



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

Interim Condensed Consolidated Financial Statements

For the three and six months ended November 30, 2021
(Unaudited)

(Expressed in Canadian Dollars)

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

	November 30, 2021	May 31, 2021
ASSETS		
Current		
Cash and cash equivalents	\$ 1,964,504	\$ 2,860,016
Prepaid expenses	143,587	-
Trade and other receivables	128,789	76,880
	<u>2,236,880</u>	<u>2,936,896</u>
Non-current		
Property and equipment	195,325	55,825
Right of use assets	7,027	15,014
Intangible assets (Note 5)	11,906	21,232
	<u>214,258</u>	<u>92,071</u>
Total Assets	<u>\$ 2,451,138</u>	<u>\$ 3,028,967</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade payables and other current liabilities	\$ 579,082	\$ 529,135
Project contributions payable	-	12,138
Lease liability – current portion	5,715	12,610
Debt - current portion (Note 6)	586,163	30,496
	<u>1,170,960</u>	<u>584,379</u>
Non-current		
Debt – non-current portion (Note 6)	<u>42,813</u>	<u>625,816</u>
Shareholders' equity (Note 7)		
Share capital	4,502,355	3,483,304
Warrant reserve	1,606,801	1,775,651
Contributed surplus	2,151,235	1,075,164
Accumulated deficit	(7,023,026)	(4,515,347)
	<u>1,237,365</u>	<u>1,818,772</u>
Total Liabilities and Shareholders' Equity	<u>\$ 2,451,138</u>	<u>\$ 3,028,967</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 17)

Approved on behalf of the Board of Directors on January 28, 2022:

“Ofer Vicus” _____, Director

“Peter Kampian” _____, Director

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

	Three months ended November 30, 2021	Three months ended November 30, 2020	Six months ended November 30, 2021	Six months ended November 30, 2020
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses				
Depreciation and amortization	15,750	14,304	28,203	28,607
Finance costs (Note 10)	12,512	19,496	28,965	30,078
Foreign exchange	4,271	(4,022)	15,996	(6,050)
General and administrative (Note 11)	600,544	145,314	937,781	211,265
Share-based payment expense (Note 13)	378,465	-	1,074,686	-
Expense incurred in obtaining listing on other exchanges	-	-	24,323	-
Research and development (Note 12)	254,165	59,448	409,136	100,378
	1,265,707	234,540	2,519,090	364,278
Loss before other items	(1,265,707)	(234,540)	(2,519,090)	(364,278)
Other items				
Gain on settlement of debt (Note 6)	11,411	7,500	11,411	7,500
COVID 19 wage subsidy	-	14,431	-	24,590
Loss and comprehensive loss for the period	\$ (1,254,296)	\$ (212,609)	\$ (2,507,679)	\$ (332,188)
Basic and diluted loss per share	\$ (0.07)	\$ (0.02)	\$ (0.14)	\$ (0.02)
Weighted average number of common shares outstanding	18,412,298	13,333,328	17,843,679	13,333,328

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

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

	Share Capital		Warrant Reserve	Contributed Surplus	Deficit	Total
	Number of Shares	Amount				
Balance, May 31, 2020	7,692,667	\$ 91,200	\$ -	\$ -	\$ (1,306,611)	\$ (1,215,411)
Shares issued	27,100	163,743	-	-	-	163,743
Share-based payment expense (Note 13)	-	-	-	6,921	-	6,921
Net loss for the period	-	-	-	-	(332,188)	(332,188)
Balance, November 30, 2020	7,719,767	254,943	-	6,921	(1,638,799)	(1,376,935)
Balance, May 31, 2021	33,908,358	3,483,304	1,775,651	1,075,164	(4,515,347)	1,818,772
Shares issued on exercise of warrants (Note 7)	1,700,401	1,019,051	(168,850)	-	-	850,201
Share-based payment expense (Note 13)	-	-	-	1,076,071	-	1,076,071
Net loss for the period	-	-	-	-	(2,507,679)	(2,507,679)
Balance, November 30, 2021	35,608,759	\$ 4,502,355	\$ 1,606,801	\$ 2,151,235	\$ (7,023,026)	\$ 1,237,365

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

	Six months ended November 30, 2021	Six months ended November 30, 2020
Operating Activities		
Net loss for the period	\$ (2,507,679)	\$ (332,188)
Items not affecting cash:		
Depreciation and amortization	28,203	28,607
Share-based payment expense (Note 13)	1,076,071	6,921
Interest expense	20,080	24,054
Gain on settlement of date (Note 6)	(11,411)	(7,500)
Unrealized foreign exchange	7,278	(2,018)
Changes in non-cash working capital (Note 16)	(156,490)	102,224
Cash used in operating activities	(1,543,948)	(179,900)
Financing Activities		
Issue of common shares, net of issuing costs	850,201	-
Loan advance made to legal subsidiary prior to RTO	-	141,300
Finance lease repayments	(11,056)	(10,874)
Term and working capital loan repayments (Note 6)	(44,986)	-
Cash provided by financing activities	794,159	130,426
Investing activities		
Property and equipment acquired	(145,723)	(8,263)
Cash used by investing activities	(145,723)	(8,263)
Change in cash during the period	(895,512)	(57,737)
Cash and cash equivalents, start of period	2,860,016	45,420
Cash and cash equivalents, end of period	\$ 1,964,504	\$ (12,317)
Supplementary disclosure of non-cash activities		
Common shares issued to settle outstanding balance in accounts payable	\$ -	\$ 163,743
Right of use assets acquired	(4,455)	-
Increase in lease liability from amendment in lease	4,455	-

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

Aduro Clean Technologies Inc. (formerly Dimension Five Technologies Inc.)
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the three and six months ended November 30, 2021
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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 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 4). 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 “9D50”.

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 was 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 November 30, 2021, the Company has developed and owns six granted and pending patents (see Note 5).

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 7) 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 November 30, 2021, the Company had a deficit of \$7,023,026 since inception and incurred negative operating cash flows. Due to the private placements noted above, as at November 30, 2021, the Company’s working capital balance was \$1,065,920 (May 31, 2021: \$2,352,517) and available cash of \$1,964,504 (May 31, 2021; \$2,860,016). In addition, as described in Note 17, on January 18, 2022 the convertible notes issued by Aduro were exchanged into common shares the result of which improves the Company’s working capital position by \$555,510. Therefore, management concludes that the Company has sufficient funds to fund its operations for the next twelve months. Ultimately the continuing operations of the Company are dependent upon generating profitable operations and obtaining funding, as required, to allow the Company to achieve its business objectives. While the Company’s management believes that there are many financing opportunities available, there is no assurance that it will be able to successfully obtain additional financing as needed. These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due and do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the classifications used in the consolidated statements of financial position.

2. BASIS OF PREPARATION

a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared based on the principles of International Financial Reporting Standards (IFRS) and International Accounting Standard 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and follows the same accounting policies and methods of application as the Company’s most recent annual financial statements. The unaudited interim

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condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended May 31, 2021 and accompanying notes.

These financial statements were authorized for issue by the Board of Directors on January 28, 2022.

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 has 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 to the consolidated financial statement for the year ended May 31, 2021.

d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company and its 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 JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

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

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

a) Ability to continue as a going concern

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

b) Property and equipment/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. 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 exist 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.

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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.

4. BUSINESS ACQUISITION

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:

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- convertible note 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 convertible note 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.

Following the closing, the Company's board consists of four directors, one being a current director of the Company as nominee 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 its 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

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management making various assumptions and estimates and the key assumptions and estimates used were as follows:

	September 2020	February 2021	February 2021
	Finder Warrants	Share Warrants	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

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. For the six months ended November 30, 2021, the acquisition has contributed an operating loss of \$1,823,449 to the net loss and comprehensive loss.

5. INTANGIBLE ASSETS

The following table summarizes the Company's intangible assets as at November 30, 2021, May 31, 2021 and May 31, 2020:

	Investor Relations Videos	Patent	Total
	\$	\$	\$
Cost:			
Balance at May 31, 2020, May 31, 2021 and November 30, 2021	45,255	76,858	122,113
Accumulated amortization:			
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
Charge for period	4,523	4,803	9,326
Balance at November 30, 2021	38,151	72,056	110,207
Carrying amounts:			
At May 31, 2021	11,627	9,605	21,232
At November 30, 2021	7,104	4,802	11,906

At November 30, 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.

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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.

As at November 30, 2021, the Company had incurred \$514,219 (May 2021: \$466,010) in patent development costs.

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6. DEBT

As at November 30, 2021 and May 31, 2021, the Company's debt instruments were as follows:

	November 30, 2021	May 31, 2021
	\$	\$
Working capital loan – BDC	48,839	58,829
Accrued interest - working capital loan – BDC	245	397
Canada Emergency Business Account (“CEBA”)	-	40,000
Convertible notes	392,773	388,724
Accrued interest – convertible notes	162,737	138,984
Term loan	24,382	29,378
Total debt	628,976	656,312
Less current portion:		
Working capital loan – BDC	19,980	19,980
Accrued interest - working capital loan – BDC	245	397
Convertible notes	392,773	-
Accrued interest – convertible notes	162,737	-
Term loan	10,428	10,119
Total current portion	586,163	30,496
Total non-current portion	42,813	625,816

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 32 monthly principal payments of \$1,665 with a final payment of \$554 on May 8, 2024. As at November 30, 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. On September 10, 2021, the loan was fully redeemed for \$30,000 with the balance of \$10,000 forgiven under the Early Repayment Forgiveness.

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 8.

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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 to 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.

On January 18, 2022, the FM was achieved which resulted in the outstanding balance on the convertible notes converted into common shares. The convertible notes holders received 1,032,207 common shares in settlement of the \$558,722 outstanding balance on the notes as of January 18, 2022. (Note 17).

Term Loan

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 14.

Scheduled principal and accrued interest payments

As at November 30, 2021, the scheduled principal and accrued interest until maturity were as follows:

	Working Capital Loan – BDC \$	Convertible Notes \$	Term loan \$	Total \$
2022	20,225	555,510 ⁽¹⁾	10,428	586,163
2023	19,980	-	11,071	31,051
2024	8,879	-	2,883	11,762

(1) On January 18, 2022, the FM was achieved meaning that the balance on the convertible notes was converted into common shares at that date. (Note 17)

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Debt continuity

The net change in debt during the six months ended November 30, 2021 and the year ended May 31, 2021 was as follows:

	November 30, 2021	May 31, 2021
	\$	\$
Starting balance	656,312	604,735
<i>Cash flows:</i>		
Principal debt repayments – working capital loan - BDC	(9,990)	(6,639)
Principal repayment – CEBA	(30,000)	-
Principal repayment – term loan	(4,996)	(2,377)
<i>Non-cash changes:</i>		
Advance – term loan	-	31,754
Gain on settlement of CEBA loan ⁽¹⁾	(10,000)	-
Accrued interest – convertible notes	20,524	37,869
Accrued interest – working capital loan - BDC	(152)	397
Changes in foreign exchange rate	7,278	(9,427)
Ending balance	628,976	656,312

(1) Included in the gain on settlement of debt of \$11,411 in the consolidated statement of loss was \$10,000 resulting from the Early Repayment Forgiveness and \$1,411 for the interest expense recognized but not payable when the CEBA was repaid.

7. SHAREHOLDERS' EQUITY

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 4) 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 November 30, 2021, the issued and outstanding common shares of the Company consisted of 35,608,759 common shares and nil preferred shares (May 31, 2021: 33,908,358 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**").

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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.

As at November 30, 2021, 9,276,150 (May 31, 2021: 11,703,381) common shares were being held in escrow. Between June 1, 2021, and October 29, 2021, 1,700,401 February 2021 Share Warrants were exercised at an exercise price of \$0.50 resulting in the issue of 1,700,401 common shares and proceeds of \$850,201.

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 Aduro’s special warrant trustee to be held in trust until distributed on the FM achievement date. The SWs are convertible for no additional consideration into the Company’s Shares on a one-for-one basis upon the later of the achievement of the FM in the case of the ASWs or the achievement of the second milestone (“SM”) in the case of the BSWs, as applicable, and the distribution of the SWs by the trustee. The FM was achieved on January 18, 2022, resulting in the 13,333,328 ASWs distributed and automatically converted on a one-for-one basis into common shares of the Company for no additional consideration. The convertible notes holders received 1,032,207 common shares in settlement of the \$558,722 outstanding balance on the notes and the TVs received 12,301,121 common shares. The 13,333,328 BSWs special warrants were issued to the TVs in accordance with the terms of the SEA. (Note 17)

Stock Options

On April 30, 2021, the Company granted 3,549,999 options to directors, officers, employees and various advisers at an exercise price of \$0.65 for a term of ten years. On May 20, 2021, 200,000 options were granted to an adviser at an exercise price of \$0.76 for a term of two years. On June 18, 2021, 50,000 options were granted to an adviser at an exercise price of \$0.80 for a term of two years. A continuity schedule of the incentive stock options is as follows:

	November 30, 2021		May 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of period/year	3,749,999	\$ 0.6559	133,332	\$ 0.15
Granted	50,000	0.80	3,749,999	0.6559
Exercised	-	-	(66,666)	(0.15)
Forfeited	-	-	(66,666)	(0.15)
Outstanding, end of period/year	3,799,999	\$ 0.6578	3,749,999	\$ 0.6559
Exercisable, end of period/year	2,313,104	\$ 0.6628	723,576	\$ 0.6804
Weighted average life (years)		8.9		9.5

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

	April 2021 Options	May 2021 Options	June 2021 Options
Risk-free interest rate	1.56%	0.33%	0.45%
Expected life	10 years	2 years	2 years
Expected volatility	134.07%	146.41%	144.88%
Dividend rate	Nil	Nil	Nil

For the three and six months ended November 30, 2021, an expense of \$378,465 and \$1,074,686 (2020: nil) respectively was recognized for services provided based on vesting conditions of stock options (Note 13). The amount recognized reflected the vesting duration of the options.

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 4).

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, May 31, 2020	-	-	-	-	-	-
Issued	18,000	5,632,725	75,945	2,813,357	1,908,434	126,681
Cancelled/Expired/Exercised	(18,000)	-	-	-	-	-
Outstanding and exercisable, May 31, 2021	-	5,632,725	75,945	2,813,357	1,908,434	126,681
Cancelled/Expired/Exercised	-	(1,700,401)	-	-	-	-
Outstanding and exercisable, November 30, 2021	-	3,932,324	75,945	2,813,357	1,908,434	126,681
Carrying amount, May 31, 2021	-	\$559,330	\$ 6,356	\$ 289,494	\$ 926,827	\$ 66,976
Carrying amount, November 30, 2021	-	\$390,480	\$ 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

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reserve. Between June 1, 2021, and October 29, 2021, 1,700,401 February 2021 Share Warrants were exercised at an exercise price of \$0.50 resulting in the issue of 1,700,401 common shares and \$168,850 reduction in the carrying value of share purchase warrants.

The weighted average exercise price and term of the share purchase warrants as at November 30, 2021 was \$0.5672 (May 31, 2021; \$0.5564) and 34 months (May 31, 2021: 40.65 months) respectively.

The initial 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

As at November 30, 2021, 1,806,422 (May 31, 2021: 2,167,706) April 2021 Share Warrants were being held in escrow.

8. 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 three and six months ended November 30, 2021, and 2020, compensation of key management personnel was as follows:

	Three months ended November 30, 2021 \$	Three months ended November 30, 2020 \$	Six months ended November 30, 2021 \$	Six months ended November 30, 2020 \$
Salary and related costs	28,270	15,742	47,373	31,843
Professional fees	119,500	-	139,652	-
Share-based compensation expense (Note 13)	175,257	-	515,416	-
	323,027	15,742	702,441	31,843

As at November 30, 2021 and May 31, 2021, the amounts due to and from related parties was comprised of the following:

	November 30, 2021 \$	May 31, 2021 \$
Due to key management personnel	55,254	62,246
Due from key management personnel	40,268	-

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

As at November 30, 2021, for the CNs, the Company had principal of US\$4,200 (May 31, 2021: US\$4,200) and interest payable of US\$4,823 (May 31, 2021: US\$4,549) outstanding to one of the key management personnel. Accrued interest recognized as an expense on this CN for the six months ended November 30, 2021, was \$348 (2020: \$347). On achievement of the FM on January 18, 2022, this CN was redeemed by the issue of 21,054 common shares. (Note 17)

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9. 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 November 30 2021, (May 31, 2021: \$15,000), the entire balance has been repaid and no amount is outstanding.

OCEFA

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 November 30, 2021, the Company’s commitment under this payment schedule was complete and no further payments are required.

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. The agreement was amended where from January 2022 the fee will be on work carried out rather than a retainer.

10. FINANCE COSTS

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

	Three months ended November 30, 2021 \$	Three months ended November 30, 2020 \$	Six months ended November 30, 2021 \$	Six months ended November 30, 2020 \$
Bank interest	-	489	-	551
Lease finance charges	483	984	713	2,095
Interest on debt:				
Working capital loan – BDC	892	5,454	2,038	5,454
Convertible notes	10,699	9,834	21,302	18,870
CEBA	-	629	264	629
Promissory notes	-	1,645	-	1,842
Term loan	380	-	801	-
Other finance costs	58	461	3,847	637
	12,512	19,496	28,965	30,078

The Company charged interest on advances made to Aduro prior to the closing of the Transaction. The \$1,645 and \$1,842 expense recognized for promissory notes was in respect of the interest charged and expensed prior to the closing of the Transaction on April 23, 2021.

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11. GENERAL AND ADMINISTRATIVE

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

	Three months ended November 30, 2021 \$	Three months ended November 30, 2020 \$	Six months ended November 30, 2021 \$	Six months ended November 30, 2020 \$
Investor relations and communication costs	337,648	-	468,465	-
Automobile	9,435	2,723	11,247	4,398
Bank charges	2,825	1,880	4,012	2,484
Conferences	3,677	-	13,705	-
Office and general	20,639	2,132	33,904	4,495
Other	8,495	312	9,114	5,114
Professional fees	124,796	123,240	280,383	165,775
Salary and related costs	22,035	14,994	28,754	26,013
Transfer agent and filing costs	35,521	-	51,240	-
Travel	35,473	33	36,957	2,986
	600,544	145,314	937,781	211,265

12. RESEARCH AND DEVELOPMENT

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

	Three months ended November 30, 2021 \$	Three months ended November 30, 2020 \$	Six months ended November 30, 2021 \$	Six months ended November 30, 2020 \$
Project related expenses	119,504	-	153,606	2,265
Payments to UWO	28,822	-	49,526	-
Professional fees – patent development costs	28,119	42,706	48,209	49,567
Salary costs allocated	77,720	14,666	156,410	41,625
Consultant fees paid by share based payment (Note 13)	-	2,076	1,385	6,921
	254,165	59,448	409,136	100,378

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13. SHARE-BASED PAYMENT EXPENSE

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

	Three months ended November 30, 2021 \$	Three months ended November 30, 2020 \$	Six months ended November 30, 2021 \$	Six months ended November 30, 2020 \$
Consultant fees for research and development (Note 12)	-	2,076	1,385	6,921
Expense recognized based on vesting conditions of stock options (Note 7)	378,465	-	1,074,686	-
	378,465	2,076	1,076,071	6,921

14. 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 six months ended November 30, 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\$)	November 30, 2021 \$	May 31, 2021 \$
Cash and cash equivalents	(280)	(2,949)
Trade payables	61,958	87,226
Due to related parties	-	1,500
Convertible notes	60,797	60,797
Accrued interest – convertible notes	39,306	36,429
Net US dollar exposure	161,781	183,003

As at November 30, 2021, with other variables unchanged, a \$0.10 change in the Canadian dollar against the US dollar would result in a \$16,178 pre-tax loss (May 31 2021: \$18,300) 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 November 30, 2021 was \$1,964,504 (May 31 2021: \$2,860,016).

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 six months ended November 30, 2021, the Company impaired \$nil in trade receivables (May 31, 2021: \$nil).

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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 November 30, 2021 and May 31, 2021:

	Amount	Due prior to			
		2022	2023	2024	2025+
	\$	\$	\$	\$	\$
Trade payables and other current liabilities	579,082	579,082	-	-	-
Debt (Note 6) ⁽¹⁾	628,976	586,163	31,051	11,762	-
Lease liability	5,715	5,715	-	-	-
Total expected maturities	1,213,773	1,170,960	31,051	11,762	-

	Amount	Due prior to			
		2022	2023	2024	2025+
	\$	\$	\$	\$	\$
Trade payables and other current liabilities	529,135	529,135	-	-	-
Project contributions payable	12,138	12,138	-	-	-
Debt (Note 6) ⁽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) On January 18, 2022, the FM was achieved meaning that the balance on the convertible notes was converted into common shares. Included in the \$628,977 (May 31, 2021; \$656,312) was \$555,510 (May 31, 2021; \$527,708) related to convertible notes and therefore was converted into common shares (Note 17).

Market risk

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

Capital management

The overall capitalization of the Company as at November 30, 2021 and May 31, 2021 was as follows:

	November 30, 2021	May 31, 2021
	\$	\$
Debt (excluding accrued interest)	465,994	516,931
Shareholders' equity	1,237,365	1,818,772
Total capitalization	1,703,359	2,335,703

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.

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15. OPERATING SEGMENTS

Reportable Segments

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

Entity Wide Disclosures

As at, and for the period and year ended, November 30, 2021 and May 31, 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 and as such no revenues were recognized in the three and six months ended November 30, 2021 and 2020.

16. SUPPLEMENTAL CASH FLOW INFORMATION

For the six months ended November 30, 2021, and 2020, the net change in non-cash working capital balances consists of the following:

	November 30, 2021 \$	November 30, 2020 \$
Trade and other receivables	(51,910)	(20,409)
Prepaid expenses	(143,587)	-
Trade payables and other current liabilities	51,145	162,133
Project contributions payable	(12,138)	(39,500)
Net change in non-cash working capital balances	(156,490)	102,224

17. SUBSEQUENT EVENTS

First Milestone achievement

On January 18, 2022, the FM as set under the SEA was achieved as a result of the successful review and independent validation of its patented chemical conversion technology by Doctor Paul Charpentier, an expert in environmentally-friendly and alternative energy applications. With the achievement of the FM, the 26,666,656 SWs previously issued to the special warrants trustee were distributed as follows:

(i) Class A special warrants

The 13,333,328 ASWs on distribution were automatically converted on a one-for-one basis into common shares of the Company for no additional consideration. The CN holders received 1,032,207 common shares in settlement of the \$558,722 outstanding balance on the CNs and the TVs received 12,301,121 common shares.

(ii) Class B special warrants

The 13,333,328 BSWs were issued to the TVs in accordance with the terms of the SEA. The BSWs are convertible into common shares for no additional consideration on a one-for-one basis when the SM under the SEA, is achieved.