Financial Statements

Three Months Ended August 31, 2020

(Unaudited - Expressed in Canadian Dollars)

Notice of No Auditor Review

The accompanying unaudited condensed interim financial statements of Dimension Five Technologies Inc. for the three months ended August 31, 2020, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditors.

Dimension Five Technologies Inc.
Statements of Financial Position
Expressed in Canadian Dollars
(Unaudited – prepared by management)

		August 31, 2020		May 31, 2020
Assets				
Current				
Cash	$	**157,794**	$	93,861
Guaranteed investment certificate (Note 4)		**29,000**		28,750
Interest receivable		**7**		238
GST receivable		**2,441**		995
Prepaid expenses		**-**		873
Deferred acquisition costs (Notes 5 and 14)		**48,374**		7,319
Loans receivable (Notes 6 and 14)		**111,300**		-
	$	**348,916**	$	132,036
Liabilities				
Current				
Accounts payable and accrued liabilities (Notes 7 and 9)	$	**85,611**	$	51,980
Equity				
Share capital (Note 8)		**838,828**		838,828
Shares issuable (Note 8)		**227,222**		-
Reserves		**15,000**		15,000
Deficit		**(817,745)**		(773,772)
		263,305		80,056
	$	**348,916**	$	132,036

Nature of operations and continuance of operations (Note 1)
Contingency (Note 10)
Subsequent events (Note 14)

On behalf of the Board:

"Chris Parr" ,Director

"David Hodge" ,Director

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

Dimension Five Technologies Inc.
Statements of Loss and Comprehensive Loss
Expressed in Canadian Dollars
(Unaudited – prepared by management)

	For the three months ended August 31, 2020	For the three months ended August 31, 2019
Revenue		
License fees	$ -	$ 30,000
Expenses		
App maintenance	-	28,941
General and administrative (Note 11)	43,991	78,245
	43,991	107,186
Loss before other item	43,991	77,186
Other item		
Interest and other income	18	1,147
Net loss and comprehensive loss for the period	$ (43,973)	$ (76,039)
Basic and diluted loss per share	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding	23,078,001	23,078,001

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

Dimension Five Technologies Inc.
Statement of Changes in Equity
Expressed in Canadian Dollars
(Unaudited – prepared by management)

	Share Capital					
	Number of Shares	Amount	Shares issuable	Reserves	Deficit	Total Equity
Balance, May 31, 2019	23,078,001	$ 838,828	$ -	$ 15,000	$ (263,258)	$ 590,570
Net loss for the period	-	-	-	-	(76,039)	(76,039)
Balance, August 31, 2019	23,078,001	$ 838,828	$ -	$ 15,000	$ (339,297)	$ 514,531

	Share Capital					
	Number of Shares	Amount	Shares issuable	Reserves	Deficit	Total Equity
Balance, May 31, 2020	**23,078,001**	**$ 838,828**	**$ -**	**$ 15,000**	**$ (773,772)**	**$ 80,056**
Proceeds received for shares to be issued (Notes 8 and 14)	**-**	**-**	**227,222**	**-**	**-**	**227,222**
Net loss for the period	**-**	**-**	**-**	**-**	**(43,973)**	**(43,973)**
Balance, August 31, 2020	**23,078,001**	**$ 838,828**	**$ 227,222**	**$ 15,000**	**$ (817,745)**	**$ 263,305**

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

Dimension Five Technologies Inc.
Statements of Cash Flows
Expressed in Canadian Dollars
(Unaudited – prepared by management)

		For the three months ended August 31, 2020		For the three months ended August 31, 2019
Operating Activities				
Net loss for the period	$	(43,973)	$	(76,039)
Changes in non-cash working capital:				
Interest receivable		231		(435)
GST receivable		(1,446)		(373)
Prepaid expenses		873		5,500
Deferred acquisition costs		(41,055)		-
Accounts payable and accrued liabilities		33,631		27,333
Deferred App development funds		-		(2,295)
Cash used in operating activities		(51,739)		(46,309)
Investing Activities				
Redemption of guaranteed investment certificate		28,750		50,000
Purchase of guaranteed investment certificate		(29,000)		-
Loans advanced to potential acquisition targets		(111,300)		-
Cash provided by (used in) investing activities		(111,550)		50,000
Financing Activities				
Proceeds from shares to be issued		227,222		-
Cash provided by financing activities		227,222		-
Change in cash during the period		63,933		3,691
Cash, beginning of period		93,861		36,081
Cash, end of period	$	157,794	$	39,772

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Dimension Five Technologies Inc. (the "Company") was incorporated in the Province of British Columbia on January 10, 2018, under the Business Corporations Act of British Columbia. The Company's primary business was the development and monetization of its online software application Investorbase ("the App"). The App is currently inactive and due to the uncertainty of any recovery the Company recorded an impairment loss on the App of $300,000 (a value equal to 100% of the asset) at November 30, 2019. On July 13, 2020, the Company entered into a binding letter of intent with Aduro Energy Inc. ("Aduro") to acquire 100% of the issued and outstanding shares of Aduro from the shareholders of Aduro (the "Acquisition"). If the Acquisition closes, the Company will become the Resulting Issuer immediately following closing, its name will be changed to Aduro Energy Inc. and the Resulting Issuer will adopt the business of Aduro (see Note 14).

On February 12, 2019, the Company's shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "DFT." In accordance with the rules and policies of the CSE, trading in the Company's shares was halted and will remain halted until either the proposed Acquisition is completed or the letter of intent is terminated.

The head office and principal address are located at Suite 1450, 789 West Pender Street, Vancouver, BC, Canada V6C 1H2 and the registered and records office of the Company is located at 885 West Georgia Street, Suite 900, Vancouver, BC, Canada V6C 3H1.

These financial statements have been prepared on a going concern basis, assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has a deficit of $817,745 since inception and negative operating cash flows. The continuing operations of the Company are dependent upon generating profitable operations and obtaining funding, as required, to meet the Company's operating commitments as they come due. These conditions indicate the existence of a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern.

These unaudited financial statements were authorized for issue by the Board of Directors on October 1, 2020.

2. BASIS OF PREPARATION

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Measurement

These financial statements have been prepared on a historical costs basis except for financial instruments classified at fair value (see Note 3). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and related disclosure during the reporting period. Judgement is used mainly in

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

determining how a balance or transaction should be recognized in the financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Significant areas requiring the use of management estimates and assumptions include:

- The determination of the fair value of common shares issued as consideration for the purchase of the App.
- The determination that the Company will continue as a going concern for the next year.

Assessment of impairment indicators

Judgment is required in assessing whether certain factors would be considered an indicator of impairment or impairment reversal. Management considers both internal and external information to determine whether there is an indicator of impairment or impairment reversal present and, accordingly, whether impairment testing is required. The information considered in assessing whether there is an indicator of impairment or impairment reversal includes, but is not limited to, the factors listed under "Intangible assets" below.

Intangible assets

Intangible assets consist of the App's mobile application front end, back end, website, and platform developed in-house or acquired externally. The App is currently inactive and due to the uncertainty of any recovery the Company recorded an impairment loss on the App of $300,000 (a value equal to 100% of the asset) at November 30, 2019.

Intangible assets acquired separately are initially recognized at cost. The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date that the Company can demonstrate all of the following: i) the technical feasibility of completing the intangible assets so that it will be available for use or sale; ii) its intention to complete the intangible asset and use or sell it; iii) its ability to use or sell the intangible asset; iv) how the intangible asset will generate probable future economic benefits; v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Until these criteria are met, expenditures are expensed as incurred.

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any.

The accounting for an intangible asset is based on its useful life. Intangible assets with a finite useful life are amortized over their estimated useful life. Intangible assets with an indefinite useful life are not amortized. Intangible assets under development which are not ready for use are not amortized. The amortization method, estimated useful life, carrying value and residual value are reviewed each financial year-end or more frequently if required, and are adjusted as appropriate.

Foreign currency transactions

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company is the Canadian dollar.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities that are measured at historical costs are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statements of loss and comprehensive loss.

Financial Assets

At initial recognition, IFRS 9 *Financial Instruments* ("IFRS 9") requires financial assets to be measured at fair value and classified into three measurement categories: those subsequently measured at fair value through profit and loss ("FVTPL"), those subsequently measured at fair value through other comprehensive income ("FVTOCI") and those subsequently measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

IFRS 9 provides a three-stage expected credit loss model for calculating impairment for financial assets. Expected credit losses are required to be recognized when financial instruments are initially recognized and the amount of expected credit losses recognized are required to be updated at each reporting date to reflect changes in the credit risk of the financial instruments.

Financial Liabilities

At initial recognition, IFRS 9 requires financial liabilities to be measured at fair value and classified as subsequently measured at amortized cost except for when one of the specified exceptions applies. In cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the statement of loss, unless this creates an accounting mismatch.

For financial assets and financial liabilities not at FVTPL, fair value is adjusted for transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Company recognizes financial assets and liabilities on the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents / Guaranteed investment certificates

Cash and cash equivalents include cash on hand and demand deposits and investments with maturities from the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant changes in value. Cash is classified as subsequently measured at amortized cost.

Cash equivalents are classified as subsequently measured at amortized cost except for money market investments which are classified as subsequently measured at FVTPL. Guaranteed investment certificates are classified as subsequently measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Trade receivables

Trade receivables relate to amounts received from sales under licensing agreements for use of the App. These receivables are non-interest bearing and are recognized at face amount, except when fair value is materially different, and are classified as subsequently measured at amortized cost. Trade receivables recorded are net of lifetime expected credit losses.

Trade payables

Trade payables are non-interest bearing if paid when due and are recognized at face amount, except when fair value is materially different. Trade payables are classified as subsequently measured at amortized cost.

Expected credit losses

For trade receivables, the Company applies the simplified approach to determining expected credit losses, which requires expected lifetime losses to be recognised upon initial recognition of the receivables.

The Company's revenue consists of licensing fees earned from the use of its App. The licensee obtains control over the use of the App when access to the App is granted. License fees are payable monthly in advance on the first day of each month and revenue is recognized at month end.

Revenue recognition

IFRS 15 *Revenue from Contracts with Customers* provides a five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied.

The Company's revenue consists of licensing fees earned from the use of its App. The licensee obtains control over the use of the App when access to the App is granted. License fees are payable monthly in advance on the first day of each month and revenue is recognized at month end.

On September 6, 2018, the Company adopted an incentive stock option plan to attract and retain personnel and to provide incentives to employees, officers, directors and consultants. The Company grants stock options to buy common shares of the Company and the board of directors grants such options for periods of up to ten years, which vest immediately and are priced at the previous day's closing price.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the common shares are issued.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities on an undiscounted basis, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Earnings/Loss per share

Basic earnings/loss per share is computed by dividing the net income or loss attributable to the owners of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per share is determined by adjusting the earnings or loss attributable to the owners of the Company and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period. In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related party transactions

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

There are currently no amendments and/or revisions to existing IFRS standards or new standards effective for periods beginning after January 1, 2019 that are expected to be applicable to the Company.

4. GUARANTEED INVESTMENT CERTIFICATE

As at August 31, 2020, the Company had a variable rate guaranteed investment certificate ("GIC") totalling $29,000 (May 31, 2020: $28,750). The GIC bears interest at prime minus 2.6% and is redeemable without penalty. The GIC is being held as security by the bank for corporate credit cards having an aggregate credit limit of $25,000. The GIC has been classified as a current asset as it may be redeemed without penalty by the Company within one year and if the credit cards are cancelled. See Note 10.

5. DEFERRED ACQUISITION COSTS

As at August 31, 2020, the Company incurred $48,374 (May 31, 2020: $7,319) of legal costs pursuant to the proposed acquisition of Aduro. See note 14.

6. LOANS RECEIVABLE

As at August 31, 2020, the Company has loaned $111,300 to Aduro pursuant to the letter of intent dated July 13, 2020. The loan bears interest at 6% per annum, calculated half yearly and will have a maturity date of the earlier of one year from the date of advance or six months following the termination of the letter of intent. $50,000 of the loan is secured with a general security agreement and the remainder is unsecured. See Note 14.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	August 31, 2020 **$**	May 31, 2020 $
Accounts payable	**31,061**	12,319
Accrued liabilities	**10,000**	7,661
Amounts due to related parties (Note 9)	**44,550**	32,000
	85,611	51,980

8. SHARE CAPITAL

<u>Shares:</u>

Authorized:
i. Unlimited common shares without par value
ii. Unlimited preferred shares without par value

Expressed in Canadian Dollars

8. SHARE CAPITAL (continued)

Issued and outstanding:

As of August 31, 2020, the issued and outstanding common shares of the company consisted of 23,078,001 common shares and nil preferred shares (May 31, 2020: 23,078,001 common share and nil preferred shares).

During the three months ended August 31, 2020 and the year ended May 31, 2020 shares issued was nil.

During the three months ended August 31, 2020, the Company received proceeds of $227,222 (three months ended August 31, 2019: $nil) pursuant to a private placement for common shares at $0.05c per share. See note 14.

As at August 31, 2020, 6,435,002 (August 31, 2019: 10,725,002) common shares were being held in escrow. The shares remaining in escrow will be released in instalments of 2,145,000 every six months until February 12, 2022.

Stock Options:
Pursuant to the Company's stock option plan, directors may, from time to time, authorize issuance of options to employees, officers, directors and consultants of the Company. The options may be granted for periods of up to ten years, which vest immediately and are priced at the previous day's closing price. During the three months ended August 31, 2020 no stocks options were granted.

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

	August 31, 2020		May 31, 2020	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Outstanding and exercisable, beginning of period	**400,000**	**0.05**	400,000	0.05
Granted	**-**	**-**	-	-
Cancelled/Expired	**-**	**-**	-	-
Outstanding and exercisable, end of period	**400,000**	**0.05**	400,000	0.05
Weighted average life (years)	**3.02**		3.27	

As at August 31, 2020, the Company had the following stock options outstanding and exercisable:

Expiry Date	Exercise Price	Number of Options
September 6, 2023	$0.05	400,000

9. RELATED PARTY TRANSACTIONS

During the three months ended August 31, 2020, compensation of related parties was as follows:

Expressed in Canadian Dollars

9. RELATED PARTY TRANSACTIONS (continued)

Key management and related party compensation	**For the three months ended August 31, 2020 $**	For the three months ended August 31, 2019 $
Remuneration and fees	**6,000**	6,000
Salaries and benefits	**18,000**	18,000
	24,000	24,000

During the three months ended August 31, 2020, the Company incurred professional fees of $6,000 (August 31, 2019: $6,000) to a company controlled by the CFO of the Company. As at August 31, 2020, the Company owed $11,550 (May 31, 2020: $8,400) to the company. The amount due is unsecured, non-interest bearing, due on demand and to be settled in cash.

During the three months ended August 31, 2020 the Company incurred wages and benefits to the Company's CEO of $18,000 (August 31, 2020: $18,000). As at August 31, 2020, the Company owed $33,000 (May 31, 2020: $24,000) to the CEO of the Company related to wages payable. The amount due is unsecured, non-interest bearing, due on demand and to be settled in cash.

10. CONTINGENCY

The Company has corporate credit cards with an aggregate credit limit of $25,000. As at August 31, 2020, the available credit was $23,763.

11. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

	For the three months ended August 31, 2020 $	For the three months ended August 31, 2019 $
Advertising and promotion	**2,452**	688
Filing fees and transfer agent expenses	**6,004**	5,372
Office, rent and general	**354**	20,577
Professional services (Note 9)	**16,000**	32,181
Salaries and benefits (Note 9)	**19,181**	19,427
	43,991	78,245

12. FAIR VALUE MEASUREMENT

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value the Company's financial assets and liabilities are described below:

12. FAIR VALUE MEASUREMENT (continued)

Level 1 – Quoted Prices in Active Markets for Identical Assets
Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Significant Other Observable Inputs
Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Significant Unobservable Inputs
Unobservable (supported by little or no market activity) prices.

13. CAPITAL MANAGEMENT

The Company's capital currently consists of shareholders' equity and working capital. The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, meet financial obligations, have sufficient capital to achieve and maintain profitable operations and to provide returns for shareholders and benefits for other stakeholders. As at May 31, 2020, the Company had working capital of $290,570 (2018: $301,962).

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar or other foreign currencies will affect the Company's operations and financial results. The Company is

13. CAPITAL MANAGEMENT (continued)

Foreign currency risk (continued)

exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk consist primarily of cash and the GICs. Cash and the GICs are maintained with a financial institution of reputable credit and may be redeemed upon demand. The Company considers this risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's objective is to ensure that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company will prepare annual capital expenditure budgets which will be regularly monitored and updated as necessary.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

14. SUBSEQUENT EVENTS

i. Private Placement

On September 2, 2020 the Company completed its non-brokered private placement (the "Private Placement"), as described in its News Release dated July 14, 2020, pursuant to which it has issued an aggregate of 10,044,440 shares (each, a "Share") at a price of $0.05 per Share for gross proceeds of $502,222.

The Company paid cash finder's fees of $2,700 and issued 54,000 share purchase warrants (the "Finder's Warrants") to one finder in connection with the Private Placement. Each Finder's Warrant is exercisable into one Share at a price of $0.07 per Share for a period of two years from the date of issuance.

Certain insiders of the Company subscribed for a total of 2,100,000 Shares under the Private Placement. The securities issued under the Private Placement, are subject to a statutory hold period expiring four months and one day from the date of closing.

The Company intends to use the proceeds from the Private Placement for working capital and to complete the business combination with Aduro Energy Inc., with which the Company has signed a Letter of Intent. There is no assurance that the business combination will close, and there are a substantial number of conditions precedent before closing occurs, including execution of a definitive agreement, receipt of Aduro audited financial statements, D5 shareholder approval and CSE regulatory approval, among others.

ii. Proposed transaction

The Company is working on the remaining conditions of the binding letter of intent (the "LOI") with Aduro Energy Inc.

14. SUBSEQUENT EVENTS (continued)

Proposed transaction (continued)

On July 13, 2020, the Company entered into a binding LOI with Aduro Energy Inc. ("Aduro") for the purpose of setting out the essential terms and conditions of the proposed acquisition (the "Acquisition") by the Company of 100% of the issued and outstanding shares of Aduro, including shares issuable upon exercise of Aduro warrants. The Acquisition is to be a share exchange or three-cornered amalgamation pursuant to which the Company will purchase the Aduro shares from the Aduro shareholders in exchange for an aggregate 40 million shares of the Company and a portion of 80 million special warrants. The closing date of the Acquisition is the date designated by the Company, Aduro and Aduro's principal shareholder, which is within three business days after receipt of conditional acceptance from the CSE for the Acquisition, or such other date as the parties may agree to in writing. Immediately following completion of the Acquisition, the Company will become the Resulting Issuer (the "RI"), its name will be changed to Aduro Energy Inc. and the RI will adopt Aduro's business. Pursuant to the LOI:

- The parties will negotiate a definitive agreement by taking the following steps:
    - The Company will apply to the CSE for consent (*received on July 29, 2020)* to complete the Acquisition and to issue a $150,000 loan to Aduro;
    - Subject to CSE approval, and within 30 days of the execution of the LOI, the Company will lend $150,000 (*$111,300 advanced to date*) to Aduro to fund its working capital requirements until closing. The loan will bear interest at 6% per annum, be secured by a general security agreement (the "GSA") registered on all of Aduro's assets and have a maturity date of the earlier of one year from the date of advance or six months following the termination of the LOI. Aduro's assets will be released for the GSA upon the achievement of the First Milestone (the "FM") (1);
    - The Company will raise a minimum of $500,000 by completing a private placement financing as soon as reasonably practicable, by issuing common shares of the Company at an offering price of $0.05 per share or such other price as the CSE may require; and
    - Immediately prior to closing, Aduro will ensure that all options, warrants and any other rights to acquire Aduro shares, other than the convertible notes are converted or exercised.
- The purchase price is comprised of 40 million common shares of the Company (the "D5 Shares") and the rights of the existing Aduro shareholders and note holders to receive their pro-rata portion of up to an additional 80 million RI shares (the "Special Rights") represented by special warrants issued at closing which automatically convert into an aggregate of up to 80 million RI shares upon achievement of the FM and the Second Milestone (the "SM") (2);.
- On closing, all holders of Aduro convertible notes will have agreed to amend the terms of their notes so that they will automatically convert into special warrants on the achievement of the FM;
- On closing, all of the special warrants will be held in trust until distributed upon achievement of the FM;
- On closing, all Aduro shares that are issued and outstanding will be exchanged for 40 million D5 Shares plus a proportionate interest in the special warrants;
- At closing, Aduro's principal shareholder and three Aduro nominees will be appointed to the RI's five-person board of directors and Aduro's principal shareholder will be appointed as the RI's Chief Executive Officer. On the achievement of the SM, the Company will have the right to nominate a second member to the board of directors;
- At closing, the RI will grant a total of 10 million stock options to directors, officers and consultants of the Company. These options are valid for three years and will vest and become exercisable as follows:
    - one-third on closing at an exercise price of $0.10 per share;
    - one-third on closing of the first financing of at least $2.5 million at an exercise price equal to the share or unit price of the financing; and

14. SUBSEQUENT EVENTS (continued)

Proposed transaction (continued)

  - one-third on closing of the first financing of at least $4.5 million at an exercise price equal to the share or unit price of the financing.
- On achievement of each of the milestones, the RI will issue an additional 40 million RI shares to the holders of special warrants upon their conversion on a pro-rata basis in satisfaction of the Residual Rights.

The Acquisition is contingent on the satisfaction of a number of regulatory requirements including:

- Acceptance of the CSE and the CSE accepting the Acquisition as a reverse takeover in accordance with its rules and policies;
- The preparation and filling with the CSE of a listing statement or information circular;
- Approval of the Company's shareholders if required by the CSE; and
- The filling of financial information with the CSE that complies with the requirements of both the CSE and the B.C. Securities Commissions applicable to reverse takeovers.

Unless otherwise agreed to in writing by the Company, Aduro, Aduro's principal shareholder and the Aduro security holders, the LOI will terminate without further notice or agreement in the event that:

- The Acquisition is rejected by the CSE;
- The $150,000 loan has not been advanced to Aduro in full on or before the 30th day following the execution of the LOI;
- The failure of the Company to complete the $500,000 private placement financing on or before September 21, 2020;
- The effective date of the Acquisition has not occurred on or before December 31, 2020 or such other later date as may be approved in writing by the Company, Aduro's principal shareholder and Aduro;
- Upon written notice delivered either by the Company or Aduro stating that it is not prepared to complete the Acquisition as a result of its due diligence review; and
- Upon written notice of termination by a party due to a breach of the terms of the LOI and provided that such breach has not been cured within 30 days of such notice being received.

(1) First Milestone means within two years of closing, the operation of a show room unit to successfully obtain product by application of technology (all as defined) and the validation of same by an independent third party agreed upon by the Company and Aduro.

(2) Second Milestone means any one or more of (i) a completed financial transaction with an institution, (ii) product produced by a manufacturing plant owned in part by Aduro, (iii) a third party entering into a license agreement with Aduro, (iv) a third party equity investment in the RI, (v) the RI's market capitalization exceeding a threshold, (vi) the RI having completed a public offering or private placement and (vii) a third party entering into an agreement to acquire all of the RI's issued and outstanding shares (all as defined) within four years of closing.