



NEXE INNOVATIONS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended November 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

NEXE INNOVATIONS INC.

Condensed Interim Consolidated Statements of Financial Position

As at November 30, 2022 and May 31, 2022

(Expressed in Canadian Dollars)

		November 30, 2022		May 31, 2022
ASSETS				
Current assets				
Cash and cash equivalents	3	\$ 9,770,264		\$ 15,507,163
Term deposits	4	40,000		40,000
Investment in GICs	5	11,933,554		12,955,307
Trade and other receivables	6	1,932,448		1,338,423
Inventory	7	798,917		929,667
Prepaid expenses	8	4,507,855		3,969,013
Total current assets		\$ 28,983,038		\$ 34,739,573
Non-current assets				
Prepaid expenses	8	-		2,251,654
Property, plant, and equipment	9	17,045,878		11,585,484
Right-of-use assets	10	445,525		514,067
Intangible assets	11	78,980		78,980
Total non-current assets		\$ 17,570,383		\$ 14,430,185
TOTAL ASSETS		\$ 46,553,421		\$ 49,169,758
LIABILITIES				
Current liabilities				
Trade and other payables		\$ 1,966,853		\$ 1,574,108
Deferred Government grant liability	13	-		1,000,000
Deferred revenue		-		2,045
Due to related parties	16	6,300		30,906
Lease liability	10	147,069		144,341
Government loan payable	9, 12	287,836		259,511
Total current liabilities		\$ 2,408,058		\$ 3,010,911
Non-current liabilities				
Lease liability	10	\$ 312,654		\$ 381,273
Government loan payable	9, 12	834,027		985,414
Total non-current liabilities		\$ 1,146,681		\$ 1,366,687
Total liabilities		\$ 3,554,739		\$ 4,377,598
Shareholders' equity				
Share capital	14	\$ 67,003,736		\$ 66,881,736
Share option reserve	15	1,810,201		1,425,932
Contributed surplus	15	7,892,984		7,892,984
Deficit		(33,708,239)		(31,408,492)
Total equity		\$ 42,998,682		\$ 44,792,160
Total liabilities and shareholders' equity		\$ 46,553,421		\$ 49,169,758

Nature of operations (note 1), Subsequent events (note 22)

Approved and authorized for issue by the Board of Directors on January 30, 2023:

"Darren Footz"

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 six months ended November 30, 2022 and 2021
(Expressed in Canadian Dollars)

		Three months ended	Three months ended	Six months ended	Six months ended
	Note	November 30, 2022	November 30, 2021	November 30, 2022	November 30, 2021
Revenue		\$ 9,301	\$ -	\$ 36,163	\$ -
Cost of goods sold		25,908	-	183,011	-
Gross loss		\$ (16,607)	\$ -	\$ (146,848)	\$ -
Operating expenses					
Selling, General and Administrative	17	\$ 951,161	\$ 1,523,920	\$ 2,252,223	\$ 3,049,047
Depreciation	9, 10	213,472	148,421	426,878	263,067
Interest and accretion	10, 12	66,286	83,848	136,048	159,998
Research and development		56,918	267,857	157,421	357,228
Share-based compensation	16	191,954	102,503	384,269	295,927
Total operating expenses		\$ 1,479,791	\$ 2,126,549	\$ 3,356,839	\$ 4,125,267
Operating loss before other items		\$ 1,496,398	\$ 2,126,549	\$ 3,503,687	\$ 4,125,267
Other items					
Other income	13	(1,000,000)	-	(1,000,000)	-
Interest income		(201,597)	(43,680)	(299,956)	(62,768)
Foreign exchange loss (gain)		\$ (3,119)	\$ (22,213)	\$ (2,821)	\$ 15,112
Inventory write-down	7	58,205	-	98,837	-
Loss and comprehensive loss		\$ 349,887	\$ 2,060,656	\$ 2,299,747	\$ 4,077,611
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Basic and diluted loss per share		0.004	0.02	\$ 0.02	\$ 0.04
Weighted average number of shares outstanding		97,293,297	96,768,923	97,088,535	96,725,963

(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 three and six months ended November 30, 2022 and 2021
(Expressed in Canadian Dollars)

	Number of Common Shares	Common Share Capital	Share Option Reserve	Contributed Surplus	Accumulated Deficit	Total Equity
Balance – May 31, 2021	96,628,674	\$ 66,677,433	\$ 819,819	\$ 7,907,900	\$ (23,068,579)	\$ 52,336,573
Shares issued on exercise of warrants	149,720	129,734	-	(14,916)	-	114,818
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
Stock-based compensation	-	-	295,927	-	-	295,927
Net loss for the six months ended	-	-	-	-	(4,077,611)	(4,077,611)
Balance – November 30, 2021	96,837,694	\$ 66,875,542	\$ 1,095,166	\$ 7,892,984	\$ (27,146,190)	\$ 48,717,502
Shares issued on exercise of warrants	19,889	6,194	-	-	-	6,194
Share-based compensation	-	-	330,766	-	-	330,766
Net loss for the year ended	-	-	-	-	(4,262,302)	(4,262,302)
Balance – May 31, 2022	96,857,583	\$ 66,881,736	\$ 1,425,932	\$ 7,892,984	\$ (31,408,492)	\$ 44,792,160
Shares issued for services and consulting fees	435,714	122,000	-	-	-	122,000
Share-based compensation	-	-	384,269	-	-	384,269
Net loss for the six months ended	-	-	-	-	(2,299,747)	(2,299,747)
Balance – November 30, 2022	97,293,297	\$ 67,003,736	\$ 1,810,201	\$ 7,892,984	\$ (33,708,239)	\$ 42,998,682

(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 six months ended November 30, 2022 and 2021
(Expressed in Canadian Dollars)

	November 30, 2022	November 30, 2021
Cash flows from operating activities		
Net loss for the period	\$ (2,299,747)	\$ (4,077,611)
Items not affecting cash:		
Depreciation	426,878	263,067
Other income	(1,000,000)	-
Inventory write-down	98,837	-
Interest and accretion	136,048	159,998
Share for services and consulting fees	122,000	25,500
Share-based compensation	384,269	295,927
	\$ (2,131,715)	\$ (3,333,119)
Change in non-cash working capital balances		
Increase in trade and other receivables	\$ (594,025)	\$ (321,432)
Decrease in inventory	31,913	-
Increase in prepaids expenses and supplies	(538,842)	(2,901,066)
Decrease (increase) in trade and other payables	392,746	(487,303)
Increase (decrease) in due to related parties	(24,606)	661
Decrease in deferred revenue	(2,045)	-
Net cash used in operating activities	\$ (2,866,574)	\$ (7,042,259)
Cash flows from investing activities		
Purchase of property, plant, and equipment	\$ (1,922,740)	\$ (335,771)
Proceeds (Investment) in GICs	1,021,753	(35,968,085)
Change in non-current prepaid expenses	(1,644,336)	(856,909)
Net cash used in investing activities	\$ (2,545,323)	\$ (37,160,765)
Cash flows from financial activities		
Payments on lease liabilities	\$ (75,000)	\$ (37,500)
Proceeds from exercise of warrants	-	114,818
Proceeds from exercise of options	-	22,295
Repayment of bank overdraft	-	(804,611)
Repayment of government loan	(250,002)	(250,002)
Net cash provided (used in) from financing activities	\$ (325,002)	\$ (955,000)
Net change in cash during the period	(5,736,899)	(45,158,024)
Cash and cash equivalents – beginning of the period	15,507,163	50,526,731
Cash and cash equivalents – end of the period	\$ 9,770,264	\$ 5,368,707

(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 six months ended November 30, 2022 and 2021
(Expressed in Canadian Dollars)

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.

NEXE Innovations Inc., formerly Whatcom Capital Corp. (“Whatcom”), was incorporated pursuant to the Business Corporations Act (British Columbia) on September 19, 2019. Whatcom subsequently completed an initial public offering as a Capital Pool Company and listed its common shares on the TSX Venture Exchange (the “Exchange”) on June 4, 2020. On December 15, 2020, Whatcom completed its qualifying transaction (the “Transaction”) with Nexe Innovations Inc. (“Privco”). The Company’s registered and records office is located at #1200 – 750 West Pender Street, Vancouver, British Columbia V6C 2T8 and its head office is located at #109 – 19353 22nd Avenue, Surrey, British Columbia V3Z 3S6.

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. 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

COVID-19 has interrupted the movement of people and goods throughout the world, as well as affecting the profitability and long-term viability of many entities. While many jurisdictions have experienced improved an improved economic outlook in 2021, many jurisdictions and industries are still being affected significantly by the effects of COVID-19. This includes supply chain disruptions, changes in demand for goods and services as well as the uncertainty of future government imposed restrictions on operations. 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 six months ended November 30, 2022 and 2021
(Expressed in Canadian Dollars)

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, 2022, 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, 2022.

(b) Principles 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.

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(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 interim consolidated financial statements.

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NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended November 30, 2022 and 2021
(Expressed in Canadian Dollars)

3. CASH AND CASH EQUIVALENTS

Included within cash and cash equivalents is \$9,115,753 (May 31, 2022: \$15,507,163) in short-term guaranteed investment certificates with Canadian financial institutions.

4. TERM DEPOSITS

The term deposits are short-term GICs of \$40,000 (May 31, 2022: \$40,000) held with a Canadian bank that revolve until withdrawn, and act as collateral for the Company's corporate credit cards.

5. INVESTMENTS IN GICs

The Company holds short-term GICs with various Canadian financial institutions in the amount of \$11,933,554 (May 31, 2022: \$12,955,307) maturing between August 2023 and October 2023, earning interest between 4.5% and 4.6%.

6. TRADE AND OTHER RECEIVABLES

A breakdown of trade and other receivables follows:

Trade and other receivables	November 30, 2022	May 31, 2022
Trade receivable	\$ 27,226	\$ 15,989
GST receivable	1,671,837	1,243,769
Accrued interest	233,385	78,665
Total trade and other receivables	\$ 1,932,448	\$ 1,338,423

Aging of trade and other receivables follows:

Aging of trade and other receivables	November 30, 2022	May 31, 2022
Current	\$ 233,633	\$ 81,957
Past due 1 – 30 days	-	8,446
Past due 31 – 60 days	-	684
Past due over 60 days	26,978	3,354
Total trade and other receivables	\$ 260,611	\$ 94,441

7. INVENTORY

Inventory	November 30, 2022	May 31, 2022
Raw material	\$ 795,530	\$ 859,521
Finished goods	3,387	70,146
Total inventory	\$ 798,917	\$ 929,667

Cost of inventories recognized as an expense during the three and six months ended November 30, 2022 amount to \$84,113 and \$281,848 respectfully (November 30, 2021: \$nil). For the three and six months ended November 30, 2022, the Company recorded a net-realizable value write-down to finished goods inventory of \$58,205 and \$98,837 respectfully (November 30, 2021: \$nil). The remaining inventory is recorded at cost.

(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 six months ended November 30, 2022 and 2021
(Expressed in Canadian Dollars)

8. PREPAID EXPENSES AND SUPPLIES

A breakdown of prepaid expenses follows:

Prepaid expenses and supplies	November 30, 2022		May 31, 2022	
Deposits, current	\$	4,507,855	\$	3,969,013
Deposits, long term		-		2,251,654
Total prepaid expenses and supplies, current and long term	\$	4,507,855	\$	6,220,667

Prepaid expenses primarily included deposits for the procurement of manufacturing equipment for the research and development of single-serve coffee pods.

9. PROPERTY, PLANT AND EQUIPMENT

A breakdown of property, plant and equipment as at November 30, 2022, and as at May 31, 2022, follows:

Property, plant, and equipment	Computer Equip.	Furniture & Equip.	Machinery	Building Improv.	Manuf. Facility	Land	Vehicles	Gov. Loan Benefit ⁽¹⁾	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net book value May 31, 2022	21,414	367,640	4,733,261	1,209,910	4,494,382	1,582,643	49,886	(873,652)	11,585,484
Consisting of:									
Cost	45,275	914,947	5,882,126	1,287,840	5,217,287	1,582,643	56,397	(1,409,113)	13,577,402
Accumulated depreciation	(22,952)	(487,238)	(868,182)	(52,902)	(509,080)	-	(6,165)	535,461	(1,411,058)
Impairment	(909)	(60,069)	(280,683)	(25,028)	(213,825)	-	(346)	-	(580,860)
Net book value May 31, 2022	21,414	367,640	4,733,261	1,209,910	4,494,382	1,582,643	49,886	(873,652)	11,585,484
Additions	1,278	-	3,964,464	1,852,988	-	-	-	-	5,818,730
Depreciation	(6,426)	(42,771)	(224,875)	(19,669)	(130,432)	-	(7,535)	73,372	(358,336)
Net book value November 30, 2022	16,266	324,869	8,472,850	3,043,229	4,363,950	1,582,643	42,351	(800,280)	17,045,878
Consisting of:									
Cost	46,553	914,947	9,846,590	3,140,828	5,217,287	1,582,643	56,397	(1,409,113)	19,396,132
Accumulated depreciation	(29,378)	(530,009)	(1,093,057)	(72,571)	(639,512)	-	(13,700)	608,833	(1,769,394)
Impairment	(909)	(60,069)	(280,683)	(25,028)	(213,825)	-	(346)	-	(580,860)
Net book value November 30, 2022	16,266	324,869	8,472,850	3,043,229	4,363,950	1,582,643	42,351	(800,280)	17,045,878
Total cost of assets not available⁽²⁾ for use (Included in totals above)	-	-	5,349,081	2,846,843	-	-	-	-	8,195,924

(1) 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.

(2) No depreciation is calculated on assets not available for use

During the year ended May 31, 2022, the Company acquired a 54,000 square foot manufacturing facility, including land, in Windsor, Ontario at a cost of \$4,433,475, including acquisition costs.

(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 six months ended November 30, 2022 and 2021
(Expressed in Canadian Dollars)

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

The Company leases a warehouse building. A breakdown of the right-of-use assets follows:

Right-of-use assets	November 30, 2022	May 31, 2022
Cost		
Opening balance	\$ 696,846	\$ 696,846
Balance – end of the period	\$ 696,846	\$ 696,846
Cumulative depreciation		
Opening balance	\$ (182,779)	\$ (45,695)
Depreciation	(68,542)	(137,084)
Balance – end of period	\$ (251,321)	\$ (182,779)
Net book value – end of the period	\$ 445,525	\$ 514,067

Lease liabilities

A continuity schedule of the lease liability follows:

Lease liabilities	November 30, 2022	May 31, 2022
Lease liability – Beginning of the period	\$ 525,614	542,648
Add Interest expense	9,109	20,466
Less Lease payments	(75,000)	(37,500)
Lease liability – Ending of the period	\$ 459,723	525,614

As of November 30, 2022, the current portion of the lease liability of the warehouse building is \$147,069 (May 31, 2022: \$144,341) and the non-current portion of the lease liability is \$312,654 (May 31, 2022: \$381,273).

11. INTANGIBLE ASSETS

A continuity schedule for patents follows:

Intangible assets	November 30, 2022	May 31, 2022
Patents	\$ 78,980	\$ 78,980

12. 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 property, plant and equipment.

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NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended November 30, 2022 and 2021
(Expressed in Canadian Dollars)

12. GOVERNMENT LOAN (continued)

A continuity schedule follows:

Government loan	November 30, 2022	May 31, 2022
Government loan – Beginning balance	\$ 1,244,925	\$ 1,456,228
Accretion	126,940	288,701
Repayment	(250,002)	(500,004)
Government loan – Ending balance	\$ 1,121,863	\$ 1,244,925

As at November 30, 2022, the current portion of the loan repayable was \$287,836 (May 31, 2022: \$259,511) and the non-current amount was \$834,027 (May 31, 2022: 985,414), both are recorded in the condensed interim consolidated statements of financial position.

13. GOVERNMENT GRANTS

On April 21, 2020, the Company signed an agreement with the Department of Natural Resources, Innovative Solutions Canada to commence a project to develop a fully compostable coffee pod that meets the required dimensions required for Nespresso coffee makers using plant-based polymers and, or wood fibre composites, in return for the Company to receive a \$1,000,000 grant. Payments were made to the Company in four equal payments of \$250,000 – June, September, and October 2020 and January 2021.

October 12, 2022, the Department of Natural Resources, Innovative Solutions Canada confirmed the final report submitted by NEXE Innovations Inc., as required by the agreement between NEXE and the Department of Natural Resources, Innovative Solutions Canada, has been accepted and the project is now complete with no future requirements by NEXE to Natural Resources, Innovative Solutions Canada. Upon receipt of confirmation from the Department of NEXE's compliance with the agreement, NEXE recognized the previously deferred grant as other income in the condensed interim consolidated statements of loss and comprehensive.

14. SHARE CAPITAL

Authorized:

Common Shares: unlimited without par value

Issued and outstanding:

As at November 30, 2022, the Company had 97,293,297 issued and outstanding (May 31, 2022: 96,857,583) common shares.

During the six months ended November 30, 2022, the Company issued nil common shares from the exercise of warrants and nil common shares from the exercise of options. A total of 435,714 common shares were issued at a price of \$0.28 per share in exchange for services provided.

In connection with the reverse takeover transaction with Whatcom during the year ended May 31, 2021, the Company entered into the Form 5D Escrow Agreement dated December 10, 2020 whereby 18,182,004 common shares were held, and released over time. Prior to completing the reverse takeover transaction, Whatcom entered into a CPC Escrow Agreement dated November 13, 2019 whereby 1,000,000 common shares were held and released over time. As of November 30, 2022, common shares in escrow are 450,000 (November 30, 2021: 750,000) (CPC Escrow Agreement) and 8,216,517 (November 30, 2021: 13,694,195) (Form 5D Escrow Agreement).

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NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended November 30, 2022 and 2021
(Expressed in Canadian Dollars)

15. WARRANTS AND STOCK OPTIONS

Warrants

Continuity schedule of the Company's share purchase warrants issued and outstanding for the period ended November 30, 2022, and May 31, 2022, was as follows:

Warrants	Weighted average exercise price	Number of warrants
Outstanding – May 31, 2021	\$ 1.74	18,565,976
Exercised	(0.67)	(169,609)
Expired	(1.05)	(6,867,513)
Outstanding – May 31, 2022	\$ 2.17	11,528,854
Expired	(1.09)	(524,385)
Outstanding – November 30, 2022	\$ 2.22	11,004,469

As of November 30, 2022, the following warrants were outstanding, and the weighted average remaining life of warrants outstanding was 0.49 years (May 31, 2022: 0.96 years).

Warrants	November 30, 2022		May 31, 2022	
	Exercise price (\$)	Number of warrants outstanding	Exercise price (\$)	Number of warrants outstanding
June 2, 2022	-	-	0.25	8,642
August 4, 2022	-	-	1.10	230,743
October 21, 2022	-	-	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
Weighted average price / Quantity outstanding	\$2.22	11,004,469	\$2.17	11,528,854

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NEXE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended November 30, 2022 and 2021
(Expressed in Canadian Dollars)

15. WARRANTS AND STOCK OPTIONS (continued)

Options

Continuity schedule of the Company's stock options granted and outstanding for the period ended November 30, 2022, and May 31, 2022, was as follows:

Options	Weighted average price	Number of Options
Outstanding – May 31, 2021	\$ 0.610	4,259,619
Granted (July 27, 2021)	2.000	250,000
Granted (March 17, 2022)	0.495	3,070,000
Exercised	(0.650)	(34,300)
Expired	(0.530)	(423,760)
Forfeited	(0.495)	(130,000)
Forfeited	(0.650)	(22,512)
Outstanding – May 31, 2022	\$ 0.610	6,969,047
Expired	(0.530)	(10,000)
Forfeited	(0.495)	(25,000)
Outstanding – November 30, 2022	\$ 0.620	6,934,047

As at November 30, 2022 the following stock options were outstanding and exercisable with a weighted average remaining life of 3.04 years (May 31, 2022 – 3.55 years).

Options	Exercise price (\$)	Expiry date	November 30, 2022		May 31, 2022	
			Number of options outstanding	Number of options vested and exercisable	Number of options outstanding	Number of options vested and exercisable
	0.53	July 28, 2022	-	-	10,000	10,000
	2.00	May 6, 2023	250,000	250,000	250,000	250,000
	0.53	June 1, 2024	750,000	640,596	750,000	546,876
	0.65	October 10, 2024	500,000	385,413	500,000	291,660
	0.65	December 1, 2024	180,700	156,773	180,700	129,899
	0.65	January 9, 2025	32,488	38,955	32,488	32,080
	0.65	February 4, 2025	600,000	412,500	600,000	300,000
	0.65	June 1, 2025	700,000	502,060	700,000	439,584
	0.65	July 1, 2025	50,000	29,167	50,000	22,917
	0.28	October 2, 2025	355,859	355,859	355,859	355,859
	0.80	December 15, 2025	600,000	287,511	600,000	212,499
	0.495	March 17, 2027	2,915,000	975,000	2,940,000	-
Total			6,934,047	4,033,834	6,969,047	2,591,374

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

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15. WARRANTS AND STOCK OPTIONS (continued)

During the period ended November 30, 2022, no options were granted. The following assumptions were used for the Black-Scholes valuation of stock options granted during the prior period:

Warrants and Stock Options	May 31, 2022
Risk-free interest rate	0.39%
Expected life of options	2 – 5 years
Share price	\$0.49 - \$1.06
Annualized volatility	90% - 102%
Dividend rate	0.00%
Valuation based on assumptions:	
Fair value per option granted	\$0.34 - \$0.41

16. RELATED PARTY TRANSACTIONS

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

As at November 30, 2022, the Company had \$6,300 (May 31, 2022: \$30,906) due to key management personnel regarding employment and consulting agreement commitments which are included in due to related parties.

Key management compensation

Key management personnel include 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.

Key management compensation for the six months ended	November 30, 2022	November 30, 2021
Salary, benefits, management, and consulting fees	\$ 301,642	\$ 486,064
Share based payments to directors and officers of the Company	206,666	173,237
Total	\$ 508,308	\$ 659,301

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

A breakdown of selling, general and administrative expenses follow:

Selling, general and administrative expenses	Three months ended November 30, 2022	Three months ended November 30, 2021	Six months ended November 30, 2022	Six months ended November 30, 2021
Administrative expenses	\$ 166,113	\$ 155,014	\$ 425,681	\$ 481,394
Advertising, marketing, and other promotional expenses	47,359	378,796	196,196	715,777
Consulting fees	48,593	240,039	326,818	391,898
Legal and professional fees	177,515	296,758	260,305	507,898
Management fees	76,750	77,500	152,000	161,500
Salaries and benefits	434,831	375,813	891,223	790,580
Total selling, general and administrative	\$ 951,161	\$ 1,523,920	\$ 2,252,223	\$ 3,049,047

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

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18. 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.

November 30, 2022	Fair value through profit and loss	Amortized cost	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets						
Cash and cash equivalents	\$ -	\$ 9,770,264	\$ 9,770,264	\$ -	\$ -	\$ 9,770,264
Term deposits	-	40,000	40,000	-	-	40,000
Investment in GICs	-	11,933,554	-	11,933,554	-	11,933,554
Trade and other receivables	-	260,611	-	260,611	-	260,611
Total Financial assets	\$ -	\$ 22,004,429	\$ 9,810,264	\$ 12,194,165	\$ -	\$ 22,004,429
Financial Liabilities						
Trade and other payables	\$ -	\$ 1,966,852	-	1,966,852	-	\$ 1,966,852
Due to related parties	-	6,300	-	6,300	-	6,300
Government loan payable	-	1,121,863	-	1,121,863	-	1,121,863
Total Financial Liabilities	\$ -	\$ 3,095,015	\$ -	\$ 3,095,015	\$ -	\$ 3,095,015

(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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18. FINANCIAL INSTRUMENTS and RISK MANAGEMENT (continues)

May 31, 2022	Fair value through profit and loss	Amortized cost	Fair Value			Total
			Level 1	Level 2	Level 3	
Financial assets						
Cash and cash equivalents	\$ -	\$ 15,507,163	\$ 15,507,163	\$ -	\$ -	\$ 15,507,163
Term deposits	-	40,000	40,000	-	-	40,000
Investment in GICs	-	12,955,307	-	12,955,307	-	12,955,307
Trade and other receivables	-	94,441	-	94,441	-	94,441
Total Financial assets	\$ -	\$ 28,596,911	\$ 15,547,163	13,049,748	\$ -	\$ 28,596,911
Financial Liabilities						
Trade and other payables	-	1,574,108	-	1,574,108	-	1,574,108
Deferred Government grant liability	-	1,000,000	-	1,000,000	-	1,000,000
Due to related parties	-	30,906	-	30,906	-	30,906
Government loan payable	-	1,244,925	-	1,244,925	-	1,244,925
Total Financial Liabilities	\$ -	\$ 3,849,939	\$ -	\$ 3,849,939	\$ -	\$ 3,849,939

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, investments in GICs, and trade and other receivables are subject to credit risk for a maximum of the amount shown on these condensed interim 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 trade and other receivables and term deposits and investments in GICs 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 and term deposits and investment in GICs 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. It has sufficient cash and cash equivalents to meet the obligations in the following table below:

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

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18. FINANCIAL INSTRUMENTS and RISK MANAGEMENT (continues)

November 30, 2022	Less than 1 year	1 to 3 years	4 to 5 years	Total
Trade and other payables	\$ 1,966,852	\$ -	\$ -	\$ 1,966,852
Due to related parties	6,300	-	-	6,300
Gov't loan payable	287,836	713,660	120,367	1,121,863
Long-term lease liabilities	147,069	312,654	-	459,723
	2,408,057	1,026,314	120,367	3,554,738

May 31, 2022	Less than 1 year	1 – 3 years	4 to 5 years	Total
Trade and other payables	\$ 1,574,108	\$ -	\$ -	\$ 1,574,108
Due to related parties	30,906	-	-	30,906
Gov't loan payable	259,511	713,660	271,754	1,244,925
Long-term lease liabilities	144,341	381,273	-	525,614
	2,008,866	1,094,933	271,754	3,375,553

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 and investments in GICs 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.

19. SEGMENT DISCLOSURE

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

20. 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.

(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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21. COMMITMENTS

The Company has committed to procuring manufacturing and production equipment according to the information below. The Company used approximate exchange rates against the Canadian dollar of 1.3974 (EUR) and 1.3504 (USD)

	Currency	Commitments		Payments		Outstanding
		Stated in F/X	CAD(\$) Equivalent	Stated in F/X	CAD(\$) Equivalent	CAD(\$) Equivalent
Commitments as at November 30, 2022						
	EUR	5,192,490	7,255,986	2,716,696	3,796,311	3,459,675
	USD	1,584,012	2,139,050	1,261,303	1,703,264	435,786
	CAD	2,782,247	2,782,247	1,954,334	1,954,334	827,913
Total commitments as at November 30, 2022			12,177,283		7,453,909	4,723,374
Additional commitments, payments, and balances subsequent to November 30, 2022						
	EUR	-	-	-	-	-
	USD	-	-	-	-	-
	CAD	669,488	669,488	611,841	611,841	57,647
Total additional commitments and payments			669,488		611,841	57,647
Total commitments as of January 30, 2022			12,846,771		8,065,750	4,781,021

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 12 months.

22. SUBSEQUENT EVENTS

Subsequent to November 30, 2022, a total of 666,969 warrants expired unexercised at a weighted average exercise price of \$1.10 and no warrants were exercised.

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