



Aduro Clean Technologies Inc.

Interim Condensed Consolidated Financial Statements

For the three and nine months ended February 28, 2025
(Unaudited)

(Expressed in Canadian Dollars)

Aduro Clean Technologies Inc.
Consolidated Statements of Financial Position
Expressed in Canadian Dollars

| | February 28, 2025 | May 31, 2024 |
|--|----------------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 8,362,459 | \$ 2,814,576 |
| Deposits and prepaid expenses (Note 5) | 1,418,733 | 341,244 |
| Other receivables (Note 6) | 300,639 | 328,277 |
| Deferred transaction costs | 16,472 | 218,480 |
| | 10,098,303 | 3,702,577 |
| Non-current | | |
| Property and equipment (Note 7) | 3,323,301 | 3,128,632 |
| Right of use assets (Note 8) | 180,517 | 125,542 |
| | 3,503,818 | 3,254,174 |
| Total Assets | \$ 13,602,121 | \$ 6,956,751 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Trade payables and other current liabilities (Note 12) | \$ 583,976 | \$ 461,947 |
| Lease liability – current portion (Note 9) | 58,922 | 40,356 |
| | 642,898 | 502,303 |
| Non-current | | |
| Lease liability – non-current portion (Note 9) | 125,874 | 98,230 |
| Derivative financial liability (Note 10) | 209,363 | - |
| | 335,237 | 98,230 |
| Shareholders' equity (Note 11) | | |
| Share capital | 35,342,930 | 22,477,986 |
| Warrant reserve | 875,003 | 1,328,901 |
| Contributed surplus | 7,731,145 | 5,445,407 |
| Accumulated deficit | (31,325,092) | (22,896,076) |
| | 12,623,986 | 6,356,218 |
| Total Liabilities and Shareholders' Equity | \$ 13,602,121 | \$ 6,956,751 |

Nature and continuance of operations (Note 1)

Subsequent events (Note 21)

Approved on behalf of the Board of Directors on April 14, 2025:

"Ofer Vicus", Director

"Peter Kampian", Director

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

Aduro Clean Technologies Inc.
Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian Dollars

| | Three months ended February 28, 2025 | Three months ended February 29, 2024 | Nine months ended February 28, 2025 | Nine months ended February 29, 2024 |
|--|---|---|--|--|
| Revenue (Note 13) | \$ 63,399 | \$ 103,628 | \$ 156,542 | \$ 235,266 |
| Expenses | | | | |
| Research and development (Note 16) | 1,374,518 | 795,691 | 3,956,389 | 2,409,183 |
| General and administrative (Note 15) | 1,617,861 | 1,214,322 | 4,398,542 | 3,175,577 |
| Depreciation and amortization | 139,218 | 113,982 | 396,078 | 307,258 |
| Finance costs (Note 14) | 3,816 | 2,958 | 8,832 | 9,368 |
| Foreign exchange | (159,849) | 4,058 | (188,458) | 6,532 |
| | 2,975,564 | 2,131,011 | 8,571,383 | 5,907,918 |
| Loss before other items | (2,912,165) | (2,027,383) | (8,414,841) | (5,672,652) |
| Other items | | | | |
| Change in fair value of derivative financial liability (Note 10) | 47,342 | - | (27,226) | - |
| Other income | 13,051 | - | 13,051 | - |
| Loss on sale of vehicle | - | - | - | (2,512) |
| Loss and comprehensive loss | \$ (2,851,772) | \$ (2,027,383) | \$ (8,429,016) | \$ (5,675,164) |
| Basic and diluted loss per share | \$ (0.100) | \$ (0.098) | \$ (0.318) | \$ (0.283) |
| Weighted average number of common shares outstanding | 28,643,505 | 20,679,849 | 26,522,506 | 20,078,916 |

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

Aduro Clean Technologies Inc.
Consolidated Statements of Changes in Equity
Expressed in Canadian Dollars

| | Share Capital | | Warrant Reserve | Contributed Surplus | Deficit | Total |
|---|---------------------|----------------------|--------------------|------------------------|------------------------|----------------------|
| | Number of Shares | Amount | | | | |
| Balance, May 31, 2023 | 19,664,153 | 15,396,907 | 2,557,918 | 4,472,191 | (15,459,215) | \$ 6,967,801 |
| Shares issued on exercise of warrants (Note 11) | 1,216,179 | 3,528,530 | (675,488) | (27,036) | - | 2,826,006 |
| Shares issued on exercise of options (Note 11) | 115,384 | 481,853 | | (185,603) | - | 296,250 |
| Shares issued on RSU vesting (Note 11) | 46,154 | 163,500 | - | (163,500) | - | - |
| Share issuance cost | | (109,626) | - | - | - | (109,626) |
| Share-based compensation expense (Note 17) | - | | - | 1,331,281 | - | 1,331,281 |
| Net loss for the period | - | | | - | (5,675,164) | (5,675,164) |
| Balance, February 29, 2024 | 21,041,870 | 19,461,164 | 1,882,430 | 5,427,333 | (21,134,379) | 5,636,548 |
| Balance, May 31, 2024 | 21,759,130 | 22,477,986 | 1,328,901 | 5,445,407 | (22,896,076) | 6,356,218 |
| Shares issued on exercise of Class B Special Warrants (Note 11) | 4,102,562 | - | - | - | - | - |
| Shares and warrants issued – June 17, 2024 (Note 11) | 834,178 | 2,955,153 | 372,155 | 21,536 | - | 3,348,844 |
| Shares and warrants issued – US Public Offering (Note 11) | 1,063,647 | 5,166,739 | - | - | - | 5,166,739 |
| Derivative financial liability (Note 10) | - | (182,137) | - | - | - | (182,137) |
| Shares issued on exercise of warrants (Note 11) | 1,013,960 | 4,143,399 | (826,053) | (21,552) | - | 3,295,794 |
| Shares issued on exercise of options (Note 11) | 136,231 | 781,790 | - | (258,240) | - | 523,550 |
| Share-based compensation expense (Note 17) | - | - | - | 2,543,994 | - | 2,543,994 |
| Net loss for the period | - | - | - | - | (8,429,016) | (8,429,016) |
| Balance, February 28, 2025 | 28,909,708 | \$ 35,342,930 | \$ 875,003 | \$ 7,731,145 | \$ (31,325,092) | \$ 12,623,986 |

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

Aduro Clean Technologies Inc.
Consolidated Statement of Cash Flows
Expressed in Canadian Dollars

| | Nine months ended February 28, 2025 | Nine months ended February 29, 2024 |
|---|--|--|
| Operating Activities | | |
| Net loss for the period | \$ (8,429,016) | \$ (5,675,164) |
| Items not affecting cash: | | |
| Depreciation and amortization | 396,078 | 307,258 |
| Share-based compensation expense (Note 17) | 2,543,994 | 1,331,281 |
| Interest expense accrued | 8,370 | 8,039 |
| Loss on sale of vehicle | - | 2,512 |
| Change in fair value of derivative financial liability (Note 10) | 27,226 | - |
| Other income | (13,051) | - |
| Changes in non-cash working capital (Note 20) | (910,133) | 137,356 |
| Cash used in operating activities | (6,376,532) | (3,888,718) |
| Financing Activities | | |
| Issue of common shares, net of issuing costs (Note 11) | 12,487,329 | 3,012,630 |
| Finance lease repayments (Note 9) | (41,318) | (40,468) |
| Term and working capital loan repayments | - | (23,449) |
| Cash provided by financing activities | 12,446,011 | 2,948,713 |
| Investing activities | | |
| Property and equipment acquired | (521,596) | (961,270) |
| Sale of vehicle | - | 11,000 |
| Cash used by investing activities | (521,596) | (950,270) |
| Change in cash during the period | 5,547,883 | (1,890,275) |
| Cash and cash equivalents, start of period | 2,814,576 | 4,046,634 |
| Cash and cash equivalents, end of period | \$ 8,362,459 | \$ 2,156,359 |

Supplementary disclosure of non-cash activities:

| | | |
|--|--------|-----------|
| Increase (decrease) in accounts payable related to property and equipment during the period | 31,917 | (112,909) |
|--|--------|-----------|

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

Aduro Clean Technologies Inc.
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the three and nine months ended February 28, 2025
Expressed in Canadian Dollars

1. NATURE AND CONTINUANCE OF OPERATIONS

Aduro Clean Technologies Inc. (the “Company”) was incorporated in the Province of British Columbia on January 10, 2018, under the Business Corporations Act of British Columbia. On February 12, 2019, the Company’s shares commenced trading on the Canadian Securities Exchange (“CSE”) under the symbol “DFT.” On April 23, 2021, the Company changed its name to “Aduro Clean Technologies Inc.” from Dimension Five Technologies Inc. and the Company’s shares were re-listed under the symbol ACT. On July 28, 2021, the Company’s shares commenced trading on the Frankfurt Exchange in Germany under the symbol “9D50”. On November 7, 2024, the Company’s common shares commenced trading on the Nasdaq Capital Market under the ticker symbol “ADUR”.

The Company’s primary business is the holding company of Aduro Energy Inc. (“Aduro”). Aduro is an early-stage business focusing on developing environmentally responsible technology for converting end-of-life plastics and tire rubber to specialty chemicals and fuels that replace petroleum, upgrading of heavy crude oils and the transformation of renewable oils into renewable fuels and specialty chemicals. The water based chemical recycling platform features three sector focus applications, Hydrochemolytic Plastics Upcycling (“HPU”), Hydrochemolytic Renewables Upgrading (“HRU”) and Hydrochemolytic Bitumen Upgrading (“HBU”). As at February 28, 2025, the Company has developed and owns nine patents, seven granted and two pending.

The registered and records office of the Company is located at Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC, Canada V6C 2B5, and the head office of the Company is located at 542 Newbold Street, London, ON, Canada N6E 2S5. During the nine months ended February 28, 2025 the Company closed a non-brokered private placement and an underwritten U.S. public offering (Note 11) that realized net proceeds of \$3,348,844 and \$5,166,739, respectively, which will be used for general working capital purposes to advance Aduro’s scale-up and path to commercialization. As at February 28, 2025, the Company had a deficit of \$31,325,092 since inception and incurred negative operating cash flows. As at February 28, 2025, the Company’s working capital balance was \$9,455,405 (May 31, 2024: \$3,200,274) and available cash of \$8,362,459 (May 31, 2024: \$2,814,576). Therefore, management concludes that the Company has sufficient funds to fund its operations for the next twelve months. Ultimately the continuing operations of the Company are dependent upon generating profitable operations and obtaining funding, as required, to allow the Company to achieve its business objectives. While the Company’s management believes that there are many financing opportunities available, there is no assurance that it will be able to successfully obtain additional financing as needed. These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due and do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the classifications used in the consolidated statements of financial position.

2. BASIS OF PREPARATION

a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared based on the principles of IFRS Accounting Standards (IFRS) and International Accounting Standard 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended May 31, 2024 and accompanying notes.

These financial statements were authorized for issue by the Board of Directors on April 14, 2025.

b) Basis of consolidation

The financial statements of all entities controlled by the Company, including Aduro Energy Inc. and Aduro Clean Technologies Europe B.V., are included in the Financial Statements from the date control commenced. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company’s subsidiaries have the same reporting date as the Company. Intra-group balances and transactions are eliminated on consolidation.

Aduro Clean Technologies Inc.
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c) Basis of measurement

The financial statements have been prepared using the historical cost basis except as detailed in the Company's accounting policies in Note 3 to the consolidated financial statement for the year ended May 31, 2024.

d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Certain of the Company's accounting policies and disclosures require key assumptions concerning the future and other estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or disclosures within the next fiscal year. Where applicable, further information about the assumptions made is disclosed in the notes specific to that asset or liability. The critical accounting estimates and judgments set out below have been applied consistently to all periods presented in these financial statements.

a) Ability to continue as a going concern

Evaluation of the ability of the Company to realize its strategy for funding its future needs for working capital involves making judgments.

b) Property and equipment

Property and equipment are depreciated/amortized over the estimated useful life of the asset to the asset's estimated residual value as determined by management. Assessing the reasonableness of the estimated useful life, residual value and the appropriate depreciation/amortization methodology requires judgment and is based on management's experience and knowledge of the industry.

c) Impairment

An evaluation of whether or not an asset is impaired involves consideration of whether indicators of impairment exist. Factors which could indicate impairment exists include: significant underperformance of an asset relative to historical or projected operating results, significant changes in the manner in which an asset is used or in the Company's overall business strategy, the carrying amount of the net assets of the Company being more than its market capitalization or significant negative industry or economic trends. In some cases, these events are clear. However, in many cases, a clearly identifiable event indicating possible impairment does not occur. Instead, a series of individually insignificant events occur over a period of time leading to an indication that an asset may be impaired. Events can occur in these situations that may not be known until a date subsequent to their occurrence. When there is an indicator of impairment, the recoverable amount of the asset is estimated to determine the amount of impairment, if any. If indicators conclude that the asset is no longer impaired, the Company will reverse impairment losses on assets only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Similar to determining if an impairment exists, judgment is required in assessing if a reversal of an impairment loss is required.

d) Warrants, stock options, restricted share units, and derivative financial liability

Share purchase warrants, stock options, and derivative financial liabilities are initially valued at fair value, based on the application of the Black-Scholes option pricing model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the volatility of the share price, expected dividend yield, expected term of the warrant or stock option and expected risk-free interest rate.

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The fair value of Restricted Share Units (RSUs) is measured based on the closing price of the Company's common shares on the date of grant. The fair value of each tranche of RSUs is recognized as expense on a straight-line basis over its vesting period. The fair value of RSUs is charged to profit or loss with a corresponding increase in contributed surplus within equity. The amount recognized as an expense is based on the estimate of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. Upon vesting of equity settled RSUs, the related contributed surplus associated with the RSU is reclassified into share capital.

4. MATERIAL ACCOUNTING POLICIES ADOPTED DURING THE PERIOD

a) Derivative financial liability

When the Company issues warrants with exercise prices denominated in currencies other than in the Canadian dollar, the warrants are classified and presented as derivative financial liabilities and measured at fair value. The fair values of such warrants are determined using the Black-Scholes option pricing model. At the end of each reporting period, the derivative financial liability is re-measured at fair value with changes in fair value recognized in profit and loss. Derivative financial liabilities have been disclosed in Note 10.

5. DEPOSITS AND PREPAID EXPENSES

| | February 28, 2025 | May 31, 2024 |
|------------------------------|--------------------------|---------------------|
| | \$ | \$ |
| Prepaid Equipment | 292,623 | 76,671 |
| Prepaid Marketing and Events | 15,000 | 15,000 |
| Prepaid Investor Relations | 198,008 | 40,983 |
| Prepaid Consulting Fees | 26,849 | 14,050 |
| Prepaid Insurance | 562,043 | 8,169 |
| Prepaid Conferences | 31,883 | 14,207 |
| Deposits | 45,262 | 45,027 |
| Other | 247,065 | 127,137 |
| Total | 1,418,733 | 341,244 |

6. OTHER RECEIVABLES

| | February 28, 2025 | May 31, 2024 |
|------------------------|--------------------------|---------------------|
| | \$ | \$ |
| HST receivable | 145,743 | 76,338 |
| Due from related party | 77,353 | 78,853 |
| Services receivable | 77,059 | 172,520 |
| Other | 484 | 566 |
| Total | 300,639 | 328,277 |

The Company's exposure to credit risk related to other receivables is disclosed in Note 18.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements
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7. PROPERTY AND EQUIPMENT

The following table summarizes the Company's property and equipment as at February 28, 2025, May 31, 2024 and May 31, 2023:

| | Motor Vehicle \$ | Furniture & Fixtures \$ | Leasehold Improvement \$ | Laboratory Equipment \$ | Computer Equipment \$ | Research Equipment \$ | Total \$ |
|---|---------------------------------|--|---|--|--------------------------------------|--------------------------------------|---------------------|
| <i>Cost:</i> | | | | | | | |
| Balance at May 31, 2023 | 78,156 | 110,932 | 990,141 | 1,394,211 | 63,621 | 36,568 | 2,673,629 |
| Additions | - | 68,314 | 545,440 | 108,648 | 34,936 | 214,681 | 972,019 |
| Disposals | (38,151) | - | - | - | - | - | (38,151) |
| Transfers | - | - | - | (1,502,859) | - | 1,502,859 | - |
| Balance at May 31, 2024 | 40,005 | 179,246 | 1,535,581 | - | 98,557 | 1,754,108 | 3,607,497 |
| Additions | 18,464 | 5,498 | 43,884 | 80,000 | 12,709 | 392,958 | 553,513 |
| Balance at February 28, 2025 | 58,469 | 184,744 | 1,579,465 | 80,000 | 111,266 | 2,147,066 | 4,161,010 |
| <i>Accumulated depreciation:</i> | | | | | | | |
| Balance at May 31, 2023 | 23,127 | 14,393 | 59,534 | - | 19,040 | 3,833 | 119,927 |
| Charge for the year | 13,180 | 29,230 | 278,273 | - | 15,963 | 46,931 | 383,577 |
| Disposals | (24,639) | - | - | - | - | - | (24,639) |
| Balance at May 31, 2024 | 11,668 | 43,623 | 337,807 | - | 35,003 | 50,764 | 478,865 |
| Charge for the period | 8,655 | 26,619 | 230,988 | - | 15,559 | 77,023 | 358,844 |
| Balance at February 28, 2025 | 20,323 | 70,242 | 568,795 | - | 50,562 | 127,787 | 837,709 |
| <i>Carrying amounts:</i> | | | | | | | |
| At May 31, 2023 | 55,029 | 96,539 | 930,607 | 1,394,211 | 44,581 | 32,735 | 2,553,702 |
| At May 31, 2024 | 28,337 | 135,623 | 1,197,774 | - | 63,554 | 1,703,344 | 3,128,632 |
| At February 28, 2025 | 38,146 | 114,502 | 1,010,670 | 80,000 | 60,704 | 2,019,279 | 3,323,301 |

As at February 28, 2025, the Company had not identified any impairment indicators.

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8. RIGHT OF USE ASSETS

The following table summarizes the Company's right of use assets as at February 28, 2025, May 31, 2024 and May 31, 2023:

| | Property Leases \$ |
|---|---------------------------|
| <i>Cost:</i> | |
| Balance at May 31, 2023 | 168,497 |
| Additions | 49,648 |
| Balance at May 31, 2024 | 218,145 |
| Additions | 161,949 |
| Disposal | (144,289) |
| Balance at February 28, 2025 | 235,805 |
| <i>Accumulated Depreciation:</i> | |
| Balance at May 31, 2023 | 46,393 |
| Charge for the year | 46,210 |
| Balance at May 31, 2024 | 92,603 |
| Charge for the period | 37,234 |
| Disposals | (74,549) |
| Balance at February 28, 2025 | 55,288 |
| <i>Carrying amounts:</i> | |
| At May 31, 2023 | 122,104 |
| At May 31, 2024 | 125,542 |
| At February 28, 2025 | 180,517 |

The property leases are for Aduro's research office located at 542 Newbold Street, London, Ontario and a leased vehicle.

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9. LEASE LIABILITY

| | February 28, 2025 | May 31, 2024 |
|---|--------------------------|---------------------|
| | \$ | \$ |
| Gross lease obligations | 206,028 | 154,510 |
| Deferred finance charges | (21,232) | (15,924) |
| Total lease liability | 184,796 | 138,586 |
| Less: Current portion | 58,922 | 40,356 |
| Non-current portion | 125,874 | 98,230 |
| Interest on lease liabilities included in finance costs (Note 14) | 8,370 | 10,784 |
| Incremental borrowing rate at Initial Application date | 8.45% | 8.45% |
| Total cash outflow for the lease liability | 41,318 | 52,345 |

The Company's exposure to liquidity risk related to lease liability is disclosed in Note 18.

10. DERIVATIVE FINANCIAL LIABILITY

During the nine-month period ended February 28, 2025, the Company issued a total of 53,181 warrants, for a five-year period, with an exercise price of US\$4.675, in connection with the Company's underwritten U.S. public offering. As the warrants have a US dollar exercise price which is not the functional currency of the Company, they do not meet the definition of an equity instrument and as a result have been classified as a derivative financial liability. The derivative financial liability has been recognized at fair value on the date of issuance, being \$182,137, as calculated using Black-Scholes pricing model, based on the following assumption ranges:

| | |
|-------------------------|---------------------|
| Risk-free interest rate | From 2.89% to 3.14% |
| Expected life | 5 years |
| Expected volatility | 63.05% to 64.06% |
| Dividend rate | Nil |

The derivative financial liability is remeasured at fair value at each reporting date, with any changes in fair value recognized in the statement of loss and comprehensive loss. For the nine months ended February 28, 2025, the Company recorded an increase in the fair value of the derivative financial liability of \$27,226.

The following table summarizes the continuity of the derivative liability for the nine-months ended February 28, 2025:

| | Financial Liability |
|--|----------------------------|
| | \$ |
| Balance at May 31, 2024 | - |
| Fair value of the derivative financial liability on the date of issuance | 182,137 |
| Fair value changes of the derivative financial liability | 27,226 |
| Balance at February 28, 2025 | 209,363 |

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The fair value at February 28, 2025 was estimated using the Black-Scholes pricing model, based on the following assumptions:

| | |
|-------------------------|------------|
| Risk-free interest rate | 2.62% |
| Expected life | 4.69 years |
| Expected volatility | 57.22% |
| Dividend rate | Nil |

11. SHARE CAPITAL

Common and Preferred Shares:

Authorized:

- i. Unlimited common shares without par value
- ii. Unlimited preferred shares without par value

Issued and outstanding:

As at February 28, 2025, the issued and outstanding common shares of the Company consisted of 28,909,708 common shares and nil preferred shares (May 31, 2024: 21,759,130 common shares and nil preferred shares).

During the year ended May 31, 2024, 198,515 February 2021 Share Warrants were exercised at an exercise price of \$1.625, 547,531 April 2021 Share Warrants were exercised at an exercise price of \$1.625, 1,018,271 April 2022 Share Warrants were exercised at an exercise price of \$3.25, 17,522 July 2022 Share Warrants were exercised at an exercise price of \$3.25, 36,154 April 2023 Share Warrants were exercised at an exercise price of \$4.225, 41,767 April 2022 Finder Warrants were exercised at an exercise price of \$3.25, 538 April 2023 Finder Warrants were exercised at an exercise price of \$4.225, 69,231 options were exercised at an exercise price of \$2.438, 23,077 options were exercised at an exercise price of \$3.413, 23,077 options were exercised at an exercise price of \$2.113, 13,538 options were exercised at an exercise price of \$2.34, 13,385 options were exercised at an exercise price of \$3.25, 46,154 options were exercised at an exercise price of \$2.275, and 46,154 granted Restricted Share Units vested, resulting in the issue of 2,094,914 common shares and gross proceeds of \$5,345,848.

On June 17, 2024, the Company completed a non-brokered private placement pursuant to which it has issued an aggregate of 834,178 units (each, a "June 2024 Unit"), at a price of \$4.225 per June 2024 Unit for gross proceeds of \$3,524,400. Each June 2024 Unit is comprised of one common share and one-half of one common share purchase warrant (the "June 2024 Share Warrant"). Each June 2024 Share Warrant entitles the holder to acquire one common share at an exercise price of \$5.20 per common share for a period of two years from the closing date. The warrants are also subject to an acceleration right held by the Company if the shares have a closing price of \$6.175 or greater per common share on the Canadian Securities Exchange (or such other exchange on which the common shares may be traded at such time) for a period of ten (10) consecutive trading days at any time from the date that is four months and one day after the closing date. The Company paid cash finder's fees of \$144,054, all of which were recorded as share issuance costs, and issued 22,789 finder's warrants (the "June 2024 Finder Warrants") to certain finders in connection with the Offering. Each June 2024 Finder Warrant is exercisable into one share at a price of \$5.20 per common share for a period of two years after the closing date.

On November 8, 2024, the Company closed an underwritten U.S. public offering of 941,177 common shares at a public offering price of US\$4.25 per common share for gross proceeds of US\$ 4,000,002. In addition, the Company issued 47,058 warrants, for a five-year period, with an exercise price of US\$4.675 in connection with the U.S. public offering which resulted in the recognition of a derivative financial liability (Note 10). On December 3, 2024, the Company closed a partial exercise of over-allotment option of 100,000 common shares at a public offering price of US\$4.25 per common share for gross proceeds of US\$425,000. In addition, the Company issued 5,000 warrants, for a five-year period, with an exercise price of US\$4.675 in connection with the U.S. public offering which resulted in the recognition of a derivative financial liability (Note 10). On December 11, 2024, the Company closed a partial exercise of over-allotment option of 22,470 common shares at a public offering price of US\$4.25 per common share for gross proceeds of US\$95,498. In addition, the

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Company issued 1,123 warrants, for a five-year period, with an exercise price of US\$4.675 in connection with the U.S. public offering which resulted in the recognition of a derivative financial liability (Note 10).

During the nine-month period ended February 28, 2025, 272,228 February 2021 Share Warrants were exercised at an exercise price of \$1.625, 13,139 April 2021 Share Warrants were exercised at an exercise price of \$1.625, 338,590 July 2022 Share Warrants were exercised at an exercise price of \$3.25, 285,371 April 2023 Share Warrants were exercised at an exercise price of \$4.225, 18,590 April 2023 Finder Warrants were exercised at an exercise price of \$4.225, 84,615 June 2024 Share Warrants were exercised at an exercise price of \$5.20, 1,427 June 2024 Finder Warrants were exercised at an exercise price of \$5.20, 47,000 options were exercised at an exercise price of \$2.1125, 23,892 options were exercised at an exercise price of \$2.34, 13,154 options were exercised at an exercise price of \$3.25, 9,951 options were exercised at an exercise price of \$3.5424, 20,615 options were exercised at an exercise price of \$4.843, 1,619 options were exercised at an exercise price of \$6.50, and 20,000 options were exercised at an exercise price of \$9.00, resulting in the issue of 1,150,191 common shares and gross proceeds of \$3,819,344.

Stock Options:

As at February 28, 2025, the following table details the stock options outstanding:

| Number of Options | Weighted Average Exercise Price | Weighted Average Life (years) | Expiry Date |
|-------------------|------------------------------------|----------------------------------|--------------------|
| 871,159 | \$2.1125 | 6.16 | April 30, 2031 |
| 370,263 | \$2.3400 | 6.97 | February 20, 2032 |
| 123,077 | \$2.2750 | 7.30 | June 20, 2032 |
| 611,931 | \$3.2500 | 2.83 | December 29, 2027 |
| 193,848 | \$3.5425 | 3.53 | September 11, 2028 |
| 69,231 | \$3.5425 | 3.74 | November 29, 2028 |
| 92,308 | \$4.1600 | 0.91 | January 29, 2026 |
| 790,687 | \$6.5000 | 4.43 | August 6, 2029 |
| 270,000 | \$9.0000 | 4.87 | January 15, 2030 |
| 20,000 | \$9.0000 | 0.87 | January 15, 2026 |
| 3,412,504 | \$4.1146 | 4.82 | |

A continuity schedule of the incentive stock options is as follows:

| | February 28, 2025 | | May 31, 2024 | |
|---------------------------------|--------------------------|--|----------------------|---------------------------------------|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding beginning of period | 2,454,940 | \$ 2.7107 | 2,225,860 | \$ 2.5029 |
| Granted | 1,136,169 | 7.1821 | 436,004 | 3.7278 |
| Exercised | (136,231) | 3.8431 | (188,462) | 2.5279 |
| Cancelled | (42,374) | 5.9060 | (18,462) | 3.5425 |
| Outstanding, end of period | 3,412,504 | \$ 4.1146 | 2,454,940 | \$ 2.7107 |
| Exercisable, end of period | 2,479,312 | \$ 3.0542 | 2,205,637 | \$ 2.6288 |
| Weighted average life (years) | | 4.82 | | 5.71 |

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The fair value of the stock options granted were estimated using the Black-Scholes option pricing model based on the following assumption ranges:

| | |
|-------------------------|------------------------|
| Risk-free interest rate | from 0.33% to 4.66% |
| Expected life | from 2 to 10 years |
| Expected volatility | from 48.81% to 211.86% |
| Dividend rate | Nil |

For the nine months ended February 28, 2025, an expense of \$2,543,994 (2024: \$1,167,781) was recognized for services provided based on vesting conditions of stock options. The amount recognized reflected the vesting duration of the options.

Share Purchase Warrants:

As at February 28, 2025, the following table details the share purchase warrants issued by the Company:

| Description | Expiry Date | Outstanding at February 28, 2025 | Exercise price | Term (years) |
|---|--------------------|---|-----------------------|---------------------|
| April 2021 Share Warrants | April 23, 2025 | 304,983 | \$ 1.625 | 4 |
| April 2023 Share Warrants | April 3, 2025 | 328,038 | \$ 4.225 | 2 |
| April 2023 Finder Warrants | April 3, 2025 | 20,448 | \$ 4.225 | 2 |
| June 2024 Share Warrants | June 17, 2026 | 332,490 | \$ 5.200 | 2 |
| June 2024 Finder Warrants | June 17, 2026 | 21,362 | \$ 5.200 | 2 |
| November 2024 Share Warrants | November 7, 2029 | 53,181 | US \$ 4.675 | 5 |
| Total outstanding and exercisable | | 1,060,502 | | |
| Weighted average exercise price and remaining term (in years) | | | \$ 3.9292 | 0.74 |

A continuity schedule of the number of share purchase warrants is as follows:

| | Total |
|---|------------------|
| Outstanding and exercisable, May 31, 2023 | 3,506,854 |
| Cancelled/Expired/Exercised | (1,881,667) |
| Outstanding and exercisable, May 31, 2024 | 1,625,187 |
| Issued | 493,076 |
| Cancelled/Expired/Exercised | (1,057,761) |
| Outstanding and exercisable, February 28, 2025 | 1,060,502 |

The carrying amounts of the April 2023 Finder Warrants, and June 2024 Finder Warrants are recognized as part of contributed surplus while the carrying amount of the other share purchase warrants are included in warrant reserve.

During the year ended May 31, 2024, 198,515 February 2021 Share Warrants were exercised at an exercise price of \$1.625, 547,531 April 2021 Share Warrants were exercised at an exercise price of \$1.625, 1,018,271 April 2022 Share Warrants were exercised at an exercise price of \$3.25, 17,522 July 2022 Share Warrants were exercised at an exercise price of \$3.25, 36,154 April 2023 Share Warrants were exercised at an exercise price of \$4.225, 41,767 April 2022 Finder Warrants were exercised at an exercise price of \$3.25, and 538 April 2023 Finder Warrants were exercised at an exercise price of \$4.225, resulting in the issue of 1,860,298 common shares and \$1,229,017 being reclassified from warrants reserve to share capital and \$42,521 being reclassified from contributed surplus to share capital.

During the nine-month period ended February 28, 2025, 272,228 February 2021 Share Warrants were exercised at an exercise price of \$1.625, 13,139 April 2021 Share Warrants were exercised at an exercise price of \$1.625, 338,590 July

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2022 Share Warrants were exercised at an exercise price of \$3.25, 285,371 April 2023 Share Warrants were exercised at an exercise price of \$4.225, 18,590 April 2023 Finder Warrants were exercised at an exercise price of \$4.225, 84,615 June 2024 Share Warrants were exercised at an exercise price of \$5.20, 1,427 June 2024 Finder Warrants were exercised at an exercise price of \$5.20, resulting in the issue of 1,013,960 common shares and \$826,052 being reclassified from warrants reserve to share capital and \$21,553 being reclassified from contributed surplus to share capital.

The fair value of the warrants issued were estimated using the Black-Scholes option pricing model based on the following assumption ranges:

| | |
|-------------------------|------------------------|
| Risk-free interest rate | from 0.19% to 3.85% |
| Expected life | from 2 to 5 years |
| Expected volatility | from 50.35% to 148.58% |
| Dividend rate | Nil |

Special Warrants

On the closing of the transaction with Aduro Energy Inc. and Aduro's security holders whereby the Aduro's security holders sold their shares to the Company such that all of the issued and outstanding common shares of Aduro are now wholly owned by the Company (the "Transaction"), the Company issued 8,205,124 special warrants (the "SWs"), consisting of 4,102,562 Class A special warrants (the "ASWs") and 4,102,562 Class B special warrants (the "BSWs") at a deemed price equal to the Company's discounted share price (as defined), to Aduro's special warrant trustee to be held in trust until distributed on the first milestone ("FM") achievement date. The SWs are convertible for no additional consideration into the Company's Shares on a one-for-one basis upon the later of the achievement of the FM in the case of the ASWs or the achievement of the second milestone ("SM") in the case of the BSWs, as applicable, and the distribution of the SWs by the trustee. The FM was achieved on January 18, 2022, resulting in the 4,102,562 ASWs distributed and automatically converted on a one-for-one basis into common shares of the Company for no additional consideration and the 4,102,562 BSWs special warrants were issued to the Aduro security holders in accordance with the terms of the securities exchange agreement ("SEA"). The SM was achieved on August 14, 2024, resulting in the automatic conversion of the 4,102,562 BSWs on a one-for-one basis into common shares of the Company for no additional consideration.

Restricted Share Units

On September 11, 2023, the Company awarded 46,154 RSUs to an officer of the company pursuant to the Company's equity incentive plan. All of the RSUs vested immediately upon the date of award, at which time the Company issued 46,154 common shares.

12. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel are those persons that have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly, and by definition include all the directors and officers of the Company.

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During the three and nine months ended February 28, 2025 and 2024, compensation of key management personnel was as follows:

| | Three months ended February 28, 2025 \$ | Three months ended February 29, 2024 \$ | Nine months ended February 28, 2025 \$ | Nine months ended February 29, 2024 \$ |
|---|--|--|---|---|
| Salary and related costs | 208,580 | 118,597 | 551,671 | 347,419 |
| Professional fees | 102,000 | 125,001 | 292,001 | 390,336 |
| Share-based compensation expense (Note 17) | 251,028 | 321,084 | 905,184 | 666,807 |
| | 561,608 | 564,682 | 1,748,856 | 1,404,562 |

All transactions with related parties are in the normal course of operations and are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

As at February 28, 2025 and May 31, 2024, the outstanding balances for related parties was comprised of the following:

| | February 28, 2025 \$ | May 31, 2024 \$ |
|-----------------------------------|---------------------------------|----------------------------|
| Due to key management personnel | 40,217 | 75,939 |
| Due from key management personnel | 77,353 | 78,853 |

These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

13. REVENUE

The Company entered into technical evaluation agreements with confidential publicly traded organisations for execution of a proof of concept and evaluation of the Company's HPU and HBU technology. Revenue in the amount of \$156,542, recognized in the Statements of Loss and Comprehensive Loss resulted from services completed during the nine months ended February 28, 2025, pursuant to the technical evaluation and collaboration agreements (2024: \$235,266).

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14. FINANCE COSTS

Finance costs recognized in the Statements of Loss and Comprehensive Loss are comprised of the following:

| | Three months ended February 28, 2025 \$ | Three months ended February 29, 2024 \$ | Nine months ended February 28, 2025 \$ | Nine months ended February 29, 2024 \$ |
|----------------------------|--|--|---|---|
| Lease finance charges | 3,678 | 2,767 | 8,370 | 8,157 |
| Interest on debt: | | | | |
| Working capital loan – BDC | - | 191 | - | 1,041 |
| Term loan | - | - | - | 170 |
| Other finance costs | 138 | - | 462 | - |
| Total Finance Costs | 3,816 | 2,958 | 8,832 | 9,368 |

15. GENERAL AND ADMINISTRATIVE

General and administrative expenses recognized in the Statements of Loss and Comprehensive Loss are comprised of the following:

| | Three months ended February 28, 2025 \$ | Three months ended February 29, 2024 \$ | Nine months ended February 28, 2025 \$ | Nine months ended February 29, 2024 \$ |
|--|--|--|---|---|
| Investor relations and communication costs (Note 17) | 206,125 | 344,042 | 581,416 | 649,809 |
| Conferences | 15,198 | 25,154 | 43,365 | 91,019 |
| Automobile | 8,045 | 6,933 | 16,949 | 24,307 |
| Bank charges | 3,306 | 3,752 | 10,991 | 15,286 |
| Office and general | 403,018 | 151,144 | 694,928 | 363,328 |
| Professional fees (Note 17) | 154,992 | 160,877 | 596,607 | 441,627 |
| Salary and related costs (Note 17) | 673,310 | 426,630 | 1,888,828 | 1,305,850 |
| Transfer agent and filing costs | 63,306 | 27,640 | 278,705 | 94,679 |
| Travel | 77,674 | 58,983 | 225,482 | 135,926 |
| Other | 12,887 | 9,167 | 61,271 | 53,746 |
| Total General and Administrative | 1,617,861 | 1,214,322 | 4,398,542 | 3,175,577 |

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16. RESEARCH AND DEVELOPMENT

Research and development expenses recognized in the Statements of Loss and Comprehensive Loss are comprised of the following:

| | Three months ended February 28, 2025 \$ | Three months ended February 29, 2024 \$ | Nine months ended February 28, 2025 \$ | Nine months ended February 29, 2024 \$ |
|--|--|--|---|---|
| Project related expenses (Note 17) | 470,827 | 328,694 | 1,220,968 | 1,060,298 |
| Salary costs allocated (Note 17) | 793,000 | 410,306 | 2,468,255 | 1,206,460 |
| Payments to research partners | 47,284 | 16,612 | 101,482 | 64,982 |
| Professional fees – patent development costs | 63,407 | 40,079 | 165,684 | 77,443 |
| Total research and development | 1,374,518 | 795,691 | 3,956,389 | 2,409,183 |

17. SHARE-BASED COMPENSATION EXPENSE

Share-based payment compensation recognized in the Statements of Loss and Comprehensive Loss is comprised of the following:

| | Three months ended February 28, 2025 \$ | Three months ended February 29, 2024 \$ | Nine months ended February 28, 2025 \$ | Nine months ended February 29, 2024 \$ |
|--|--|--|---|---|
| Expense recognized for services provided based on vesting conditions of stock options (Note 11) | 932,676 | 481,084 | 2,543,994 | 1,167,781 |
| Expense recognized for services provided based on vesting conditions of restricted share units (Note 11) | - | - | - | 163,500 |
| Total share-based compensation expense | 932,676 | 481,084 | 2,543,994 | 1,331,281 |

Share-based compensation expense is included in the Statement of Loss and Comprehensive loss as follows:

| | Three months ended February 28, 2025 \$ | Three months ended February 29, 2024 \$ | Nine months ended February 28, 2025 \$ | Nine months ended February 29, 2024 \$ |
|--|--|--|---|---|
| Investor relations and communication costs (Note 15) | 54,548 | 176,318 | 54,548 | 199,545 |
| Professional fees (Note 15) | 3,148 | 1,117 | 10,661 | 9,260 |
| Salary and related costs (Note 15) | 352,202 | 164,697 | 1,014,201 | 621,411 |
| Project related expenses (Note 16) | 156,207 | 40,360 | 279,282 | 188,614 |
| Salary costs allocated (Note 16) | 366,571 | 98,592 | 1,185,302 | 312,451 |
| Total share-based compensation expense | 932,676 | 481,084 | 2,543,994 | 1,331,281 |

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18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Interest rate risk

The Company is exposed to interest rate risk. The lease liabilities have fixed cost of funds rate until maturity though subject to interest rate fluctuations if refinanced.

Foreign exchange risk

The Company is primarily exposed to foreign currency fluctuations in relation to its US dollar cash and trade payables. US dollar financial instruments subject to foreign exchange risk are summarized below. The Company has assessed the risk and decided not to hedge the risk.

| | February 28, 2025 | May 31, 2024 |
|---------------------------|-------------------|--------------|
| (US\$) | \$ | \$ |
| Cash and cash equivalents | 3,462,923 | 140 |
| Trade payables | 40,448 | 37,647 |
| Net US dollar exposure | (3,422,475) | 37,507 |

As at February 28, 2025, with other variables unchanged, a \$0.10 change in the Canadian dollar against the US dollar would result in a \$342,247 pre-tax gain (May 31, 2024: \$3,751 loss) from the Company's financial instruments.

Credit risk

Credit risk arises from cash and cash equivalents held with a bank as well as credit exposure to customers in the form of outstanding trade and other receivables but excluding balances receivable from government entities. The maximum exposure to credit risk is equal to the carrying value of the Company's cash and other receivables which reflects management's assessment of the credit risk which at February 28, 2025 was \$8,517,355 (May 31, 2024: \$3,066,515).

Impairment losses

The allowance for doubtful accounts in respect of other receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible. At that point, the amounts are considered unrecoverable and are written off against the financial asset directly. The Company did not record any impairment for three or nine months ended February 28, 2025 and the year ended May 31, 2024.

Liquidity risk

Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they become due. The Company manages liquidity risk through management of its cash and cash equivalents and working capital balances.

The table below provides an analysis of the expected maturities of the Company's outstanding obligations as at February 28, 2025:

| | Amount | 2025 | Due prior to | | |
|--|---------|---------|--------------|--------|-------|
| | \$ | \$ | 2026 | 2027 | 2028+ |
| | | | \$ | \$ | \$ |
| Trade payables and other current liabilities | 583,976 | 583,976 | - | - | - |
| Lease liability (Note 9) | 184,796 | 58,922 | 64,580 | 61,294 | - |
| Total expected maturities | 768,772 | 642,898 | 64,580 | 61,294 | - |

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Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income (loss) or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

Capital management

Management is focused on several objectives while managing the capital structure of the Company, specifically:

- Ensuring the Company has the financing capacity to execute its business plan and meet its strategic objectives while capitalizing on opportunities that add value for the Company's shareholders;
- Maintaining a strong capital base; and
- Safeguarding the Company's ability to continue as a going concern, such that it provides returns for shareholders and benefits for other stakeholders.

19. OPERATING SEGMENTS

Reportable Segments

The business is in early stage focusing on developing environmentally responsible technology for converting end-of-life plastics and tire rubber to specialty chemicals and fuels that replace petroleum, upgrading of heavy crude oils and the transformation of renewable oils into renewable fuels and specialty chemicals. For management purposes, the Company activities are managed and monitored by senior management as one operating segment. The financial statements included are the same financial statements that management uses to monitor the performance of the Company and for the allocation of resources.

Entity Wide Disclosures

As at and for the period ended February 28, 2025 and the year ended May 31, 2024, the Company's operations and assets were in Canada and the Netherlands.

As at February 28, 2025, geographic information was as follows:

| | Canada | Netherlands |
|-----------------------------|---------------|--------------------|
| Assets | 13,590,019 | 12,102 |
| Loss and comprehensive loss | (8,235,672) | (193,344) |

As at May 31, 2024, geographic information was as follows:

| | Canada | Netherlands |
|-----------------------------|---------------|--------------------|
| Assets | 6,949,603 | 7,148 |
| Loss and comprehensive loss | (7,246,353) | (190,508) |

As an early-stage development company, the Company was not yet generating sustainable revenues from its development activities. The revenues of \$156,542 for the nine months ended February 28, 2025 related to revenue earned following the completion of services pursuant to the technical evaluation and collaboration agreements for execution of a proof of concept and evaluation of the Company's HPU and HBU technology (Note 13).

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20. SUPPLEMENTAL CASH FLOW INFORMATION

For the nine months ended February 28, 2025 and 2024, the net change in non-cash working capital balances consists of the following:

| | February 28, 2025 | February 29, 2024 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Other receivables | 27,638 | 143,098 |
| Prepaid expenses | (1,077,489) | (39,202) |
| Trade payables and other current liabilities | 139,254 | 32,996 |
| Project contributions payable | 464 | 464 |
| Net change in non-cash working capital balances | (910,133) | 137,356 |

21. SUBSEQUENT EVENTS

Exercise of options and warrants

Subsequent to February 28, 2025, 24,659 share purchase warrants were exercised at an exercise price of \$1.625, 304,564 share purchase warrants were exercised at an exercise price of \$4.225, 20,386 finder warrants were exercised at an exercise price of \$4.225, 20,000 options were exercised at an exercise price of \$2.1125, and 10,000 options were exercised at an exercise price of \$9.00 for total proceeds of \$1,545,235.