NEXE INNOVATIONS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED November 30, 2024 and 2023

(Expressed in Canadian Dollars)

INTRODUCTION	1
DESCRIPTION OF BUSINESS	1
OUTLOOK	2
BUSINESS STRATEGY	3
QUARTERLY HIGHLIGHTS	6
SUMMARY OF QUARTERLY RESULTS	7
RESULTS OF OPERATIONS	7
FINANCIAL RESULTS FOR THE THREE MONTHS ENDED FEBRUARY 29, 2024	7
COMMITMENTS	8
LIQUIDITY AND CAPITAL RESOURCES	8
OPERATING ACTIVITIES	8
INVESTING ACTIVITIES	8
FINANCING ACTIVITIES	8
GOVERNMENT LOAN	9
GOVERNMENT GRANTS	9
FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	10
OFF BALANCE SHEET ARRANGEMENTS	11
TRANSACTIONS WITH RELATED PARTIES	11
FUTURE ACCOUNTING STANDARDS	11
OTHER MD&A REQUIREMENTS	11
RISKS AND UNCERTAINTIES	12
CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION	22
CORPORATE GOVERNANCE	25
DISCLOSURE OF OUTSTANDING SHARE DATA	25
ADDITIONAL INFORMATION	25

INTRODUCTION

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 of January 29, 2025 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 condensed interim consolidated financial statements for the three months ended November 30, 2024 and the annual audited consolidated financial statements for the year ended May 31, 2024, and the notes thereto (the "Financial Statements"), which have been prepared in accordance with IFRS Accounting 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-month period ended November 30, 2024, and the subsequent period up to the date of issue of this MD&A. This MD&A contains forward-looking statements that are subject to risk and factors set out in a cautionary note contained at the end 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.

DESCRIPTION OF BUSINESS

The Company designs, manufactures, and commercializes fully compostable materials for everyday products. The Company's flagship product is its BPI-certified compostable single-serve beverage pods that are compatible with single-serve coffee-format machines (the "NEXE Pods"). The Company aspires to be a leading provider of compostable solutions for a variety of uses and products, including tea, yogurt cups, cosmetic, pharma containers, and medical supplies. NEXE believes a key advantage of its business model is its in-house, end-to-end manufacturing facility, which provides a fully on-shored North American solution and economies of scale. NEXE holds a comprehensive IP portfolio and trade secrets and plans to continue to invest in R&D to stay competitive.

The proprietary NEXE Pod is designed to reduce the significant environmental impact caused by single-serve plastic capsules – over 80 billion[1] are manufactured annually and the overall market is expected to increase to 111 billion by 2028 (CAGR of ~4%)[2]. Hundreds of municipalities in the European Union, Canada, and the United States are moving toward comprehensive compost systems[3], making the NEXE Pod a viable alternative to the typical plastic coffee capsules currently available.

Developing a compostable and more sustainable version of the coffee pod had its own complexities. The compostable coffee pod needs to withstand the brewing process which includes exposure to heat, high pressure and water flow. Ensuring the compostable coffee pod could withstand these conditions and also provide a high-quality brewed coffee required significant R&D and testing. Through this process, NEXE developed a proprietary resin, that has the potential to provide a competitive edge and create opportunities to target additional products across different sectors. There are some low hanging fruit across different sectors where our compostable solutions may be an idea fit.

For instance, the global medical disposables market is valued at ~$500 billion[4] and within this market there are one-time use items that could potentially be replaced by a compostable version with less stringent performance requirements compared to coffee pods. Examples include disposable specimen containers and syringes.

Cosmetics is another example where numerous companies are focused on transitioning to sustainable packaging. The sustainable packaging industry itself is projected to grow at a CAGR of over 8%, close to doubling the current market to

[1] AMI 2022, *Single Serve Capsules – Global Market Overview 2022*, accessed July 2023, <https://www.amiplastics.com/insights/has-the-eu-put-single-serve-capsules-at-a-crossroads>.
[2] Fong, M. (2023, May). Has the EU put single-serve capsules at a crossroads? AM Expert Market Research.
[3] Full-scale Food Waste Composting Infrastructure in the U.S., assessed September 27, 2024, <https://www.biocycle.net/us-food-waste-composting-infrastructure/>
[4] Medical Disposables Market Size & Trends, Grand View Research <https://www.grandviewresearch.com/industry-analysis/medical-disposables-market#:~:text=Medical%20Disposables%20Market%20Size%20%26%20Trends,17.4%25%20from%202024%20to%202030.>

~$455 billion[5] by 2032.

With over $80 million raised to date from equity and government funding and over several years of research and development, NEXE's management believes it is well-positioned at the forefront of advanced compostable material manufacturing and automation to meet the growing demand for environmentally friendly and sustainable packaging and compostable material solutions to replace plastics. We are anticipating that 2025 has the potential to be a pivotal year as we aim to build revenues and expand into additional verticals where the opportunities align with our commitment to sustainability and represent a significant step forward in addressing global waste challenges.

OUTLOOK

As we step into 2025, we at NEXE Innovations are energized by the milestones we achieved in 2024 and what we believe are the transformative opportunities ahead. This year marks a pivotal moment in our journey as we continue to innovate, grow, and redefine what's possible within sustainable solutions.

In calendar Q4 2024, after an intensive product development cycle and multiple rounds of beta testing, our Keurig-compatible NEXE pod successfully entered commercialization. We believe this achievement demonstrates the dedication of our team and the strength of our vision. We are proud to report that our partnerships to date are driving repeat orders, with increasing order volumes reflecting what we believe is a strong market demand for our products. Our diverse customer base spans multiple channels, including retail, office coffee services (OCS), and e-commerce, which in our view enable us to reach distinct audiences and broaden our market penetration. Simultaneously, we are onboarding additional customers for our K-Cup-compatible products, ensuring a pipeline for continued growth. We also remain focused on advancing our next-generation compostable Nespresso OriginalLine pods, with sampling efforts underway for two customers, and we anticipate rolling out these pods later this year.

The development of our coffee pod was not without challenges. Keurig-compatible coffee pods face unique obstacles during the brewing process, including exposure to heat, high pressure, and water flow. Achieving a consistent and satisfying coffee extraction in a Keurig machine requires precise engineering to balance these variables. These challenges can impact coffee quality, brewing efficiency, and even machine performance. Addressing these complexities demanded significant R&D efforts to create a capsule capable of meeting these rigorous demands while ensuring a premium coffee experience. However, addressing these challenges led to an incredible breakthrough for us in our proprietary resin. We believe this material now forms the foundation of our competitive edge and has positioned NEXE as an innovator, not only in the coffee industry but across sectors where sustainable alternatives to plastics are increasingly sought.

Since our inception in 2015, our goal has been clear: to eliminate single-use plastics in the coffee industry. Over time, this vision has expanded significantly. Plastics dominate vast markets, presenting challenges that are costly and complex to address. Through extensive R&D, we have developed solutions which we believe have the potential to impact industries beyond the coffee sector. By leveraging our proprietary resin technology, supported by our growing intellectual property portfolio, management is of the opinion that NEXE will be in a position to enter markets beyond the coffee industry.

Unlike traditional plastics, our materials, including PLA (polylactic acid), do not persist in the environment. Instead, they are designed to break down into smaller, soluble molecules, eventually biodegrading entirely. This non-persistence supports environmental recovery over time. Moreover, because PLA is derived from plant-based sources that absorb CO2 and water, its composting and degradation processes complete a circular lifecycle, making it an ideal solution for a sustainable future.

In our view, one of the most exciting developments at NEXE is the establishment of our in-house tool shop. This capability has significantly reduced the time required to develop prototypes, allowing us to accelerate innovation and meet customer demands more efficiently than ever before. By bringing all aspects of production in-house, we've not only

[5] Sustainable Packaging Market Size & Trends, Grand View Research, <https://www.grandviewresearch.com/industry-analysis/sustainable-packaging-market-report>

enhanced our ability to innovate but also maintained cost competitiveness with traditional plastics—a critical factor for scaling our solutions.

Additionally, we are exploring verticals with large Total Addressable Markets where our proprietary resin has the potential to serve as a renewable source for waste-to-energy processors. To support these efforts, we have created prototypes that are intended to showcase our capabilities to key decision-makers in specific industries, demonstrating the versatility and potential of our technology. These opportunities align with our commitment to sustainability and represent a significant step forward in addressing global waste challenges.

We believe that these advancements have the potential to open new revenue stream opportunities and unlock entry points into industries we had not previously considered. Additionally, we have made the necessary capital investments to scale our proprietary resin across various form factors, extending its applications beyond coffee pods into what we believe to be new and promising markets. With a clear vision and strong partnerships, we are poised to expand our impact and deliver long-term value to our shareholders.

NEXE has a strong cash position to execute its strategy for the next two years. At the end of Q2 2025, our total cash position is $14.5 million. NEXE's debt position is minimal, with its long-term debt outstanding at $479,260 with the federal government. NEXE's commitments at November 30, 2024 were $1.3 million.

BUSINESS STRATEGY

NEXE aims to become a leading provider of sustainable and fully compostable solutions for different industries. The first key market NEXE has entered is the compostable, single-serve beverage pod segment.

The NEXE BPI-Certified Fully Compostable Single-Serve Beverage Pod/Coffee Pod

NEXE believes the overall coffee industry is moving towards more sustainable solutions. In early 2024, the largest coffee pod makers, Keurig and Nespresso, unveiled strategies to move towards compostable solutions.[6] This development highlights a continuing demand for compostable solutions, which NEXE expects will help shift the overall market and regulatory environment to accept these solutions. More importantly, with the largest players entering the compostable space, NEXE believes this is expected to lead to increased investments in composting infrastructure. We are already seeing certain U.S. states move towards labeling laws that help consumers distinguish compostable products that can be composted and dispose of them properly – Colorado's new Compostable Product Labeling Act is a good example[7]. In our view, this will help consumers counter false claims and prevent contamination issues that can result in composting facilities.

In our opinion, there are limited options at this point available in the market for sustainable coffee pod solutions, and NEXE is one of the very few hard-bottom, fully enclosed pods to be certified compostable by a third party—the BPI Institute. Based on BPI Institute listing of certified products, the majority of compostable pods are soft-bottom pods. The NEXE single-serve pod is:

- Compatible with leading single-serve coffee format machines.
- BPI-certified. The BPI certification is a third-party verification of ASTM standards for compostable products and is intended to protect consumers against false claims and greenwashing.
- Non-toxic and PFAS-free (one of the requirements for BPI certification).
- More volume capacity compared to standard single-serve pods/capsules. A key benefit for premium and bold-tasting coffee. The NEXE pod holds up to 13g of coffee.

[6] Nespresso, Keurig have new coffee pods coming designed to put an end to all the garbage, accessed April 22, 2024, < https://www.cnbc.com/2024/04/19/nespresso-keurig-new-coffee-pods-coming-to-put-end-to-all-the-garbage.html>.
[7] The Compostable Product Labeling Act, assessed September 27, 2024, <https://cdphe.colorado.gov/hm/standards-compostable-products>

In November 2024, NEXE announced three partnerships:

- **ecoBeans**: A West Coast brand available in retail locations and the Office Coffee Services space (OCS).

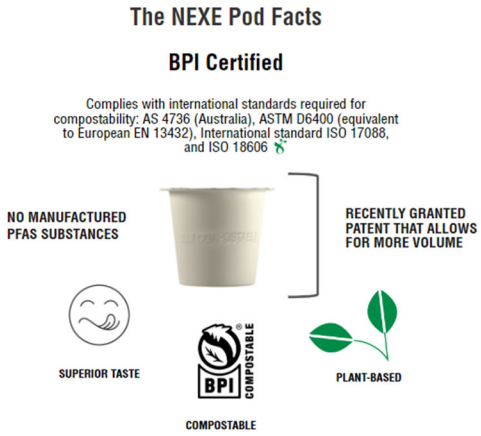
- **Bridgehead Coffee**: An established premium coffee company in Ontario with over 40 years of history. This company transitioned from another compostable pod to our NEXE pod. Bridgehead works with well-known retail and grocery chains, including Costco, Whole Foods, Sobey's, and Farm Boy. Bridgehead has entered into a multi-period master manufacturing agreement with NEXE.

- **EKOCUPS**: A high-volume online seller and Amazon retailer. This partnership will allow us to expand in the U.S. – it is our largest delivery to date.

The initial response has been very positive and all three companies are driving recurring revenue, with increasing order volumes that suggest strong market demand. Simultaneously, we continue to work with additional companies and our sales pipeline remains robust.

For the coffee segment, we are focused on private label and co-manufacturing contracts only going forward. We are also working on advancing our next-generation compostable Nespresso OriginalLine pods. For the compostable version of Nespresso OriginalLine pods, we are engaged in sampling efforts with two customers, and we anticipate rolling out these pods later this year.

The Proprietary BPI-Certified Compostable NEXE Pod



Development of New Products

Through the process of developing a compostable coffee pod that could perform similar to a plastic version we created a proprietary resin that we believe provides us with a competitive edge and which expect will enable us to target different products across different industries.

In 2024, we built an in-house tool shop – a further extension to our vertical integration strategy. This capability allows us to develop prototypes in house and accelerate innovation. We are currently building and testing prototypes that are intended to showcase our capabilities to key decision makers in specific industries. These opportunities will allow us to

enter industries and unlock new revenue streams. This is possible as a result of our decision to vertically integrate our facilities and the R&D investments made, which we believe have resulted in competitive proprietary resin.

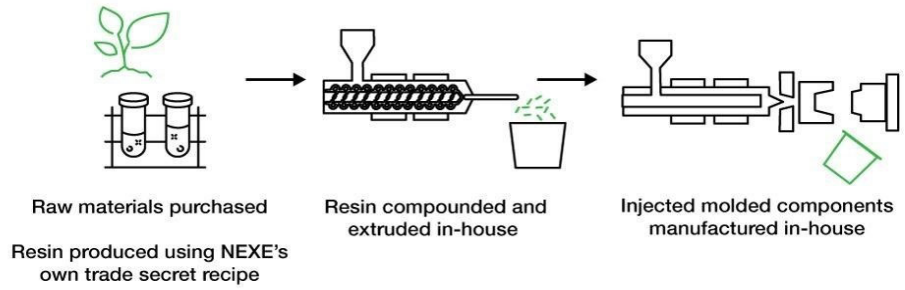
Vertical Integration for End-to-End Manufacturing Process

To align with the Company's strategy of controlling the end-to-end manufacturing process, the Company worked with world-class vendors and integrators to develop customized equipment and the ability to manufacture key components in-house. To facilitate this change in manufacturing, the Company purchased a 54,000 square foot facility in Windsor, Ontario (the "Windsor Facility"). The Windsor Facility is strategically located close to key U.S. markets and has access to skilled labor. Windsor, Ontario, is a growing industrial hub with several companies focused on building operations in the area. With this revitalization, skilled labor pool, and access to key markets, we expect this facility to be a core part of our operations.

The end-to-end manufacturing facility is a key part of NEXE's operating strategy. It is equipped for compounding and developing resin and developing injection molding component for various form factors.

In recent months, NEXE has established an in-house tool shop to work with R&D and collaborating with B2B customers on customized solutions to shorten the product development cycle. Instead of developing a prototype or mold with third parties that would take several weeks to months, NEXE can develop protypes within days at a fraction of the cost. The additional benefit of an in-house tool shop also ensures minimal machine downtime if parts need to be fixed or modified, again providing significant cost savings.

End-to-end Component Manufacturing Process for Single-Use Compostable Coffee Pod



In our view, there are numerous advantages to having a vertically integrated operation and onshoring, including reducing supply chain risks, protecting our intellectual property, higher operating margins and lowering our carbon footprint. One key advantage has been to accelerate the research and development process in-house, which has led to additional enhancements to our compostable materials.

Going forward we intend to consider strategic opportunities and joint co-packing opportunities in the U.S. as we seek to build market share in one of the largest markets in the world and potentially hedge against geopolitical and currency risks.

QUARTERLY HIGHLIGHTS

Q2 2025 was a milestone quarter for NEXE. In the quarter we announced three partnerships and subsequent to the end of the quarter we announced one of these partnerships had signed a multi-year master manufacturing agreement. Going forward the team is focused on building sales momentum focusing on business-to-business (B2B) opportunities, targeting additional coffee companies and private label opportunities. Additionally, we are working with two customers on testing and sampling the Nespresso OriginalLine pods and we anticipate that we may roll out these pods later this calendar year.

With our coffee segment now in revenue mode, we are also increasing our efforts to build out additional segments. The NEXE BPI-certified compostable coffee pod has the potential to be a game changer that is protected through a comprehensive IP and patent portfolio. We believe this product may be very competitive and help us gain market share. Contributing to the success of the compostable pod is the proprietary resin we have developed. We believe this proprietary resin has the potential to help develop additional products to disrupt different industries. NEXE is already in conversations with key decision makers in other industries and has been developing and testing prototypes.

Financial

- NEXE has a strong cash position to help execute its plans. As of November 30, 2024, the Company had working capital of $14,257,049 (May 31, 2024 - $12,836,802) with cash and cash equivalents that totaled $14,508,360 (May 31, 2024 - $8,088,712). Debt is minimal at $479,260 related to an interest free government loan.

- Going forward, the Company is also expected to have lower capital expenditures. During the three months ended November 30, 2024, NEXE's capital investments amounted to $171,875. At the end of November 30, 2024, total commitments stand at $1.3 million.

Sales and Product

- Revenue in Q2 2025 was $70,754 (Q2 2024 – $33,729). NEXE entered three different partnerships starting with ecoBeans in mid-November and Bridgehead Coffee and EKOCUPS near the end of the month. The revenue generated in the quarter reflects only one month of production. As we work with our new customers on transitioning SKUs to the NEXE BPI-certified compostable coffee pod, we expect that quarter-over-quarter results will fluctuate. However, we do expect annual 2025 revenues to be higher than 2024 as we onboard new customers and expand SKUs/offerings at existing clients. The sales cycle is long – and the initial outreach to the partnerships we announced in Q2 2025 started many quarters ago.

- NEXE is working with two customers on testing the Nespresso OriginalLine compostable pods. We expect to launch these pods later in the calendar year 2025.

- NEXE continues to invest in R&D and is working on additional sustainable products targeting various industries. There are various industries where our proprietary resin may be an ideal fit and where the total addressable market is bigger than that of the coffee pod market.

Operational

- NEXE has the operational footprint and key equipment to hit the targeted capacity required for compostable coffee pods. The current finished goods capacity aligns with expected production for the next several months and will be continuously adjusted. Scaling finished goods' capacity is flexible and requires minimal investments, such as larger molds or additional staff.

- NEXE has built a lean production team in Windsor and will continue to hire as production ramps up and run multiple daily shifts. We expect a tight market for skilled talent as Windsor is a growing industrial hub with

intense competition for certain specialized manufacturing skills.

SUMMARY OF QUARTERLY RESULTS

The following is summary of the Company's financial results for the eight most recently completed quarters:

	Three Months Ended November 30, 2024 $[1]	Three Months Ended August 31, 2024 $[2]	Three Months Ended May 31, 2024 $[3]	Three Months Ended February 28, 2024 $[4]	Three Months Ended November 30, 2023 $[5]	Three Months Ended August 31, 2023 $[6]	Three Months Ended May 31, 2023 $[7,8]	Three Months Ended February 28, 2023 $[9]
Revenue	70,754	3,147	2,906	24,927	33,729	87,702	6,466	7,129
Net income (loss)	(1,645,655)	2,292,733	(1,743,162)	(1,136,209)	(1,610,871)	(2,040,355)	(2,584,841)	(1,252,477)
Basic income (loss) per share	(0.02)	0.02	(0.02)	(0.01)	(0.02)	(0.02)	(0.03)	(0.0129)

(1) Included is the inventory write-down of $26,621.

(2) Included is the inventory write-down of $2,258. Includes a net gain-on-sale of $3,700,554 from the sale of the Surrey property.

(3) Included is the inventory write-down of $18,437.

(4) Included is the inventory write-down of $1,442.

(5) Included is the recovery of the inventory write-down $2,753.

(6) Included is the inventory write-down of $5,219.

(7) Included was the impairment of plant and equipment that totaled $707,258.

(8) Included is the inventory write-down of $(4,697).

(9) Included is the inventory write-down of $3,134.

RESULTS OF OPERATIONS

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED NOVEMBER 30, 2024

During the three months ended November 30, 2024, the Company had net loss of $1,645,655 or $0.017 per share, compared to a net loss of $1,610,871 or $0.016 per share, for the comparable period last year. The net loss is a result of the following:

- Revenue was $70,754 (November 30, 2023 – $33,729) and cost of goods sold was $226,050 (November 30, 2023 – $88,060). The cost of goods included non-cash expenses, such as depreciation related to production machinery and equipment.
- Selling, General and Administrative expenses decreased to $906,001 (November 30, 2023 - $929,130) due to lower advertising and marketing, lower professional fees, and lower compensation. The management team continues to maintain a disciplined approach to allocating resources.
- A non-cash share-based compensation expense decreased to $24,582 (November 30, 2023 - $151,062) for stock options granted to directors, officers, and employees;
- Accretion expense decreased to $29,194 (November 30, 2023 - $47,335) as a result of declining balances of the government loan.
- Interest income increased to $118,083 (November 30, 2023 - $24,854) primarily from the GIC deposits.
- Depreciation increased to $486,781 (November 30, 2023 - $373,394) due to additional equipment purchased and assets becoming available for use which were not previously being depreciated.

- Research and development expenses decreased to $105,871 (November 30, 2023 - $76,749). The Company will continue to invest in R&D to develop new products, technology and formulations.

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 1.4815 (EUR) and 1.4005 (USD).

		Commitments		Payments		Outstanding
	Currency	Stated in F/X	CAD($) Equivalent	Stated in F/X	CAD($) Equivalent	CAD($) Equivalent
Commitments as at November 30, 2024						
	EUR	5,295,960	7,845,965	4,420,796	6,549,409	1,296,556
	USD	43,320	60,670	43,320	60,670	
Commitments as at November 30, 2024			**7,906,635**		**6,610,079**	**1,296,556**

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. The scheduled delivery is undetermined as at November 30, 2024.

LIQUIDITY AND CAPITAL RESOURCES

As of November 30, 2024, the Company had working capital of $14,257,049 (May 31, 2024 - $12,836,802) with cash and cash equivalents that totaled $14,508,360 (May 31, 2024 - $8,048,712) and investments in GICs of $nil (May 31, 2024 – $3,000,000). 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 its capital and operating requirements. If the Company is unable to obtain financing through commercial profitability or equity investments, it may consider other financing solutions including, but not limited to credit facilities or debenture issuances.

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

OPERATING ACTIVITIES

For the six months ended, November 30 2024, the Company's operating activities used cash of $1,903,458 compared to cash used of $2,592,321 for operating activities for the six months ended November 30, 2023. The change relates primarily to changes in working capital and an increase in depreciation.

INVESTING ACTIVITIES

For the six months ended November 30, 2024, cash and cash equivalents provided by investing activities of $8,583,108 compared to cash and cash equivalents used of $4,450,933 for the six months ended November 30, 2023. The period benefited from the sale of the Surrey Facility and lower capital expenditures.

FINANCING ACTIVITIES

The cash and cash equivalents used in financing activities of $250,002 remain unchanged for both the six months ended November 30, 2024 and November 30, 2023. The cash used relates to the repayment of the government loan.

As at November 30, 2024, the Company had 97,293,297 issued and outstanding (May 31, 2024 – 97,293,297) common shares. During the three months ended November 30, 2024, and November 30, 2023 the Company did not issue any common shares.

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 follows:

Government loan	November 30, 2024	May 31, 2024
Beginning balance	**$ 665,953**	**$ 985,409**
Accretion	63,309	180,548
Repayment	(250,002)	(500,004)
Ending balance	**$ 479,260**	**$ 665,953**

As at November 30, 2024, the current portion of the loan repayable was $438,333 (May 31, 2024: $394,198) and the non-current amount was $40,927 (May 31, 2024: $271,755), both are recorded in the condensed consolidated statements of financial position.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, receivables, deposits, investments in GICs, trade payables, accrued liabilities and a 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.

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 is presented below. Further quantitative disclosures are included throughout the Company's condensed interim consolidated financial statements the three months ended August 31, 2024. 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, term deposits, and other receivables, are subject to credit risk for a maximum of the amount shown on the 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 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 financings and anticipates it will have adequate liquidity to fund its financial liabilities.

As at November 30, 2024, the Company's financial liabilities were comprised of trade and other payables, and Government loan payable.

November 30, 2024	**Less than 1 year**	**1 – 3 years**	**Over 3 years Total**
Trade and other payables	$ 2,247,476	$ -	$ 2,247,476
Government loan payable	438,333	40,927	479,260
Total	**$ 2,685,809**	**$ 40,927**	**$ 2,726,736**

May 31, 2024	**Less than 1 year**	**1 to 3 years**	**Over 3 years Total**
Trade and other payables	$ 2,143,217	$ -	$ 2,143,217
Government loan payable	394,198	271,755	665,953
Total	**$ 2,537,415**	**$ 271,755**	**$ 2,809,170**

(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.

(d) 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.

OFF BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company had the following related party transactions:

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. The bonuses awarded to key management personnel during the year, represent key operational milestones reached by both the CEO and President.

Key management compensation	Note	**Three months ended November 30 2024**	Three months ended November 30 2023	**Six months ended November 30 2023**	Six months ended November 30 2023
Salary, benefits, bonuses, management, and consulting fees	19	**$ 154,060**	$ 121,644	**$ 296,120**	$ 472,453
Share-based payments to directors and officers of the Company		**48,452**	84,975	**97,315**	217,113
Total		**$ 202,513**	$ 206,619	**$ 393,435**	$ 689,566

FUTURE ACCOUNTING STANDARDS

A number of new standards, and amendments to standards and interpretations are not yet effective and have not been early adopted in preparing these Financial Statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Critical Accounting Estimates

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, 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

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.

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 29, 2024 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.sedarplus.ca.

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.

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, which include patents, trade secrets and trademarks.

Although Intellectual Property protection may be unenforceable or limited in certain countries, NEXE Innovations has focused exclusively on Patent applications and registrations in markets such as the United States and Europe which have robust Patent laws and associated protections. 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. 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.

Risks Related to Competition

To remain competitive, the Company will require a continued elevated 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.

Risks Related to Management of Growth

The Company may in the future, experience rapid growth and development in a relatively brief 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

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting a transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with any conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter, unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

Limited Operating History

NEXE was incorporated on April 27, 2015 and has limited operating history. 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.

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 any additional funds.

Future Performance Dependent on Keurig® and Nespresso® Beverage Systems Sales

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.

Research and Development Requires Significant Investment and Commitment of Resources

NEXE has invested and expects to continue to invest in the research and development of its NEXE Pod technology. Such endeavour 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.

Growth Strategy Dependent on New Platforms, Products and Product Extensions

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.

Risk Relating to Price of Securities

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

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 overall financial results could be negatively affected.

Failure to Maintain Strategic Relationships

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 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 favour 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

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.

Risk Relating to the Commitments to Purchase Strategic Materials

In order to ensure a continuous supply of high-quality materials, some of the Company's inventory purchase obligations may create 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 to 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.

Evolving Business Model

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.

Revenue Derived from a Limited Number of Customers

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

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 products are 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.

Dependence on Highly Skilled Personnel

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.

Inability of Company to Maintain and Promote its Brand

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's 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 endeavours, 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.

Disruptions Caused by Acquisitions, Increased Product Offerings or Other Strategic Growth Opportunities

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.

Risk Associated with Potential Security Breaches

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. Furthermore, 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 individuals or organizations 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.

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.

Dependence on Sales of Coffee

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 near future.

Risks Related to No Assurance of an 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 competitors; 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

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.

Risks Relating to Climate Change

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.

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.

CAUTIONARY NOTE REGARDING 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. Examples of forward-looking statements in this MD&A include, but are not limited to, statements in respect of: the Company’s business objectives; the Company’s long-term growth and development plans; the Company’s forecasts and expected performance of the business; the ability of the Company to raise funds in the future, including through public or private equity or debt financing; the expansion of the Company’s production capacity to other form factors; the design and rapid building of prototypes in-house; bringing key manufacturing processes to commercial scale in-house; the development of innovative single-serving packaging in multiple formats; the Company’s ability to access a workforce located in Windsor, Ontario; the continued commercialization of NEXE Pods in Keurig® and Nespresso® format capsules; the Company becoming a leading partner to major consumer packaging companies; the Company providing compostable solutions for a variety of beverages, including coffee, tea, and others; the establishment of the NEXE brand as the standard in fully compostable packaging; the reduction of the environmental impact caused by single-serve pods; the NEXE pod becoming a viable alternative to currently available plastic coffee capsules; NEXE’s ability to meet the growing demand for environmental friendly and sustainable products in the single-serve coffee sector and beyond; potential new revenue streams; the anticipated rollout of new products; the Company's ability to secure large contracts and work with private label and co-manufacturing coffee branded companies; the growth of the Company's customer base through the offering of NEXE Coffee through retail and e-retail channels; the continued offering of NEXE coffee through retail and e-retail channels;the establishment of ongoing licensing and royalty revenue streams to monetize the Company’s intellectual property; the building of a strong marketing foundation and the Company’s marketing plans; NEXE having full control over the design, manufacture, timelines and operational functions of its pod product lineup; the acceleration of R&D initiatives and reduction of operational costs;; the ability of NEXE’s partners to deliver key pieces of equipment on time and budget and the Company entering into agreements to effect same; protection of the Company’s intellectual property; collaboration with strategic partners; the future growth and development of the Company; the Company’s enhanced vertical integration of the supply chain and the reduction in its reliance on third parties for manufacturing; the Company bringing key manufacturing processes to commercial scale in-house; the Company’s marketing, digital advertising, and distribution strategies; the equity, assets, and liquidity of the Company; the Company’s future investment in research and development; the Company’s brand promotion strategy and the effect that each risk factor will have on the Company.

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 the 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 be subject to litigation;
- the Company being able to secure and maintain its manufacturing equipment and facilities;

- 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 business
- 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 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.

CORPORATE GOVERNANCE

The Company's board of directors and its committees adhere to recommended corporate governance guidelines for public companies listed on the TSXV to ensure transparency and accountability to shareholders. The current board of directors is comprised of five individuals, three of whom are independent of management as they are neither executive officers nor employees of the Company. The audit committee is currently comprised of three directors, who are independent of management and have strong financial backgrounds.

The audit committee's role is to ensure the integrity of the Company's reported financial results through its review of the interim and audited annual Financial Statements prior to their submission to the board of directors for approval. The audit committee meets with management, at least, quarterly to review the consolidated Financial Statements, as well as the management's discussion and analysis (MD&A), and to discuss financial, operational, and other important matters.

DISCLOSURE OF OUTSTANDING SHARE DATA

Type of Security	**Outstanding**
As at November 30, 2024	#
Issued and outstanding	97,293,297
Stock options	6,165,859
Share purchase warrants	100,000
Total dilution	103,559,156

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR+ at www.sedarplus.ca and on the Company's website at www.NEXEinnovations.com.