Aduro Clean Technologies Inc. (formerly Dimension Five Technologies Inc.)

Consolidated Financial Statements

For the Year Ended May 31, 2021

(Expressed in Canadian Dollars)

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aduro Clean Technologies Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aduro Clean Technologies Inc. (formerly Dimension Five Technologies Inc.) (the "Company") which comprise the consolidated statements of financial position as at May 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
September 27, 2021

Aduro Clean Technologies Inc. (formerly Dimension Five Technologies Inc.)
Consolidated Statements of Financial Position
Expressed in Canadian Dollars

		May 31, 2021		May 31, 2020
ASSETS				
Current				
Cash and cash equivalents	**$**	**2,860,016**	$	45,420
Trade and other receivables (Note 6)		**76,880**		8,291
		2,936,896		53,711
Non-current				
Property and equipment (Note 7)		**55,825**		7,976
Right of use assets (Note 8)		**15,014**		76,981
Intangible assets (Note 9)		**21,232**		49,501
		92,071		134,458
Total Assets	**$**	**3,028,967**	$	188,169
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
Current				
Trade payables and other current liabilities (Note 10)	**$**	**529,135**	$	479,327
Contract liabilities		**-**		37,883
Project contributions payable (Note 11)		**12,138**		115,112
Lease liability – current portion (Note 13)		**12,610**		78,468
Debt - current portion (Note 12)		**30,496**		304,774
		584,379		1,015,564
Non-current				
Trade payables and other current liabilities (Note 10)		**-**		63,308
Project contributions payable (Note 11)		**-**		12,138
Lease liability – non-current portion (Note 13)		**-**		12,610
Debt – non-current portion (Note 12)		**625,816**		299,960
		625,816		388,016
Shareholders' equity (deficiency) (Note 14**)**				
Share capital		**3,483,304**		91,200
Warrant reserve		**1,775,651**		-
Contributed surplus		**1,075,164**		-
Accumulated deficit		**(4,515,347)**		(1,306,611)
		1,818,772		(1,215,411)
Total Liabilities and Shareholders Equity (Deficiency)	**$**	**3,028,967**	$	188,169

Nature and continuance of operations (Note 1)
Subsequent events (Note 26)

Approved on behalf of the Board of Directors on September 27, 2021:

"Ofer Vicus", Director

"Peter Kampian", Director

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

Aduro Clean Technologies Inc. (formerly Dimension Five Technologies Inc.)
Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian Dollars

		Year ended May 31, 2021		Year ended May 31, 2020
Revenue (Note 17)	$	**37,930**	$	234,470
Expenses				
Depreciation and amortization (Notes 7, 8 and 9)		**57,211**		46,297
Finance costs (Note 18)		**61,152**		44,191
Foreign exchange		**(19,719)**		3,558
General and administrative (Note 19)		**434,706**		210,375
Share-based compensation expense (Note 21)		**986,606**		-
Listing expense (Note 5)		**1,453,593**		-
Rent		**-**		12,950
Rental management		**-**		151,811
Research and development (Note 20)		**310,626**		13,267
		3,284,175		482,449
Loss before other items		**(3,246,245)**		(247,979)
Other items				
COVID 19 wage subsidy		**30,009**		-
Gain on settlement of debt		**7,500**		-
		37,509		-
Loss and comprehensive loss for the year	$	**(3,208,736)**	$	(247,979)
Basic and diluted loss per share	$	**(0.24)**	$	(0.02)
Weighted average number of common shares outstanding		**13,543,359**		13,333,328

Aduro Clean Technologies Inc. (formerly Dimension Five Technologies Inc.)
Consolidated Statements of Changes in Equity (Deficiency)
Expressed in Canadian Dollars

	Share Capital					
	Number of Shares	Amount	Warrant Reserve	Contributed Surplus	Deficit	Total
Balance, May 31,2019	**23,078,001**	**$ 91,200**	**$ -**	**$ -**	**$ (1,058,632)**	**$ (967,432)**
Net loss for the year	-	-	-	-	(247,979)	(247,979)
Balance, May 31, 2020	**23,078,001**	**91,200**	**-**	**-**	**(1,306,611)**	**(1,215,411)**
Shares issued by accounting acquirer	-	163,743	-	-	-	163,743
Shares issued – September 2, 2020	10,044,440	-	-	-	-	-
Shares and warrants issued – February 4, 2021	16,898,174	-	-	-	-	-
Options exercised	200,000	-	-	-	-	-
Common shares issued on reverse takeover (Note 5)	40,000,000	2,221,536	848,824	7,895	-	3,078,255
Share consolidation	(60,147,126)	-	-	-	-	-
Shares and warrants issued – May 12, 2021 (Note 14)	3,816,869	1,001,506	926,827	66,976	-	1,995,309
Exercise of warrants	18,000	5,319	-	(1,539)	-	3,780
Share-based payment expense (Note 21)	-	-	-	1,001,832	-	1,001,832
Net loss for the year	-	-	-	-	(3,208,736)	(3,208,736)
Balance, May 31, 2021	**33,908,358**	**$ 3,483,304**	**$ 1,775,651**	**$ 1,075,164**	**$ (4,515,347)**	**$ 1,818,772**

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

Aduro Clean Technologies Inc. (formerly Dimension Five Technologies Inc.)
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

		Year ended May 31, 2021		Year ended May 31, 2020
Operating Activities				
Net loss for the year	**$**	**(3,208,736)**	$	(247,979)
Items not affecting cash:				
Depreciation and amortization (Notes 7, 8 and 9)		**57,211**		46,297
Share-based payment expense (Note 21)		**1,001,832**		-
Interest expense accrued		**47,995**		38,925
Unrealized gain on derecognition of asset		**(369)**		-
Unrealized foreign exchange gain on debt (Note 12)		**(9,427)**		-
Listing expense (Note 5)		**1,453,593**		-
Changes in non-cash working capital (Note 25)		**(368,989)**		154,378
Cash used in operating activities		**(1,026,890)**		(8,379)
Financing Activities				
Issue of common shares, net of issuing costs		**2,162,832**		-
CEBA loan advance (Note 12)		**-**		40,000
Convertible notes advance (Note 12)		**-**		50,000
Reverse acquisition, cash acquired (Note 5)		**1,236,918**		-
Loan advance made to legal subsidiary prior to RTO (Note 5)		**521,650**		-
Finance lease repayments (Note 13)		**(45,554)**		(9,996)
Term and working capital loan repayments (Note 12)		**(15,309)**		(14,452)
Cash provided by financing activities		**3,860,537**		65,552
Investing activities				
Property and equipment acquired		**(19,051)**		-
Cash used by investing activities		**(19,051)**		-
Change in cash during the year		**2,814,596**		57,173
Cash and cash equivalents net of overdraft, start of year		**45,420**		(11,753)
Cash and cash equivalents, end of year	**$**	**2,860,016**	**$**	45,420
Supplementary disclosure of non-cash activities				
Term loan advance used to finance part of the purchasing a motor vehicle (Note 12)	**$**	**31,754**	**$**	-
Right of use asset and related lease liability removed on expiry of lease (Note 13)		**36,350**		-
Common shares and warrants issued in consideration for RTO (Note 5)		**3,078,255**		-

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 closed the transaction with Aduro Energy Inc. ("Aduro") 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"**) (Note 5). As part of the closing of the Transaction, 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 20, 2021, the Company's shares commenced trading on the OTCQB in the United States under the symbol "ACTHF" and on July 28, 2021, on the Frankfurt Exchange in Germany under the symbol "A3CMR8".

The Transaction resulted in a reverse take-over with Aduro as the accounting acquirer as Aduro obtained control of the relevant activities as defined under *IFRS 10 Consolidated Financial Statements*. The Transaction will be accounted for as a reverse acquisition under the acquisition method of accounting for business combinations with Aduro being the accounting acquirer.

The Company's primary business is the holding company of 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 base chemical recycling platform features three sector focus technologies, Hydrochemolytic Plastics Upgrading ("HPU"), Hydrochemolytic Renewables Upgrading ("HRU") and Hydrochemolytic Bitumen Upgrading ("HBU"). As at May 31, 2021, the Company has developed and owns five granted and pending patents (see Note 9).

The registered and records office of the Company is located at Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC, Canada V6C 2B5.

Between September 2, 2020 and May 14, 2021, the Company closed three non-brokered private placements (Note 14) that realized net proceeds of $3,878,469 which will be used to complete Aduro's commercialization path and a step to develop profitable operations. As at May 31, 2021, the Company had a deficit of $4,515,347 since inception and incurred negative operating cash flows. Due to the private placements during the year, the Company has increased it's working capital balance to $2,352,517 (May 31, 2020 - $(961,853)) and available cash to $2,860,016 (May 31, 2020 - $45,420). 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 believe 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 consolidated financial statements (the "Financial Statements") have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). Preparation of these Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity and areas were assumptions and estimates are significant to these Financial Statements are disclosed in Note 4.

These Financial Statements were authorized for issue by the Board of Directors on September 27, 2021.

b) Basis of consolidation

The financial statements of all entities controlled by the Company 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 subsidiary have the same reporting date as the Company. Intra-group balances and transactions are eliminated on consolidation.

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.

d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company and it's subsidiary Aduro.

In March 2020, the World Health Organization declared coronavirus, also known as "COVID-19" a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

a) Foreign currency transaction

The Canadian dollar is the functional and presentation currency of the Company and it's subsidiary. Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the functional currency at the exchange rate in effect on the statement of financial position date with any resulting foreign exchange gain or loss recognized in net income (loss).

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate in effect on the date of the transaction. Foreign currency gains and losses on transactions are reported on a net basis and recognized in foreign exchange under Expenses within Statements of Loss and Comprehensive Loss.

b) Financial instruments

All financial instruments are measured at fair value upon initial recognition of the transaction.

<u>Measurement</u>

Measurement in subsequent periods is dependent on whether the instrument is classified as "amortized cost", "fair value through profit or loss" or "fair value through other comprehensive income".

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

All of the Company’s financial assets and liabilities are classified as amortized cost.

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method.

c) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

The costs of day-to-day servicing of property and equipment (i.e. repairs and maintenance) are recognized under Expenses in the Statements of Loss and Comprehensive Loss as incurred.

A summary of the expected life and residual values for the Company’s property and equipment as at May 31, 2021 and 2020 was as follows:

	Expected Life	**Residual Values**
Computer equipment	5 years	-
Motor vehicle	4 years	-
Office equipment	10 years	-
Research equipment	20 years	-

Depreciation is calculated based on the cost of the asset, less its estimated residual value. Depreciation is recognized in the Statements of Loss and Comprehensive Loss on a straight-line basis over the estimated useful lives of each class of asset.

An item of property and equipment is derecognized when it is either disposed of or when it is determined that no further economic benefit is expected from the item’s future use or disposal. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal, less associated costs of disposal, with the carrying amount of property and equipment, and are recognized in Other Items within the Statements of Loss and Comprehensive Loss.

d) Identifiable intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses. Cost includes the purchase price and the directly attributable costs to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Finite life intangible assets are amortized on a straight-line basis over their useful lives. Intangible assets with an indefinite useful life are not amortized. Amortization commences when an asset is ready for its intended use. Estimates of remaining useful lives are reviewed annually.

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 asset 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.

Expressed in Canadian Dollars

A summary of the expected life and residual values for the Company's intangible assets as at May 31, 2021 and 2020 was as follows:

	Expected Life	**Residual Values**
Investor relations videos	5 years	-
Patents	20 years from day of filing	-

e) Right-of-use assets and lease liability

Effective December 1, 2019, the Company has adopted IFRS 16 using the modified retrospective approach with the effect of initially applying this standard at the date of application (Note 4).

(i) Prior to November 30, 2018

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to net income (loss) on a straight-line basis over the lease term. Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to net income (loss) over the lease year so as to produce a constant yearly rate of interest on the remaining balance of the liability for each year. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

(ii) Effective December 1, 2019

Where the Company has entered a lease, the Company has recognized a right-of-use asset representing its rights to use the underlying assets and a lease liability representing its obligation to make lease payments. The right-of-use asset, where it relates to an operating lease, has been presented net of accumulated amortization and is disclosed under right-of-use assets on the statement of financial position. The right of use assets are depreciated over the shorter of the lease term and their estimated useful lives unless it is reasonably certain that the Company will obtain ownership at the end of the lease term, in which case, the estimated useful life of the asset is used. The lease liability has been disclosed as a separate line item, allocated between current and non-current liabilities. The lease liability associate with all leases is measured at the present value of the expected lease payments at inception and discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, the Company's incremental borrowing rate is used to discount the lease liability. Judgement is required to determine the incremental borrowing rate.

A summary of the expected life and residual values for the Company's right-of-use assets as at May 31, 2021 and 2020 was as follows:

	Expected Life	**Residual Values**
Motor vehicle (Note 13)	8 years	$36,350
Office lease	3 years	-

f) Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates a loss event has occurred after the initial recognition of the asset and the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is an indication of impairment. If an indication exists, then the asset's carrying amount is assessed for impairment. An impairment loss is recognized in net income (loss) if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing fair value less costs to sell, the Company must estimate the price that would be received to sell the asset less any incremental costs directly attributable to the disposal. In assessing value in use, the estimated cash flows are discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and the decrease in impairment loss can be objectively related to an event occurring after the impairment was recognized. An impairment loss is reversed 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. Such reversal is recognized in net income (loss).

g) Employee benefits

Share-based based compensation expense relates to stock options. The grant date fair value of stock options is measured using the Black-Scholes option pricing model and is recognized as an expense, with a corresponding increase in contributed surplus in equity, over the vesting period. 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 exercise of stock options, the consideration paid by the holder is included in share capital and the related contributed surplus associated with the stock options exercised is reclassified into share capital.

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. 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.

h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost within the Statements of Loss and Comprehensive Loss. As at May 31, 2021, the Company did not have any provisions.

i) Share capital

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus and the fair value recorded under warrant reserve. If shares are issued within the conversion option on convertible securities' exercise, the share capital account also comprises the equity component of any of the convertible securities. Common shares issued for consideration other than cash are valued based on the fair value at the date the common shares are issued.

j) Share purchase warrants

Share purchase warrants when issued were initially measured at fair value using a Black Scholes model and the fair value is recognized in Warrants Reserve. When the share purchase warrants are exercised, the fair value attributable to the warrants exercised are added to the proceeds received and shown under share capital.

k) Revenues from contracts with customers

Revenue is recognized at the point in time when the customer obtains control of the product and/or service. Control is achieved when a product is delivered to or the service is performed for the customer, the Company has a present right to payment for the product and/or service, significant risks and rewards of ownership have transferred to the customer according to contract terms and there is no unfulfilled obligation that could affect the customer's acceptance of the product and/or service. For contract services that last over a year, revenue is recognized over the duration of the contract.

l) Contract balances

Contract assets are recognized when goods or services are transferred to customers before consideration is received or before the Company has an unconditional right to payment for performance completed to date. Contract assets are subsequently transferred to receivables when the right of payment becomes unconditional. Contract liabilities are recognized when amounts are received from customers in advance of transfer of goods or services. Contract liabilities are subsequently recognized in revenue as or when the Company performs under contracts.

m) Government grants

Research and experimental development tax credits are recognized using the cost reduction method in the year that they are received by the Company. Investment tax credits are subject to the customary approvals by the pertinent tax authorities. Adjustments, if required, are reflected in the year when such assessments are received.

n) Finance costs

Finance costs comprise interest expense on borrowings, costs associated with securing debt instruments and unwinding of the discount on provisions.

o) Research and development

Research costs are expensed as incurred. Development costs are only capitalized when the product or process is clearly defined; the technical feasibility has been established; the future market for the product or process is clearly defined; and the Company is committed, and has the resources, to complete the project. During the years ended May 31, 2021 and 2020, no development costs were deferred and accounted for as identified intangible assets.

p) Income tax

Income tax expense is comprised of current and deferred income taxes. Income tax is recognized in net income (loss) and other comprehensive income (loss) except to the extent that it relates to items recognized in equity on the consolidated statements of financial position. Current income tax is calculated using tax rates which are enacted or substantively enacted at the end of the reporting period. Deferred income taxes are recognized, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are determined using tax rates which are enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible balances can be utilized. All deferred tax assets are analyzed at each reporting period and reduced to the extent that it is no longer probable that the asset will be recovered.

p) Earnings (loss) per share

Earnings (loss) per share is computed by dividing the income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the Statements of Loss and Comprehensive Loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period.

In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

q) Operating segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other operating segments. All operating segments' results are reviewed regularly by senior management to make decisions about resources to be allocated to the operating segment and assess its performance. Operating segment results that are reported to senior management include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis. The Company has one reportable operating segment.

r) Standards adopted in the year

IFRS 16 – Leases

The Company has initially applied IFRS 16 Leases ("IFRS 16") from December 1, 2019 ("Initial Application") which replaces IAS 17 Leases and related interpretations. IFRS 16 establishes a single, on-balance sheet accounting model for leases. As a result, the Company, as a lessee, has recognized a right of use asset representing its rights to use the underlying assets and a lease liability representing its obligation to make lease payments. The right-of-use asset, where it relates to an operating lease, has been presented net of accumulated depreciation and is disclosed under right of use assets. The lease liability has been disclosed as a separate line item, allocated between current and non-current liabilities. The Company has adopted IFRS 16 using the modified retrospective approach with the effect of initially applying this standard at the date of Initial Application. Accordingly, this election means that the comparative information has not been restated and the disclosure requirements in IFRS 16 have not generally been applied to comparative information. Following a review of the Company's leases, no adjustment was required and therefore no adjustment was required to be made to the accumulated deficit as at the date of Initial Application.

IFRS 3 – Business Combinations

Effective June 1, 2020, the Company applied the new definition of a business as amended in IFRS 3 to be "an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities." The previous definition under IFRS 3 was "an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants."

s) New interpretations and amendments not yet adopted

A number of interpretations are not yet effective for the year ended May 31, 2021 and have not been applied in preparing these financial statements. The following new interpretations and amendments have been issued, but are not yet effective until financial years beginning on or after January 1, 2022, and may impact the Company in the future:

IAS 12 and IFRIC 23 – Income Taxes

IAS 12 currently provides guidance on current and deferred tax assets and liabilities however uncertainty may exist on how tax law applies to certain transactions. IFRIC 23 provides guidance on how to address this uncertainty related to tax treatments.

IAS 1 – Presentation of Financial Statements

IAS 1 has amended the definition of material to "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The previous definition of material from IAS 1 was "omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

IAS 8 amended the definition of material to reflect the changes outlined above under IAS 1.

4. CRITICAL ACCOUNTING ESTIMATES

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 (described in Note 3) 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/intangible assets

Property and equipment/intangible assets are depreciated/amortized over the estimated useful life of the asset to the asset's estimated residual value as determined by management. All estimates of useful lives and residual values are set out in Notes 3 c) and d). 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) Share purchase warrants and stock options

Share purchase warrants and stock options 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. The shares of the Company have limited trading history and therefore management used the volatility of the shares of four companies that management estimated were similar in nature to the Company activities.

e) COVID-19

In March 2020, the World Health Organization declared coronavirus, also known as "COVID-19" a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

5. BUSINESS ACQUISTION

Reverse acquisition of Aduro

On October 22, 2020, the Company entered into a securities exchange agreement (the "SEA") with Aduro's security holders and Aduro. On April 5, 2021, an amendment agreement to the SEA was completed. On closing on April 23, 2021, Aduro's security holders (the "TVs") sold their shares (the "TSs") to the Company, meaning the Company has acquired all of the issued and outstanding TSs from the TVs. Alongside the closing of the Transaction, the Company completed a 3:1 consolidation (the "**Consolidation**") of its issued and outstanding common shares.

As consideration for the acquisition of the TSs at closing the Company has:

- Issued 13,333,328 post-Consolidation shares (40,000,000 pre-Consolidation shares) (the "Consideration Shares") of the Company at a deemed post-Consolidation price of $0.15 (pre-Consolidation price of $0.05) per share to the TVs in the specified amounts;
- Created and issued 2,813,357 post-Consolidation (8,440,087 pre-Consolidation) share purchase warrants (the "Warrant") to the TVs, to be distributed pro rata in relation to the number of Consideration Shares allocated to each TV. Each Warrant is exercisable to acquire one common share of the Company (the "Company Share") at a post-Consolidation price of $0.50 (pre-Consolidation price of $0.167) for a period of forty-eight (48) months after the date of Closing, subject to acceleration provisions in the event that the Company's Share have a closing price on the Canadian Securities Exchange (or such other exchange on which the Company Share may be traded at such time) of a post-Consolidation price of $1 (pre-Consolidation price of $0.33) or greater per Company Share 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 and which shall contain a cashless exercise feature; and
- Created and issued 26,666,656 post-Consolidation (80,000,000 pre-Consolidation) special warrants (the "SWs"), consisting of 13,333,328 post-Consolidation (40,000,000 pre-Consolidation) Class A special warrants (the "ASWs") and 13,333,328 post-Consolidation (40,000,000 pre-Consolidation) Class B special warrants (the "BSWs") at a deemed price equal to the Company's discounted share price (as defined), to the Aduro's special warrant trustee to be held in trust until distributed on the first milestone ("FM") achievement date to the:
    - TN holders, with the actual number of ASWs to be distributed being determined by application of the specified formula on the FM achievement date; and
    - TVs pro rata as specified, with the actual number of ASWs being determined after calculating the number of ASWs to be distributed to the TN holders and the actual number of BSWs to be distributed to each TV as specified.

with the SWs being 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.

Expressed in Canadian Dollars

Following the closing, the Company's board consists of four directors, one being a current director of the Company as nominees of the Company and three being nominees of Aduro, including the CEO of Aduro. Including voting trust agreements in place, the voting rights of the pre-transaction owners of the Company was approximately 44% and approximately 56% of the voting rights are held by the pre-transaction owners of Aduro. Based on the composition of the board of directors, the composition of key management personnel going forward and the voting rights of each control block, Aduro is deemed to have obtained control and is the acquirer of the Company for accounting purposes. The transaction is accounted for as a reverse acquisition. Accordingly, the results of the acquisition have been recognized from the date of closing.

The Company did not meet the definition of a "business" under IFRS 3 Business Combinations so causing the Transaction to be treated as a share-based payment under IFRS 2 rather than a business combination. The Company's main attribute is it's public listing. Under this premise, as consideration for 100% of the outstanding shares of Aduro, by way of reverse acquisition, the consideration is based on the fair value of the shares and warrants held by the Company's shareholders and the outstanding finders warrants as at April 23, 2021. The details of the consideration and the fair value allocation to the acquired identifiable assets and liabilities assumed are as follows:

Consideration		
50,220,614 pre-consolidation common shares outstanding at $0.05 per share	$	2,511,030
54,000 pre-consolidation finder warrants issued on September 2, 2020, at a fair value of $0.0285 per warrant		1,539
16,898,174 pre-consolidation share purchase warrants issued on February 4, 2021, at a fair value of $0.0331 per warrant		559,330
227,836 pre-consolidation finder warrants issued on February 4, 2021, at a fair value of $0.0279 per warrant		6,356
Total consideration	**$**	**3,078,255**

Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	**$**	1,236,918
Accounts receivable and other current assets		11,595
Loan receivable from Aduro		521,650
Accounts payable and accrued liabilities		(145,501)
Net identifiable assets acquired		**1,624,662**
Listing expense recognized		1,453,593
Total consideration	**$**	**3,078,255**

Consideration

The consideration was made up as follows:

- For the common shares component, the consideration was based upon the closing number of shares outstanding in the Company as at April 23, 2021. The $0.05 share price used to calculate the consideration was the calculated common share price for the private placement closed by the Company on February 4, 2021. Due to the announcement of the Transaction the Company did not have an active price until the Company was relisted on April 27, 2021;

- For the warrants component, the consideration was based upon applying the Black-Scholes option pricing on the closing number of warrants outstanding in the Company as at April 23, 2021. The pricing model required management making various assumptions and estimates and the key assumptions and estimates used were as follows:

	September 2020 Finder Warrants	**February 2021 Share Warrants**	**February 2021 Finder Warrants**
Risk-free interest rate	0.19%	0.35%	0.19%
Expected life	1.36 years	3.78 years	1.78 years
Expected volatility	155.60%	132.51%	148.58%
Dividend rate	Nil	Nil	Nil

Expressed in Canadian Dollars

Net identifiable assets acquired

The fair value of the net identifiable assets acquired approximate their carrying amounts due to the short-term maturities of these instruments.

Transaction costs and contribution

During the year ended May 31, 2021, transaction costs of $86,993 were incurred in connection with the Transaction and have been expensed in the consolidated statements of loss and comprehensive loss. Excluding the transaction costs expensed in the period, for the year ended May 31, 2021, the acquisition has contributed an operating loss of $7,381 to the net loss and comprehensive loss.

6. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables as at May 31, 2021 and 2020 were as follows:

	May 31, 2021 $	May 31, 2020 $
HST receivable	**76,558**	8,291
Other	**322**	-
Total	**76,880**	8,291

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 23.

7. PROPERTY AND EQUIPMENT

The following table summarizes the Company's property and equipment as at May 31, 2021 and 2020:

	Motor Vehicle $	Computer Equipment $	Office Equipment $	Research Equipment $	Total $
Cost:					
Balance at May 31, 2019	-	5,226	5,051	8,602	18,879
Additions	-	-	-	-	-
Balance at May 31, 2020	-	5,226	5,051	8,602	18,879
Additions	38,151	4,391	-	8,263	50,805
Balance at May 31, 2021	**38,151**	**9,617**	**5,051**	**16,865**	**69,684**
Accumulated depreciation:					
Balance at May 31, 2019	-	5,084	1,480	433	6,997
Charge for year	-	142	3,119	645	3,906
Balance at May 31, 2020	-	5,226	4,599	1,078	10,903
Charge for year	2,384	(299)	201	670	2,956
Balance at May 31, 2021	**2,384**	**4,927**	**4,800**	**1,748**	**13,859**
Carrying amounts:					
At May 31, 2020	-	-	452	7,524	7,976
At May 31, 2021	**35,767**	**4,690**	**251**	**15,117**	**55,825**

As at May 31, 2021, the Company had not identified any impairment indicators.

8. RIGHT OF USE ASSETS

The following table summarizes the Company's right of use assets as at May 31, 2021 and 2020:

Expressed in Canadian Dollars

	Motor Vehicle $	Office Lease $	Total $
Cost:			
Balance at May 31, 2019	-	-	-
Adjustment – IFRS 16 implementation	72,411	57,592	130,003
Balance at May 31, 2020	72,411	57,592	130,003
Removed on expiry of lease	(72,411)	-	(72,411)
Balance at May 31, 2021	**-**	**57,592**	**57,592**
Accumulated depreciation:			
Balance at May 31, 2019	-	-	-
Adjustment – IFRS 16 implementation	25,116	13,782	38,898
Charge for year	4,526	9,598	14,124
Balance at May 31, 2020	29,642	23,380	53,022
Charge for year	6,788	19,198	25,986
Removed on expiry of lease	(36,430)	-	(36,430)
Balance at May 31, 2021	**-**	**42,578**	**42,578**
Carrying amounts:			
At May 31, 2020	42,769	34,212	76,981
At May 31, 2021	**-**	**15,014**	**15,014**

The office lease is for Aduro's research office located at the Western Sarnia-Lambton Research Park in Sarnia, Ontario. Aduro's research equipment is located at the premises.

9. INTANGIBLE ASSETS

The following table summarizes the Company's intangible assets as at May 31, 2021 and 2020:

	Investor Relations Videos $	Patent $	Total $
Cost:			
Balance at May 31, 2019	31,595	76,858	108,453
Additions	13,660	-	13,660
Balance at May 31, 2020	45,255	76,858	122,113
Additions	-	-	-
Balance at May 31, 2021	**45,255**	**76,858**	**122,113**
Accumulated amortization:			
Balance at May 31, 2019	15,523	28,822	44,345
Charge for year	9,052	19,215	28,267
Balance at May 31, 2020	24,575	48,037	72,612
Charge for year	9,053	19,216	28,269
Balance at May 31, 2021	**33,628**	**67,253**	**100,881**
Carrying amounts:			
At May 31, 2020	20,680	28,821	49,501
At May 31, 2021	**11,627**	**9,605**	**21,232**

Expressed in Canadian Dollars

At May 31, 2021, the Company had not identified any impairment indicators.

Investor relations videos

The Company engaged two production companies with each producing a promotional 3D animation movie for the purpose of implementing a marketing strategy for communicating with, and increasing awareness of the Company's solutions by, investors, partners and customers.

Patents

On January 24, 2018, the Company entered into a patent purchase agreement (the "PPA") whereby the Company purchased the seller/assignor's entire right, title and interest (being 7/12 of the rights) in and to the transferred patents (as defined) for a purchase price comprised of the reimbursement of US$60,535 ($76,858) in patent costs incurred (*paid*) and the payment of the greater of 0.1% of purchaser revenues or 1% of purchaser net profit (both as defined) on a quarterly basis during the term "Purchase Price Payable". On August 14, 2020, the Company and the seller/assignor entered into an amendment to the PPA pursuant to which the Purchase Price Payable was settled by issuing 1,500 Class B shares (the "Settlement") to the seller/assignor. The Company determined the fair value of the Settlement was $2,265 and this amount was expensed as the Purchase Price Payable was not a contractual obligation under the PPA.

Development costs

On October 1, 2020, the Company entered into a commercialization services agreement (the "CSA") with Bioindustrial Innovation Canada ("BIC") whereby the Company and certain commercialization service providers will carry out a project titled, "*Development of a Hydrochemolytic Pilot Unit for Upgrading Asphaltene and Waste Plastics*" for the purpose of designing, commissioning and building a revenue generating, pilot-scale start-up unit to process potential customers' feedstock to demonstrate the Company's patented HPU technology. The term of the CSA is until March 31, 2022, the total project cost is $1,826,888 (being $445,720 in cash and $1,381,168 in-kind) and the Company's contribution is $1,396,888 (being $195,720 in cash ($337,500 less a cash rebate of $141,780) and $1,201,168 in-kind). The Company was required to pay 100% of its contribution to BIC prior to the start of service but to date BIC has requested a payment of $30,000 which was paid in January 2021 and expensed to Research and development. The CSA includes a commercialization rebate estimated to be approximately $250,000 net of taxes. Upon completion, BIC will provide the commercialization rebate to the Company within 60 days (or such longer period pending receipt of funds from government support) subject to the continuing availability of government support to BIC. This project is considered as development and as such any expenditures incurred will be capitalized and recognized as an intangible asset provided it meets the recognition criteria under *IAS 38 Intangible Assets*.

Patents controlled by the Company not recognized as an intangible asset

The Company has control over various patents that were not recognized by the Company as an asset as it was not possible to determine whether the assets meet the recognition criteria of IAS 38 *Intangible Assets.* The details of the patents not recognized are as follows:

Patent Name	Filing Date	Issue Date
System and Method for Controlling and Optimizing the Hydrothermal Upgrading of Heavy Crude Oil and Bitumen	2013	2017
System and Method for Controlling and Optimizing the Hydrothermal Upgrading of Heavy Crude Oil and Bitumen	2014	2017
System and Method for Hydrothermal Upgrading of Fatty Acid Feedstock	2017	Pending
System and Method for Producing Hydrothermal Renewable Diesel and Saturated Fatty Acids	2019	Pending
Chemolytic Upgrading of Low-Value Macromolecule Feedstocks to Higher-Value Fuels and Chemicals	2020	Pending

The Company has recognized all expenses incurred in developing these patents under Research and development in the Statements of Loss and Comprehensive Loss.

Expressed in Canadian Dollars

As at May 31, 2021, the Company had incurred $466,010 (May 2020: $368,054) in patent development costs.

10. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

The Company's trade payables and other current liabilities as at May 31, 2021 and 2020 were as follows:

	May 31, 2021 **$**	**May 31, 2020** **$**
Accounts payable	**405,243**	424,213
Accrued liabilities	**41,646**	35,114
Advances payable	**20,000**	20,000
Due to related parties (Note 15)	**62,246**	63,308
	529,135	542,635
Less: Current portion	**529,135**	479,327
Non-current portion (1)	**-**	63,308

(1) As of May 31, 2020, these amounts are unsecured, non-interest bearing and have no specific terms of repayment.

The Company's exposure to foreign exchange and liquidity risk related to trade payables and other current liabilities is disclosed in Note 23.

11. PROJECT CONTRIBUTIONS PAYABLE

On September 21, 2016, the Company entered into an Ontario Centres of Excellence Funding Agreement (the "OCEFA") with a private company in Ontario ("GSA") and the University of Western Ontario ("UWO") whereby the parties engaged in the project titled, "*Hydrothermal Upgrading of Non-Food Corn Oil into High Value Alternative Fuels*" (the "Project"). The Project was for a period of two years, commencing on October 1, 2016 and ending on September 30, 2018 with a $280,000 cash contribution being required from both the Company and GSA of which the Company's share was $93,760. The Company paid its portion of the cash contribution in quarterly instalments of $11,720.

On December 6, 2016, the UWO submitted a grant application to the Natural Sciences and Engineering Research Council of Canada ("NSERC") requesting a three-year, $448,000 collaborative research and development ("CRD") grant for the Project, with a $280,000 cash commitment being required from the Company and GSA.

On June 6, 2017, the Company received from GSA $136,250, being the final payment required for NSERC's funding participation in the Project and this amount was retained by the Company. On November 1, 2019, pursuant to the UWO having obtained an NSERC CRD grant extending the Project and requiring the Company to provide matching funds in contribution to the grant, the Company and the UWO entered into an amending agreement to the OCEFA whereby they agreed to continue their research collaboration under the same terms as the OCEFA and the term was extended to December 30, 2020.

On October 1, 2020, the Company and the UWO entered into a second amending agreement to the OCEFA whereby the term was extended to December 30, 2021 and the monthly payment schedule was amended as follows: $13,000 as previously invoiced and $12,602 from December 1, 2020 to September 1, 2021. As at May 31, 2021, the Company's commitment under this payment schedule was $62,148 of which $12,138 will come from the retained NSERC's funding participation in the Project.

The Company's exposure to liquidity risk related to project contributions payable is disclosed in Note 23.

Expressed in Canadian Dollars

12. DEBT

As at May 31, 2021 and 2020, the Company's long-term debt instruments were as follows:

	May 31, 2021 $	May 31, 2020 $
Working capital loan – BDC	**58,829**	65,468
Accrued interest - working capital loan – BDC	**397**	-
Canada Emergency Business Account ("CEBA")	**40,000**	40,000
Convertible notes	**388,724**	395,868
Accrued interest – convertible notes	**138,984**	103,398
Term loan	**29,378**	-
Total debt	**656,312**	604,734
Less current portion:		
Working capital loan – BDC	**19,980**	25,508
Accrued interest - working capital loan – BDC	**397**	-
Convertible notes	**-**	175,867
Accrued interest – convertible notes	**-**	103,399
Term loan	**10,119**	-
Total current portion	**30,496**	304,774
Total non-current portion	**625,816**	299,960

Working capital loan – BDC

On August 21, 2017, the Company entered into a loan agreement (the "LA") with the Business Development Bank of Canada (the "BDC") whereby the Company received a $100,000 working capital loan. The loan bears interest at the BDC's floating base rate (5.05% at inception) plus a variance (3.4% at inception). The original term of the loan is 60 months with the principal balance, interest and all other amounts owing under the loan being due and payable by the maturity date. The loan is secured by a personal guarantee from the president of the Company. The outstanding balance and all accrued interest may be repaid at any time without penalty. On September 8, 2020 and on March 17, 2021, the Company and the BDC amended the agreement (the "Amending Letter") which updated the amending and standstill agreement dated September 8, 2020. The Amending Letter outlined the new repayment amounts and repayments dates together with a new maturity date of May 8, 2024. The working capital loan will be repaid by 35 monthly principal payments of $1,665 with a final payment of $554 on May 8, 2024. As at May 31, 2021, the BDC's floating base rate was 4.55% (2020 - 4.55%) and the interest rate was 7.99% (2020 - 7.99%);

CEBA

On April 20, 2020, the Company received, through TD Bank Canada Trust, a $40,000 loan ("Principal"). During the initial term expiring on December 31, 2022, the Company is not required to repay any portion of the loan and no interest will be paid. The loan can be repaid at any time without penalty. If the Company repays at least 75% of the loan on or before December 31, 2022, the remaining balance of the loan will be forgiven ("Early Repayment Forgiveness"). During the extended term starting January 1, 2023 and expiring on December 31, 2025, the Company will pay interest at the rate of 5% on a monthly basis. In the event there is no Early Repayment Forgiveness, the Principal must be repaid in full on December 31, 2025.

Convertible notes

Between February 1, 2013 and August 30, 2015, the Company entered into seven note purchase agreements (the "NPAs") with investors whereby the investors purchased convertible notes (the "CNs") totaling US$60,797 from the Company. The CNs bear interest at 8.5% to 13% per annum and the principal balance and accrued interest are due and payable on or after maturity. Of this amount, US$4,200 was purchased by an officer of the Company. See Note 15.

Expressed in Canadian Dollars

Between June 17, 2017 and February 12, 2019, the Company entered into six NPAs with investors whereby the investors purchased CNs totaling $285,000 from the Company. The CNs bear interest at 8.5% per annum, compounded annually and the accrued interest is payable upon the earlier of the maturity date or an equity financing. A $100,000 CN sold on June 17, 2017 was secured on the Company's expected entitlement to a Scientific Research and Experimental Development tax credit for the years ending November 30, 2017 to November 30, 2019.

On January 27, 2020, the Company entered into three NPAs with investors whereby the investors purchased CNs totaling $30,000 from the Company. The CNs bear interest at 8.5% per annum and the accrued interest is payable upon the earlier of the maturity date or a next equity financing.

In August and September 2020, all outstanding NPAs and CNs were amended ("Amendment"). Under the Amendment, the interest rate remained unchanged but the maturity dates were extended to August 31, 2022 (the "Maturity Date"). In addition, if, prior to the Maturity Date, the First Milestone ("FM") is achieved, then on the FM achievement date, each CN will automatically convert into the number of special warrants as determined under the Amendment by the specified formula based on the greater of i) 5 cents and ii) 65% of the 5 day VWAP prior t the FM achievement date. In the event that an ensuing automatic conversion has not already occurred, all accrued interest is due and payable at the Maturity Date. The Amendment included a restrictive covenant whereby the holders undertake not to: (i) take any action for enforcement of the CN; (ii) make a claim against the Company for default of any term of the CN prior to maturity; and (iii) demand any repayment of interest or principal prior to maturity and confirm that upon completion of the Transaction, their only right under the CN prior to maturity is the entitlement to receive special warrants upon achievement of the FM.

<u>Term Loan</u>

On February 17, 2021, the Company entered into a conditional sale contract (the "CS") to purchase a motor vehicle. At the start date of the CS, the balance was $34,771 which is to be repaid by 36 monthly repayments of $966. The interest rate under the CS is fixed at 5.99%.

The Company's exposure to foreign exchange and liquidity risk related to debt is disclosed in Note 23.

<u>Scheduled principal and accrued interest payments</u>

As at May 31, 2021, the scheduled principal and accrued interest until maturity were as follows:

	Working Capital Loan – BDC $	CEBA $	Convertible Notes $	Term loan $	Total $
2022	20,377	-	-	10,119	30,496
2023	19,980	-	527,708	9,821	557,509
2024	18,869	-	-	9,438	28,307
2025	-	-	-	-	-
2026	-	40,000	-	-	40,000

The scheduled payments in this table do not take into account any mandatory conversion of the convertible notes, exercise of the early termination options, and/or Early Repayment Forgiveness.

Expressed in Canadian Dollars

Debt continuity

The net change in debt during the years ended May 31, 2021 and 2020 was as follows:

	May 31, 2021 $	May 31, 2020 $
Starting balance	**604,735**	492,830
Cash flows:		
Proceeds received – CEBA	**-**	40,000
Proceeds received – convertible notes	**-**	50,000
Principal debt repayments – working capital loan - BDC	**(6,639)**	(14,452)
Principal repayment – term loan	**(2,377)**	-
Non-cash changes:		
Advance – term loan	**31,754**	-
Accrued interest – convertible notes	**37,869**	36,356
Accrued interest – working capital loan - BDC	**397**	-
Changes in foreign exchange rate	**(9,427)**	-
Ending balance	**656,312**	604,734

13. LEASE LIABILITY

The Company's lease liability as at May 31, 2021 and 2020 was as follows:

	May 31, 2021 $	May 31, 2020 $
Gross lease obligations	**12,950**	94,854
Deferred finance charges	**(340)**	(3,776)
Total lease liability	**12,610**	91,078
Less: Current portion	**12,610**	78,468
Non-current portion	**-**	12,610

Interest on lease liabilities included in finance costs (Note 18)	3,436	2,569
Incremental borrowing rate at Initial Application date	8.45%	8.45%
Implicit interest on motor vehicle lease	3.92%	3.92%
Reduction in liability on expiry of lease on motor vehicle	36,350	-
Total cash outflow for the lease liability	45,554	9,996

The Company's exposure to liquidity risk related to lease liability is disclosed in Note 23.

14. SHAREHOLDERS EQUITY (DEFICIENCY)

Common and Preferred Shares:

Authorized:

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

Issued and outstanding:

Alongside the closing of the Transaction (Note 5) on April 23, 2021, the Company completed a 3:1 Consolidation of its issued and outstanding common shares and references in this note to common shares are after this 3:1 Consolidation. As at May 31, 2021, the issued and outstanding common shares of the Company consisted of

33,908,358 common shares and nil preferred shares (May 31, 2020: 7,692,667 common shares and nil preferred shares).

On September 2, 2020, the Company completed a non-brokered private placement whereby it issued a total of 3,348,146 common shares at a price of $0.15 per share for gross proceeds of $502,222. The Company paid a cash finder's fee of $2,700 and issued 18,000 share purchase warrants valued at $1,620 to one finder in connection with the closing of this private placement (the "**September 2020 Finder Warrants**").

On February 4, 2021, the Company completed a non-brokered private placement pursuant to which it has issued an aggregate of 5,632,725 units (each, a "**February 2021 Unit**"), at a price of $0.249 per February 2021 Unit for gross proceeds of $1,402,548. Each February 2021 Unit is comprised of one common share (each, a "**Share**") and one common share purchase warrant (the "**February 2021 Share Warrants**"), with each Warrant entitling the holder thereof to acquire one Share (each, a "**Warrant Share**") at a price of $0.50 per Warrant Share for a period of four years after the date of closing (the "**February 2021 Closing**"), subject to acceleration provisions in the event that the Shares have a closing price on the Canadian Securities Exchange (or such other exchange on which the Shares may be traded at such time) of $1.00 or greater per Share for a period of ten (10) consecutive trading days at any time from the date that is four months and one day after the February 2021 Closing. The Company paid a cash finder's fee of $18,910 and issued 75,945 share purchase warrants valued at $6,288 to one finder in connection with the closing of this private placement (the "**February 2021 Finder Warrants**").

On May 14, 2021, the Company closed a non-brokered unit offering to identified strategic investors for gross proceeds of $2,099,277. The Company issued an aggregate of 3,816,869 units of the Company (each, a "**May 2021 Unit**") at a price of $0.55 per May 2021 Unit, with each May 2021 Unit consisting of one Share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "**May 2021 Share Warrant**"), with each Warrant being exercisable to acquire one Share at an exercise price of $0.80 per Share for a period of two years from the date of issuance following the closing of the offering (the "**May 2021 Closing**"). The Warrants are also subject to an acceleration right held by the Company if the Shares have a closing price of over $1.00 per Share for a period of ten (10) trading days on the Canadian Securities Exchange (or such other exchange on which the 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 May 2021 Closing. The Company paid cash finder's fees of $76,674 and issued 126,681 share purchase warrants (the "**May 2021 Finder Warrants**") to certain finders in connection with the Offering. Each May 2021 Finder Warrant is exercisable into one Share at a price of $0.80 per Common Share for a period of two years after the May 2021 Closing.

During the year ended May 31, 2020, no shares were issued.

As at May 31, 2021, 11,703,381 (May 31, 2020: 2,860,000) common shares were being held in escrow.

Special Warrants

On the closing of the Transaction, the Company issued 26,666,656 special warrants (the "SWs"), consisting of 13,333,328 Class A special warrants (the "ASWs") and 13,333,328 Class B special warrants (the "BSWs") at a deemed price equal to the Company's discounted share price (as defined), to the Aduro's special warrant trustee to be held in trust until distributed on the first milestone 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.

Stock Options:

On April 30, 2021, the Company granted 3,550,000 to directors, officers, employees and various advisers at an exercise price of $0.65 for a term of 10 years and on May 20, 2021, 200,000 options were granted to an adviser at an exercise price of $0.76 for a term of 2 years. No options were granted by the Company during the year ended May 31, 2020. A continuity schedule of the incentive stock options is as follows:

Expressed in Canadian Dollars

	May 31, 2021			May 31, 2020		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	133,332	$	0.15	133,332	$	0.15
Granted	3,750,000		0.6559	-		-
Exercised	(66,666)		(0.15)	-		-
Forfeited	(66,666)		(0.15)	-		-
Outstanding, end of year	**3,750,000**	**$**	**0.6559**	**133,332**	**$**	**0.15**
Exercisable, end of year	**723,576**	**$**	**0.6804**	**133,332**	**$**	**0.15**
Weighted average life (years)	**9.5**			**3.27**		

The fair value of the stock options granted during the year was estimated using the Black-Scholes option pricing model based on the following assumptions:

	April 2021 Options	**May 2021 Options**
Risk-free interest rate	1.56%	0.33%
Expected life	10 years	2 years
Expected volatility	134.07%	146.41%
Dividend rate	Nil	Nil

Share Purchase Warrants:

During the year ended May 31, 2021, the Company issued the following share purchase warrants:

- 18,000 September 2020 Finder Warrants issued on September 2, 2020 with an exercise price of $0.21 and a term of two years;
- 5,632,725 February 2021 Share Warrants issued on February 4, 2021 with an exercise price of $0.50 and a term of four years;
- 75,945 February 2021 Finder Warrants issued on February 4, 2021 with an exercise price of $0.30 and a term of two years;
- 2,813,357 April 2021 Share Warrants issued on April 23, 2021 with an exercise price of $0.50 and a term of four years;
- 1,908,434 May 2021 Share Warrants issued on May 14, 2021 with an exercise price of $0.80 and a term of two years; and
- 126,681 May 2021 Finder Warrants issued on May 14, 2021 with an exercise price of $0.80 and a term of two years.

As part of the Transaction, the fair value of the September 2020 Finder Warrants, February 2021 Share Warrants and February 2021 Finder Warrants was calculated as of April 23, 2021 and included as part of the consideration. (Note 5)

During the year ended May 31, 2020, no share purchase warrants were issued.

Expressed in Canadian Dollars

A continuity schedule of the number of share purchase warrants and their carrying amounts is as follows:

	September 2020 Finder Warrants	February 2021 Share Warrants	February 2021 Finder Warrants	April 2021 Share Warrants	May 2021 Share Warrants	May 2021 Finder Warrants
Outstanding and exercisable, start of year	**-**	**-**	**-**	**-**	**-**	**-**
Issued	18,000	5,632,725	75,945	2,813,357	1,908,434	126,681
Cancelled/Expired/Exercised	(18,000)	-	-	-	-	-
Outstanding and exercisable, end of year	**-**	**5,632,725**	**75,945**	**2,813,357**	**1,908,434**	**126,681**
Carrying amount, end of year	**-**	**$559,330**	**$ 6,356**	**$ 289,494**	**$ 926,827**	**$ 66,976**

The carrying amounts of the February 2021 Finder Warrants and May 2021 Finder Warrants are recognized as part of contributed surplus while the carrying amount of the other share purchase warrants are included in warrant reserve.

The weighted average exercise price and term of the share purchase warrants as at May 31, 2021 was $0.5564 and 40.65 months respectively.

The aggregate fair value ascribed to the warrants issued was estimated using the Black-Scholes option pricing model based on the following assumptions:

	Weighted average
Risk-free interest rate	0.6311%
Expected life	3.42 years
Expected volatility	135.47%
Dividend rate	Nil

15. 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.

During the years ended May 31, 2021, and 2020, compensation of key management personnel was as follows:

	Year ended May 31, 2021 $	**Year ended May 31, 2020 $**
Salary and related costs	**63,013**	68,088
Professional fees	**8,000**	-
Share-based compensation expense (Note 21)	**459,690**	-
	530,703	68,088

The professional fees were paid to the chief financial officer under an agreement dated January 8, 2021. Under the agreement the fees are charged on a time basis at a predetermined rate.

Expressed in Canadian Dollars

As at May 31, 2021 and 2021, due to related parties was comprised of the following:

	May 31, 2021 $	May 31, 2020 $
Due to key management personnel	**62,246**	63,308

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

As at My 31, 2021, for the CNs, the Company had principal of US$4,200 (May 31, 2020: US$4,200) and interest payable of US$4,549 (May 31, 2020: US$4,002) outstanding to one of the key management personnel. Accrued interest on this CN for the year ended May 31, 2021, was $694 (2020:$717).

16. CONTRACTUAL OBLIGATIONS

Consulting and Advisory Services Agreement

On September 15, 2016, the Company entered into a consulting and advisory services agreement (the "CASA") whereby the consultant will provide assistance in creating and executing a business plan, identifying and securing sources of funding, developing marketing strategies and communication and other tasks as requested. As consideration for consulting services provided from March 2013 to September 2016, the Company will pay the consultant $75,000 in instalments as agreed between the parties. On September 1, 2020, the Company and the consultant entered into an amendment to the CASA whereby the outstanding balance of $55,000 was reduced to $46,000 and interest will accrue at 6% per annum. Commencing September 1, 2020, monthly payments of $3,500 will be made until December 1, 2020 or January 1, 2021 and the remaining balance will then be repaid in monthly payments no later than May 1, 2022. As at May 31, 2021, $15,000 (2020 – $56,500) was included in accounts payable and the final payment was made in August 26, 2021.

OCEFA

As outlined in Note 11, on October 1, 2020, the Company and the UWO entered into a second amending agreement to the OCEFA whereby the term was extended to December 30, 2021 and the monthly payment schedule was amended. As at May 31, 2021, the Company's commitment under this payment schedule was $62,148 of which $12,138 will come from the retained NSERC's funding participation in the Project leaving the Company with a commitment of $50,010 that must be paid before December 1, 2021.

National Capital Markets

In May 2021, the Company appointed National Capital Markets to provide public relations and investor relations services. The Company will pay a monthly fee of $11,000 for ongoing services and the agreement will continue until either party terminates after providing 30 days notice.

17. REVENUE

Revenue recognized in the Statements of Loss and Comprehensive Loss is comprised of the following:

	Year ended May 31, 2021 $	Year ended May 31, 2020 $
Cleantech	**37,883**	50,512
Other	**47**	16
Rental management	**-**	183,942
	37,930	234,470

On June 10, 2019, the Company entered into a lab services agreement (the "LSA") with a publicly traded company ("CEI") whereby CEI will evaluate the Company's technology in order to assess its possibilities for asphaltene upgrading and with the evaluation being made on asphaltene samples supplied by CEI. The provision of project services (as defined) commenced in early June 2019 and is expected to be completed by December 2021. The LSA was amended on December 16, 2019 and the amendments included changes to the milestones. The total projected cost of the project services is $126,280 with payments being made by CEI upon completion of the following milestones:

Expressed in Canadian Dollars

- Milestone 1 – Agreement execution (40%, being $50,512);
- Milestone 2 – Ordering equipment for retrofit of HTU unit complete (30%, being $37,883);
- Milestone 3 – Retrofit and commissioning of HTU unit complete (10%, being $12,628);
- Milestone 4 – Runs complete and sample shipped (5%, being $6,314); and
- Milestone 5 – Delivery of final report (15%, being $18,943).

As at May 31, 2021, CEI had paid for Milestones 1 and 2 and Aduro have completed both milestones and the related revenue has been recognized. Revenue is recognized on the completion of the milestone and collection is probable.

18. FINANCE COSTS

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

	Year ended May 31, 2021 $	Year ended May 31, 2020 $
Bank charges and interest	**738**	173
Lease finance charges	**3,436**	2,569
Interest on debt:		
Working capital loan – BDC (Note 12)	**5,772**	5,829
Convertible notes (Note 12)	**38,666**	35,506
CEBA (Note 12)	**1,032**	114
Promissory notes	**10,350**	-
Term loan	**521**	-
Other finance costs	**637**	-
Total finance costs	**61,152**	44,191

The Company charged interest on advances made to Aduro. The $10,350 was in respect of the interest charged and expensed prior to the closing of the Transaction on April 23, 2021.

19. GENERAL AND ADMINISTRATIVE

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

	Year ended May 31, 2021 $	Year ended May 31, 2020 $
Advertising and promotion	**11,501**	4,198
Automobile	**7,615**	26,029
Bank charges	**5,675**	5,336
Business development	**-**	20,000
Office and general	**9,912**	8,810
Other	**3,343**	-
Professional fees (Note 15)	**357,821**	82,051
Salary and related costs (Note 15)	**26,719**	52,594
Transfer agent and filing costs	**5,170**	-
Travel	**6,950**	11,357
Total general and administrative	**434,706**	210,375

Expressed in Canadian Dollars

20. RESEARCH AND DEVELOPMENT

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

	Year ended May 31, 2021 $	Year ended May 31, 2020 $
Payments to BIC (Note 9)	**30,050**	-
Payments to UWO (Note 11)	**-**	11,720
Professional fees – patent development costs (Note 15)	**107,081**	26,598
Salary costs allocated (Note 15)	**158,269**	-
Consultant fees paid by share based payment (Note 21)	**15,226**	-
Investment tax credits received	**-**	(25,051)
Total research and development	**310,626**	13,267

21. SHARE-BASED PAYMENT EXPENSE

Share-based payment expenses recognized in the Statements of Loss and Comprehensive Loss are comprised of the following:

	Year ended May 31, 2021 $	Year ended May 31, 2020 $
Consultant fees for research and development (Note 20)	**15,226**	-
Expense recognized for services provided based on vesting conditions of stock options (Note 15)	**986,606**	-
Total share-based payment expense	**1,001,832**	-

22. INCOME TAXES

The following provides a reconciliation of loss before income taxes to total income taxes recognized in the Statements of Loss and Comprehensive Loss:

	Year ended May 31, 2021 $	Year ended May 31, 2020 $
Loss before income taxes	**(3,208,736)**	(247,979)
Statutory rate	**27.00%**	27.00%
Expected income tax recovery	**(866,359)**	(66,954)
Deductible and non-deductible items	**695,151**	23,944
Unrecognized benefit of non-capital losses	**171,208**	43,010
Total income taxes	**-**	-

Expressed in Canadian Dollars

As at May 31, 2021 and 2020, the nature of the Company's and Aduro temporary differences was as follows:

	May 31, 2021 $	**May 31, 2020 $**
Tax loss carry forwards	2,003,305	1,179,307
Property and equipment and intangible assets	256,211	170,393
Other temporary differences	(26,561)	(11,000)
Finance costs and financing allowance	98,696	14,485
Valuation allowance	(2,331,651)	(1,353,185)
Total deductible temporary differences not recognized	-	-

As at May 31, 2021, the Company and Aduro has accumulated non-capital losses for the Canadian income tax purposes totalling approximately $2,003,305 (May 31, 2020 – $1,209,017). The losses expire in the following periods:

	Year of Origin	**Year of Expiry**	**Amount $**
	2013	2033	56,074
	2014	2034	46,501
	2015	2035	75,044
	2016	2036	-
	2017	2037	51,806
	2018	2038	344,427
	2019	2039	363,983
	2020	2040	573,127
	2021	2041	492,343
Total tax loss carry forwards			2,003,305

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Interest rate risk

The Company is exposed to interest rate risk on its working capital loan to the extent that BDC's floating base rate and variance change. A one percent change in the interest rate would have had an immaterial impact on finance costs for the years ended May 31, 2021 and 2020. The remaining debt and lease liability 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 trade payables and convertible notes. U.S. dollar financial instruments subject to foreign exchange risk are summarized below. The Company have assessed the risk and decided not to hedge the risk.

(US$)	**May 31, 2021 $**	**May 31, 2020 $**
Cash and cash equivalents	**(2,949)**	(53)
Trade payables	**87,226**	85,304
Due to related parties	**1,500**	1,500
Convertible notes	**60,797**	60,797
Accrued interest – convertible notes	**36,429**	27,823
Net US dollar exposure	**183,003**	175,371

Expressed in Canadian Dollars

As at May 31, 2021, with other variables unchanged, a $0.10 change in the Canadian dollar against the US dollar would result in a $18,300 pre-tax loss (2020 – $17,537) 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 financial assets which reflects management's assessment of the credit risk which at May 31, 2021 was $2,860,016 (2020 - $45,420).

Impairment losses

The allowance for doubtful accounts in respect of trade and 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. For the year ended May 31, 2021, the Company impaired $nil in trade receivables (May 31, 2020 – $nil).

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 which is made up of trade payables, other current liabilities, project contributions payable, working capital loans and other debt.

The table below provides an analysis of the expected maturities of the Company's outstanding obligations as at May 31, 2021 and May 31, 2020:

		Due prior to			
	Amount	**2022**	**2023**	**2024**	**2025+**
	$	**$**	**$**	**$**	**$**
Trade payables and other current liabilities	529,135	529,135	-	-	-
Project contributions payable	12,138	12,138	-	-	-
Debt (Note 12) (1)	656,312	30,496	557,509	28,307	40,000
Lease liability	12,610	12,610	-	-	-
Total expected maturities	1,210,195	584,379	557,509	28,307	40,000

(1) In the event that the FM is achieved $527,708 of the $656,312 relates to convertible notes which would be converted to special warrants (Note 14).

		Due prior to			
	Amount	**2021**	**2022**	**2023**	**2024+**
	$	**$**	**$**	**$**	**$**
Trade payables and other current liabilities	542,635	479,327	-	-	63,308
Project contributions payable	127,250	115,112	12,138	-	-
Contract liabilities	37,883	37,883	-	-	-
Debt (Note 12)	604,734	304,774	239,980	19,980	40,000
Lease liability	91,078	78,468	12,610	-	-
Total expected maturities	1,403,580	1,015,564	264,728	19,980	103,308

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.

Expressed in Canadian Dollars

Capital management

The overall capitalization of the Company as at May 31, 2021 and 2020 was as follows:

	May 31, 2021 $	May 31, 2020 $
Total debt (excluding accrued interest)	**516,931**	501,336
Shareholders' equity (deficiency)	**1,818,772**	(1,215,411)
Total (negative) capitalization	**2,335,703**	(714,075)

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.

24. 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 years ended, May 31, 2021 and 2021, the Company's operations and assets were in Canada.

As an early-stage development company, the Company was not yet generating sustainable revenues from its development activities. For the year ended May 31, 2021, the revenues recognized were $37,883 (2020 - $234,454). The revenue of $37,883 (2020 - $50,512) were earned from an industry partner relating to a laboratory services agreement and nil (2020 - $183,942) for a short-term management services arrangement. The revenues provided cash flow for the Company's research and development activities.

For the year ended May 31, 2021, the Company's total revenue was from one (2020 – 2) customer who was located in Canada.

25. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended May 31, 2021, and 2020, the net change in non-cash working capital balances consists of the following:

	May 31, 2021 $	May 31, 2020 $
Trade and other receivables	**(56,993)**	27,138
Other current assets	**-**	4,887
Trade payables and other current liabilities	**(159,001)**	93,470
Contract liabilities	**(37,883)**	37,883
Project contributions payable	**(115,112)**	(9,000)
Net change in non-cash working capital balances	**(368,989)**	154,378

26. SUBSEQUENT EVENTS

Adviser agreements

In June 2021, the Company has retained the services of Volt Strategic Partners Ltd**.** (“Volt Strategic”**)** as its capital markets and communications advisor and Venture Liquidity Providers Inc. (“VLP”) for market-making services. Under the terms of the agreement with Volt Strategic, the Company will pay an aggregate amount of $65,000 over a term of three months for the services. The agreement may be terminated at any time with mutual agreement from both parties. For its services, the Company has agreed to pay VLP, $5,000 per month for a period of three months, continuing on a month-to-month basis thereafter. The Company has granted VLP 50,000 stock options of the Company, exercisable for a period of two years at market price of $0.80 per share, which will vest only upon satisfactory completion of the initial three-month term. After the initial three-month term, the agreement may be terminated at any time on written notice by the Company or VLP.

The Company entered into an agreement on July 27, 2021, with Digitonic Limited (“Digitonic”) to provide marketing and investor relations services. Under the terms of the agreement, Digitonic has agreed to provide services to the Company in exchange for an aggregate amount of US$216,000 in cash for a period of six weeks. The term of service will commence after the Company announces the successful demonstration of the Company’s Hydrochemolytic™ technology (HCT) for upgrading heavy petroleum feedstock to lighter petroleum oil using its continuous-flow pre-pilot reactor to be witnessed and validated by a third party.