



NEXE INNOVATIONS INC.

Consolidated Financial Statements

For the years ended May 31, 2025 and 2024

(Expressed in Canadian dollars)

To the Shareholders of NEXE Innovations Inc.:

Opinion

We have audited the consolidated financial statements of NEXE Innovations Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2025 and May 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2025 and May 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of property, plant and equipment (collectively, "non-financial assets")

Key Audit Matter Description

As at May 31, 2025, the Company has \$19.36 million of property, plant, and equipment as disclosed in Note 8 of the consolidated financial statements. As disclosed in Note 4, these non-financial assets are assessed for impairment at any time an indicator of impairment exists, management assesses whether there has been an impairment loss in the carrying value of these non-financial assets. When performing impairment tests, the Company estimates the recoverable amount using fair value less costs of disposal as the Company is still under the initial commercialization production stage and Management is not in the position to estimate the cashflows that will be generated once operations are at full capacity. In determining the estimated recoverable amounts using fair value less costs of disposal, the Company's significant assumptions include comparable properties, capitalization rate, and vacancy rate.

We considered this a key audit matter due to the significant judgement made by management in estimating the recoverable amounts for non-financial assets and a high degree of auditor judgement, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates. This resulted in an increased extent of audit effort, including the involvement of external valuation specialists.

Independent Auditor's Report

We considered this a key audit matter due to the significant judgement made by management in estimating the recoverable amounts for non-financial assets and a high degree of auditor judgement, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates. This resulted in an increased extent of audit effort, including the involvement of external valuation specialists.

Audit Response

We responded to this matter by performing procedures in relation to impairment testing of non-financial assets. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated management's assessment of impairment indicators and determine the appropriateness of the valuation methodology to calculate the recoverable amount.
- Reviewed valuation reports from management's expert and tested key assumptions by involving an external valuator to gain comfort over management's estimates of the recoverable amount.
- Assessed the appropriateness of the related disclosures in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Abhishek Kapoor.

Vancouver, British Columbia

September 29, 2025

MNP LLP

Chartered Professional Accountants

NEXE INNOVATIONS INC.**Consolidated Statements of Financial Position****As at May 31, 2025 and 2024***(Expressed in Canadian dollars, unless otherwise noted)*

As at:	Notes	May 31, 2025	May 31, 2024
ASSETS			
Current assets			
Cash and cash equivalents		\$ 9,282,299	\$ 8,048,712
Term deposits		30,000	40,000
Investment in GIC	3	3,000,000	3,000,000
Trade and other receivables	4	363,894	322,885
Inventory	5	658,783	588,826
Prepaid expenses and deposits	6	99,520	1,604,697
Assets held for sale	7	-	1,851,652
Total current assets		\$ 13,434,496	\$ 15,456,772
Non-current assets			
Prepaid expenses and deposits	6	1,467,467	-
Property, plant and equipment	8	19,358,733	20,951,040
Intangible assets		78,980	78,980
Total assets		\$ 34,339,676	\$ 36,486,792
LIABILITIES			
Current liabilities			
Trade and other payables		2,210,850	2,143,217
Income tax payable	15	449,873	-
Deferred revenue		9,838	82,555
Government loan payable	9	396,741	394,198
Total current liabilities		\$ 3,067,302	\$ 2,619,970
Non-current liabilities			
Government loan payable	9	-	271,755
Total liabilities		\$ 3,067,302	\$ 2,891,725
SHAREHOLDERS' EQUITY			
Share capital	11	66,189,968	66,189,968
Reserves	12	3,297,041	2,774,501
Contributed surplus	12	8,706,752	8,706,752
Deficit		(46,921,387)	(44,076,154)
Total shareholders' equity		\$ 31,272,374	\$ 33,595,067
Total liabilities and shareholders' equity		\$ 34,339,676	\$ 36,486,792

Nature of operations (Note 1)

Segment reporting (Note 18)

Events after reporting period (Note 21)

Approved by the Board of Directors and authorized for issue on September 29, 2025:

"Darren Footz" Director"Killian Ruby" Director*The accompanying notes are an integral part of these consolidated financial statements*

NEXE INNOVATIONS INC.**Consolidated Statements of Loss and Comprehensive Loss**

For the years ended May 31, 2025 and 2024

(Expressed in Canadian dollars, unless otherwise noted)

For the year ended:	Notes	May 31, 2025	May 31, 2024
Revenue		\$ 307,543	\$ 149,264
Cost of goods sold	14	780,028	333,553
Gross loss		\$ 472,485	\$ 184,289
Operating expenses			
Selling, general and administrative	13	3,989,112	3,646,171
Depreciation	8	1,626,667	1,614,650
Interest and accretion	9	105,791	180,548
Research and development		319,785	764,902
Share-based compensation	10,12(b)(c)	522,540	635,276
Total operating expenses		\$ 6,563,895	\$ 6,841,547
Operating loss before other items		\$ 7,036,380	\$ 7,025,836
Other items			
Interest income	3	(510,442)	(547,506)
Foreign exchange loss		18	49,861
Inventory write-down		28,879	22,345
Net gain on disposal of assets	7	(3,700,554)	(18,563)
Other income	8	(458,921)	(1,376)
Total other items		(4,641,020)	(495,239)
Loss from continuing operations before tax		\$ 2,395,360	\$ 6,530,597
Income tax expense	15	449,873	–
Net loss and comprehensive loss		\$ 2,845,233	\$ 6,530,597
Basic and diluted loss per common share		\$ 0.03	\$ 0.07
Basic and diluted weighted average number of shares outstanding		97,293,297	97,293,297

The accompanying notes are an integral part of these consolidated financial statements

NEXE INNOVATIONS INC.**Consolidated Statements of Changes in Equity**

For the years ended May 31, 2025 and 2024

(Expressed in Canadian dollars, unless otherwise noted)

	Number of common shares	Share capital	Reserves	Contributed surplus	Deficit	Total shareholders' equity
Balance - May 31, 2023	97,293,297	\$ 66,189,968	\$ 2,139,225	\$ 8,706,752	\$ (37,545,557)	\$ 39,490,388
Share-based compensation	-	-	635,276	-	-	635,276
Net loss	-	-	-	-	(6,530,597)	(6,530,597)
Balance - March 31, 2024	97,293,297	\$ 66,189,968	\$ 2,774,501	\$ 8,706,752	\$ (44,076,154)	\$ 33,595,067
Share-based compensation	-	-	522,540	-	-	522,540
Net loss	-	-	-	-	(2,845,233)	(2,845,233)
Balance - May 31, 2025	97,293,297	\$ 66,189,968	\$ 3,297,041	\$ 8,706,752	\$ (46,921,387)	\$ 31,272,374

Share Capital (Note 11)

Reserves and Contributed Surplus (Note 12)

The accompanying notes are an integral part of these consolidated financial statements

NEXE INNOVATIONS INC.**Consolidated Statements of Cash Flows****For the years ended May 31, 2025 and 2024***(Expressed in Canadian dollars, unless otherwise noted)*

For the year ended:	May 31, 2025	May 31, 2024
Cash flows from operating activities		
Net loss	\$ (2,845,233)	\$ (6,530,597)
<i>Items not affecting cash:</i>		
Depreciation	1,776,729	1,706,508
Inventory write-down	28,879	22,345
Interest and accretion	105,791	180,548
Gain on disposal of assets	(3,700,554)	(18,563)
Other income	(458,921)	-
Income tax expense	449,873	-
Share-based compensation	522,540	635,276
	(4,120,896)	(4,004,483)
<i>Changes in non-cash working capital items:</i>		
Trade and other receivables	(41,009)	2,039,525
Inventory	(98,836)	179,429
Prepaid expenses and deposits	37,710	-
Trade and other payables	526,554	(720,123)
Deferred revenue	(72,717)	68,399
Due from related parties	-	(5,000)
Net cash used in operating activities	\$ (3,769,194)	\$ (2,442,253)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(184,422)	(891,477)
Increase in prepaid expenses	-	(825,226)
Proceeds from sale of assets, net of cost to sell	5,552,206	98,000
Redemption of term deposit	10,000	-
Investment in GIC	-	(3,000,000)
Net cash generated by (used in) investing activities	\$ 5,377,784	\$ (4,618,703)
FINANCING ACTIVITIES		
Repayment of government loan	\$ (375,003)	\$ (500,004)
Net cash used in financing activities	\$ (375,003)	\$ (500,004)
Increase (decrease) in cash and cash equivalents	\$ 1,233,587	\$ (7,560,960)
Cash and cash equivalents, beginning of year	\$ 8,048,712	\$ 15,609,672
Cash and cash equivalents, end of year	\$ 9,282,299	\$ 8,048,712

The accompanying notes are an integral part of these consolidated financial statements

NEXE INNOVATIONS INC.

Notes to Consolidated Financial Statements

For the years ended May 31, 2025 and 2024

(Expressed in Canadian dollars, unless otherwise noted)

1. Nature of Operations

NEXE Innovations Inc. (“NEXE” or the “Company”) 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 and head office is located at #1200 – 750 West Pender Street, Vancouver, British Columbia V6C 2T8.

2. Material Accounting Policy Information

Basis of Preparation

Statement of Compliance

The consolidated financial statements (“Financial Statements”) have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Reporting Interpretation Committee (“IFRIC”, together “IFRS Accounting Standards”) for all periods presented.

These Financial Statements have been prepared on an accrual basis and are based on historical cost basis except for a certain financial instrument which is measured at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

The Financial Statements of the Company are presented in Canadian dollars unless otherwise indicated.

Basis of Consolidation

Subsidiaries

The Financial Statements include the accounts of the Company and its subsidiaries, which are controlled by the Company. Control is achieved when the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns.

The financial statements of the subsidiaries are included in these financial statements from the date that control commences until the date that control ceases. All significant inter-company balances and transactions are eliminated on consolidation. The entities contained in the Financial Statements are as follows:

Entity Name	Place of Business and Operations	Functional Currency	Equity Percentage
NEXE Innovations Inc. (the “Company”) – parent	Canada	CAD	n/a
Xoma Operations Inc. (“XOI”)	Canada	CAD	100% owned by parent
NEXE Coffee Ltd. (“NCL”)	Canada	CAD	100% owned by parent
NEXE Operations Inc. (“NOI”)	Canada	CAD	100% owned by parent
NEXE Technology Corp. (“NTC”)	Canada	CAD	100% owned by NOI
G-Pak Holdings Ltd. (“GHL”)	Canada	CAD	100% owned by NOI

NEXE INNOVATIONS INC.

Notes to Consolidated Financial Statements

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(Expressed in Canadian dollars, unless otherwise noted)

Foreign Currency Transactions

Transactions undertaken in foreign currencies are translated into Canadian dollars at daily exchange rates prevailing when the transactions occur. Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates and non-monetary items are translated at historical exchange rates. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of loss and comprehensive loss.

Amendments to IAS 21 – Lack of Exchangeability

The amendments to IAS 21 provide additional guidance on when a currency is exchangeable and on how to determine the exchange rate when it is not. The amendments also require the disclosure of additional information when a currency is not considered exchangeable. The amendments are applied prospectively for annual periods beginning on or after 1 January 2025, with early application permitted. There is no significant impact to the Company's consolidated financial statements based on assessment performed.

Recent Pronouncements Not Yet Effective and That Have Not Been Adopted Early

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or IFRIC that are not yet effective. The standards and amendments issued that are applicable to the Company are as follows:

IFRS 18 – Presentation and Disclosure of Financial Statements

The introduction of IFRS 18 will provide all entities applying IFRS with more guidance on the presentation and disclosure of information in general purpose financial statements. The new standard will clarify guidance on how to present and disclose information that faithfully represents an entity's assets, liabilities, equity, revenue and expenses. The new standards are applied retrospectively for annual periods beginning on or after 1 January 2027, with early adoption permitted provided that this fact is disclosed. The Company is currently assessing the expected impact of this standard.

IAS 7– Statement of Cash flows and IFRS 7 – Financial Instruments

The IASB has ongoing projects to amend these standards as part of its broader disclosure and transparency initiatives. The proposed amendments to IAS 7 are intended to improve the presentation and granularity of cash flow information, including enhanced disclosure of changes in liabilities arising from financing activities and more detailed breakdowns of operating, investing, and financing cash flows. Similarly, proposed changes to IFRS 7 aim to strengthen disclosures related to financial instrument risks, particularly around liquidity risk, concentration of exposures, and the maturity analysis of financial liabilities. These enhancements are expected to provide users of financial statements with improved insights into an entity's funding and risk management practices, especially under stressed conditions.

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7). The key changes included clarification on the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to financial liabilities settled through electronic payment system, including an option to utilize an accounting policy for early derecognition. It also clarified how to assess the contractual cash flow characteristics of financial assets in determining whether they meet the solely payments of principal and interest criterion, including financial assets that have environmental, social and corporate governance (ESG)-linked features and other similar contingent features. The IASB also added disclosure requirements to provide additional transparency regarding equity investments designated at fair value through other comprehensive income and financial instruments with contingent features, such as those related to ESG.

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Material Accounting Policies

Cash and cash equivalents

Cash and cash equivalents consist of cash, and highly liquid instruments that are readily convertible to cash with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, which are subject to insignificant risk of changes in value to be cash equivalents.

Investment in guaranteed investment certificates ("GICs") that have maturity less than three months are readily convertible to cash and are grouped under cash equivalents.

Inventory

Inventory consists of raw materials and finished goods. These amounts are stated at the lower of cost and net realizable value. Costs are assigned to inventory quantities on hand at the end of the reporting period using the first in, first out basis. Cost comprises of material, labor and an appropriate proportion of fixed and variable overheads. Net realizable value is the estimated selling price in the ordinary course of the business less the estimated cost of completion and the estimated cost necessary to make the sale.

Assets held for sale

The Company has accounted for assets held for sale in accordance with IFRS 5. Items classified as assets held for sale are non-current assets that will be recovered principally through a sale transaction rather than continual use. This condition is satisfied when the asset is available for immediate sale in its present condition, management is committed to the sale, and it is highly probable to occur within one year. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less selling costs and, if significant, are presented separately from other assets as current assets on the Consolidated Statements of Financial Position.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Costs include the acquisition cost and any direct costs to bring the asset into productive use at its intended location.

Depreciation

Depreciation is calculated on a declining balance and straight-line basis over the equipment's estimated useful lives. Depreciation methods and useful lives are reviewed at each reporting date and adjusted, if appropriate.

Category	Rate/Useful Life	Method
Computer equipment	55%	Declining balance
Furniture and equipment	20%	Declining balance
Machinery	10 years	Straight-line
Building improvements	10 years	Straight-line
Manufacturing facility	20 years	Straight-line
Automotive	30%	Declining balance

Property, plant and equipment are written down to the net recoverable value when management determines there has been a change in circumstances which indicates its carrying amount may not be recoverable. Any gain or loss on disposal of an item of the property, plant and equipment is recognized in the statements of loss and comprehensive loss within the period of disposal. Government loan benefit related to assets is reduced from the carrying value of the asset being acquired and amortized over 10 years.

Financial instruments

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

NEXE INNOVATIONS INC.

Notes to Consolidated Financial Statements

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(Expressed in Canadian dollars, unless otherwise noted)

Financial assets

Financial assets that are held for collection of contractual cash flows that represent solely payments of principal and interest are measured at amortized cost. This includes cash and cash equivalent, term deposits, investments in GIC, and trade and other receivables. Financial assets are initially recognized at fair value plus transaction costs, adjusted for any expected credit loss. Subsequently, receivables are measured at amortized cost using the effective interest method adjusted for expected credit losses. For financial assets, the Company applies the simplified expected credit loss approach, which requires expected lifetime losses to be recognized from initial recognition of the trade receivables.

Financial liabilities

Financial liabilities include trade payables and other liabilities, bank indebtedness, due to related parties, deferred government grant liability, government loan payable, loans payable, bank loan payable and accrued interest are recorded at fair value on initial recognition. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated by reference to the higher of the value in use and fair value less costs to sell.

Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets.

An impairment loss is recognized if the carrying amount of an asset or group of assets exceeds the estimated recoverable amount. Impairment losses are recognized in the statements of loss and other comprehensive loss. When impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimated recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in statements of loss or other comprehensive loss.

Provisions

Provisions for legal or constructive obligations are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Government loan payable

Government loans are recognized at their fair value where there is a reasonable assurance that the grants will be received, and the Company will comply with all attached conditions. 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 will be amortized over the repayment period of the loans.

Share-based payments

The grant date fair value of share-based payment awards granted to employees, officers, directors, or consultants is recognized as share-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and

NEXE INNOVATIONS INC.

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(Expressed in Canadian dollars, unless otherwise noted)

non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share option reserve in the event of options and other share issuances are reflected in contributed surplus, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share option reserve or contributed surplus is credited to share capital, adjusted for any consideration paid.

Share capital

The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issuance of common shares are shown in equity as a deduction from the proceeds of issuance.

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The relative fair value of the share component is credited to share capital and the relative fair value of the warrant component is credited to reserves. Upon exercise of warrants, consideration paid by the warrant holder together with the amount previously recognized in reserves is recorded as an increase to share capital. Upon expiration of warrants, the amount applicable to warrants expired is recorded as an increase to share capital.

Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share is the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

Income taxes

The Company follows the asset and liability method of accounting for income tax. Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of loss and other comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination; affects neither accounting profit nor taxable profit (tax loss); and does not give rise to equal taxable and deductible temporary differences.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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Notes to Consolidated Financial Statements

For the years ended May 31, 2025 and 2024

(Expressed in Canadian dollars, unless otherwise noted)

Related party transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control; related parts may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

Revenue

The Company earns revenue from the sale of compostable coffee pods to wholesale distributors or direct to consumers via its website.

The terms of each sale are FOB shipping point and the Company satisfies its performance obligation at the point in time the goods are shipped to the customer's specified location and the Company recognizes revenue at that time.

From time to time, the Company may offer promotional items with the purchase of coffee pods. When that occurs, the Company allocates the total transaction price to the individual performance obligations based on the stand-alone selling price for each performance obligation.

The contracts permit the customer to return the items purchased. In addition, certain contracts require the Company to provide stipulated volume rebates. In these cases, the Company determines revenue taking into consideration estimated returns and rebates.

The Company reviews its expected returns and volume rebates at each reporting date and updates its estimates accordingly. Such changes in estimates are accounted for in the same period as when the estimate change is made.

Deferred revenue

Deferred revenue relates to payments received on account for goods to be delivered in the future or deposits on products to be delivered.

Other comprehensive income (loss)

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events, and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net income (loss) such as unrealized gains or losses on available-for-sale investments and translation gains or losses on translation of foreign operations to the presentation currency of the Company.

Use of Estimates, Assumptions, and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

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Going concern

The determination if the Company has the ability to continue as a going concern is dependent on its ability to achieve profitable operations. There is an assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Certain judgements are made by management when determining if and when the Company will achieve profitable operations.

The Company, currently, has not earned significant revenues and the Company's operations are funded from equity financings as well as financial support from various federal government programs which are dependent upon many external factors. The Company believes that, based on forecasts and the ability to reduce expenditures if required, it will be able to continue as a going concern for the foreseeable future. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future, if required.

Significant Estimates

Impairment of non-financial assets (property, plant and equipment, intangible assets)

Management is required to use judgment in determining the grouping of assets to identify their cash generating units ("CGUs") for the purposes of testing non-financial assets for impairment. As at May 31, 2025 the Company estimates the recoverable amount using fair value less costs of disposal as the Company is still under initial commercialization production stage and the Management is not in a position to estimate the cash flows that will be generated once it start its operation in full capacity. In determining the estimated recoverable amounts using fair value less costs of disposal, the Company's significant assumptions include determining comparable properties, capitalization rate and vacancy rate.

Inventory

The Company determines the value of inventory based on an estimated net realizable value at the end of each reporting period. Management allocates costs, such as materials, labor attributable to goods in production and an allocation of overhead, to finished goods, and the nature of the costs for producing that particular good. Estimates are required in relation to forecasted sales volumes and finished good inventory balances. In situations where excess, slow moving inventory, and/or expired product is identified, the Company assesses its net realizable value and adjustment is recorded.

Assets held for sale

Determining the fair value less costs to sell of an asset held for sale requires management to make assumptions regarding the fair market value of the asset. The Company assesses all information available including the selling price of similar assets and property valuation reports. Judgement is required to estimate the selling costs since the allocation of some real estate transaction costs will be negotiated between the buyer and seller.

Depreciation

Property, plant, and equipment is depreciated based on the estimated useful life less their estimated residual value. Significant assumptions are involved in the determination of useful life and residual values and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions. Actual useful life and residual values may vary depending on a number of factors including internal technical evaluation, physical condition of the assets and experience with similar assets. Changes to these estimates may affect the carrying value of equipment, net loss, and comprehensive loss in future periods.

Current and deferred taxes

Accounting for income taxes is a complex process requiring management to interpret frequently changing laws and regulations and make judgments relating to the application of tax law, the estimated timing of temporary difference reversals, and the estimated realization of tax assets. The Company recognizes the

NEXE INNOVATIONS INC.**Notes to Consolidated Financial Statements****For the years ended May 31, 2025 and 2024***(Expressed in Canadian dollars, unless otherwise noted)*

deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, all tax filings are subject to subsequent government audits and potential reassessment. These interpretations, judgments and changes related to them impact current and deferred tax provisions, deferred tax assets and liabilities and results of operations.

3. Investment in GIC

The Company holds a short-term redeemable GIC with a Schedule "I" Canadian financial institution in the amount of \$3,000,000 (2024 - \$3,000,000) bearing interest at 3.55% per annum and maturing on July 14, 2025.

4. Trade and Other Receivables

Trade and other receivables comprise the following:

	May 31, 2025	May 31, 2024
Trade receivables	\$ 81,524	\$ 7,800
Sales tax input tax credits	242,396	187,333
Accrued interest	39,974	127,752
Total trade and other receivables	\$ 363,894	\$ 322,885

Aging of trade and other receivables is as follows:

Aging of trade and other receivables	May 31, 2025	May 31, 2024
Current	\$ 45,944	\$ 127,752
Over 60 days	75,554	7,800
Total trade and other receivables	\$ 121,498	\$ 135,552

5. Inventory

	May 31, 2025	May 31, 2024
Raw materials	\$ 553,635	\$ 577,747
Finished goods	105,148	11,079
Total inventory	\$ 658,783	\$ 588,826

Cost of inventories recognized as an expense during the years ended May 31, 2025 and 2024 were \$392,805 and \$96,104 respectively. During the year ended May 31, 2025 the inventory was not written down for obsolescence (2024 – the inventory was written down by \$11,079).

6. Prepaid Expenses and Deposits

	May 31, 2025	May 31, 2024
Prepayments on purchase of plant and equipment	\$ 1,493,558	\$ 1,510,922
Prepaid operating expenses	73,429	93,775
Total prepaid expenses and deposits	\$ 1,566,987	\$ 1,604,697
Less: non-current portion of prepaid expenses and deposits	1,467,467	–
Current portion of prepaid expenses and deposits	99,520	1,604,697

NEXE INNOVATIONS INC.**Notes to Consolidated Financial Statements****For the years ended May 31, 2025 and 2024***(Expressed in Canadian dollars, unless otherwise noted)***7. Assets held for sale**

The Company's former manufacturing facility based in Surrey, British Columbia, was listed for sale and sold on July 30, 2024 for gross proceeds of \$5,700,000. The Company incurred total selling costs of \$147,794, resulting in a net gain on disposal of \$3,700,554. Below is a breakdown of the property held for sale as at May 31, 2025 and 2024:

	Cost		Accumulated depreciation		Net carrying value
Property	\$	2,025,185	\$	555,679	\$ 1,469,506
Building improvements		67,499		26,623	40,876
Land		341,270		–	341,270
Balance at May 31, 2024	\$	2,433,954	\$	582,302	\$ 1,851,652
Sale of assets held for sale		(2,433,954)		(582,302)	(1,851,652)
Balance at May 31, 2025	\$	–	\$	–	\$ –

The Company generated a gain of \$18,563 on disposal of a select number of assets during the year ended May 31, 2024.

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Notes to Consolidated Financial Statements

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(Expressed in Canadian dollars, unless otherwise noted)

8. Property, Plant and Equipment

	Computer equipment	Furniture and equipment	Machinery ³	Building improvements	Manufacturing facility	Vehicles	Land	Government loan benefit ¹	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance, May 31, 2023	46,553	928,263	12,226,266	3,747,903	3,192,102	56,397	1,241,373	(1,409,113)	20,029,744
Additions	–	–	5,202,730	375,228	–	96,623	–	–	5,674,581
Disposals	–	–	(52,172)	–	–	(56,397)	–	–	(108,569)
Balance, May 31, 2024	46,553	928,263	17,376,824	4,123,131	3,192,102	96,623	1,241,373	(1,409,113)	25,595,756
Additions	1,626	–	100,387	82,409	–	–	–	–	184,422
Balance, May 31, 2025	48,179	928,263	17,477,211	4,205,540	3,192,102	96,623	1,241,373	(1,409,113)	25,780,178
Accumulated depreciation and impairment									
Balance, May 31, 2023	36,776	633,967	2,310,313	134,589	512,320	21,581	–	(682,205)	2,967,341
Depreciation	5,876	70,873	1,389,751	218,460	159,606	8,689	–	(146,749)	1,706,506
Disposals	–	–	–	–	–	(29,131)	–	–	(29,131)
Balance, May 31, 2024	42,652	704,840	3,700,064	353,049	671,926	1,139	–	(828,954)	4,644,716
Depreciation	2,858	56,699	1,447,741	227,745	159,605	28,827	–	(146,746)	1,776,729
Balance, May 31, 2025	45,510	761,539	5,147,805	580,794	831,531	29,966	–	(975,700)	6,421,445
Carrying amount									
Balance, May 31, 2024	3,901	223,423	13,676,760	3,770,082	2,520,176	95,484	1,241,373	(580,159)	20,951,040
Balance, May 31, 2025²	2,669	166,724	12,329,406	3,624,746	2,360,571	66,657	1,241,373	(433,413)	19,358,733

(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) \$2,377,142 (2024 - \$3,850,355) included in the carrying amount of machinery is not available for use, no depreciation is calculated on these assets.

As at May 31, 2025, the Company performed its impairment tests for property, plant and equipment. The recoverable amount was determined based on fair value less costs of disposal as the Company is still under initial commercialization production stage and Management is not in a position to estimate the cash flows that will be generated once it starts its operation in full capacity. Management determined the carrying amount did not exceed its recoverable amount as at May 31, 2025 and, accordingly, recorded an impairment charge of \$nil (2024: impairment charges of \$nil). A total accumulated impairment of \$1,288,117 as at May 31, 2025 remained unchanged from prior year.

(3) The Company reported other income of \$458,921 for the year ended May 31, 2025, resulting from derecognition of a liability related to the purchase of machinery that occurred in 2023. The machinery did not meet the specified requirements as per the agreement, and as a result, the Company contested its obligation to pay the full amount. The counterparty chose not to pursue its initial claim.

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9. Government Loan

The Company received \$2,500,000 of loans from Western Economic Diversification Canada ("WEDC") 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.

The continuity scheduled as at May 31, 2025 and 2024 is as follows:

		May 31, 2025		May 31, 2024
Opening balance	\$	665,953	\$	985,409
Accretion		105,791		180,548
Repayment		(375,003)		(500,004)
Closing balance	\$	396,741	\$	665,953

As of May 31, 2025, the Company defaulted on its quarterly payment and is negotiating with WEDC for a grace period and an extension of the loan maturity date.

10. Related Party Transactions and Balances

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 remuneration of key management personnel and directors of the Company during the years ended May 31, 2025 and 2024 is as follows:

		May 31, 2025		May 31, 2024
Salary, benefits and consulting fees	\$	591,178	\$	793,072
Share-based compensation		186,196		300,522
Total	\$	777,374	\$	1,093,594

11. Share Capital

Authorized:

Common Shares: unlimited without par value.

Issued and outstanding:

As at May 31, 2025, the Company had 97,293,297 (2024: 97,293,297) issued and outstanding common shares.

During the years ended May 31, 2025 and 2024, the Company did not issue any common shares.

NEXE INNOVATIONS INC.

Notes to Consolidated Financial Statements

For the years ended May 31, 2025 and 2024

(Expressed in Canadian dollars, unless otherwise noted)

12. Reserves and Contributed Surplus

a. Share purchase warrants (warrants)

The summary of changes in warrants for the years ended May 31, 2025 and 2024 is as follows:

	Number of warrants	Weighted average exercise price
Balance, May 31, 2023	8,725,000	0.65
Expired	(8,625,000)	0.65
Balance, May 31, 2024 and May 31, 2025	100,000	0.35

The following warrants that expire on June 1, 2025 were outstanding as of May 31, 2025 and 2024:

Exercise price (\$)	Number of warrants outstanding	Weighted average remaining life (years) - May 31, 2025	Weighted average remaining life (years) - May 31, 2024
0.35	100,000	0.01	1.01
0.35	100,000	0.01	1.01

b. Stock options

The summary of changes in stock options for the years ended May 31, 2025 and 2024 is as follows:

	Number of stock options	Weighted average exercise price
Balance, May 31, 2023	6,090,859	–
Granted (a)	1,865,000	0.40
Forfeited	(540,000)	(0.45)
Balance, May 31, 2024	7,415,859	\$0.53
Granted (b)	1,995,000	0.44
Expired	(1,850,000)	(0.60)
Balance, May 31, 2025	7,560,859	\$0.49

(a) The Company granted 1,865,000 stock options to employees of the Company. These stock options expire on June 2, 2028 and one-third of stock options will vest every six months, starting from grant date.

(b) The Company granted 1,995,000 stock options to employees of the Company. These stock options expire on July 27, 2030 and one-third of stock options will vest every six months, starting from grant date.

The stock options were fair valued using the Black Scholes option pricing model. The weighted average inputs used in the Black Scholes model are as follows:

For the year ended:	May 31, 2025	May 31, 2024
Share price	\$0.35	\$0.42
Risk-free interest rate	2.91%	4.44%
Expected annualized share volatility	86%	80%
Expected dividend yield	0.00%	0.00%
Expected life (years)	5	5
Fair value of stock option	\$0.23	\$0.28

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The Company recognized share-based compensation of \$376,820 in connection with vesting of stock options in the consolidated statement of loss and comprehensive loss during the year ended May 31, 2025 (2024: \$635,276).

The stock options outstanding and exercisable as of May 31, 2025 and 2024 are as follows:

Exercise price (\$)	Number of stock options outstanding	Number of stock options vested and exercisable	2025	Number of stock options outstanding	Number of stock options vested and exercisable	2024
			Weighted average remaining life (years)			Weighted average remaining life (years)
0.28	355,859	355,859	0.34	355,859	355,859	1.34
0.40	1,605,000	1,605,000	3.01	1,605,000	535,003	4.01
0.44	1,995,000	-	4.66	-	-	-
0.50	2,455,000	2,455,000	1.79	2,455,000	2,455,000	2.79
0.53	-	-	-	750,000	750,000	0.01
0.65	550,000	550,000	0.01	1,650,000	1,647,917	0.69
0.80	600,000	600,000	0.54	600,000	512,529	1.54
At May 31:	7,560,859	5,565,859	2.51	7,415,859	6,256,308	2.14

c. Restricted share units (RSUs)

The summary of changes in RSUs for the years ended May 31, 2025 and 2024 is as follows:

Balance, May 31, 2023 and May 31, 2024	-
Granted	1,210,000
Balance, May 31, 2025	1,210,000

On January 27, 2025, the Company granted 1,210,000 RSUs to employees, vesting on the first anniversary of the grant date. Each RSU was valued at \$0.35. The Company recognized share-based compensation of \$145,720 in connection with vesting of RSUs in the consolidated statement of loss and comprehensive loss during the year ended May 31, 2025 (2024: \$nil).

13. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

	May 31, 2025	May 31, 2024
Administrative expenses	\$ 851,067	\$ 695,019
Advertising, marketing and other promotional expenses	298,802	271,447
Consulting fees	414,939	189,764
Legal and professional fees	753,177	602,560
Management fees	414,390	485,583
Salaries, wages and benefits	1,256,737	1,401,798
Total selling, general and administrative expenses	\$ 3,989,112	\$ 3,646,171

14. Cost of Goods Sold

The breakdown of cost of goods sold is as follows:

	May 31, 2025	May 31, 2024
Direct material, direct labour and direct overhead	\$ 451,056	\$ 185,380
Indirect fixed factory overhead	178,910	59,078
Depreciation	150,062	89,095
Total cost of goods sold	\$ 780,028	\$ 333,553

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Notes to Consolidated Financial Statements

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15. Income Taxes

A reconciliation of the expected current income tax expense/(recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of loss and comprehensive loss is as follows:

Year ended:	May 31, 2025	May 31, 2024
Loss from before income taxes	\$ 2,395,360	\$ 6,530,597
Statutory tax rate	27%	27%
Expected income tax expense	(646,747)	(1,763,261)
Permanent difference and other	(344,472)	176,282
Change in estimates	(775,839)	(375,544)
Change in unrecognized deductible temporary differences	2,216,931	1,962,523
Current income tax expense	\$ 449,873	\$ -

Deferred income tax assets and liabilities have not been recognized in respect of the following deductible temporary differences:

Year ended:	May 31, 2025	May 31, 2024
Non-capital losses	\$ 9,517,654	\$ 8,335,321
Property, plant and equipment	3,109,671	1,991,968
Eligible capital property	122	122
Government loan payable	(5,362)	(33,927)
Financing fee	-	72,048
Low-interest government loan – WINN benefit	117,021	156,643
Total	\$ 12,739,106	\$ 10,522,175
Unrecognized deferred tax assets and liabilities	(12,739,106)	(10,522,175)
Net deferred income tax assets	\$ -	\$ -

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The Company's unrecognized deductible temporary differences are as follows:

Year ended:	May 31, 2025	May 31, 2024
Non-capital losses	\$ 35,199,953	\$ 30,745,907
Share issuance costs	-	266,844
Property, plant and equipment	11,548,059	5,792,045
Intangible assets	-	1,585,001
Eligible capital property	450	450
Low-interest government loan – WINN benefit	433,413	580,159
Net unrecognized deductible temporary differences	\$ 47,181,875	\$ 38,970,406

The Company's Canadian non-capital loss may be carried forward for a period of 20 years to offset taxable income or capital gains and expire between the years of 2034 and 2045. The remainder of the tax attributes have no expiration date.

Year of expiry	2025	2024
2032	\$ -	\$ 466
2033	-	493
2034	58,335	88,135
2035	820,903	820,903
2036	452,625	452,625
2037	677,356	645,001
2038	1,047,043	1,074,194
2039	208,003	142,013
2040	519,670	485,069

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Year of expiry	2025	2024
2041	11,467,359	11,464,848
2042	6,383,768	6,383,768
2043	4,770,096	4,772,608
2044	4,415,785	4,415,784
2045	4,379,010	-
Total	\$ 35,199,953	\$ 30,745,907

16. Financial Instruments and Risk Management

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

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 the consolidated statements of financial position. The Company limits its exposure to credit risk on cash and cash equivalents by depositing only with reputable financial institutions and limits its exposure to credit risk on 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:

	Undiscounted Contractual Cash Flows				
	Total carrying amount	Contractual cash flows	Less than 1 year	1 – 5 years	More than 5 years
As at May 31, 2025	\$	\$	\$	\$	\$
Trade and other payables	2,210,850	2,210,850	2,210,850	-	-
Government loan payable	396,741	396,741	396,741	-	-
Total	2,607,591	2,607,591	2,607,591	-	-

	Undiscounted Contractual Cash Flows				
	Total carrying amount	Contractual cash flows	Less than 1 year	1 – 5 years	More than 5 years
As at May 31, 2024	\$	\$	\$	\$	\$
Trade and other payables	2,143,217	2,143,217	2,143,217	-	-
Government loan payable	665,953	665,953	394,198	271,755	-
Total	2,809,170	2,809,170	2,537,415	271,755	-

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Notes to Consolidated Financial Statements

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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 Currency 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.

Fair Value Hierarchy

We apply the following fair value hierarchy for financial instruments that are carried at fair value. The hierarchy prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels.

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value of cash and cash equivalents, term deposits, GICs, trade and other receivables, trade and other payables, and the government loan payable approximate their carrying values because of the relatively short periods to maturity of these instruments and the low credit risk.

17. Capital 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.

18. Segment Reporting

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

19. Commitments

The Company has agreed to purchase manufacturing equipment valued at approximately \$1,366,393, applying exchange rates of 1.5613 (EUR) and 1.3758 (USD) as applicable. The majority of this equipment, including coffee capsule dosing and sealing machines sourced from a European supplier, is covered by an exclusive agreement, with delivery anticipated within eight to twelve months.

NEXE INNOVATIONS INC.**Notes to Consolidated Financial Statements****For the years ended May 31, 2025 and 2024***(Expressed in Canadian dollars, unless otherwise noted)*

20. Contingent Liabilities

Due to the nature of its operations, the Company may from time to time be subject to disputes or claims from various suppliers. The Company believes these claims do not have merit and are being defended by the Company. The ultimate outcome of such claims or disputes are subject to the final resolution of such claims. As at May 31, 2025 the Company is unable to fully determine the outcome of these contingent liabilities and therefore has not accrued any amounts for such contingent liabilities.

21. Events After Reporting Period

On June 1, 2025, 100,000 share purchase warrants with an exercise price of \$0.35 expired unexercised.

On June 1, 2025, 500,000 stock options with a \$0.65 exercise price expired unexercised. An additional 50,000 options expired unexercised on July 1, 2025.