NEXE INNOVATIONS INC.
(formerly Whatcom Capital Corp.)

FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2021
MANAGEMENT DISCUSSION AND ANALYSIS

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DATE

This Management Discussion & Analysis ("MD&A") of NEXE Innovations Inc. and its subsidiaries (referred to as the "Company" or "NEXE") was prepared by management as at April 29, 2021 and was reviewed and approved by the Board of Directors of NEXE. The following discussion of performance, financial condition and future prospects should be read in conjunction with the consolidated condensed interim financial statements for the three and nine months ended February 28, 2021 and February 29, 2020 and the annual audited consolidated financial statements for the year ended May 31, 2020 and 2019, and notes thereto (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The information provided herein supplements but does not form part of the Financial Statements. This discussion covers the three and nine month period ended February 28, 2021, and the subsequent period up to the date of issue of this MD&A.

The Company has prepared this MD&A following the requirements of National Instrument 51-102 ("NI-51-102"). These statements are filed with the relevant regulatory authorities in Canada. All currency amounts are expressed in Canadian dollars unless otherwise noted.

Forward-Looking Information

This MD&A contains forward-looking statements and information about the Company which reflect management's expectations regarding the Company's future growth, results of operations, operational and financial performance and business prospects and opportunities. In addition, the Company may make or approve certain statements or information in future filings with Canadian securities regulatory authorities, in news releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements or forward looking information. All statements and information, other than statements or information of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements and information, including, but not limited to statements and information preceded by, followed by, or that include words such as "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intends", "plan", "forecast", "budget", "schedule", "project", "estimate", "outlook", or the negative of those words or other similar or comparable words.

Forward looking statements and information involve significant risks, assumptions, uncertainties and other factors that may cause actual future performance, achievement or other realities to differ materiality from those expressed or implied in any forward-looking statements or information and, accordingly, should not be read as guarantees of future performance, achievement or realities. Although the forward-looking statements and information contained in MD&A reflect management's current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, the Company cannot be certain that actual results will be consistent with these forward-looking statements and information. A number of risks and factors could cause actual results, performance, or achievements to differ materially from the results expressed or implied in the forward-looking statements and information. Such risks and factors include, but are not limited to, the following:

- the Company may continue to operate at a net loss and a going concern;
- the Company has a limited operating history;
- the Company may require additional liquidity;
- the Company will continue as a going concern;
- ability to commercialize the NEXE Pod;
- the Company's future is highly dependent upon the sales of Keurig and Nespresso beverage systems;
- the Company may become subject to litigation;
- the Company being able to secure and maintain its manufacturing equipment and facilities;
- the Company does not plan to pay dividends in the near future;
- the Company may need to take active steps to protect its intellectual property;
- research and development requires significant investment and commitment of resources;
- the Company's development and launch of new platforms and productions is critical to the Company's financial results and growth strategy;
- ability to meet market expectations for financial performance;

- any changes in the beverage environment and retail landscape;
- if the Company is reliant on a limited number of customers, the loss of such customers could have an adverse impact on its business;
- expansion of the business and increased product offerings may cause disruption of the Company's business;
- the Company's ability to maintain strategic relations with well recognized brands;
- product safety and quality concerns;
- the Company's ability to negotiate flexible long term purchase contracts;
- risks associated with acquisitions;
- the Company's products and services may become obsolete without innovation;
- the Company maintaining adequate insurance;
- the Company's risks related to product development and technology change;
- the Company will be profitable;
- The Company's products will be accepted by the market;
- The Company has an evolving business model and thus its services and products could change;
- the Company may lose customers which may have a significant impact on revenues;
- the Company will be dependent on the experience and skill of its management and key personnel;
- ability to promote its brand;
- the Company's growth depends in part on strategic relationships;
- the Company's ability to expand and grow its operations and scale production of its products;
- the Company may be vulnerable to security breaches;
- government regulation of the Company's products and services;
- the Company not infringing a third party's intellectual property rights;
- the Company faces competition from larger businesses;
- the Company may require additional financing;
- product recalls may have an adverse impact on the Company;
- the Company's business is dependent on demand for coffee;
- the directors and officers may engage in business that is in conflict with the Company.
- the Common Shares of the Company are speculative and may experience high volatility on the TSX-V;
- global economic conditions may adversely affect the Company's business;
- foreign exchange rates; and
- market perception of smaller companies.

Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements or information, there may be other factors and risks that cause actions, events or results not to be as anticipated, estimated or intended. Further, any forward-looking statements and information contained herein are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statement or information. Accordingly, readers should not place undue reliance on forward looking statements and information contained in this MD&A. All forward-looking statements and information disclosed in this MD&A, are qualified by this cautionary statement.

DESCRIPTION OF BUSINESS

The Company is currently developing compostable (plant-based) single-serve coffee pods. At the Company's wholly owned facility in Surrey, British Columbia, the Company is able to roast, produce and package coffee into the Company's proprietary and fully compostable capsules, known as "NEXE PODs". Additionally, the Company has also purchased three-dimensional printers, which have been beneficial to the Company developing hundreds of iterations of the Keurig K-Cup, Nespresso, and soluble capsules. This in-house testing process contributes toward the Company developing the NEXE POD for commercialization. The Company is also developing Nespresso-sized pods as well as assessing other fully compostable packaging opportunities. The Company will continue to commercialize the NEXE POD and soluble format capsules and intends to develop the NEXE brand as the standard in fully compostable packaging. Ultimately, the Company aspires to be a leading partner to major Consumer Packaging Companies ("**CPG**") to provide compostable solutions for a variety of beverages, including coffee, tea and others.

OBJECTIVES AND STRATEGY

The focus and belief of the Company is that the NEXE POD can eradicate the waste created by single-serve plastics pods. The Company's goal is to attract and sustain a significant portion of the single-serve pod beverage market, as there is a growing demand for environmentally friendly and sustainable products, brands will continue to shift to environmentally sustainable solutions for pods for Keurig and Nespresso single-serve brewing systems.

The Company's technology platform consists of the patented, fully compostable, "NEXE POD" as well as the proprietary equipment involved with the process of making the NEXE POD. Hundreds of municipalities in the European Union, Canada, and the United States are moving in the direction of introducing comprehensive compost systems, making the NEXE POD a viable alternative to the typical plastic coffee capsules currently available in the marketplace.

OVERVIEW OF PERFORMANCE

During the nine-month period ended February 28, 2021, the Company has been focused on completing certain key milestones towards commercialization of the NEXE POD. These milestones included:

- Completing NEXE's coffee transport system, which roasts and grinds coffee in a contained environment.
- Completing factory and site acceptance testing for dosing and sealing machines in the NEXE POD for the Keurig market.
- Completion and commercialization of the NEXE POD for the soluble market (i.e. hot chocolate, superfoods like MCT, etc.).
- Successfully launched its premium Xoma Superfoods line, which is intended to meet demand from the health and environmentally conscious consumers

NEXE also received the results of its final compost study which states that the NEXE POD is fully compostable in under 90 days. Furthermore, NEXE is in discussions with various commercial entities which could eventually serve as customers.

The Company has placed equipment orders for acquisition of proprietary equipment in the amount of $1,690,000 EUR (CAD- $2,568,800) which is scheduled to be delivered June 2021. Orders for an injection molding machine and a prototype machine were delivered in the fourth calendar quarter of 2020, with total commitments of US$138,330 and US$229,806 respectively.

Reverse Takeover Transaction

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.

Upon completion of the Transaction, Nexe became a wholly-owned subsidiary of the Company and the Company changed its name to "NEXE Innovations Inc.". The combined entity (the "Resulting Issuer") will continue the business of Nexe as a Tier 2 "technology" issuer on the Exchange.

On December 15, 2020, the Company received the proceeds from its brokered private placement (the “Brokered Private Placement”) of 11,437,500 subscription receipts (each, a “Subscription Receipt“) at a price of $0.80 per Subscription Receipt for aggregate gross proceeds of $9,150,000. The Brokered Private Placement was led by Canaccord Genuity Corp. (the “Agent”). Under the Brokered Private Placement, the Agent received a cash commission of up to 7% of the total proceeds of the Brokered Private Placement except for subscribers of the president’s list in which case the Agent received a cash commission of up to 3%. The Agent was also issued a total 692,585 non-transferable common share purchase warrants (each an “Agent’s Warrant”). Each Agent’s Warrant will be exercisable into one Resulting Issuer Share at a price of $0.80 until December 15, 2021. The Agent also received a corporate finance fee consisting of $75,000 in cash and 93,750 Resulting Issuer Shares. NEXE also paid the Agent’s reasonable out-of-pocket expenses, including legal fees, plus disbursements and taxes.

Additionally, the Company closed and received Subscriptions to the NBPP totaling $5,018,562 in gross proceeds and issued 6,273,203. This represented an oversubscription of $518,562 from the previously announced Non-Brokered Financing of $4,500,000. Each unit (“Unit”) at a price of $0.80 per unit in conjunction with closing the Transaction, will consist of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase a common share of the Company at a price of $1.00 per share until December 15, 2021.

In connection with the Transaction, the Company (formerly Whatcom Capital Corp.) completed a consolidation of its common shares (the “Consolidation”), wherein every shareholder received one new Whatcom common share (a “New Whatcom Share“) for every two and a half (2.5) pre-Consolidation Whatcom common shares.

The Transaction closed on December 15, 2020 and trading in the common shares of the Company began on the Exchange under the stock symbol “NEXE” on December 18, 2020.

Government Grants

The Company received $750,000 from the Department of Natural Resources – Innovative Solutions Canada (“NRCAN”) for the development of the NEXE POD after submitting a bio-based application, a total of $1 million is receivable by the Company from NRCAN in staged quarterly payments.

On January 14, 2021, announced that it was the recipient of a $1,000,000 grant awarded by the Government of Canada (“GOC”) to support the commercialization of its NEXE *Nespresso*-Compatible Pods. The award is part of Phase 2 of the GOC’s Plastics Challenge: Improved Compostability of Bioplastics (“Bioplastics Challenge”). This follows a $150,000 grant that NEXE received in 2019 during Phase 1 of the program to support prototype development. This award will support the high-speed manufacturing of the Company’s NEXE *Nespresso*-Compatible pods following the announcement of best-in-class composting results last week.

The Company was awarded Phase 2 funding to develop plant-based and fully compostable *Nespresso*-Compatible coffee pods from bioplastic and wood fibre. This project was recognized for its potential to improve the compostability of bioplastics and to substantially reduce plastic waste.

Launch of Xoma Superfoods

On December 30, 2020, the Company announced results from Pilot-scale composting and sieving tests for measurement of disintegration performed on its NEXE *Nespresso*®-Compatible Pods by OWS Labs that conforms to international standards. Key Highlights of the tests showed:

- NEXE ***Nespresso***-Compatible Pods achieve 100% breakdown by composting within 10 weeks.
- These results meet key requirements for certification as compostable in both North American and European markets.
- The NEXE ***Nespresso*** Pod was engineered to give among the highest extraction and volume of coffee against other compatible competitors.

These results meet critical international standards required for certification as compostable materials, including American standards ASTM D6400 and D6868, European standard EN 13432, and International standard ISO 17088. The trials also found that NEXE *Nespresso* Compatible Pods had no negative effects on the quality of the resulting compost.

Nespresso® is a registered trademark of Nestlé Nespresso SA. NEXE wishes to advise readers that it is not affiliated with or endorsed by Nestlé Nespresso SA or the Nestle brand and the NEXE Nespresso compatible pod is compatible with Nespresso format coffee machines.

On January 12, 2021, the Company announced its in-house coffee and superfoods brand, XOMA Superfoods. XOMA – derived from the Greek word for soil – allows the Company to meet its sustainability mandate, while providing our customers with the highest quality coffees and superfoods. Launch of the first stock-keeping unit (SKU) under the XOMA Superfoods brand, a soluble micro-ground coffee fortified with MCT oil packaged in the NEXE Pod, pilot launch. NEXE plans to add more products, available for purchase online and through subscription, via a new direct to consumer e-commerce platform.

Expansion of Facility

On January 20, 2021, the Company announced the expansion of its research, development and manufacturing facility in Surrey, BC, next door to its existing approximate 10,000 sq. ft. facility increasing total square footage to approximately 20,000 sq. ft. The expansion will include increased space for laboratories, factory floor and offices.

The new space consists of more than 8,000 sq. ft. production floor and roughly 2,000 sq. ft. of office space to be used as an innovation center for current and new product development. This plant expansion will house key equipment for manufacturing of the Company's compostable beverage pods in both K-Cup and Nespresso formats. NEXE will also use the space for order fulfillment as part of the launch of XOMA Superfoods.

NEXE will take possession of the additional manufacturing space on February 1st 2021, with planned expansion into additional offices on March 1st 2021.

COVID-19

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.

SUBSEQUENT EVENTS

On April 6, 2021, the Company launched XOMA Superfoods eCommerce store. The eCommerce store offers three 12-count coffee products with functional ingredients packaged in NEXE's fully-compostable, plant-based capsules, which are compatible with Keurig single-serve coffee brewing systems.

Currently, three products offered are:

- **XOMA Coffee Fortified with MCT**: Get the health and energy benefits that come from medium-chain triglycerides (MCT) along with your morning cup of coffee. Xoma's MCT is made from virgin coconut oil.
- **XOMA Mushroom Coffee** (launched April 13, 2021): Chaga, cordyceps and lion's mane mushrooms are a rich, low-calorie source of fibre, protein and antioxidants with a host of health benefits, with XOMA's dark roasted coffee.
- **XOMA Keto Coffee** (launched April 27, 2021): XOMA's Keto coffee is a rich and energizing beverage made with quality fats and MCT oil, flavoured with hints of vanilla.

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 $34.5 million (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 C$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.

FINANCING ACTIVITIES

The Company issued 17,710,703 units at a price of $0.80 per Unit raising gross proceeds of $14,168,562. Each Unit is 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 comprised of one Class A Series A preferred share (the "Preferred Shares") and one share purchase warrant (the "Warrants"), 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 recorded $982,416 in share issuance costs during the nine months ended February 28, 2021.

RESULTS OF OPERATIONS

Three months ended February 28, 2021

The Company recorded a net loss of $6,366,013 or $0.10 per share (February 29, 2020 – net loss of $649,700 or $0.04 per share) for the three months ended February 28, 2021. The higher net loss is partly a result of the Company completing its go-public transactions and incurring additional costs related to staffing, consulting and market awareness. A non-cash listing expense of $2,614,701 was recorded for the RTO of Whatcom Capital Corp.

Administrative expenditures for the three months ended February 28, 2021 totaled $71,268 (2020 – $21,016). Advisory and consulting fees increased to $1,468,828 (2020 – $112,623) which is due to the increased use of consultants, accounting firms and senior management team, which includes rounding out the vacant functions such as business and corporate development. Additionally, the Company expensed a success bonus payment in the aggregate amount of $425,000 for certain senior management. The Company, pursued a market awareness program to introduce its future products, the business and incurred increased advertising and media activities totaling $1,345,906 (2020 – $30,880) during the period. Depreciation expense increased to $100,314 (2020 – $56,903) as result of the purchase and implementation of new machining equipment and assets. Legal costs of $31,970 (2020 – $90,434) were incurred. Increased staffing resulted in salary expense increase to $260,783 (2020 – $116,408). Research and development costs increased to $129,166 (2020 – $20,235) as result of development and testing of products. Non-cash stock-based compensation expense of $82,614 (2020 – $81,000) was recorded. The Company recorded non-cash interest expense of $104,368 (2020 – $48,811) related to the fair value of interest associated to the interest free Government loan from the Western Innovation program.

Nine months ended February 28, 2021
The Company recorded a net loss of $8,230,228 or $0.25 per share (2020 – net loss of $1,431,748 or $0.08 per share) for the nine months ended February 28, 2021.

Administrative expenditures for the nine months ended February 28, 2021 totaled $152,637 (2020 – $59,374). Advisory and consulting fees increased to $2,383,137 (2020 – $214,319) which included a discretionary success bonus for an aggregate total of $525,000 for certain senior management and due to the increased involvement of certain consultants rounding out the vacant functions such as business and corporate development. The Company pursued a market awareness program to introduce its future products, the business and incurred increased advertising and media activities totaling $1,442,037 (2020 – $64,102) during the period. Depreciation expense increased to $192,898 (2020 – $170,707) as a result of the purchase and implementation of new machining equipment and assets. Legal costs of $156,326 (2020 – $118,680) were incurred due to the increased activities of the Company and the pursuit of legal remedy related to a breach of contract for machinery ordered. Research and development costs increased to $176,553 (2020 – $39,854) development and testing of products. Salary costs of $372,975 (2020 – $244,122) were expensed, and $211,638 was capitalized and recorded as an intangible asset due to the development and testing of the NEXE POD. Non-cash stock-based compensation expense of $247,843 (2020 – $251,102) was recorded. The Company recorded non-cash interest expense of $296,763 (2020 – $145,177) related to the fair value of interest associated to the interest free Government loan from the Western Innovation program. A non-cash listing expense of $2,614,701 was recorded for the RTO of Whatcom Capital Corp.

LIQUIDITY AND CAPITAL RESOURCES

As of February 28, 2021, the Company had working capital of $18,962,873 (2020 - $2,712,942), with cash and cash equivalents totaling $19,797,860 (2020 – $3,311,463). The Company received $750,000 from the NRCAN, see the 'Overview of Performance' section of this MD&A.

See Subsequent Events and Financing Activities section of the MD&A for financing details related to private placements and subscription receipts in 2020.

The Company's ability to raise additional capital is subject to a number of factors, uncertainties and risks including market conditions that could make it difficult or impossible for the Company to raise necessary funds to meet our capital and operating requirements. If we are unable to obtain financing through commercial profitability or equity investments, we may consider other financing solutions including, but not limited to credit facilities or debenture issuances.

All cash is held with Schedule A banks either in deposit accounts or guaranteed investment certificates, and the Company has no joint ventures with any parties that potentially create derivative or hedge risk.

OUTLOOK

The Company is currently able to serve up to 20 million NEXE POD annual capacity in its facility but is expecting delivery of additional equipment by the end of first half 2021 which should expand NEXE POD capacity to approximately 220 million potential annual NEXE PODs. By being able to do so, the Company should be able to significantly increase revenue by having the opportunity to serve larger volumes per customer and across a broader set up customers.

The Company is able to produce its soluble NEXE PODs and is selling its first soluble product under the Xoma superfoods line. The Xoma brand have launched three products to date with more planned in the near future.

Additionally, the Company is close to being able to fully-commercialize its K-Cup and Nespresso format capsules and believes that with some additional testing it should be able to enter into large quantity contracts utilizing those formats in 2021. To fully-commercialize the K-Cup and Nespresso format capsules, the Company will need to:

- install customized automation equipment, which will be delivered to its facility by late first half of 2021;
- for certain potential customers, obtain SQFL Certification at its facility, which is scheduled for first half 2021; and
- receive purchase orders from customers, which it is anticipating in latter 2021.

NEXE has various strategic partnerships with various government organizations, such as the City of Surrey, innovate British Columbia, the University of British Columbia, Western Economic Diversification Canada, the National Research Council Canada, and the Natural Sciences and Engineering Research Council to name a few. In addition to the NEXE governmental ties, NEXE has also won several awards for its technology.

Furthermore, NEXE is in discussions with various commercial entities which could eventually serve as customers.

The single-serve market is growing at a rapid pace. The urgency to commercialize NEXE comes from a great need for an environmentally sound alternative to waste created by current non-compostable pods. NEXE is committed to the development of a solution and plan to build strategic partnerships with local roasters in the Pacific Northwest, Central Canada and California.

The Company intends to utilize proceeds from capital raises completed to date to:

- Complete the commercialization of the NEXE Pods for the Keurig, Nespresso and compatible brewing systems.

- Increase Production Capacity from current 20 million units to up to 420 million units through the acquisition of additional customized automation and molding equipment. The Company anticipates the cost of this business objective to be $8,120,000, of which approximately $1,450,000 has been incurred to date and $6,670,000 remains to be incurred to meet this objective.

- Expansion of sales team as well as sales and marketing initiatives to support the increase in production. The Company has allocated a budget of $2,000,000 for expanding the sales and marketing team.

- Create new product lines utilizing the Company's proprietary compostable packaging technology. The Company has allocated a budget of $2,000,000 for creating new product lines.

- Acquisition of new facility in Ontario for approximately 30,000 sq. ft.

- Expansion of sales team as well as sales and marketing initiatives to support the increase in production and new facility in Ontario.

- Potential acquisitions for manufacturing own automation lines and vertically integrate the supply chain.

- Potential acquisitions of existing coffee brands.

- Acquire additional mold making equipment to ensure rapid development of new products.

- Research and development of new compostable products that are not NEXE pods.

- Increasing ability to do licensing deals: The Company believes that by doing licensing and joint venture deals, that this will increase its revenue ability and not necessarily take the company's resources away from its current core-focus of commercializing its NEXE PODs. Licensing deals will come from its internal R&D function and enable it to not only enhance its value within the CPG segment but potentially help it realize additional revenue streams

Disclosure Controls and Procedures

Management is responsible for the preparation and integrity of the Financial Statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

Readers are cautioned that the Company is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, receivables and advances, advances and deposits, accounts payable, accrued liabilities and loan payable. The carrying values of these financial instruments approximate their fair values with the exception of loan payable due to their relatively short periods to maturity.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) 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 as well as 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.

(b) 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 fall due.

The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements. The Company anticipates it will have adequate liquidity to fund its financial liabilities through future equity contributions.

As at February 28, 2021, the Company's financial liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year and loan payable, payable over five years commencing January 1, 2021.

(c) 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.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no Off-Balance Sheet Arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended February 28, 2021, officers of the Company received management and consulting renumeration totaling $938,340 (2019 – $173,535) of which $93,600 (2019 – $Nil) has been capitalized to Intangible assets. Management and consulting include bonus payment in the aggregate amount of $450,000 for certain senior management. These amounts were incurred in the ordinary course of business.

The Company has entered into an employment agreement with Darren Footz (the "Footz Agreement") whereby Mr. Footz has agreed to serve as Chief Executive Officer of NEXE for a three-year term. Under the terms of the Footz Agreement, Mr. Footz receives a salary of $180,000 per annum (the "Footz Salary"). The Footz Salary will increase to: (i) $240,000 per annum upon NEXE completing a minimum $5 million financing, (ii) $300,000 per annum upon NEXE obtaining $10,000,000 in total revenue, and (iii) $360,000 per annum upon NEXE obtaining $20,000,000 in total revenue. Mr. Footz may also receive a significant cash or NEXE Share payments upon certain Performance Bonuses being satisfied. Further, if the Company experiences a change of control Mr. Footz may, within 60 days of the triggering event provide 60 days written notice to the Company and the Company must pay a severance payment of (a) salary accrued to the date of termination; (2) three years of salary; (3) payment and immediate vesting of all Performance Bonuses; and (4) immediate vesting of all unvested stock options (the "Severance Payment") to Mr. Footz. If the Company terminates the Footz Agreement without cause, the Company must pay Mr. Footz the Severance Payment.

The Company has entered into a management consulting agreement (the "Guglani Agreement") with 1060383 B.C. Ltd. ("1060383") and Mr. Guglani whereby Mr. Guglani has agreed to serve as Vice President Finance of NEXE. 1060383 is a company controlled by Mr. Guglani. Under the terms of the Guglani Agreement, 1060383 receives a fee of $15,000 per month (the "1060383 Fee"). The 1060383 Fee will increase to: (i) $20,000 per month upon NEXE completing a minimum $5 million financing, (ii) $25,000 per month upon NEXE obtaining $10,000,000 in total revenue, and (iii) $30,000 per month upon NEXE obtaining $20,000,000 in total revenue. 1060383 may also receive significant cash or NEXE Share payments upon certain Performance Bonuses being satisfied. Further, if the Company experiences a change of control, Mr. Guglani may, within 60 days of the triggering event, provide 60 days written notice to the Company and the Company must pay Mr. Guglani the Severance Payment. If the Company terminates the Guglani Agreement without cause, the Company must pay Mr. Guglani the Severance Payment.

FUTURE ACCOUNTING STANDARDS

Future accounting standards issued and 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.

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.

NEW ACCOUNTING PROUNCEMENTS

The Company adopted the following accounting standards that are effective for annual accounting periods beginning on or after January 1, 2019:

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 financial statements.

Critical Accounting Estimates
Please refer to Note 4 of the Company's Audited Financial Statements for the year ended May 31, 2020, for additional information under "Significant Accounting Policies".

Significant areas requiring the use of management estimates include the collectability of amounts receivable, balances of accrued liabilities, the fair value of financial instruments, the rates for depreciation of property and equipment, the recoverability of mineral property interests, determination of estimates of deferred tax assets and liabilities, and the determination of variables used in the calculations of share-based payments. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

OTHER MD&A REQUIREMENTS

Disclosure Controls and Procedures
In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the nine months ended February 28, 2021 and this accompanying MD&A (together, the "Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with its filings on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

The following are certain factors relating to the business of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. The Company will face a number of challenges in the development of its business.

Prospects for companies in the technology industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in technology companies should be regarded as highly speculative. Technology research and development involves a significant degree of risk. An investor should carefully consider the risks and uncertainties described below. The risks and uncertainties described below are not an exhaustive list. Additional risks and uncertainties not presently known to NEXE or that NEXE believes to be immaterial may also adversely affect NEXE's business. If any one or more of the following risks occur, the Company's business, financial condition and results of operations could be seriously harmed. Further, if the Company fails to meet the expectations of the public market in any given period, the market price of the Company's Shares could decline.

If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. Potential investors should consult with their professional advisors to assess an investment in the Company.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

Limited operating history.

The Company has limited operating history. NEXE was incorporated on April 27, 2015. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objectives. To the extent that such expenses do not result in revenue gains that are adequate to sustain and expand its business, the Company's long-term viability may be materially and adversely affected. To date, NEXE has not generated any revenues.

Negative Cash Flow from Operating Activities

NEXE has had negative cash flow from operating activities since inception. Significant capital investment will be required to achieve NEXE's existing plans. There is no assurance that the Company's business will generate earnings, operate profitably or provide a return on investment in the near future. Accordingly, the Company may be required to obtain additional financing in order to meet its future cash commitments.

Further, NEXE has a history of operating losses and may not sustain profitability. The Company cannot guarantee investors that it will become profitable, and even if the Company achieves profitability, given the competitive and evolving nature of industry in it operates, the Company may not be able to sustain or increase profitability and its failure to do so could adversely affect its business, including its ability to raise additional funds.

Going-concern risks.

The financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing an equity or debt financing or in achieving profitability.

The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Commercialization of the NEXE PODs

Although NEXE is able to manufacture and produce a NEXE POD for the soluble market, NEXE has not commercialized the NEXE PODs for the coffee markets. In order to commercialize the NEXE PODs for these markets, NEXE will be required to acquire certain customized automation equipment that permits the commercial production (i.e. sufficient number) of these NEXE PODs. Further, certain customers will require NEXE to obtain SQFL Certification prior to delivering any purchase orders to NEXE. If NEXE is unable to acquire this automation equipment or SQFL Certification, it may not be able to properly commercialize the NEXE PODS for the coffee markets.

Future performance is highly dependent upon the sales of Keurig® and Nespresso® beverage systems.

Continued acceptance and adoption of Keurig® and Nespresso® beverage systems are significant factors in the Company's growth plans. Any substantial or sustained decline in the sale of Keurig® and Nespresso® hot system brewers, failure of consumers to adopt those beverage systems, would materially adversely affect the Company's business.

The research and development of the single-serve beverage pods has required and will continue to require a significant investment and commitment of resources, is subject to numerous risks and uncertainties, and ultimately may not prove successful.

NEXE has invested and expects to continue to invest significantly in the research and development of its NEXE POD technology. Such endeavor involves significant risks and uncertainties, including, insufficient revenues to offset liabilities and expenses associated with developing and launching the single-serve beverage pods, not accurately predicting consumer tastes and the market opportunity for a beverage platform, inability to respond in a timely manner to consumer desires and demands, and unidentified issues not discovered in NEXE due diligence and planning.

The Company cannot be certain that the Keurig® and Nespresso® hot system brewers will be widely accepted by consumers or that they will be willing to pay a higher price for these products. In addition, the Company may not be able to sufficiently scale or find other ways to reduce the costs of manufacturing the pods. Because the introduction of and investment in a new pod is inherently risky, no assurance can be given that the NEXE PODs will ultimately be successful or that it will not materially adversely affect the Company's reputation, financial condition, and operating results.

Continued innovation and the successful development and timely launch of new platforms, products and product extensions are critical to the Company's financial results and achievement of its growth strategy.

The Company may not be successful in developing innovative new products or the new products may not be commercially successful. Additionally, new product introductions are often time sensitive, and thus failure to deliver innovations on schedule could be detrimental to the Company's ability to successfully launch such new products and retain partners, in addition to potentially harming the Company's reputation and customer loyalty. The Company's financial results and its ability to maintain or improve its competitive position will depend on its ability to effectively gauge the direction of its key marketplaces and successfully identify, develop, manufacture, market and sell new or improved products in these changing marketplaces. As the Company and its industry evolve, the Company expects to face new challenges with respect to the introduction of innovative products and the changing competitive landscape within the single-serve category and the beverage industry. These challenges can occur at various stages, including design, supply chain and sales cycle.

Future financial results are difficult to predict, and failure to meet market expectations for the Company's financial performance or its publicly announced guidance may cause the price of its securities to decline.

The Company's public forecasts regarding the expected performance of the business and future operating results are forward-looking statements subject to risks and uncertainties, including the risks and uncertainties described in other public statements, and necessarily reflect current assumptions and judgments that may prove incorrect. As a result, there can be no assurance that the Company's performance will be consistent with any public forecasts or that any variation from such forecasts will not be material and adverse.

Changes in the beverage environment and retail landscape could impact the Company's financial results.

The beverage environment is rapidly evolving as a result of, among other things, changes in consumer preferences; shifting consumer tastes and needs; changes in consumer lifestyles; and competitive product and pricing pressures. In addition, the beverage retail landscape is dynamic and constantly evolving, not only in emerging and developing marketplaces, where modern trade is growing at a faster pace than traditional trade outlets, but also in developed marketplaces, where discounters and value stores, as well as the volume of transactions through e-commerce, are growing at a rapid pace. If the Company is unable to successfully adapt to the rapidly changing environment its and overall financial results could be negatively affected.

Failure to maintain strategic relationships with well-recognized brands/brand owners and private label brands could adversely impact the Company's future growth and business.

Any of the Company's strategic partners may make their own business decisions which may not align with the Company's interests. If the Company's is unable to provide an appropriate mix of incentives to its strategic partners through a combination of pricing and marketing and advertising support, or if its strategic partners are not satisfied with its brand innovation and technological or other development efforts, they may take actions, including entering into agreements with competing pod contract manufacturers or vertically integrating to manufacture their own pods. Increasing competition among pod manufacturers and the move to vertical integration may result in price compression, which could have an adverse effect on the Company's gross margins. The loss of strategic partners could also adversely impact the Company's future profitability and growth, its ability to attract additional branded or private label parties to do business with the Company or its ability to attract new customers.

In order to grow its business, the Company anticipates that it will continue to depend on its relationships with third parties, such as alliance partners, distributors, equipment supplies, and manufacturers. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. The Company's competitors may be effective in providing incentives to third parties to favor their products or services, or to prevent or reduce the Company's products and services. In addition, acquisitions of the Company's partners by its competitors could result in a decrease in the number of current and potential customers, as its partners may no longer facilitate the adoption of the Company's products and services by potential customers.

If the Company is unsuccessful in establishing or maintaining its relationships with third parties, its ability to compete in the marketplace or to grow its revenue could be impaired, and its operating results may suffer. Even if the Company is successful, the Company cannot assure investors that these relationships will result in increased customer usage of the Company's services or increased revenue and/or profitability. Furthermore, if the Company's partners fail to perform as expected, the Company's reputation may be harmed, and its business and operating results could be adversely affected.

Product safety and quality concerns could negatively affect the Company's business.

The Company's success depends in part on its ability to maintain consumer confidence in the safety and quality of all of its products. Product safety or quality issues, or mislabeling, actual or perceived, or allegations of product contamination or quality or safety issues, even when false or unfounded, could subject the Company to product liability and consumer claims, negative publicity, a loss of consumer confidence and trust, may require the Company from time to time to conduct costly recalls from some or all of the channels in which the affected product was distributed, could damage the goodwill associated with its brands, and may cause consumers to choose other products. Such issues could result in the destruction of product inventory, lost sales due to the unavailability of product for a period of time, and higher than anticipated rates of warranty returns and other returns of goods, all of which could cause the Company's business to suffer and affect its results of operations.

The Company's long-term purchase commitments for certain strategic materials critical for the manufacture of pods could impair its ability to be flexible in its business without penalty.

In order to ensure a continuous supply of high-quality materials some of the Company's inventory purchase obligations may long-term purchase commitments for certain strategic materials critical for the manufacture of pods. The timing of these may not always coincide with the period in which the Company needs the supplies to fulfill customer demand. This could lead to higher and more variable inventory levels and/or higher material costs.

Risk related to technological obsolescence and difficulty in obtaining equipment.

To remain competitive, the Company will continue to invest in equipment at its facilities required for maintaining the Company's activities. Should competitors introduce new technologies, the Company recognizes its equipment, and its underlying technology may become obsolete and require substantial capital to replace such equipment, which could adversely affect an investment in the Company.

Risks related to insurance of the Company's operations.

The Company maintains insurance coverage including directors' and officers' insurance and commercial insurance covering the facility and the equipment within the facility. Nevertheless, given the novelty of development of biodegradable pods and associated businesses, such insurance may become unavailable, uneconomical for the Company, or the nature or level may be insufficient to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Company. While the Company believes its insurance coverage will address all material risks to which it is exposed and could be adequate and customary in its current state of operations, such insurance will be subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Risks related to product development and technology change.

The Company's success could be seriously affected by a competitor's ability to develop and market technologies that compete with the Company's technologies. To remain competitive, the Company must continue to enhance and improve the responsiveness, functionality and features of its technology. The single-serve beverage industry is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render the Company's existing operations and proprietary technology and systems obsolete. There can be no assurance the Company will successfully implement new technologies and systems to meet industry standards and if unable to adapt in a timely matter, the business of the Company could be materially affected.

Risks related slow acceptance of products.

The marketplace may be slow to accept or understand the significance of the Company's technology due to its unique nature and the competitive landscape. If the Company is unable to promote, market and sell its products and secure relationships with partners and purchasers, the Company's business and financial condition will be adversely affected, which could adversely affect an investment in the Company.

Company has an evolving business model and thus its services and products could change.

To stay current with the industry, the Company's business model may need to evolve as well. From time to time, it may modify aspects of the Company's business model relating to Company's product mix and service offerings. The Company cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business. The Company may not be able to manage growth effectively, which could damage the Company's reputation, limit the Company's growth and negatively affect its operating results.

If the Company's revenue is primarily derived from a limited number of customers, the loss of such customer could have an adverse impact on the Company.

Although the Company intends to seek a broad base of customers, if the Company's revenue is concentrated in one or a few larger customers, and such customers become dissatisfied with the Company's products and services, or the Company's pricing, or ceases to do business with the Company for any other reason, the operating results of the Company would be negatively and substantially impacted.

Interruptions or delays in service from the Company's facilities could impair the delivery of the Company's services and harm its business.

The facilities may be vulnerable to damage or interruption due to floods, fires, power loss, telecommunications failures, and similar events. The facilities may also be subject to destruction, break-ins, sabotage, intentional acts of vandalism and similar misconduct. Any damage to, or failure of, the Company's systems generally could result in stoppage interruptions in its service. Interruptions in its service may reduce its revenue, cause the Company to issue credits or pay penalties, cause customers to terminate their contracts and adversely affect the Company's renewal rate and its ability to attract new customers. The Company's business will also be harmed if its customers and potential customers believe the Company's service and product is unreliable. Despite precautions taken such as disaster recovery plans at these facilities, the occurrence of a natural disaster, an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in the Company's services. Even with the disaster recovery arrangements and precautions taken at its facilities, the Company's services could be interrupted. Further, as the Company continues to grow and scale its business to meet the needs of its customers, additional burdens may be placed on its facilities. These interruptions, stoppages and burdens could adversely affect an investment in the Company.

The Company depends on highly skilled personnel to grow and operate its business, and if the Company is unable to hire, retain and motivate its personnel, the Company may not be able to grow effectively.

The Company's future success will depend upon its continued ability to identify, hire, develop, motivate and retain highly skilled personnel, including senior management, engineers, designers, product managers, sales representatives, and customer support representatives. The Company's ability to execute efficiently is dependent upon contributions from its employees, including its senior management team. In addition, there may occasionally be changes in the Company's senior management team that may be disruptive to its business. If the Company's senior management team, including any new hires that the Company may make, fails to work together effectively and to execute on its plans and strategies on a timely basis, its business could be harmed.

The Company's growth strategy also depends on its ability to expand its organization with highly skilled personnel. Identifying, recruiting, training and integrating qualified individuals will require significant time, expense and attention. In addition to hiring new employees, the Company must continue to focus on retaining its best employees. The Company may need to invest significant additional amounts of cash and equity to attract and retain new employees, and the Company may never realize returns on these investments. If the Company is not able to effectively add and retain employees, its ability to achieve its strategic objectives could be adversely impacted, and its business could be harmed.

If the Company is unable to maintain and promote its brand, its business and operating results may be harmed.

The Company believes that maintaining and promoting its brand is critical to expanding its customer base. Maintaining and promoting its brand will depend largely on its ability to continue to provide useful, reliable and innovative services, which the Company may not do successfully. The Company may introduce new features, products, services or terms of service that its customers do not like, which may negatively affect its brand and reputation. Maintaining and enhancing the Company's brand may require it to make substantial investments, and these investments may not achieve the desired goals. If the Company fails to successfully promote and maintain its brand or if the Company incurs excessive expenses in this effort, its business and operating results could be adversely affected.

Risks associated with acquisitions.

If appropriate opportunities present themselves, the Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company' business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favourable to the Company, or at all, and such financing, if available, might be dilutive.

The Company in the future may invest, in new business strategies, acquisitions and/or joint ventures. New ventures are inherently risky and may not be successful. In evaluating such endeavors, the Company is required to make difficult judgments regarding the value of business strategies, opportunities, technologies and other assets, and the risks and cost of potential liabilities. Furthermore, acquisitions and investments involve certain other risks and uncertainties, including the risks involved with entering new competitive categories or regions, the difficulty in integrating newly-acquired businesses, the challenges in achieving strategic objectives and other benefits expected from acquisitions, investments or joint ventures, the diversion of the Company's attention and resources from its operations and other initiatives, the potential impairment of acquired assets and liabilities, the performance of underlying products, capabilities or technologies and the potential loss of key employees and customers of the acquired businesses.

The expansion or development of the business, including through acquisitions, increased product offerings or other strategic growth opportunities, may cause disruptions in the Company's business, which may have an adverse effect on the Company's business, operations or financial results.

The Company may seek to expand and develop its business, including through acquisitions, increased product offerings, or other strategic growth opportunities. In the ordinary course of business, the Company may review, analyze, and evaluate various potential transactions or other activities in which it may engage. Such transactions or activities could cause disruptions in, increase risk or otherwise negatively impact its business. Among other things, such transactions and activities may:

- disrupt the Company's business relationships with its customers, depending on the nature of or counterparty to such transactions and activities;
- direct the time or attention of management away from other business operations;
- fail to achieve revenue or margin targets, operational synergies or other benefits contemplated;
- increase operational risk or volatility in the Company's business; and/or
- result in current or prospective employees experiencing uncertainty about their future roles with the Company, which might adversely affect the Company's ability to retain or attract key managers or other employees.

The Company may be vulnerable to security breaches that could adversely affect its operations, business, operations, and reputation.

The Company's infrastructure may be vulnerable to damage, disruptions, or shutdowns due to unauthorized access, computer viruses, cyber-attacks, and other security breaches. An attack attempt or security breach could potentially result in interruption or cessation of certain of the Company's services to its customers or the Company's inability to meet expected levels of service. The Company cannot guarantee that its security measures will not be circumvented, resulting in production interruptions and have a material adverse effect on its business, financial condition, or operational results. The Company may be required to expend significant resources to protect against or recover from such threats. If an actual or perceived breach of its security occurs, the market perception of the effectiveness of its security measures could be harmed, and the Company could lose customers. Further, the perpetrators of cyber-attacks are not restricted to particular groups or persons. These attacks may be committed by the Company's employees, contractors or external actors operating from any geography. Any such events could result in legal claims or penalties, disruption in operations, misappropriation of sensitive data, damage to the Company's reputation, negative market perception, or costly response measures, which could adversely affect its business.

Risks related to regulation by governmental authorities.

The activities of the Company may be subject to regulation by governmental authorities wherever its business is conducted. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals could have a material adverse effect on the business, results of operations and financial condition of the Company.

The business of the Company is subject to rapid regulatory changes. Failure to keep up with such changes may adversely affect the business of the Company. Failure to follow regulatory requirements will have a detrimental impact on the business. Timing and nature of changes in legislation cannot be predicted and could irreparably harm the business.

Risks related to protection of intellectual property rights.

The future success of the Company's business is dependent upon the intellectual property rights surrounding the technology, including trade secrets, know-how and continuing technological innovation. Although the Company will seek to protect its proprietary rights through trademark registrations and patent applications, its actions may be inadequate to protect any proprietary rights or to prevent others from claiming violations of their proprietary rights. As of the date of this MD&A, NEXE has one (1) U.S. patent, one (1) pending PCT application (PCT/CA2020/050015), ten (10) US provisional patent applications and one (1) pending Canadian trademark application for "NEXE INNOVATIONS" There can be no assurance that other companies are not investigating or developing other technologies that are similar to the technology. In addition, effective intellectual property protection may be unenforceable or limited in certain countries, and the global nature of the Internet makes it impossible to control the ultimate designation of the Company's technology. Any of these claims, with or without merit, could subject the Company to costly litigation. If the protection of proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of the Resulting Issuer's brand and other intangible assets may be diminished. Any of these events could have an adverse effect on the Company's business and financial results.

If third party patents or patent applications contain claims infringed by the Company's technology and these claims are valid, the Company may be unable to obtain licenses to these patents at a reasonable cost, if at all, and may also be unable to develop or obtain alternative technology. If such licenses cannot be obtained at a reasonable cost, the business could be significantly impacted. Further, the enforceability of the patents owned by the Company may be challenged and the Company's patents could be partially or wholly invalidated following challenges by third parties.

If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of patent or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, patent litigation in the technology industry is expensive. Costs that the Company incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time. In addition, parties making claims against the Company may be able to obtain injunctive or other equitable relief that could prevent the Company from further developing discoveries or commercializing its technology. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative technology. Defense of any lawsuit or failure to obtain any of these licenses could prevent the Company or its partners from commercializing available technology and could cause it to incur substantial expenditure.

The Company also relies on its trade secrets, which include information relating to the manufacture, development and administration of its technology. The protective measures that the Company employs may not provide adequate protection for its trade secrets. This could erode the Company's competitive advantage and materially harm its business. The Company cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology, or that the Company will be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret.

Risks related to competition.

To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

The beverage industry is intensely competitive with respect to product, quality, convenience and price. NEXE faces significant competition in each of its channels and marketplaces. NEXE competes with major international beverage and appliance companies that operate in multiple geographic areas, as well as numerous companies that are primarily local in operation. The Company's ability to gain a share of sales in the global marketplace or in various local marketplaces or maintain or enhance its relationships with its partners and customers may be limited as a result of actions by competitors, including as a result of increased consolidation in the food and beverage industry and an increase in the number of competitive pod contract manufacturers.

Many of the Company's competitors and potential competitors are larger and have greater name recognition, longer operating histories, larger marketing budgets and significantly greater resources than the Company does. With the introduction of new technologies and market entrants, the Company expects competition to continue to intensify in the future. If the Company fails to compete effectively, its business will be harmed. For these reasons, the Company may not be able to compete successfully against its current and future competitors.

Some of the Company's current and potential competitors have significantly greater resources and better competitive positions in certain markets than the Company does. These factors may allow the Company's competitors to respond more effectively than the Issuer to new or emerging technologies and changes in market requirements. The Company's competitors may develop products, features, or services that are similar to the Company or that achieve greater market acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. Certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage against the Company. As a result, the Company's competitors may acquire and engage users at the expense of the growth or engagement of its user base, which may negatively affect the Company's business and financial results.

The Company believes that its ability to compete effectively depends upon many factors both within and beyond the Company's control, including:

- the usefulness, ease of use, performance, and reliability of the Company's products and services compared to its competitors;
- customer service and support efforts;
- marketing and selling efforts;
- the Company's financial condition and results of operations;
- changes mandated by legislation, regulatory authorities, or litigation, some of which may have a disproportionate effect on the Company;
- acquisitions or consolidation within the Company's industry, which may result in more formidable competitors;
- the Company's ability to attract, retain, and motivate talented employees and consultants;
- the Company's ability to cost-effectively manage and grow its operations; and
- the Company's reputation and brand strength relative to that of its competitors.

For further information on the competitors of NEXE and the Company see *"Part II – Information Concerning NEXE – Narrative Description of the Business – Competitive Conditions."*

Risks related to management of growth.

The Company may in the future, experience rapid growth and development in a relatively short period of time by aggressively marketing its products and services. The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Risks related to conflicts of interest.

Certain of the directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies. In addition, as applicable, such directors and officers will refrain from voting on any matter in which they have a conflict of interest.

Additional financing requirements and access to capital.

The Company may require additional funds for further research and development, sales and marketing, operations, working capital, and general corporate purposes. The Company may attempt to raise additional funds for these purposes through public or private equity or debt financing, collaborations with other companies, government grants and/or from other sources. There can be no assurance that additional funding or partnership will be available on terms acceptable to the Company. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Company Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital or to pursue business opportunities, including potential acquisitions. If adequate funds are not obtained, the Company may be required to reduce, curtail, or discontinue operations.

Product recalls and/or product liability may adversely impact the Company.

The Company will be subject to regulation by a variety of regulatory authorities. In the event that the Company, does not adhere to product safety requirements or its quality control standards, it might not identify a deficiency before its ships its products to customers. The failure to produce products that adhere to the Company's quality control standards could damage its reputation and brands and lead to customer litigation against the Company and the Company may be required to remove or recall those products at a substantial cost. The Company may be unable to recover costs related to product recalls.

The Company's business will be highly dependent on sales of coffee, and if demand for coffee decreases, its business would suffer.

Because the Company is highly dependent on consumer demand for coffee, a shift in consumer preferences away from coffee or its product offerings would harm the business more than if it had more diversified product offerings. If customer demand for coffee decreases, its sales would decrease and the Company would be materially adversely affected.

Future revenues are dependent on demand for coffee. Demand for coffee and demand for single-cup brewing systems is affected by many factors, including:

- Changes in consumer tastes and preferences;
- Changes in consumer lifestyles;
- National, regional and local economic conditions;
- Perceptions or concerns about the environmental impact of the products;
- Demographic trends; and
- Perceived or actual health benefits or risks.

Risks related to volatility of share price, absence of dividends and fluctuation of operating results.

Market prices for the securities of technology companies have historically been highly volatile. Factors such as fluctuation of the Company's operating results, announcements of technological innovations, patents or new commercial products by the Company or competitors, and other factors could have a significant effect on the share price or trading volumes for the Company Shares. The Company has not paid dividends to date and the Company does not expect to pay dividends in the foreseeable future.

Risks related to no assurance of active trading market.

There can be no assurances that an active trading market in the Company Shares on the Exchange will be sustained.

Risks related to equity dilution to shareholders.

The issuance of any equity securities could, and the issuance of any additional shares will, cause the Company's existing shareholders to experience dilution of their ownership interests.

Any additional issuance of shares or a decision to acquire other businesses through the sale of equity securities may dilute investors' interests, and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. Such issuance may cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the price of the Company's Shares.

Risks related to value of securities.

The value of the Company's Shares may be reduced for a number of reasons, many of which are outside the control of the Company, including:

- general economic and political conditions in Canada, the United States and globally;
- governmental regulation of the beverage industry including coffee pods;
- failure to achieve desired outcomes by the Company;
- failure to obtain industry partner and other third-party consents and approvals, when required;
- stock market volatility and market conditions;
- competition for, among other things, capital, and skilled personnel;
- the need to obtain required approvals from regulatory authorities;
- revenue and operating results failing to meet expectations in any particular period;
- investor perception of the beverage, coffee and single-serve coffee industries;
- limited trading volume of the Company's Shares;
- announcements relating to the Company's business or the businesses of the Company's competitor's; and
- the Company's ability or inability to raise additional funds.

Risks related to use of proceeds.

Although the Company has set out its intended use of proceeds in this MD&A, these intended uses are estimates only and subject to change. While management does not contemplate any material variation, management does retain broad discretion in the application of such proceeds. The failure by the Company to apply these funds effectively could have a material adverse effect on the Issuer's business, including the Company's ability to achieve its stated business objectives.

Risks related to global economic and financial deterioration impeding access to capital or increasing the cost of capital.

Market events and conditions, including disruption in the Canadian, U.S. and international financial markets and other financial systems and the deterioration of Canadian, U.S. and global economic and financial market conditions, could, among other things, impact currency trading and impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. Current and future conditions in the domestic and global economies remain uncertain. As a result, it is difficult to estimate the level of growth or contraction for the economy as a whole. It is even more difficult to estimate growth or contraction in various parts, sectors and regions of the economy, including the market area in which the Company will participate.

Risks related to litigation.

The Company and/or its directors and officers may be subject to a variety of civil or other legal proceedings, with or without merit. From time to time in the ordinary course of its business, the Company may become involved in various legal proceedings, including commercial, employment and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, operating results or financial condition.

Risks related to reporting issuer status.

As a reporting issuer, the Company will be subject to reporting requirements under applicable securities law and stock exchange policies. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming or costly, and increase demand on existing systems and resources. Among other things, the Company will be required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm the Company's business and results of operations. The Company may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses.

Management of the Company expects that being a reporting issuer will make it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for the Company to retain qualified directors and executive officers.

Economic environment and global economic risk.

The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Company's sales and profitability.

Any economic slowdown and downturn of global capital markets could make the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's Shares on the stock exchange.

Climate change may have a long-term adverse impact on the Company's business and results of operations.

There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere will cause significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. Decreased agricultural productivity in certain regions of the world as a result of changing weather patterns may limit availability or increase the cost of key agricultural commodities, such as coffee, which are important sources of ingredients for the Company's business and products, and could impact the food security of communities around the world. Increased frequency or duration of extreme weather conditions could also impair production capabilities, disrupt the Company's supply chain or impact demand for its products. As a result, the effects of climate change could have a long-term adverse impact on the business and results of operations.

Business interruptions resulting from the COVID-19 outbreak or similar public health crises could cause a disruption to the development and distribution of products and adversely impact business.

Public health crises such as pandemics or similar outbreaks could adversely impact the Company's business. In December 2019, a novel strain of a virus named SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2), or coronavirus, which causes COVID-19 surfaced in Wuhan, China and has reached multiple other regions and countries, including Surrey, British Columbia, Canada where NEXE's primary office and facility is located. The coronavirus pandemic is evolving, and to date has led to the implementation of various responses, including government-imposed quarantines, travel restrictions and other public health safety measures. The extent to which the coronavirus impacts the demand for the Company's products and the Company's operations or those of third-party partners, will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that will emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. The continued spread of COVID-19 globally could adversely impact the Company's product distribution, business relationships and sales, both locally and internationally. COVID-19 may also affect the Company's management personnel and employees as well as employees of third-parties located in affected geographies that it relies upon.

Currency risk exposures.

The Company may have financial risk exposure to varying degrees relating to the currency risk and volatility of each of the countries where it operates.

Approval

This MD&A has been prepared by management with an effective date of April 29, 2021. The MD&A and the Consolidated Condensed Interim Financial Statements were approved by the Board of Directors of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the Company's website at www.NEXE.ca.