



NEXE INNOVATIONS INC.

Management's Discussion and Analysis

For the years ended May 31, 2025 and 2024

(expressed in Canadian dollars, unless otherwise noted)

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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 September 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 audited consolidated financial statements for the year ended May 31, 2025, 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 year ended May 31, 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.

Forward-Looking Statements

This MD&A contains "forward-looking statements and information" within the meaning of applicable Canadian Securities legislation. Such forward-looking information and statements 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.

Forward-looking information includes, but is not limited to, 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 Company's ongoing discussion with potential clients and the execution of one or more master manufacturing contracts; 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 products, including coffee, tea, yogurt 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; the Company's ability to secure large contracts and work with private label and co-manufacturing coffee branded companies; ; 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 elimination of bottlenecks related to delivery time; 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;

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the addition of key team members with relevant experience; 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 materially 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;
- 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;

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- the common shares of the Company are speculative and may experience high volatility on the TSX Venture Exchange;
- global economic conditions may adversely affect the Company's business;
- foreign exchange rates; and
- market perception of smaller companies.

Although the Company has attempted to identify important risks and factors that could cause actual actions, events, or results to differ materially from those described in forward-looking statements or information, there may be other factors and risks that cause actions, events or results not to be as anticipated, estimated or intended. Further, any forward-looking statements and information contained herein are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statement or information. Accordingly, readers should not place undue reliance on forward-looking statements and information contained in this MD&A. All forward-looking statements and information disclosed in this MD&A, are qualified by this cautionary statement.

Description of Business

The Company designs, manufactures, and commercializes fully compostable materials for everyday consumer 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 partner to major consumer goods companies ("CPG" or "Consumer Packaged Goods") and provide compostable solutions for a variety of uses and products, including medical and pharma applications, focusing on verticals with the best profitable prospects and large addressable markets. NEXE believes a key advantage of its business model is its in-house, end-to-end manufacturing process, 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 billion¹ 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 systems³, making the NEXE Pod a viable alternative to the typical plastic coffee capsules currently available.

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.

Outlook

NEXE believes the overall coffee industry is moving towards more sustainable solutions. Recently, the largest coffee pod makers, Keurig and Nespresso, unveiled strategies to move towards compostable solutions.⁴ 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

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 Nespresso, Keurig have new coffee pods coming designed to put an end to all the garbage, accessed April 22, 2024, <<https://www.cnn.com/2024/04/19/nespresso-keurig-new-coffee-pods-coming-to-put-end-to-all-the-garbage.html>>.

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Compostable Product Labeling Act is a good example⁵. In our view, this will help consumers counter false claims of compostability and prevent contamination issues that can result in composting facilities.

In the U.S., single-cup brewing systems are owned by 45% of households and are the second most popular way of brewing a cup of coffee at home². Keurig accounts for \$4.1 billion² of the market, and it is estimated that Nespresso accounts for ~\$1.5 billion². We believe this means an additional \$2.8 billion of pods outside these two major players will be looking for more sustainable solutions. The overall market is expected to grow by over 26% by 2028², and given the current capacity in the market and the capital expenditures and other requirements to build a production facility – we expect demand for sustainable solutions will outstrip supply. In management's view, this would put NEXE in an opportunistic position with its vertically integrated facility that could be expanded to address such supply shortfall.

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.

There are increasing pressures for companies to move to more sustainable practices, including emerging regulatory and legal risks associated with per- and polyfluoroalkyl substances (“PFAS”). PFAS are a group of chemicals used to make fluoropolymer coatings and products that resist heat, oil, stains, grease, and water. They can be found in plastic packaging and products. Regulatory bodies such as the U.S. Environmental Protection Agency (“EPA”) are in the process of introducing new restrictions that may ban certain PFAS chemicals.⁶ Recently, 3M agreed to pay at least USD \$10.3 billion in a lawsuit related to PFAS and announced it will be exiting PFAS manufacturing by the end of 2025.⁷

One of the requirements for BPI certification is that there is no manufactured PFAS.⁸ This requirement may encourage companies to pursue BPI-certified solutions as means to mitigate potential liability and legal risks. We expect that decreasing risks, getting ahead of the changing regulatory environment, and meeting the demands of environmentally conscious consumers could help offset the costs associated with transitioning to BPI-certified compostable solutions. NEXE may benefit from these macro trends with its flagship product, the BPI-certified compostable, single-serve beverage pod, and continued R&D investments intended to support expansion into additional compostable solutions.

NEXE currently works with five different coffee companies across various distribution channels, which represent over 15 brands. NEXE has a strong cash position to execute its strategy for the next two years. At the end of 2024, our total cash position is \$11.1 million (including GICs). This cash position does not include the \$5.7 million gross cash proceeds from the Surrey Facility sale that closed post-fiscal 2024. NEXE's debt position is minimal, with its current outstanding debt at \$665,953 with the federal government. NEXE's commitments at year-end 2024 were \$1.9 million.

Business Strategy

NEXE aims to become a leading provider of sustainable and fully compostable solutions for CPG companies. The first key market NEXE is entering is the compostable, single-serve beverage pod segment. NEXE started manufacturing the current version of the commercialized compostable coffee pods in November 2024.

⁵ The Compostable Product Labeling Act, assessed September 27, 2024, <<https://cdphe.colorado.gov/hm/standards-compostable-products>>

⁶ Key EPA Actions to Address PFAS, accessed August 2023, <<https://www.epa.gov/pfas/key-epa-actions-address-pfas>>

⁷ 3M to pay at least \$10.3B to settle 'forever chemical' drinking water lawsuits in U.S., accessed August 2023, <<https://www.cbc.ca/news/world/3m-pfa-forever-chemicals-lawsuit-1.6886172>>

⁸ BPI Institute – Fluorinated Chemicals, accessed August 2023, <<https://bpiworld.org/fluorinated-chemicals>>

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The Fully Compostable Single-Serve Pod/Compostable Coffee Pod

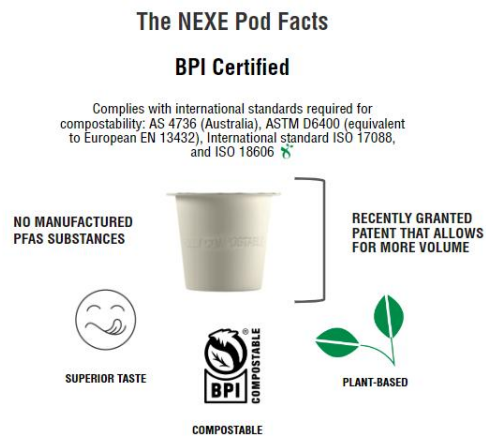
In 2021, the Company launched two in-house brands – NEXE Coffee and XOMA Superfoods. Products under both brands were packaged exclusively in NEXE Pods and were available in both Keurig® and Nespresso® compatible formats. The key goal for launching products under these brands was to serve as a proof of concept and to beta test the technology to highlight the potential competitive advantages of working with NEXE for private label and co-manufacturing partners.

As the Company has completed its initial proof of concept and beta testing phase, the key focus as we advance is to target the market's private label and co-manufacturing segments. The private label and co-manufacturing segments require more specialized coffee and manufacturing expertise; however, they generally require less investment and fewer resources compared to launching a new retail coffee brand. The typical sales cycle for the private label and co-manufacturing segments is longer. It can take anywhere from one to two years from first initiating contact to delivery of goods. The agreements with this segment also tend to be larger and may become recurring. Examples of private label contracts include major CPG companies, including prominent coffee players, that are looking for sustainable options to meet the growing demands of their customers. Furthermore, management believes a key advantage of this segment is that these opportunities often involve established distribution channels and may require less investment, potentially resulting into higher returns. Currently, NEXE is working with five different partners that have established distribution channels in retail, office coffee services (OCS), and online, including platforms such as Amazon.

BPI Certification – A Significant Milestone Achievement

NEXE successfully met the stringent testing requirements for BPI certification for its fully compostable, single-serve beverage pod and associated components at the end of June 2023. The BPI Institute lists 57 companies under the coffee pod category with BPI certification. Of these, 32 companies or brands currently offer a BPI-certified compostable coffee pod for sale. Among these, 29 provide a soft-bottom format, while only three offer a hard-bottom format. Based on the competitive features and pricing of the NEXE pod relative to these competitive offerings, management believes the Company may be positioned to capture market share. Some key advantages of the NEXE pod include composting time, more volume per pod, and the ability to scale at the Windsor Facility.

The Proprietary NEXE Pod



The BPI Institute (<https://bpiworld.org/>) is a leading North American authority on compostable products and packaging. The BPI Certification program is a third-party verification of ASTM standards for compostable products and aims to ensure transparency and credibility in compostability claims helping to mitigate risks of greenwashing. To meet the requirements of the BPI Certification, the product must meet the requirements of the ASTM D6400 or ASTM D6868 standards for compostability. The key requirements include disintegration without leaving harmful toxins or substances, biodegradation in an industrial composting facility, and the ability of the resulting compost to support healthy plant growth. The BPI certificate also requires products to be PFAS-free.

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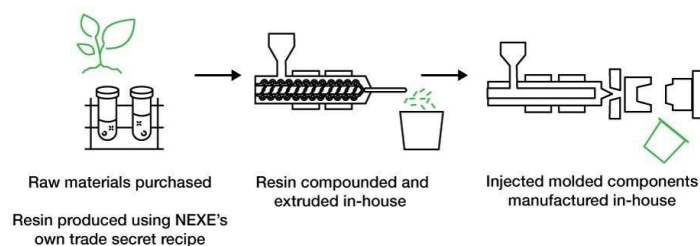
(Expressed in Canadian dollars, unless otherwise noted)

Vertical Integration for End-to-End Manufacturing Process

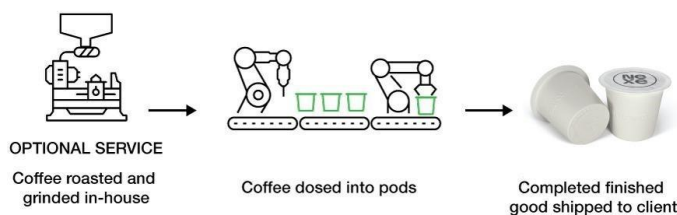
To align with the Company's strategy of controlling the end-to-end manufacturing process, the Company worked with world-class vendors and integrators to develop customized equipment and the ability to manufacture key components in-house. To facilitate this change in manufacturing, the Company purchased 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 significant investments coming in from companies and the government. 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 resin, injection molding key components of NEXE's proprietary single-use fully compostable pod, and dosing and sealing the pods for commercialization. NEXE will also provide roasting and grinding capabilities to provide potential clients with a fully integrated coffee solution.

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



Finished Goods Process for Single-Use Compostable Coffee Pod



NEXE's transition to a vertically integrated operation and onshoring offers numerous advantages, including reducing supply chain risks, protecting our intellectual property, higher operating margins, and lowering our carbon footprint. One key advantage has been accelerating the research and development process in-house, which has led to additional enhancements to our compostable materials.

Annual Highlights

Since November 2024, when the latest version of the BPI-certified compostable coffee pod was commercialized, NEXE has entered into collaborations with five different coffee companies that represent more than 15 coffee K-Cup brands. Over 50 different SKUs have been developed and each of the five partners has placed repeat orders, which have been fulfilled. The average size of repeat orders has shown a positive trend over time. NEXE is currently engaged in discussions with additional potential partners. NEXE has a solid balance sheet with minimal investments required in capex, which management believes may support the Company's ability to execute its strategy.

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Financial

NEXE maintains a strong cash position, which management believes may support the Company's ability to pursue its strategic initiatives over the next two years. As of May 31, 2025, the Company had working capital of \$10,367,194 (May 31, 2024 - \$12,836,802) with cash and cash equivalents that totaled \$9,282,299 (May 31, 2024 - \$8,048,712) and investments in GICs of \$3,000,000 (May 31, 2024 - \$3,000,000).

The Company generated \$5.5 million in net proceeds from sale of assets designated as held for sale and spent less than \$0.2 million on capital expenditures during the year ended May 31, 2025. As of May 31, 2025, the Company's commitments amounted to \$1.4 million.

Sales and Product

Revenue for the year ended May 31, 2025 was \$307,543 (2024 - \$149,264). NEXE started selling the commercialized version of the NEXE Pod in November 2024, and management anticipates that sales may increase as current partners expand their NEXE Pod offerings. NEXE has also received positive feedback from two of the partners that operate in the OCS space, and they are experiencing increasing demand among customers that they have sent test SKUs to.

Operational

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.

Subsequent events

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.

Selected Annual Information

The following table sets forth selected audited financial information of the Company from the last four completed years ended May 31:

	2025	2024	2023	2022
	\$	\$	\$	\$
Total revenue	307,543	149,264	49,758	26,986
Total assets	34,339,676	36,486,792	43,358,292	49,169,758
Total non-current financial liabilities	-	271,755	665,956	1,366,687
Net loss	(2,845,233)	(6,530,597)	(6,137,065)	(8,339,913)
Basic and diluted loss per share	(0.03)	(0.07)	(0.06)	(0.09)
Dividends declared	-	-	-	-

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Results of Operations

The following table highlights our quarterly results for the eight most recently completed quarters:

	Three months ended			
	May 31, 2025	February 28, 2025	November 30, 2024	August 31, 2024
	\$	\$	\$	\$
Total revenue	59,921	173,721	70,754	3,147
Net income (loss)	(1,736,866)	(1,755,445)	(1,645,655)	2,292,733
Comprehensive income (loss)	(1,736,866)	(1,755,445)	(1,645,655)	2,292,733
Basic and diluted earnings (loss) per share*	(0.02)	(0.02)	(0.02)	0.02

	Three months ended			
	May 31, 2024	February 29, 2024	November 30, 2023	August 31, 2023
	\$	\$	\$	\$
Total revenue	2,906	24,927	33,729	87,702
Net loss	(1,743,162)	(1,136,209)	(1,610,871)	(2,040,355)
Comprehensive loss	(1,743,162)	(1,136,209)	(1,610,871)	(2,040,355)
Basic and diluted loss per share*	(0.02)	(0.01)	(0.02)	(0.02)

* The aggregate value of quarterly basic and diluted earnings (loss) per share amounts may not equal the annual equivalent amount due to rounding.

Comparative Results for the three months ended May 31, 2025, and 2024

The following table presents information about the results of our operations during the three months ended May 31, 2025, and 2024:

	May 31, 2025	May 31, 2024	Variance \$	Variance %
For the three months ended:				
Revenue	59,921	2,906	57,015	1,962.0%
Cost of goods sold	287,345	18,850	268,495	1,424.4%
Gross loss	\$ 227,424	\$ 15,944	211,480	1,326.4%
Operating expenses				
Selling, general and administrative	1,007,287	955,445	51,842	5.4%
Depreciation	313,121	414,046	(100,925)	(24.4%)
Interest and accretion	18,489	38,767	(20,278)	(52.3%)
Research and development	42,461	276,774	(234,313)	(84.7%)
Share-based compensation	236,834	136,221	100,613	73.9%
Total operating expenses	\$ 1,618,192	\$ 1,821,253	(203,061)	(11.1%)
Operating loss before other items	\$ 1,845,616	\$ 1,837,197	8,419	0.5%
Other items				
Interest income	(96,873)	(135,994)	39,121	(28.8%)
Foreign exchange loss (gain)	(2,829)	41,037	(43,866)	(106.9%)
Inventory write-down	–	18,437	(18,437)	(100.0%)
Net gain on disposal of assets	–	(12,735)	12,735	(100.0%)
Other income	(458,921)	(1,376)	(457,545)	33,251.8%
Total other items	(558,623)	(90,631)	(467,992)	516.4%
Loss from continuing operations before tax	\$ 1,286,993	1,746,566	(459,573)	(26.3%)
Income tax expense	449,873	(3,404)	453,277	–
Net loss and comprehensive loss	\$ 1,736,866	\$ 1,743,162	(6,296)	(0.4%)

Revenue

Revenue was \$59,921 (May 31, 2024 – \$2,906). During the quarter, NEXE continued to build momentum surpassing the one million pods produced milestone and securing repeat orders from Bridgehead Coffee and a North American-based coffee company specializing in OCS and retail distribution space. However, given the uncertainty around tariffs we expect the momentum to continue to build in Canada but to be challenged in the U.S. NEXE is currently working on a U.S. strategy to alleviate the impact of tariffs.

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Cost of goods sold

The cost of goods was \$287,345 (May 31, 2023 – \$18,850). The cost of goods included non-cash expenses, such as depreciation related to production machinery and equipment. Depreciation in cost of goods sold increased as new equipment has come online.

Selling, general and administrative

Selling, General and Administrative expenses increased to \$1,007,287 (May 31, 2024 - \$955,445) largely due to higher legal and professional costs, and higher consulting fees. The management team continues to maintain a disciplined approach to allocating resources.

Depreciation

Depreciation decreased due to the lower carrying value of capital assets carried during the three months ended May 31, 2025 in comparison to the same period of prior year.

Research and development

Research and development expenses declined during the three months ended May 31, 2025, as a result of a substantial reduction in related activities.

Share-based compensation

Share-based compensation increased as a result of the vesting of a larger equity package granted in January 2025. The Company issued restricted share units in the fiscal year 2025, while no restricted share units were issued in the fiscal year 2024.

Other income

The Company reported other income of \$458,921 for the three months 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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Comparative Results for the years ended May 31, 2025, and 2024

The following table presents information about the results of our operations during the years ended May 31, 2025, and 2024:

For the year ended:	May 31, 2025	May 31, 2024	Variance \$	Variance %
Revenue	307,543	149,264	158,279	106.0%
Cost of goods sold	780,028	333,553	446,475	133.9%
Gross loss	\$ 472,485	\$ 184,289	288,196	156.4%
Operating expenses				
Selling, general and administrative	3,989,112	3,646,171	342,941	9.4%
Depreciation	1,626,667	1,614,650	12,017	0.7%
Interest and accretion	105,791	180,548	(74,757)	(41.4%)
Research and development	319,785	764,902	(445,117)	(58.2%)
Share-based compensation	522,540	635,276	(112,736)	(17.7%)
Total operating expenses	\$ 6,563,895	\$ 6,841,547	(277,652)	(4.1%)
Operating loss before other items	\$ 7,036,380	\$ 7,025,836	10,544	0.2%
Other items				
Interest income	(510,442)	(547,506)	37,064	(6.8%)
Foreign exchange loss	18	49,861	(49,843)	(100.0%)
Inventory write-down	28,879	22,345	6,534	29.2%
Net gain on disposal of assets	(3,700,554)	(18,563)	(3,681,991)	19,835.1%
Other income	(458,921)	(1,376)	(457,545)	33,251.8%
Total other items	(4,641,020)	(495,239)	(4,145,781)	837.1%
Loss from continuing operations before tax	\$ 2,395,360	6,530,597	(4,135,237)	(63.3%)
Income tax expense	449,873	–	449,873	–
Net loss and comprehensive loss	\$ 2,845,233	\$ 6,530,597	(3,685,364)	(56.4%)

Revenue

Revenues increased to \$307,543 (2024 - \$149,264) and represents the sale to various companies. The five current partners that NEXE is working with include a major U.S. online seller of coffee pods, a large North American OCS distributor, and a newly launched company based in British Columbia. Over the year, the Company developed over 50 different SKUs for our partners and is actively engaged in developing additional SKUs. The current partners we are working with represent over 15 coffee brands.

Cost of goods sold

The cost of goods was \$780,028 (2024 - \$333,553). The cost of goods included non-cash expenses, such as depreciation related to production machinery and equipment. Depreciation in cost of goods sold increased as new equipment has come online.

Selling, general and administrative

Selling, General and Administrative expenses increased to \$3,989,112 (2024 - \$3,646,171) largely due to higher legal and professional costs, and higher consulting fees. The management team remains committed to prudent resource allocation and cost management.

Research and development

Research and development expenses declined during the year ended May 31, 2025, as a result of a substantial reduction in related activities.

Share-based compensation

Share-based compensation decreased as a result of the vesting of a smaller equity package granted in January 2025 compared to the fiscal year of 2024.

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Net gain on disposal of assets

The Company realized a gain of \$3,700,554 from the sale of Surrey facility during the year ended May 31, 2024. The gain of \$18,563 in the prior year was from the sale of capital assets, which were not material in nature.

Other income

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.

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 six months.

Liquidity and Capital Resources

The Company used \$3.8 million of cash in our operating activities during the year ended May 31, 2025. As at May 31, 2025, the Company had cash and cash equivalents of \$9.3 million, total shareholders' equity of \$31.3 million, and a deficit of \$46.9 million.

Management expects to incur ongoing capital expenditures in the next 12 months related to the purchase of new equipment based on commitments. Management believes that the Company's existing financial resources, combined with projected cash inflows, will be sufficient to enable the Company to meet its operating and capital requirements for at least 12 months from the date hereof.

Cash Flows

The following table summarizes our sources and uses of cash during the years ended May 31, 2025, and 2024:

Cash and cash equivalents provided by (used in):	Year ended	
	May 31, 2025	May 31, 2024
Operating activities	\$ (3,769,194)	\$ (2,442,253)
Investing activities	5,377,784	(4,618,703)
Financing activities	(375,003)	(500,004)
Increase in cash and cash equivalents	\$ 1,233,587	\$ (7,560,960)

Operating Activities

Net cash used in operating activities rose from \$2.4 million in 2024 to \$3.8 million in 2025, mainly due to expanded operations and higher losses.

Investing Activities

During the year ended May 31, 2025, we generated \$5.4 million in cash from investing activities, compared to \$4.6 million of cash used in investing activities for the year ended May 31, 2024, representing an increase of \$10.0 million. This improvement is primarily attributable to proceeds received from the sale of the Surrey Facility totaling \$5.6 million, a reduction of \$1.4 million in capital expenditures, and a \$3 million purchase of GIC in the prior year.

Financing Activities

Net cash used in financing activities was \$0.4 million during the year ended May 31, 2025, compared to \$0.5 million of net cash used in financing activities during the year ended May 31, 2024, a decrease of \$0.1 million. The decrease is due to deferred payment on the outstanding government loan.

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Outstanding Share Data

As at September 29, 2025, the Company had the following equity instruments outstanding: 97,293,297 common shares; 7,010,859 stock options; and 1,210,000 restricted share units.

Off-Balance Sheet Arrangements

As of May 31, 2025, and the date of this MD&A, we have no off-balance sheet arrangements.

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

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

Business 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.

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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;

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- 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.

Going Concern Risks

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

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

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.

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Future Performance Dependent upon the Sales of Keurig® and Nespresso® Beverage Systems

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

Research and Development Risks

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

Risk Related to Achieving Growth Strategy

The Company may not be successful in developing innovative new products or the new products may not be commercially successful. Additionally, new product introductions are often time sensitive, and thus failure to deliver innovations on schedule could be detrimental to the Company's ability to successfully launch such new products and retain partners, in addition to potentially harming the Company's reputation and customer loyalty.

The Company's financial results and its ability to maintain or improve its competitive position will depend on its ability to effectively gauge the direction of its key marketplaces and successfully identify, develop, manufacture, market and sell new or improved products in these changing marketplaces. As the Company and its industry evolve, the Company expects to face new challenges with respect to the introduction of innovative products and the changing competitive landscape within the single-serve category and the beverage industry. These challenges can occur at various stages, including design, supply chain and sales cycle.

Risk Relating to Public Forecasts

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

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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 suppliers, 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 Concern Risks

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.

Long Term Purchase Commitments

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

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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.

Customer Concentration Risks

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.

Facility Interruptions and Delays

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.

Reliance 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

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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.

Ability to Maintain and Promote 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.

Risk Related to Expansion and Development of the Business

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

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Company, which might adversely affect the Company's ability to retain or attract key managers or other employees.

Information Technology Risks

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 the Coffee Market

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.

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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.

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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.

Impact of 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.

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Accounting Policies, Critical Accounting Estimates, and Internal Controls

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Significant Judgments

The preparation of 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:

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

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where excess, slow moving inventory, and/or expired product is identified, the Company assesses its net realizable value and adjustment are 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 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.

Share-Based Compensation

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers, employees and consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the calculation of the share-based compensation; however, the most significant estimate is volatility. Expected future volatility can be difficult to estimate as the Company has had limited history, is in a unique industry, and historical volatility is not necessarily indicative of future volatility.

Financial Instruments and Financial Risk Management

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

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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	-

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.

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Management's Report on Internal Control Over Financial Reporting

The information provided in the consolidated financial statements and the accompanying MD&A is the responsibility of management. Management is required to make a number of judgments, assumptions and estimates when preparing these financial statements and MD&A, including estimates to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on prudent judgments and have been properly reflected in the accompanying financial statements, but actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Management is responsible for the internal controls over the operations and financial reporting, including internal controls related to maintaining records that reflect the transactions, acquisitions, and dispositions of the assets of the Company. As all controls and processes are subject to certain limitations, management acknowledges that the internal controls may not prevent or detect all misstatements due to error or fraud.