



## **NEXE INNOVATIONS INC.**

**Nexe Innovations Inc.**

**Amendment to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended February 28, 2022 and 2021**

The attached Condensed Interim Consolidated Financial Statements for the three and nine months ended February 28, 2022 and 2021 have been amended to correct certain typographical errors in the Condensed Interim Consolidated Statements of Financial Position as at February 28, 2022 and May 31, 2021. Specifically, to correct typos in "Total current assets", "Total Assets" and "Total liabilities" at May 31, 2021 and to correct typos in "Total current liabilities" and "Total non-current liabilities" at February 28, 2022. No other changes have been made to the financial statements or management's discussion and analysis filed on SEDAR on April 29, 2022.

This notice does not form a part of the Condensed Interim Consolidated Financial Statements for the three and nine months ended February 28, 2022 and 2021.

May 16, 2022



# **NEXE INNOVATIONS INC.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Three and Nine months Ended February 28, 2022 and 2021**

(Expressed in Canadian Dollars)

(Unaudited)

## NEXE INNOVATIONS INC.

### Condensed Interim Consolidated Statements of Financial Position

As at February 28, 2022 and May 31, 2021

(Expressed in Canadian Dollars; Unaudited)

		February 28, 2022	May 31, 2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	\$ 3,154,621	\$ 50,526,731
Term deposits		40,000	40,000
Investment in GICs	4	29,978,934	-
Other receivables	5	1,107,656	603,385
Prepaid expenses and supplies	6	5,430,639	2,199,738
<b>Total current assets</b>		<b>\$ 39,711,850</b>	<b>\$ 53,369,854</b>
<b>Non-current assets</b>			
Prepaid expenses	6	\$ 964,564	\$ 133,492
Property, plant and equipment	7	9,478,972	3,442,123
Right-of-use assets	8	548,338	651,151
Intangible assets	9	78,980	78,980
<b>Total non-current assets</b>		<b>\$ 11,070,854</b>	<b>\$ 4,305,746</b>
<b>TOTAL ASSETS</b>		<b>\$ 50,782,704</b>	<b>\$ 57,675,600</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		\$ 990,409	\$ 1,516,954
Bank overdraft		-	804,611
Deferred Government grant liability	7, 10	1,000,000	1,000,000
Due to related parties	13	26,748	18,586
Current portion of lease liability	8	142,997	27,929
Current portion of Government loan payable	10	246,464	500,004
<b>Total current liabilities</b>		<b>\$ 2,406,618</b>	<b>\$ 3,868,084</b>
<b>Non-current liabilities</b>			
Lease liability	8	\$ 415,105	\$ 514,719
Government loan payable	10	1,055,406	956,224
<b>Total non-current liabilities</b>		<b>\$ 1,470,511</b>	<b>\$ 1,470,943</b>
<b>Total liabilities</b>		<b>\$ 3,877,129</b>	<b>\$ 5,339,027</b>
<b>Shareholders' equity</b>			
Share capital	11	\$ 66,877,434	\$ 66,677,433
Share option reserve	12	1,186,992	819,819
Contributed surplus	12	7,892,984	7,907,900
Deficit		(29,051,835)	(23,068,579)
<b>Total equity</b>		<b>\$ 46,905,575</b>	<b>\$ 52,336,573</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 50,782,704</b>	<b>\$ 57,675,600</b>

Nature of operations (note 1)

Subsequent events (note 17)

Approved and authorized for issue by the Board of Directors on April 29, 2022:

*"Ashvani Guglani"*

\_\_\_\_\_  
Director

*"Killian Ruby"*

\_\_\_\_\_  
Director

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

## NEXE INNOVATIONS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
For the Three and Nine months Ended February 28, 2022 and 2021  
(Expressed in Canadian Dollars; Unaudited)

	Note	Three months ended Feb 28, 2022	Three months ended Feb 28, 2021	Nine months ended Feb 28, 2022	Nine months ended Feb 28, 2021
<b>Operating expenses</b>					
Administrative		\$ 367,595	\$ 140,467	\$ 812,040	\$ 229,744
Advertising and product marketing		134,414	1,686,357	680,271	1,895,172
Advisory fees		2,582	51,558	7,244	167,043
Consulting fees		86,333	396,107	478,231	430,914
Depreciation	7, 8	174,305	100,313	437,372	192,898
Interest and accretion	8, 10	76,101	104,368	236,099	296,763
Legal fees		60,346	102,171	179,462	133,194
Management fees	13	69,000	178,000	230,500	704,524
Marketing and investor relations		63,079	383,576	161,028	479,751
Professional fees		32,804	37,979	421,586	161,326
Research and development		177,005	129,166	534,233	176,553
Salaries and benefits	13	494,102	260,783	1,284,682	372,975
Share-based compensation	12, 13	91,826	82,614	387,753	247,843
Transfer agent and filing fees		22,001	63,334	54,288	63,334
Travel and promotion		59,427	45,485	131,398	74,527
<b>Total operating expenses</b>		<b>\$ 1,910,920</b>	<b>\$ 3,762,278</b>	<b>\$ 6,036,187</b>	<b>\$ 5,626,561</b>
<b>Operating loss before other items</b>		<b>\$ 1,910,920</b>	<b>\$ 3,762,278</b>	<b>\$ 6,036,187</b>	<b>\$ 5,626,561</b>
<b>Other items</b>					
Foreign exchange loss (gain)		43,737	(7,862)	58,849	(7,840)
Interest income		(49,012)	(3,103)	(111,780)	(3,194)
Listing Expense		-	2,614,701	-	2,614,701
<b>Total other items</b>		<b>\$ (5,275)</b>	<b>\$ 2,603,736</b>	<b>\$ (52,931)</b>	<b>\$ 2,603,667</b>
<b>Loss and comprehensive loss</b>		<b>\$ 1,905,645</b>	<b>\$ 6,366,014</b>	<b>\$ 5,983,256</b>	<b>\$ 8,230,228</b>
<b>Basic and diluted loss per share</b>					
		<b>\$ 0.02</b>	<b>\$ 0.10</b>	<b>\$ 0.06</b>	<b>\$ 0.25</b>
<b>Weighted average shares outstanding</b>		<b>96,839,872</b>	<b>61,139,538</b>	<b>96,763,515</b>	<b>32,343,829</b>

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

## NEXE INNOVATIONS INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity  
For the Nine Months Ended February 28, 2022 and 2021  
(Expressed in Canadian Dollars; Unaudited)

	Number of Common Shares	Common Share Capital	Number of Preferred Shares	Preferred Share Capital	Share Option Reserve	Contributed Surplus	Accumulated Deficit	Total Equity
<b>Balance – May 31, 2020</b>	<b>18,182,004</b>	<b>\$ 23,715</b>	<b>22,791,251</b>	<b>\$ 11,117,850</b>	<b>\$ 836,639</b>	<b>\$ 411,678</b>	<b>\$ (5,889,297)</b>	<b>\$ 6,500,585</b>
Shares issued for private placement, net of cost	18,651,038	7,740,196	230,383	121,619	-	5,445,950	-	13,307,765
Shares issued as fees of private placement	93,750	75,000	-	-	-	-	-	75,000
Shares issued on conversion of preferred shares	25,902,959	11,646,604	(23,647,995)	(11,646,604)	-	-	-	-
Shares issued on exercise of warrants	9,537,695	8,152,443	-	-	-	-	-	8,152,443
Shares issued to former Whatcom shareholders on RTO	4,000,000	3,200,000	-	-	-	-	-	3,200,000
Shares issued for services	-	-	626,361	407,135	-	-	-	407,135
Proceeds from exercise of options deposit	-	56,681	-	-	-	-	-	56,681
Stock-based compensation	-	-	-	-	247,843	-	-	247,843
Net loss for the period ended February 28, 2021	-	-	-	-	-	-	(8,230,228)	(8,230,228)
<b>Balance – February 28, 2021</b>	<b>76,367,446</b>	<b>\$ 30,894,639</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 1,084,482</b>	<b>\$ 5,857,628</b>	<b>\$ (14,119,525)</b>	<b>\$ 23,717,224</b>
<b>Balance – May 31, 2021</b>	<b>96,628,674</b>	<b>\$ 66,677,433</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 819,819</b>	<b>\$ 7,907,900</b>	<b>\$ (23,068,579)</b>	<b>\$ 52,336,573</b>
Shares issued on exercise of warrants	152,400	131,626	-	-	-	(14,916)	-	116,710
Shares issued on exercise of options	34,300	42,875	-	-	(20,580)	-	-	22,295
Shares issued for services (performance milestone)	25,000	25,500	-	-	-	-	-	25,500
Share-based compensation	-	-	-	-	387,753	-	-	387,753
Net loss for the period ended February 28, 2022	-	-	-	-	-	-	(5,983,256)	(5,983,256)
<b>Balance – February 28, 2022</b>	<b>96,840,374</b>	<b>\$ 66,877,434</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 1,186,992</b>	<b>\$ 7,892,984</b>	<b>\$ (29,051,835)</b>	<b>\$ 46,905,575</b>

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

**NEXE INNOVATIONS INC.**  
Condensed Interim Consolidated Statements of Cashflows  
For the Nine Months Ended February 28, 2022 and 2021  
(Expressed in Canadian Dollars; Unaudited)

	Nine months ended Feb 28, 2022	Nine months ended Feb 28, 2021
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (5,983,256)	\$ (8,230,228)
Items not affecting cash:		
Depreciation	437,372	192,898
Interest and accretion	236,099	254,193
Shares issued for consulting fees	25,500	-
Listing expense	-	2,614,701
Share-based compensation	387,753	247,843
	<b>\$ (4,896,532)</b>	<b>\$ (4,920,593)</b>
<b>Change in non-cash working capital balances</b>		
Increase in other receivables	\$ (504,271)	\$ (146,773)
Increase in prepaids expenses and supplies	(3,230,901)	(1,315,331)
Increase (decrease) in trade and other payables	(526,545)	1,133,970
Increase in due to related parties	8,162	-
	<b>\$ (9,150,087)</b>	<b>\$ (5,248,727)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	\$ (6,371,408)	\$ (1,301,192)
Investment in GICs	(29,978,934)	-
Investment in intangible assets	-	(198,674)
Cash acquired through RTO with Whatcom	-	580,287
Increase in non-current prepaid expenses	(831,072)	-
	<b>\$ (37,181,414)</b>	<b>\$ (919,579)</b>
<b>Cash flows from financial activities</b>		
Proceeds from exercise of warrants	\$ 116,710	\$ 8,152,443
Proceeds from exercise of options	22,295	56,681
Proceeds from issuance of share capital	-	13,794,913
Proceeds from government grant	-	750,000
Repayment of bank overdraft	(804,611)	-
Purchase of term deposit	-	(16,000)
Repayment of government loan	(375,003)	(83,334)
	<b>\$ (1,040,609)</b>	<b>\$ 22,654,703</b>
<b>Net cash provided (used in) from financing activities</b>	<b>\$ (1,040,609)</b>	<b>\$ 22,654,703</b>
Net change in cash during the period	(47,372,110)	16,486,397
Cash and cash equivalents – beginning of period	50,526,731	3,311,463
<b>Cash and cash equivalents – end of period</b>	<b>\$ 3,154,621</b>	<b>\$ 19,797,860</b>

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

## NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended February 28, 2022 and 2021  
(Expressed in Canadian Dollars; Unaudited)

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### 1. NATURE OF OPERATIONS

NEXE Innovations Inc. is a leader in plant-based compostable technology and advanced materials manufacturing based in British Columbia, Canada. The Company has developed patented, fully compostable, plant-based, single-serve coffee pods for use in leading single-serve coffee machines.

#### Operations

These condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has predominately experienced operating losses and negative operating cash flows; operations of the Company having been primarily funded by the issuance of share capital. The Company expects to incur further losses in the development of its business. Management has estimated that the Company has sufficient financing to complete current work plans with the closing of financings in fiscal 2020. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

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

#### COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments has already adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The Company has established key guidelines and procedures related to security and access controls, health screening, isolation and quarantine, and facility infrastructure, maintenance, and cleaning, to ensure that its workplace practices are in line with local government recommendations and requirements, as well as compliant with the appropriate standards of safety, health, wellness and required workplace readiness. The Company continues to monitor key suppliers to prevent service disruptions or significant impacts in the delivery of services or goods from its suppliers.

As a result of the pandemic, the Company has experienced supply chain disruptions, particularly with machinery, human resource constraints, deterioration of consumer demand and market volatility. Although global market conditions may have affected market conditions and consumer spending patterns, the Company remains well placed to grow revenues through product innovations. The Company has reviewed its exposure from other emerging business risks but has not identified any other risks that could significantly impact the estimates used in the determination of plant and equipment, lease liability, and intangible assets that may have a significant impact on the Company's financial performance.

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

## NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended February 28, 2022 and 2021  
(Expressed in Canadian Dollars; Unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of presentation

##### Statement of compliance

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (IAS 34).

These condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements for the year ended May 31, 2021, as some disclosure from the annual consolidated financial statements have been condensed or omitted. The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended May 31, 2021.

#### (b) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, NEXE Technology Corp., G-Pak Holdings Ltd. and Xoma Operations Inc. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company balances and transactions between the Company and its subsidiaries have been eliminated in preparing the condensed interim consolidated financial statements.

#### (c) Basis of measurement

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

#### (d) Functional and presentation currency

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

#### (e) Accounting standards issued but not yet effective

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed consolidated financial statements.

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



## NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended February 28, 2022 and 2021  
(Expressed in Canadian Dollars; Unaudited)

### 3. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents of \$3,154,621 (May 31, 2021 - \$50,526,731) are deposits with Canadian financial institutions.

### 4. INVESTMENTS IN GICs

The Company holds short-term GICs with various Canadian financial institutions in the amount of \$ 29,978,934 (May 31, 2021 - \$nil) of which \$27,023,627 matures in August 2022 and \$2,955,307 matures in October 2022.

### 5. OTHER RECEIVABLES

A breakdown of other receivables as at February 28, 2022, and as at May 31, 2021, follows:

Other receivables	February 28, 2022	May 31, 2021
GST receivable	\$ 1,047,841	\$ 603,385
Accrued interest	59,815	-
<b>Total other receivables</b>	<b>\$ 1,107,656</b>	<b>\$ 603,385</b>

### 6. PREPAID EXPENSES AND SUPPLIES

A breakdown of prepaid expenses and supplies as at February 28, 2022, and the as at May 31, 2021, follows:

Prepaid expenses and supplies	February 28, 2022	May 31, 2021
Prepaid expenses, current	\$ 4,955,465	\$ 1,878,195
Supplies	475,174	321,543
<b>Total prepaid expenses and supplies</b>	<b>\$ 5,430,639</b>	<b>\$ 2,199,738</b>
Prepaid expenses, long term	964,564	133,492
<b>Total prepaid expenses and supplies</b>	<b>\$ 6,395,203</b>	<b>\$ 2,333,230</b>

Prepaid expenses primarily included deposits for the procurement of manufacturing equipment. Supplies were comprised of raw materials for the manufacturing process for single-serve coffee pods.

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

## NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended February 28, 2022 and 2021  
(Expressed in Canadian Dollars; Unaudited)

### 7. PROPERTY, PLANT AND EQUIPMENT

A breakdown of property, plant and equipment as at February 28, 2022, and as at May 31, 2021, follows:

	Computer Equipment	Furniture & Equipment	Machinery	Building Improv.	Manufacturing Facility	Land	Vehicles	Government Loan Benefit <sup>(1)</sup>	Total
<b>Net book value May 31, 2021</b>	\$ 6,201	\$ 469,001	\$ 2,021,024	\$ 135,658	\$ 1,489,367	\$ 341,270	\$ -	\$ (1,020,398)	\$ 3,442,123
<b>Consisting of:</b>									
Cost	\$ 14,549	\$ 907,732	\$ 2,772,769	\$ 170,475	\$ 2,025,185	\$ 341,270	\$ -	\$ (1,409,113)	\$ 4,822,867
Accumulated depreciation	(7,588)	(381,212)	(503,886)	(18,180)	(353,161)	-	-	388,715	(875,312)
Impairment	(760)	(57,519)	(247,859)	(16,637)	(182,657)	-	-	-	(505,432)
<b>Net book value May 31, 2021</b>	\$ 6,201	\$ 469,001	\$ 2,021,024	\$ 135,658	\$ 1,489,367	\$ 341,270	\$ -	\$ (1,020,398)	\$ 3,442,123
Additions	30,726	6,129	1,721,172	123,509	3,192,102	1,241,373	56,397	-	6,371,408
Depreciation	(9,040)	(79,438)	(240,752)	(24,734)	(89,245)	-	(1,410)	110,060	(334,559)
<b>Net book value February 28, 2022</b>	\$ 27,887	\$ 395,692	\$ 3,501,444	\$ 234,433	\$ 4,592,224	\$ 1,582,643	\$ 54,987	\$ (910,338)	\$ 9,478,972
<b>Consisting of:</b>									
Cost	\$ 45,275	\$ 913,861	\$ 4,493,941	\$ 293,984	\$ 5,217,287	\$ 1,582,643	\$ 56,397	\$ (1,409,113)	\$ 11,194,275
Accumulated depreciation	(16,628)	(460,650)	(744,638)	(42,914)	(442,406)	-	(1,410)	498,775	(1,209,871)
Impairment	(760)	(57,519)	(247,859)	(16,637)	(182,657)	-	-	-	(505,432)
<b>Net book value February 28, 2022</b>	\$ 27,887	\$ 395,692	\$ 3,501,444	\$ 234,433	\$ 4,592,224	\$ 1,582,643	\$ 54,987	\$ (910,338)	\$ 9,478,972

<sup>(1)</sup> The benefit of the loans from government at a below-market interest rate is measured and recognized as the difference between the initial carrying value of the loans determined using the effective interest method and the proceeds received. The benefit amount is amortized in the profit and loss over the same period as the useful life of the machinery.

During the three months ended February 2022, the Company acquired a 54,000 square foot manufacturing facility in Windsor, Ontario at a cost of \$4,433,475, including acquisition costs, for the purpose of gaining access to a workforce that is highly-skilled with manufacturing skills required to support the Company's commercialization and growth plans.

### 8. RIGHT-OF-USE ASSETS

The Company leases a warehouse building. A breakdown of the right-of-use assets as at February 28, 2022, and as at May 31, 2021, follows:

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

## NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended February 28, 2022 and 2021  
(Expressed in Canadian Dollars; Unaudited)

### 8. RIGHT-OF-USE ASSETS (continued)

	February 28, 2022	May 31, 2021
<b>Cost</b>		
Opening balance	\$ 696,846	\$ -
Additions	-	696,846
<b>Balance – end of period</b>	<b>\$ 696,846</b>	<b>\$ 696,846</b>
<b>Cumulative depreciation</b>		
Opening balance	\$ (45,695)	\$ -
Depreciation	(102,813)	(45,695)
<b>Balance – end of period</b>	<b>\$ (148,508)</b>	<b>\$ (45,695)</b>
<b>Net book value – end of period</b>	<b>\$ 548,338</b>	<b>\$ 651,151</b>

#### Lease liabilities

A continuity schedule as at February 28, 2022, and as at May 31, 2021, follows:

<b>Lease liability - May 31, 2021</b>	<b>\$ 542,648</b>
Interest expense	15,454
<b>Lease liability - February 28, 2022</b>	<b>\$ 558,102</b>

As of February 28, 2022, the current lease liability of the warehouse building is \$142,997 (May 31, 2021 - \$27,929) and the non-current lease liability is \$415,105 (May 31, 2021 - \$514,719).

### 9. INTANGIBLE ASSETS

A continuity schedule for patents as at February 28, 2022, and as at May 31, 2021, follows:

<b>Patents - May 31, 2021 and February 28, 2022</b>	<b>\$ 78,980</b>
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### 10. GOVERNMENT LOAN

The Company received \$2,500,000 of loans from Western Economic Diversification Canada and is required to make monthly repayments of \$41,667, that were to commence August 1, 2020; however, an extension for repayment was granted to January 1, 2021, and maturity was extended to December 1, 2025. The loan was considered as an interest free loan and the difference between the fair value of the loan and the principal was credited against plant and equipment.

A continuity schedule as at May 31, 2021 and as at February 28, 2022, follows:

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

## NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended February 28, 2022 and 2021  
(Expressed in Canadian Dollars; Unaudited)

### 10. GOVERNMENT LOAN (continued)

<b>Government loan – May 31, 2021</b>	<b>\$ 1,456,228</b>
Accretion	220,645
Repayment	(375,003)
<b>Government loan – February 28, 2022</b>	<b>\$ 1,301,870</b>

As at February 28, 2022, the current portion of the loan repayable was \$246,464 (May 31, 2021 - \$500,004) and the non-current amount was \$1,055,406 (May 31, 2021 - 956,224), both are recorded in the condensed interim consolidated statements of financial position.

### 11. SHARE CAPITAL

#### Authorized:

Common Shares: unlimited without par value

#### Issued and outstanding:

As at February 28, 2022, the Company had 96,840,374 issued and outstanding (May 31, 2021 - 96,628,674) common shares.

During the nine months ended February 28, 2022, the Company issued 152,400 common shares from the exercise of warrants for proceeds of \$116,710 and 34,300 common shares from the exercise of options for proceeds of \$22,295. In addition, the Company issued 25,000 common shares at a deemed market price of \$1.02 to a former employee of the Company, who met a performance related milestone in accordance with an employment agreement as a Shares for Services transaction, as defined in the policies of the TSX Venture Exchange. The shares are subject to a four-month hold period from the date of issue and the share issuance was part of a final settlement.

### 12. WARRANTS AND STOCK OPTIONS

#### Warrants

Continuity schedule of the Company's share purchase warrants issued and outstanding for the nine months ended February 28, 2022, and the year ended May 31, 2021, was as follows:

	Weighted average exercise price	Number of warrants
<b>Outstanding – May 31, 2020</b>	<b>\$ 1.10</b>	<b>7,311,425</b>
Issued	1.47	23,301,971
Exercised	(0.88)	(12,027,420)
Expired	(1.10)	(20,000)
<b>Outstanding – May 31, 2021</b>	<b>\$ 1.74</b>	<b>18,565,976</b>
Exercised	(1.07)	(152,400)
Expired	(1.04)	(6,253,998)
<b>Outstanding – February 28, 2022</b>	<b>\$ 2.11</b>	<b>12,159,578</b>

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

## NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 12. WARRANTS AND STOCK OPTIONS (continued)

#### Warrants (continued)

As of February 28, 2022, the following warrants were outstanding, and the weighted average remaining life of warrants outstanding was 1.15 years (May 31, 2021 – 0.92 years).

Expiry date	February 28, 2022		May 31, 2021	
	Exercise price (\$)	Number of warrants outstanding	Exercise price (\$)	Number of warrants outstanding
May 31, 2021	-	-	1.10	187,866
October 25, 2021	-	-	1.10	461,460
November 5, 2021	-	-	1.10	719,814
November 13, 2021	-	-	1.10	7,680
November 27, 2021	-	-	1.10	144,923
December 8, 2021	-	-	1.00	95,435
December 9, 2021	-	-	0.65	1,694
December 9, 2021	-	-	1.10	341,698
December 13, 2021	-	-	1.10	76,912
December 15, 2021	-	-	0.80	293,938
December 15, 2021	-	-	1.00	2,869,629
December 18, 2021	-	-	0.65	5,342
December 18, 2021	-	-	1.10	219,000
December 20, 2021	-	-	1.10	103,580
December 31, 2021	-	-	1.10	807,427
February 10, 2022	-	-	1.10	70,000
April 1, 2022	1.10	613,515	1.10	613,515
June 2, 2022	0.25	25,851	0.25	25,851
August 4, 2022	1.10	230,743	1.10	230,743
October 21, 2022	1.10	285,000	1.10	285,000
December 15, 2022	1.10	307,692	1.10	307,692
December 18, 2022	1.10	359,277	1.10	359,277
April 9, 2023	2.00	952,500	2.00	952,500
April 9, 2023	2.50	8,625,000	2.50	8,625,000
June 1, 2025	0.35	760,000	0.35	760,000
<b>Weighted average price / Quantity outstanding</b>	<b>\$2.11</b>	<b>12,159,578</b>	<b>\$1.74</b>	<b>18,565,976</b>

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

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### 12. WARRANTS AND STOCK OPTIONS (continued)

#### Options

Continuity schedule of the Company's stock options granted and outstanding for the nine months ended February 28, 2022, and the year ended May 31, 2021, was as follows:

	Weighted average exercise price	Number of Options
<b>Outstanding – May 31, 2020</b>	\$ 0.51	4,294,020
Granted	0.67	1,510,000
Exercised	(0.31)	(1,294,401)
Forfeited/cancelled	(0.65)	(250,000)
<b>Outstanding – May 31, 2021</b>	\$ 0.61	4,259,619
Granted	2.00	250,000
Exercised	(0.65)	(34,300)
Forfeited/cancelled	(0.65)	(22,512)
<b>Outstanding – February 28, 2022</b>	\$ 0.68	4,452,807

As at February 28, 2022, the following stock options were outstanding and exercisable with a weighted average remaining life of 2.66 years (May 31, 2021 – 3.57 years).

Exercise price (\$)	Expiry date	February 28, 2022		May 31, 2021	
		Number of options outstanding	Number of options vested and exercisable	Number of options outstanding	Number of options vested and exercisable
0.53	March 11, 2022	300,000	300,000	300,000	300,000
0.53	March 13, 2022	60,000	60,000	60,000	60,000
0.53	April 1, 2022	63,760	63,760	63,760	63,760
0.53	July 28, 2022	10,000	10,000	10,000	10,000
2.00	May 6, 2023	250,000	250,000	-	-
0.53	June 1, 2024	750,000	500,001	750,000	359,375
0.65	October 10, 2024	500,000	291,660	500,000	197,912
0.65	December 1, 2024	192,488	116,462	215,000	13,650
0.65	January 9, 2025	55,000	28,641	55,000	18,330
0.65	February 4, 2025	600,000	300,000	600,000	187,500
0.65	June 1, 2025	665,700	374,034	700,000	62,500
0.65	July 1, 2025	50,000	19,792	50,000	-
0.28	October 2, 2025	355,859	355,859	355,859	355,859
0.80	December 15, 2025	600,000	174,999	600,000	-
<b>Total</b>		<b>4,452,807</b>	<b>2,845,208</b>	4,259,619	1,628,886

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

## NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 12. WARRANTS AND STOCK OPTIONS (continued)

#### Options (continued)

The following assumptions were used for the Black-Scholes valuation of stock options granted during the nine months ended February 28, 2022, and the year ended May 31, 2021:

<b>Warrants and Stock Options</b>	<b>February 28, 2022</b>	<b>May 31, 2021</b>
Risk-free interest rate	<b>0.37% to 0.45%</b>	0.37% to 0.45%
Expected life of options	<b>5 years</b>	5 years
Share price	<b>\$0.65 - \$1.06</b>	\$0.65 - \$0.80
Annualized volatility	<b>100% - 105%</b>	100% - 105%
Dividend rate	<b>0.00%</b>	0.00%
<b>Valuation based on assumptions:</b>		
Fair value per option granted	<b>\$0.32 to \$0.41</b>	\$0.32 to \$0.40

### 13. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions not otherwise disclosed in these condensed interim consolidated financial statements:

As at February 28, 2022, the Company had \$26,748 (May 31, 2021 - \$18,586) due to key management personnel regarding employment and consulting agreement commitments which were included in due to related parties.

#### *Key management compensation*

Key management personnel included those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consisted of members of the Company's Board of Directors and corporate officers.

For the three months ended February 28, 2022, key management compensation included salaries and benefits, and management fees, paid to key management personnel of \$128,176 (2021 - \$207,488) and share-based compensation of \$86,618 (2021 - \$nil).

For the nine months ended February 28, 2022, key management compensation included salaries and benefits, and management fees, paid to key management personnel of \$614,240 (2021 - \$1,029,525) and share-based compensation of \$259,855 (2021 - \$34,434).

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

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Notes to the Condensed Interim Consolidated Financial Statements  
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### 14. FINANCIAL INSTRUMENTS and RISK MANAGEMENT

#### Fair value of financial instruments

##### Fair value

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value in the fair value hierarchy.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 – Inputs that are not based on observable market data. The Company has no financial instruments classified in Level 3.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

The following tables present the carrying amounts and fair values of the Company's financial assets and liabilities, including their levels within the fair value hierarchy. Fair value information for financial assets and financial liabilities not measured at fair value is not presented if the carrying amount is a reasonable approximation of fair value.

May 31, 2021	Fair value through profit and loss	Amortized cost	Fair value			Total
			Level 1	Level 2	Level 3	
<b>Financial assets</b>						
Cash and cash equivalents	\$ -	\$ 50,526,731	\$ 50,526,731	\$ -	\$ -	\$ 50,526,731
Term deposits	-	40,000	40,000	-	-	40,000
<b>Total Financial assets</b>	<b>\$ -</b>	<b>\$ 50,566,731</b>	<b>\$ 50,566,731</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,566,731</b>
<b>Financial Liabilities</b>						
Trade and other payables	\$ -	\$ 1,516,954	\$ 1,516,954	\$ -	\$ -	\$ 1,516,954
Deferred Government grant liability	-	1,000,000	-	1,000,000	-	1,000,000
Due to related parties	-	18,586	-	18,586	-	18,586
Government loan payable	-	1,456,228	-	1,456,228	-	1,456,228
<b>Total Financial Liabilities</b>	<b>\$ -</b>	<b>\$ 3,991,768</b>	<b>\$ 3,991,768</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,991,768</b>

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



## NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 14. FINANCIAL INSTRUMENTS and RISK MANAGEMENT (continued)

February 28, 2022	Fair value through profit and loss	Amortized cost	Fair Value			Total
			Level 1	Level 2	Level 3	
<b>Financial assets</b>						
Cash and cash equivalents	\$ -	\$ 3,154,621	\$ 3,154,621	\$ -	\$ -	\$ 3,154,621
Term deposits	-	40,000	40,000	-	-	40,000
Investment in GICs	-	29,978,934	-	29,978,934	-	29,978,934
Other receivables	-	59,815	-	59,815	-	59,815
<b>Total Financial assets</b>	<b>\$ -</b>	<b>\$ 33,233,370</b>	<b>\$ 3,194,621</b>	<b>\$ 30,038,749</b>	<b>\$ -</b>	<b>\$ 33,233,370</b>
<b>Financial Liabilities</b>						
Trade and other payables	-	990,409	-	990,409	-	990,409
Deferred Government grant liability	-	1,000,000	-	1,000,000	-	1,000,000
Due to related parties	-	26,748	-	26,748	-	26,748
Government loan payable	-	1,301,870	-	1,301,870	-	1,301,870
<b>Total Financial Liabilities</b>	<b>\$ -</b>	<b>\$ 3,319,027</b>	<b>\$ -</b>	<b>\$ 3,319,027</b>	<b>\$ -</b>	<b>\$ 3,319,027</b>

#### Financial risk management

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

#### Credit risk

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

#### Liquidity risk

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

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

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### 14. FINANCIAL INSTRUMENTS and RISK MANAGEMENT (continued)

#### 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.

#### Foreign Exchange Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company is not exposed to any significant foreign exchange rate risk.

### 15. CAPITAL RISK MANAGEMENT

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

### 16. COMMITMENTS

The Company has committed to procuring manufacturing and production equipment according to the information below. The Company used approximate exchange rates of 1.4206 (EUR) and 1.2667 (USD)

Currency	Commitments		Payments		Outstanding CAD(\$) Equivalent	
	Stated in F/X	CAD(\$) Equivalent	Stated in F/X	CAD(\$) Equivalent		
<b>Commitments as at February 28, 2022</b>						
EUR	5,997,690	8,520,318	1,233,076	1,751,708	6,768,610	
USD	3,604,713	4,566,090	1,405,913	1,780,870	2,785,220	
CAD	3,072,396	3,072,396	1,219,301	1,219,301	1,853,095	
<b>Total commitments as at February 28, 2022</b>		<b>16,158,804</b>		<b>4,751,879</b>	<b>11,406,925</b>	
<b>Additional commitments subsequent to February 28, 2022</b>						
USD	162,019	205,230	4,250	5,383	199,847	
CAD	442,935	442,935	24,000	24,000	418,935	
<b>Total additional commitments subsequent to February 28, 2022</b>		<b>648,164</b>		<b>29,383</b>	<b>618,781</b>	
<b>Total commitments as of February 28, 2022</b>		<b>16,807,022</b>		<b>4,781,262</b>	<b>12,025,760</b>	

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

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### 16. COMMITMENTS (continued)

The bulk of the equipment (coffee capsule dosing and sealing machines) is from a European manufacturer and the Company is working towards an exclusive agreement for long-lead equipment with expected delivery over the next 24 months.

### 17. SUBSEQUENT EVENTS

Subsequent to February 28, 2022, a total of 613,515 warrants expired unexercised @ \$1.10 and no warrants were exercised.

On March 18, 2022 the Company announced a grant (the "Grant") to certain directors, officers, employees and consultants of the Company of 3,070,000 for stock options (the "Options") to purchase up to an aggregate of 3,070,000 common shares of the Company (the "Option Shares") for a period of five years from March 17, 2022 (the "Grant Date") at an exercise price of \$0.495 per Option Share, being the closing price of the common shares of the Company on the TSX Venture Exchange (the "Exchange") on March 16, 2022. The Options will vest in three equal installments with 1/3 vesting six months from the Grant Date, 1/3 vesting 12 months from the Grant Date and the remaining 1/3 vesting 18 months from the Grant Date, all on the terms of the stock option plan of the Company dated March 12, 2021 (the "Plan") and in accordance with the policies of the Exchange.

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