116	27,620	1,162,535	110,922	-	-	(125,681)	1,175,512
Depreciation	(328)	(84,355)	(147,394)	(8,403)	(75,944)	-	123,526	(192,900)
Net book value at February 28, 2021	1,914	554,311	2,004,222	151,675	1,684,081	341,270	(1,169,297)	3,568,175
Consisting of:								
Cost	6,384	893,482	2,484,030	167,499	2,025,185	341,270	(1,534,794)	4,383,056
Accumulated depreciation	(4,470)	(339,171)	(479,807)	(15,824)	(341,104)	-	365,495	(814,881)
	\$ 1,914	\$ 554,311	\$ 2,004,223	\$ 151,675	\$ 1,684,081	\$ 341,270	\$ (1,169,299)	\$ 3,568,175
Net book value at May 31, 2019	\$ 944	\$ 741,708	\$ 1,185,505	\$ 43,055	\$ 1,844,221	\$ 341,270	\$ (964,760)	\$ 3,191,943
Additions	2,347	12,143	5,339	18,691	-	-	(332,504)	(293,984)
Disposition of subsidiaries	-	(7,182)	(62,487)	(7,868)	-	-	-	(77,537)
Depreciation	(1,165)	(135,622)	(139,276)	(4,723)	(84,195)	-	130,121	(234,860)
Net book value at May 31, 2020	2,126	611,047	989,081	49,156	1,760,025	341,270	(1,167,142)	2,585,563
Consisting of:								
Cost	6,268	865,862	1,321,495	56,577	2,025,185	341,270	(1,409,113)	3,207,544
Accumulated depreciation	(4,142)	(254,815)	(332,413)	(7,421)	(265,160)	-	241,969	(621,981)
	\$ 2,126	\$ 611,047	\$ 989,082	\$ 49,156	\$ 1,760,026	\$ 341,270	\$ (1,167,144)	\$ 2,585,563

7. INTANGIBLE ASSETS

Intangible assets as at February 28, 2021 and May 31, 2020 were as follows:

Amortization will be recorded for intangible assets upon commencement of production for past research stage and development assets. The intangible asset has been determined to have a useful life of 13 years from the commencement of production. During the nine months ended February 28, 2021, the Company received from the Governmental grants totaling \$1,000,000, which have been recorded as an offset Intangible Asset.

	February 28, 2021	May 31, 2020
Patents	\$ 161,188	\$ 78,980
Intangible Asset	982,226	1,615,761
Net book value	\$ 1,143,414	\$ 1,694,740

NEXE INNOVATIONS INC. (FORMERLY WHATCOM CAPITAL CORP.)
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
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 (EXPRESSED IN CANADIAN DOLLARS)

8. GOVERNMENT LOAN PAYABLE

During the year ended May 31, 2017, the Company was approved to receive up to \$2,500,000 of loans from Western Economic Diversification Canada. The project costs include but are not limited to:

- Equipment costs
- Production materials
- Salary for employees who devoted time to the project
- Travel costs
- Contractors and professional fees
- Production testing costs
- Manufacturing facility leasehold improvement costs

The Company drew down its final tranche of the loan during the year ended May 31, 2020 in the amount of \$580,590. The Company is required to make repayments of \$41,667, which were to commence August 1, 2020, however an extension for repayment was granted to January 1, 2021 and maturity was extended to December 31, 2026. As at February 28, 2021, the current portion of the loan repayable is \$500,004 and has been recorded in the current liabilities section of the consolidated condensed interim statements of financial position. Compounded interest of 3% plus the average prime bank rate accrues monthly during the period beginning of due date of repayments. Therefore, the loan, at inception, was considered as an interest free loan and the difference between the fair value of the loan and the principal was credited against plant and equipment.

Government loan - May 31, 2019	\$	996,929
Loan received		580,590
Accretion		217,533
Grant portion		(332,503)
Government loan - May 31, 2020	\$	1,462,549
Accretion		267,076
Repayment		(83,334)
Payment extension adjustment		(139,149)
Government loan - February 28, 2021	\$	1,507,141

9. SHARE CAPITAL

Authorized:

Common Shares: unlimited without par value

NEXE INNOVATIONS INC. (FORMERLY WHATCOM CAPITAL CORP.)
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
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9. SHARE CAPITAL (continued)

Issued and outstanding:

During the nine months ended February 28, 2021, the Company issued 17,710,703 units at a price of \$0.80 per Unit raising gross proceeds of \$14,168,562. Each Unit comprised of one common share and one-half of one share purchase warrant, each whole warrant is exercisable into one common share of the Company at a price of \$1.00 per share until December 15, 2021. During the nine months ended February 28, 2021, 13,361,657 warrants were exercised. Prior to December 15, 2020, the Company issued 230,383 (2020: 3,153,718) units at a price of \$0.65 per Unit, raising gross proceeds of \$149,749 (2020: \$2,049,917). Each Unit is comprised of one Class A Series A preferred share (the "Preferred Shares") and one share purchase warrant (the "Warrants"), with each Warrant is exercisable into one Preferred Share of the Company at a price of \$1.10 per share for a period of two years from the issuance date. The Company issued 940,335 broker shares and recorded \$982,416 in share issuance costs during the nine months ended February 28, 2021.

As at February 28, 2021, the Company has 76,367,446 (May 31, 2020: 18,182,004) common shares after conversion of all other classes of shares namely Class A, Series 1 shares, Class A, Series A and Class A Series A preferred shares.

During the year ended May 31, 2020, the Company issued 6,791,207 units (the "Units") at a price of \$0.65 per Unit, raising gross proceeds of \$4,414,285. Each Unit is comprised of one Class A Series A preferred share (the "Preferred Shares") and one share purchase warrant (the "Warrants"), with each Warrant exercisable into one Preferred Share of the Company at a price of \$1.10 per share for a period of two years from the issuance date. In connection with the financing, the Company paid cash issuance costs of \$125,766 and issued a total of 332,052 brokers' warrants, with a fair value of \$75,711, exercisable under the same terms of the Warrants.

10. STOCK OPTIONS AND WARRANTS

Continuity of the Company's share purchase warrants issued and outstanding was as follows:

	February 28, 2021		May 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	7,311,425	\$ 1.10	187,866	\$ 1.10
Issued	13,361,657	0.82	7,123,559	1.08
Exercised	(9,537,695)	(0.85)	-	
Outstanding, end of the period	11,135,387	\$ 0.82	7,311,425	\$ 1.08

The weighted average remaining life of warrants outstanding as at February 28, 2021 is 0.9 year (May 31, 2020: 1.9 years).

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10. STOCK OPTIONS AND WARRANTS (continued)

The following assumptions were used for the Black-Scholes valuation of warrants issued during the period ended:

	February 28, 2021	May 31, 2020
Risk-free interest rate	0.20 - 1.06%	1.06%
Expected life of warrants	12-24 months	24 months
Share price	\$0.80	\$0.65
Annualized volatility	90%	62.89%
Dividend rate	0.00%	0.00%

Valuation based on assumptions:

Fair value per warrant issued	\$0.13 - \$0.30	\$0.13 - \$0.23
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Continuity of the Company's stock options issued and outstanding was as follows:

	February 28, 2021		May 31, 2020	
	Number of options (#)	Weighted average exercise price	Number of options (#)	Weighted average exercise price
Outstanding, beginning of year	4,294,020	\$ 0.51	2,285,492	\$ 0.38
Granted	700,000	0.65	2,370,000	0.63
Forfeited/cancelled	-	-	(361,472)	0.53
Outstanding, end of period	4,994,020	\$ 0.53	4,294,020	\$ 0.51

As at February 28, 2021, the following stock options were outstanding and exercisable with an average remaining life of 3.25 years (May 31, 2020: 2.31 years):

Exercise price (\$)	Number of options outstanding	Expiry date	Number of options vested and exercisable
0.28	1,283,788	From Sept 30, 2021 to Jan 31, 2022	1,268,698
0.53	160,000	From Feb 17, 2022 to Jul 27, 2022	148,882
0.53	480,232	March 31, 2024	475,439
0.63	2,370,000	From Oct 9, 2025 to Feb 3, 2026	645,592
0.65	700,000	June 1, 2026	-
0.53	4,994,020		2,538,611

The following assumptions were used for the Black-Scholes valuation of stock options granted during the period ended:

	February 28, 2021	May 31, 2020
Risk-free interest rate	1.50%	0.56 - 1.60%
Expected life of options	60 months	72 months
Share price	\$0.65	\$0.65
Annualized volatility	75%	60%
Dividend rate	0.00%	0.00%

Valuation based on assumptions:

Fair value per options granted	\$0.427	\$0.35 - \$0.39
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11. RELATED PARTY TRANSACTIONS

The related party transactions are in the normal course of operations and have been valued in these consolidated condensed interim financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions not disclosed elsewhere in these consolidated condensed interim financial statements are listed below.

During the nine months ended February 28, 2021, the Company paid consulting fees of \$431,500 (2020: \$62,000), including \$225,000 (2020: nil) in success bonus, to the President of the Company, \$71,000 (2020: \$14,000) of consulting fees to the CFO of the Company, \$263,500 (2020: 54,375) in consulting fees, including \$225,000 in success bonus (2020: \$nil), and \$172,340 (2020: \$43,160) of salaries to the CEO and director of operations of the Company. Stock based compensation expense totaled \$34,132 (2020: \$96,757) for the nine months ended February 28, 2021

12. FINANCIAL INSTRUMENTS

Fair value of financial instruments

Financial instruments recorded at fair value are measured using a three-level fair value hierarchy:

- Level 1 Fair value is determined by reference to quoted prices in active markets for identical assets and liabilities.
- Level 2 Fair value is determined based on inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly.
- Level 3 Fair value is determined based on inputs that are unobservable and significant to the overall fair value measurement.

The following table sets forth the Company's financial assets measured at actual value on a recurring basis by level within the fair value hierarchy as follows:

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13. FINANCIAL INSTRUMENTS (continued)

February 28, 2021	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	\$ 19,797,860	\$ -	\$ -	19,797,860
Term deposits	30,000	-	-	30,000
	\$ 19,827,860	\$ -	\$ -	19,827,860
Financial Liabilities				
Government loan payable	-	1,507,141	-	1,507,141
	\$ -	\$ 1,507,141	\$ -	1,507,141
May 31, 2020				
Financial Assets				
Cash and cash equivalents	\$ 3,311,463	\$ -	\$ -	3,311,463
Term deposits	14,000	-	-	14,000
	\$ 3,325,463	\$ -	\$ -	3,325,463
Financial Liabilities				
Government loan payable	-	1,462,548	-	1,462,548
	\$ -	\$ 1,462,548	\$ -	1,462,548

Financial risk management

The risks associated with financial instruments and the policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents, term deposits, and other receivables, and due from related parties are subject to credit risk for a maximum of the amount shown on the consolidated statements of financial position. The Company limits its exposure to credit risk on cash and cash equivalents by depositing only with reputable financial institutions and limits its exposure to credit risk on other receivables by only working with large and well-funded organizations. Management believes that the Company is subject to minimal credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The purpose of liquidity risk management is to maintain a sufficient amount of cash and cash equivalents to meet its liquidity requirements at any point in time. The Company uses cash to settle its financial obligations as they become due, with trade payables coming due on standard commercial terms.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is only subject to interest rate risk on its cash and term deposits in the bank and there is unlikely to be a material impact on net income (loss) as the bank deposits are short term.

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14. CAPITAL RISK MANAGEMENT

The Company's primary objective when managing capital is to maintain sufficient resources and raise funding to support current and long-term operating needs. The ability to continue as a going concern is essential to the Company's goal of providing returns to shareholders and other stakeholders. The capital structure of the Company consists of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the level of funds available to the Company to manage its operations. The Company balances its overall capital through new share issuances or by undertaking other activities as deemed appropriate in the circumstances. The Company is not subject to externally imposed capital requirements. There have been no significant changes in the Company's approach to capital management during the year. These objectives and strategies are reviewed on a continuous basis.

15. SEGMENT DISCLOSURES

The Company operates in one reporting segment. All of the Company's assets are located in Canada.

16. COMMITMENTS

The Company is committed to purchasing production equipment with a remaining amount of EUR1,183,000 (\$1,798,160) owed. The initial deposit 30% deposit of EUR507,000 (\$761,261) has been paid and recorded in long-term prepaids. The remaining balance is due in stages with the final payment due on delivery, which is expected to be in June 2021.

17. SUBSEQUENT EVENTS

On April 9, 2021, the Company closed a bought deal public offering of units (the "Units") with a syndicate of underwriters led by Canaccord Genuity Corp. (the "Underwriters"). The Underwriters exercised the over-allotment in full and as a result the Company issued a total of 17,250,000 Units at a price of \$2.00 per Unit (the "Offering Price") for aggregate gross proceeds to the Company of \$34,500,000 (the "Offering").

Each Unit consists of one common share of the Company (a "Common Share") and one-half of one Common Share purchase warrant (a "Warrant"). Each whole Warrant is exercisable to acquire one Common Share (a "Warrant Share") until April 9, 2023 at an exercise price of \$2.50 per Warrant Share.

The Company paid a cash commission of \$1,905,000 and issued to the Underwriters an aggregate of 952,500 underwriter warrants, each exercisable into one Common Share at a price of \$2.00 per Common Share until April 9, 2023.

The Company intends to use the net proceeds of the Offering to increase production capacity, strategic acquisitions, new product developments and for general corporate purposes. The Units were issued pursuant to a prospectus supplement dated April 7, 2021 that is filed with the securities regulatory authorities in all provinces of Canada except Quebec under Company's base shelf prospectus dated March 29, 2021.