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

Consolidated Financial Statements

For the Year Ended May 31, 2022

(Expressed in Canadian Dollars)

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
www.devissergray.com
t 604.687.5447
f 604.687.6737

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, 2022, May 31, 2021 and November 30, 2020, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the periods 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, 2022, May 31, 2021 and November 30, 2020 and its financial performance and its cash flows for the periods 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 James Roxburgh.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
September 28, 2022

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

	May 31, 2022	May 31, 2021	November 30, 2020
ASSETS			
Current			
Cash and cash equivalents	**$ 2,110,785**	$ 2,860,016	$ -
Other receivables (Note 6)	**158,408**	76,880	27,075
Deposits and prepaid expenses (Note 7)	**312,644**	-	-
	2,581,837	2,936,896	27,075
Non-current			
Property and equipment (Note 8)	**450,422**	55,825	15,890
Right of use assets (Note 9)	**184,198**	15,014	62,857
Intangible assets (Note 10)	**4,918**	21,232	35,366
	639,538	92,071	114,113
Total Assets	**$ 3,221,375**	$ 3,028,967	$ 141,188
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current			
Trade payables and other current liabilities (Note 11)	**$ 585,104**	$ 529,135	$ 391,481
Bank overdraft	**-**	-	12,317
Contract liabilities	**-**	-	37,883
Project contributions payable (Note 12)	**-**	12,138	87,750
Lease liability – current portion (Note 14)	**46,126**	12,610	76,542
Debt - current portion (Note 13)	**30,935**	30,496	170,370
	662,165	584,379	776,343
Non-current			
Trade payables and other current liabilities (Note 11)	**-**	-	152,309
Lease liability – non-current portion (Note 14)	**137,223**	-	3,661
Debt – non-current portion (Note 13)	**27,360**	625,816	585,286
	164,583	625,816	741,256
Shareholders' equity (deficiency) (Note 15**)**			
Share capital	**6,529,316**	3,483,304	254,943
Warrant reserve	**2,547,457**	1,775,651	-
Contributed surplus	**2,913,752**	1,075,164	6,921
Accumulated deficit	**(9,595,898)**	(4,515,347)	(1,638,275)
	2,394,627	1,818,772	(1,376,411)
Total Liabilities and Shareholder's Equity	**$ 3,221,375**	$ 3,028,967	$ 141,188

Nature and continuance of operations (Note 1) Subsequent events (Note 27)

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

"Ofer Vicus", Director "Peter Kampian", Director

The accompanying notes are an integral part of these audited consolidated 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, 2022	Six months ended May 31, 2021	Year ended November 30, 2020
Revenue (Note 18)	$ **-**	$ 37,883	$ 42,468
Expenses			
Depreciation and amortization (Notes 8, 9 & 10)	**60,633**	28,604	57,214
Finance costs (Note 19)	**38,932**	33,520	57,667
Foreign exchange	**23,659**	(13,669)	(1,412)
General and administrative (Note 20)	**1,884,671**	231,704	222,542
Share-based compensation expense (Note 22)	**1,789,547**	986,606	-
Listing expense (Note 5)	**-**	1,453,593	-
Rental management	**-**	-	50,425
Research and development (Note 21)	**1,037,796**	200,016	116,507
	4,835,238	2,920,374	502,943
Loss before other items	**(4,835,238)**	(2,882,491)	(460,475)
Other items			
COVID 19 wage subsidy	**-**	5,419	24,590
(Loss) gain on settlement of debt (Note 13)	**(245,313)**	-	7,500
	(245,313)	5,419	32,090
Loss and comprehensive loss	$ **(5,080,551)**	$ (2,877,072)	$ (428,385)
Basic and diluted loss per share	$ **(0.13)**	$ (0.16)	$ (0.05)
Weighted average number of common shares outstanding	**40,318,441**	17,860,687	8,518,237

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

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, November 30, 2019	**23,078,001**	**$ 91,200**	**$ -**	**$ -**	**$ (1,209,890)**	**$ (1,118,690)**
Shares issued by accounting acquirer	-	163,743	-	-	-	163,743
Shares issued – September 2, 2020	10,044,440	-	-	-	-	-
Share-based payment expense	-	-	-	6,921	-	6,921
Net loss for the year	-	-	-	-	(428,385)	(428,385)
Balance, November 30, 2020	**33,122,441**	**254,943**	**-**	**6,921**	**(1,638,275)**	**(1,376,411)**
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 15)	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 22)	-	-	-	994,911	-	994,911
Net loss for the period	-	-	-	-	(2,877,072)	(2,877,072)
Balance, May 31, 2021	**33,908,358**	**$ 3,483,304**	**$ 1,775,651**	**$ 1,075,164**	**$ (4,515,347)**	**$ 1,818,772**
Shares and warrants issued from private placements – (Note 15)	3,360,952	1,211,518	940,656	47,657	-	2,199,831
Shares issued on exercise of warrants (Note 15)	1,700,401	1,019,051	(168,850)	-	-	850,201
Shares issued on exercise of Class A Special Warrants (Note 15)	13,333,328	815,443	-	-	-	815,443
Share-based payment expense (Note 22)	-	-	-	1,790,931	-	1,790,931
Net loss for the year	-	-	-	-	(5,080,551)	(5,080,551)
Balance, May 31, 2022	**52,303,039**	**$ 6,529,316**	**$ 2,547,457**	**$ 2,913,752**	**$ (9,595,898)**	**$ 2,394,627**

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

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

	Year ended May 31, 2022	Six months ended May 31, 2021	Year ended November 30, 2020
Operating Activities			
Net loss for the period	$ **(5,080,551)**	$ (2,877,072)	$ (428,385)
Items not affecting cash:			
Depreciation and amortization (Notes 8, 9 and 10)	**60,633**	28,604	57,214
Share-based compensation expense (Note 22)	**1,790,931**	994,911	9,186
Interest expense accrued	**29,472**	17,972	42,346
Loss (gain) on settlement of debt	**245,313**	-	(7,500)
Unrealized gain on derecognition of asset	**-**	(369)	-
Unrealized foreign exchange loss (gain) on debt (Note 13)	**4,062**	(7,405)	(4,565)
Listing expense (Note 5)	**-**	1,453,593	-
Changes in non-cash working capital (Note 26)	**(348,930)**	(311,861)	144,980
Cash used in operating activities	**(3,299,070)**	(701,627)	(186,724)
Financing Activities			
Issue of common shares, net of issuing costs	**3,050,032**	1,999,089	-
CEBA loan advance (Note 13)	**-**	-	40,000
Convertible notes advance (Note 13)	**-**	-	30,000
Reverse acquisition, cash acquired (Note 5)	**-**	1,236,918	-
Loan advance made to legal subsidiary prior to RTO (Note 5)	**-**	389,808	130,000
Finance lease repayments (Note 14)	**(29,071)**	(32,584)	(18,302)
Term and working capital loan repayments (Note 13)	**(60,125)**	(8,482)	(4,995)
Cash provided by financing activities	**2,960,836**	3,584,749	176,703
Investing activities			
Property and equipment acquired	**(410,997)**	(10,789)	(8,263)
Cash used by investing activities	**(410,997)**	(10,789)	(8,263)
Change in cash during the period	**(749,231)**	2,872,333	(18,284)
Cash and cash equivalents net of overdraft, start of period	**2,860,016**	(12,317)	5,967
Cash and cash equivalents, end of period	**$ 2,110,785**	**$** 2,860,016	**$** (12,317)

Supplementary disclosure of non-cash activities:

Term loan advance used to finance part of the purchasing a motor vehicle (Note 13)	-	31,754	-
Shares issued to settle trade payables	-	-	161,478
Shares issued in exchange for redeeming convertible notes (Note 13)	(815,443)	-	-
Right of use asset and related lease liability removed on expiry of lease (Note 14)	-	36,350	-
New right of use asset and related lease liability recognized at start of lease	192,648	-	-
Common shares and warrants issued in consideration for RTO (Note 5)	-	3,078,255	-

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

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 "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 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, 2022, the Company has developed and owns seven patents, six granted and one pending (see Note 10).

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 31, 2022, the Company closed four non-brokered private placements (Note 15) that realized net proceeds of $6,148,647 which will be used for general working capital purposes to advance Aduro's scale-up and path to commercialization. As at May 31, 2022, the Company had a deficit of $9,595,898 since inception and incurred negative operating cash flows. As at May 31, 2022, the Company's working capital balance was $1,919,672 (May 31, 2021: $2,352,517) and available cash of $2,110,785 (May 31, 2021; $2,860,016). In addition, the Company closed in July 2022, a private placement that improves the Company's working capital and available cash position by $1,871,697 (Note 27). 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 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 where 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 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 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.

e) Reporting periods

Following the closing of the Transaction, Aduro changed its financial year end from November 30th to May 31st. As Aduro was the accounting acquirer under the Transaction, these financial statements include reporting periods for the year ended November 30, 2020, and the six-month period ended May 31, 2021.

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 its 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.

Measurement

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, 2022, May 31, 2021, and November 30, 2020 was as follows:

	Expected Life	**Residual Values**
Computer equipment	5 years	-
Leasehold improvements	5 years	-
Laboratory	20 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.

A summary of the expected life and residual values for the Company's intangible assets as at May 31, 2022, May 31, 2021, and November 30, 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.

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, 2022, May 31, 2021 and November 30, 2020 was as follows:

	Expected Life	**Residual Values**
Motor vehicle (Note 9)	8 years	$36,350
Property leases	2-5 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) Share based compensation

Share 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, 2022, 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 year ended May 31, 2022, the six-month period ended May 31, 2021, and year ended November 30, 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.

q) 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.

r) 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.

s) Standards adopted in the year

The Company did not adopt any new accounting standards during the year ended May 31, 2022.

t) New interpretations and amendments not yet adopted

A number of interpretations are not yet effective for the year ended May 31, 2022 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 e). 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. REVERSE TAKEOVER

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:
  - 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 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.

Expressed in Canadian Dollars

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.

Expressed in Canadian Dollars

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

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. OTHER RECEIVABLES

	May 31, 2022 $	**May 31, 2021 $**	**November 30, 2020 $**
HST receivable	**96,351**	76,558	12,649
Due from related party	**62,057**	-	-
COVID wage subsidy	**-**	-	14,426
Other	**-**	322	-
Total	**158,408**	76,880	27,075

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 24.

7. DEPOSITS AND PREPAID EXPENSES

	May 31, 2022 $	**May 31, 2021 $**	**November 30, 2020 $**
Prepaid Equipment	**166,081**	-	-
Prepaid Marketing and Events	**96,239**	-	-
Prepaid Insurance	**4,670**	-	-
Prepaid Conferences	**7,698**	-	-
Deposits	**36,245**	-	-
Other	**1,711**	-	-
Total	**312,644**	-	-

Expressed in Canadian Dollars

8. PROPERTY AND EQUIPMENT

The following table summarizes the Company's property and equipment as at May 31, 2022, May 31, 2021, and November 30, 2020:

	Motor Vehicle $	Leasehold Improvement $	Laboratory $	Computer Equipment $	Office Equipment $	Research Equipment $	Total $
Cost:							
Balance at November 30, 2019	-	-	-	5,226	5,051	8,602	18,879
Additions	-	-	-	-	-	8,263	8,263
Balance at November 30, 2020	-	-	-	5,226	5,051	16,865	27,142
Additions	38,151	-	-	4,391	-	-	42,542
Balance at May 31, 2021	38,151	-	-	9,617	5,051	16,865	69,684
Additions	-	25,232	347,497	37,340	928	-	410,997
Balance at May 31, 2022	**38,151**	**25,232**	**347,497**	**46,957**	**5,979**	**16,865**	**480,681**
Accumulated depreciation:							
Balance at November 30, 2019	-	-	-	5,226	4,465	862	10,553
Charge for year	-	-	-	-	269	430	699
Balance at November 30, 2020	-	-	-	5,226	4,734	1,292	11,252
Charge for period	2,384	-	-	(299)	66	456	2,607
Balance at May 31, 2021	2,384	-	-	4,927	4,800	1,748	13,859
Charge for year	9,538	1,349	-	4,282	387	844	16,400
Balance at May 31, 2022	**11,922**	**1,349**	**-**	**9,209**	**5,187**	**2,592**	**30,259**
Carrying amounts:							
At November 30, 2020	-	-	-	-	317	15,573	15,890
At May 31, 2021	35,767	-	-	4,690	251	15,117	55,825
At May 31, 2022	**26,229**	**23,883**	**347,497**	**37,748**	**792**	**14,273**	**450,422**

As at May 31, 2022, the Company had not identified any impairment indicators.

Expressed in Canadian Dollars

9. RIGHT OF USE ASSETS

The following table summarizes the Company's right of use assets as at May 31, 2022, May 31, 2021, and November 30, 2020:

	Motor Vehicle $	Property Leases $	Total $
Cost:			
Balance at December 1, 2019	72,411	57,592	130,003
Additions	-	-	-
Balance at November 30, 2020	72,411	57,592	130,003
Additions	-	-	-
Removed on expiry of lease	(72,411)	-	(72,411)
Balance at May 31, 2021	-	57,592	57,592
Additions	-	192,648	192,648
Removed on expiry of lease	-	(57,592)	(57,592)
Balance at May 31, 2022	**-**	**192,648**	**192,648**
Accumulated depreciation:			
Balance at December 1, 2019	25,116	13,782	38,898
Charge for year	9,051	19,197	28,248
Balance at November 30, 2020	34,167	32,979	67,146
Charge for period	2,263	9,599	11,862
Removed on expiry of lease	(36,430)	-	(36,430)
Balance at May 31, 2021	-	42,578	42,578
Charge for year	-	27,919	27,919
Removed on expiry of lease	-	(62,047)	(62,047)
Balance at May 31, 2022	**-**	**8,450**	**8,450**
Carrying amounts:			
At November 30, 2020	38,244	24,613	62,857
At May 31, 2021	-	15,014	15,014
At May 31, 2022	**-**	**184,198**	**184,198**

The property leases are for Aduro's research offices located at the Western Sarnia-Lambton Research Park in Sarnia, Ontario and Unit 542 Newbold Street, London, Ontario. Aduro's research equipment is located at the premises.

Expressed in Canadian Dollars

10. INTANGIBLE ASSETS

The following table summarizes the Company's intangible assets as at May 31, 2022, May 31, 2021, and November 30, 2020:

	Investor Relations Videos $	Patent $	Total $
Cost:			
Balance at November 30, 2020, May 31, 2021 and May 31, 2022	**45,255**	**76,858**	**122,113**
Accumulated amortization:			
Balance at November 30, 2019	20,050	38,430	58,480
Amortization	9,052	19,215	28,267
Balance at November 30, 2020	29,102	57,645	86,747
Amortization	4,526	9,608	14,134
Balance at May 31, 2021	**33,628**	**67,253**	**100,881**
Amortization	6,709	9,605	16,314
Balance at May 31, 2022	**40,337**	**76,858**	**117,195**
Carrying amounts:			
At November 30, 2020	16,153	19,213	35,366
At May 31, 2021	11,627	9,605	21,232
At May 31, 2022	**4,918**	**-**	**4,918**

At May 31, 2022, 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, Aduro entered into a commercialization services agreement (the "CSA") with Bioindustrial Innovation Canada ("BIC") whereby Aduro 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 Aduro's patented HPU technology. On March 15, 2022, the agreement was amended, and the term of the CSA was changed to January 31, 2023, from March 31, 2022. The total project cost is $1,826,888 (being $445,720 in cash and $1,381,168 in-kind) and Aduro's contribution is $1,396,888 (being $195,720 in cash and $1,201,168 in-kind). Aduro paid the required 100% of its contribution to BIC prior to the start of service. 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 which will not be received directly but can only be used to make payments instigated by BIC for expenses incurred by Aduro. The commercialization rebate accrued to date is $71,914, all of which has been used for payments made by BIC. For the purposes of the financial statements, the commercialization rebate accrued and the expenses related to the payments made by the BIC have been offset as this treatment reflects the settlement arrangement under the CSA and that the expenses might not have been incurred unless the commercialization rebate was available. 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*.

Expressed in Canadian Dollars

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

As at May 31, 2022, the Company had incurred $556,927 (May 31, 2021: $466,010) in patent development costs.

11. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	May 31, 2022 $	May 31, 2021 $	November 30, 2020 $
Accounts payable	**515,725**	405,243	253,862
Accrued liabilities	**49,379**	41,646	193,031
Advances payable	**20,000**	20,000	60,675
Due to related parties (Note 16) (1)	**-**	62,246	36,222
	585,104	529,135	543,790
Less: Current portion	**585,104**	529,135	391,481
Non-current portion	**-**	-	152,309

(1) 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 24.

12. 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.

Expressed in Canadian Dollars

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 came from the retained NSERC's funding participation in the Project. As at May 31, 2022, the Company's commitment under this payment schedule was nil.

The Company's exposure to liquidity risk related to project contributions payable is disclosed in Note 24.

13. DEBT

	May 31, 2022 $	May 31, 2021 $	November 30, 2020 $
Working capital loan – BDC	**38,849**	58,829	64,935
Accrued interest - working capital loan – BDC	**213**	397	3,563
Canada Emergency Business Account ("CEBA")	**-**	40,000	40,000
ACT promissory notes and working capital advances	**-**	-	130,000
Accrued interest - ACT promissory notes	**-**	-	1,842
Convertible notes	**-**	388,724	393,898
Accrued interest – convertible notes	**-**	138,984	121,418
Term loan	**19,233**	29,378	-
Total debt	**58,295**	656,312	755,656
Less current portion:			
Working capital loan – BDC	**19,980**	19,980	34,965
Accrued interest - working capital loan – BDC	**213**	397	3,563
ACT promissory notes and working capital advances	**-**	-	130,000
Accrued interest - ACT promissory notes	**-**	-	1,842
Term loan	**10,742**	10,119	-
Total current portion	**30,935**	30,496	170,370
Total non-current portion	**27,360**	625,816	585,286

<u>Working capital loan – BDC</u>

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. As at May 31, 2022, the working capital loan will be repaid by 23 monthly principal payments of $1,665 with a final payment of $554 on May 8, 2024. As at the date of the financial statements, the BDC's floating base rate was 5.30% (2021 - 4.55%) and the all-in interest rate (floating base rate and variance) was 8.70% (2021 - 7.99%).

CEBA

On April 20, 2020, the Company received, through TD Bank Canada Trust, a $40,000 loan ("Loan"). 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% per annum 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. Up to the date that the Loan was fully redeemed, there was an interest expense of $1,411 recognized but not payable due to the redemption. Included for the year ended March 31, 2022, under (Loss) gain on settlement of debt in the Consolidated Statements of Loss and Comprehensive Loss is the gain of $11,411 resulting from the redemption of the Loan.

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.

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 being converted into common shares. The convertible notes holders received 1,032,207 common shares with a fair value of $815,443 in settlement of the $558,719 outstanding balance on the notes as of January 18, 2022 resulting in a non-cash loss on the redemption of the convertible notes of $256,724 recognized during the year ended May 31, 2022, and included under (Loss) gain on settlement of debt in the Consolidated Statements of Loss and Comprehensive Loss.

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 liquidity risk related to debt is disclosed in Note 24.

Expressed in Canadian Dollars

Scheduled principal and accrued interest payments

As at May 31, 2022, the scheduled principal and accrued interest until maturity were as follows:

	Working Capital Loan – BDC $	Term loan $	Total $
2023	20,193	10,742	30,935
2024	18,869	8,491	27,360

Debt continuity

The net change in debt during the year ended May 31, 2022, the six-month period ended May 31, 2021, and the year ended November 30, 2020, was as follows:

	May 31, 2022 $	May 31, 2021 $	November 30, 2020 $
Starting balance	**656,312**	755,656	520,275
Cash flows:			
Proceeds received – new convertible notes	**-**	-	30,000
Proceeds received – CEBA	**-**	-	40,000
Proceeds received – Advance made to legal subsidiary prior to RTO	**-**	-	130,000
Principal debt repayments – working capital loan - BDC	**(19,980)**	(6,106)	(4,995)
Principal repayment – CEBA	**(30,000)**	-	-
Principal repayment – term loan	**(10,145)**	(2,376)	-
Non-cash changes:			
Advance – term loan	**-**	31,754	-
Convertible notes extinguished with common shares (Note 15)	**(558,719)**	-	-
Gain on settlement of CEBA loan	**(10,000)**	-	-
Advance and accrued interest made to legal subsidiary prior to RTO eliminated on consolidation	**-**	(131,842)	-
Accrued interest – convertible notes	**26,949**	19,797	36,941
Accrued interest – working capital loan - BDC	**(184)**	(3,166)	3,563
Accrued interest – Advance made to legal subsidiary prior to RTO	**-**	-	1,842
Changes in foreign exchange rate	**4,062**	(7,405)	(1,970)
Ending balance	**58,295**	656,312	755,656

Expressed in Canadian Dollars

<u>(Loss) gain on settlement of debt</u>

The (loss) gain on settlement of debt recognized in the Consolidated Statements of Loss and Comprehensive Loss was as follows:

	Year ended May 31, 2021 $	**Six-month period ended May 31, 2021 $**	**Year ended November 30, 2020 $**
Loss on convertible notes redeemed with common shares	**(256,724)**	**-**	-
Gain on CEBA loan redemption	**11,411**	**-**	-
Gain from amending outstanding balance under consulting and advisory services agreement	**-**	**-**	7,500
	(245,313)	**-**	7,500

14. LEASE LIABILITY

The Company's lease liability as at May 31, 2022, May 31, 2021, and November 30, 2020 was as follows:

	May 31, 2022 $	**May 31, 2021 $**	**November 30, 2020 $**
Gross lease obligations	**219,719**	12,950	45,534
Deferred finance charges	**(36,370)**	(340)	(1,681)
Total lease liability	**183,349**	12,610	43,853
Purchase price option	**-**	-	36,350
	183,349	12,610	80,203
Less: Current portion	**46,126**	12,610	76,542
Non-current portion	**137,223**	-	3,661

Interest on lease liabilities included in finance costs (Note 19)	**2,707**	1,341	4,664
Incremental borrowing rate at Initial Application date	**8.45%**	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	**29,071**	32,584	18,302

The Company's exposure to liquidity risk related to lease liability is disclosed in Note 24.

15. SHARE CAPITAL

<u>Common and Preferred Shares:</u>

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, 2022, the issued and outstanding share capital of the Company consisted of

52,303,039 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**").

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.

On April 8, 2022, the Company issued 2,226,036 units (the "**April 2022 Unit**") at a price of $0.70 per April 2022 Unit for aggregate gross proceeds of $1,558,225. On April 27, 2022, the Company issued 1,134,916 April 2022 Units for aggregate gross proceeds of $794,441. Including both tranches, the cumulative April 2022 Units issued were 3,360,952 for gross proceeds was $2,352,666. Each April 2022 Unit was comprised of one common share of the Company and one Common Share purchase warrant (each, a "**April 2022 Share Warrant**"). Each April 2022 Share Warrant entitles the holder to acquire one additional common share at a price of $1.00 per common share, for a period of two years from the closing date. If during the exercise period of the April 2022 Share Warrant, but after the resale restrictions on the securities have expired, the Company's common shares trade at or above a weighted average trading price of $1.25 per common share for ten (10) consecutive trading days, the Company may accelerate the expiry time of the April 2022 Share Warrant by giving written notice to warrant holders by dissemination of a news release that the April 2022 Share Warrant will expire 30 days from the date of providing such notice. The Company paid $152,836 in finder's fees and issued 153,620 finder's warrants (the "**April 2022 Finder Warrants**") to certain finders in connection with the Offering. Each April 2022 Finder Warrant is exercisable into one Share at a price of $1.00 per Common Share for a period of two years after the April 2022 Closing.

On the achievement of the FM on January 18, 2022, 13,333,328 common shares were issued for no additional consideration. The TVs received 12,301,121 common shares while the convertible notes holders received 1,032,207 common shares with a fair value of $815,443 in settlement of the $558,719 outstanding balance on the notes (See Note 13).

During the year ended May 31, 2022, 1,700,401 February 2021 Share Warrants were exercised resulting in the issue of 1,700,401 common shares and proceeds of $850,201.

Expressed in Canadian Dollars

As at May 31, 2022, 13,180,258 (May 31, 2021: 11,703,381) 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 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 $558,719 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 and were outstanding as at May 31, 2022.

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. On February 7, 2022, 300,000 options were granted to an investor relations consultant at an exercise price of $0.75 for a term of two years. On February 22, 2022, the Company granted 1,325,000 options to directors, officers, employees and an adviser at an exercise price of $0.72 for a term of ten years. A continuity schedule of the incentive stock options is as follows:

	May 31, 2022		**May 31, 2021**		**November 30, 2020**	
	Number of Options	Weighted Average Exercise Price	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	133,332	$ 0.15
Granted	1,675,000	0.7278	3,749,999	0.6559	-	
Exercised	-	-	(66,666)	(0.15)	-	
Forfeited	-	-	(66,666)	(0.15)	-	
Outstanding, end of period/year	**5,424,999**	**$ 0.6781**	**3,749,999**	**$ 0.6559**	133,332	$ 0.15
Exercisable, end of period/year	**3,761,857**	**$ 0.6649**	**723,576**	**$ 0.6804**	133,332	$ 0.15
Weighted average life (years)	**8.35**		**9.5**		**2.77**	

The fair value of the stock options granted and vested during the periods ended May 31, 2022, May 31, 2021, and November 30, 2020, were estimated using the Black-Scholes option pricing model based on the following assumption ranges:

Risk-free interest rate	from 0.33% to 1.94%
Expected life	from 2 to 10 years
Expected volatility	from 100% to 146.41%
Dividend rate	Nil

Expressed in Canadian Dollars

For the year ended May 31, 2022, an expense of $1,789,547 (year ended May 31, 2021: $986,606) was recognized for services provided based on vesting conditions of stock options (Note 22). The amount recognized reflected the vesting duration of the options.

Share Purchase Warrants:

As at May 31, 2022, the following table details the share purchase warrants issued by the Company:

Description	Issue Date	Issued	Outstanding at May 31, 2022	Fair value at May 31, 2022	Exercise price	Term (years)
2020 Finder Warrants	September 2, 2020	18,000	-	$ -	$ 0.21	2
February 2021 Share Warrants	February 4, 2021	5,632,715	3,932,314	$ 390,480	$ 0.50	4
February 2021 Finder Warrants	February 4, 2021	75,945	75,945	$ 6,356	$ 0.30	2
April 2021 Share Warrants	April 23, 2021	2,813,357	2,813,357	$ 289,494	$ 0.50	4
May 2021 Share Warrants	May 14, 2021	1,908,433	1,908,433	$ 926,827	$ 0.80	2
May 2021 Finder Warrants	May 14, 2021	126,681	126,681	$ 66,976	$ 0.80	2
April 2022 Share Warrant	April 8, 2022	2,226,036	2,226,036	$ 645,582	$ 1.00	2
April 2022 Finder Warrants	April 8, 2022	114,720	114,720	$ 36,710	$ 1.00	2
April 2022 Share Warrant	April 27, 2022	1,134,916	1,134,916	$ 295,074	$ 1.00	2
April 2022 Finder Warrants	April 27, 2022	38,900	38,900	$ 10,946	$ 1.00	2
		14,089,703	**12,371,302**	**$ 2,668,445**		
Weighted average exercise price and remaining term (in years)					**$ 0.69**	**2.2**

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).

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

	Total
Outstanding and exercisable, November 30, 2020	**18,000**
Issued	10,557,131
Cancelled/Expired/Exercised	(18,000)
Outstanding and exercisable, May 31, 2021	**10,557,131**
Issued	3,514,572
Cancelled/Expired/Exercised	(1,700,401)
Outstanding and exercisable, May 31, 2022	**12,371,302**
Carrying amount, May 31, 2021	$ 1,848,983
Carrying amount, May 31, 2022	**$ 2,668,445**

The carrying amounts of the February 2021 Finder Warrants, May 2021 Finder Warrants and April 2022 Finder Warrants are recognized as part of contributed surplus while the carrying amount of the other share purchase warrants are included in warrant reserve.

Expressed in Canadian Dollars

Between June 1, 2021, and May 31, 2022, 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 fair value of the warrants issued during the periods ended May 31, 2022, May 31, 2021, and November 30, 2020, were estimated using the Black-Scholes option pricing model based on the following assumption ranges:

Risk-free interest rate	from 0.19% to 2.47%
Expected life	from 2 to 4 years
Expected volatility	from 96.93% to 148.58%
Dividend rate	Nil

As at May 31, 2022, 1,445,137 (May 31, 2021: 2,167,706) April 2021 Share Warrants were being held in escrow.

16. 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 year ended May 31, 2022, the six months ended May 31, 2021 and year ended November 30, 2020, compensation of key management personnel was as follows:

	Year ended May 31, 2022 $	**Six months ended May 31, 2021 $**	**Year ended November 30, 2020 $**
Salary and related costs	**156,420**	31,530	47,225
Professional fees	**427,853**	8,000	-
Share-based compensation expense (Note 22)	**809,886**	452,261	-
	1,394,159	491,791	47,225

As at May 31, 2022, May 31, 2021 and November 30, 2021, the outstanding balances for related parties was comprised of the following:

	May 31, 2022 $	**May 31, 2021 $**	**November 30, 2020 $**
Due to key management personnel	**44,579**	**62,246**	36,222
Due from key management personnel	**62,057**	**-**	-

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

On January 18, 2022, there was a CN with a US$4,200 (May 31, 2021: US$4,200) and interest payable of US$4,896 (May 31, 2021: US$4,549) outstanding to one of the key management personnel that was extinguished following the achievement of the FM by the Company issuing 21,054 common shares with a fair value of $16,633. Accrued interest recognized as an expense on this CN for the year ended May 31, 2022 was $435 (six months ended May 31, 2021: $332).

Expressed in Canadian Dollars

17. 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 $53,500 was reduced to $46,000 and interest was accrued at 6% per annum. Commencing September 1, 2020, monthly payments of $3,500 was made until January 1, 2021 and the remaining balance was repaid in monthly payments. As at May 31 2022, (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 May 31, 2022, 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 whereby starting in January 2022 the fee will be based on work carried out rather than a monthly fee.

Investor Cubed Inc.

On February 8, 2022, the Company engaged Investor Cubed Inc. ("Investor Cubed") to provide financial consulting and investor relations services in Canada. The consulting agreement (the "Agreement") provides for a fee of $7,500 per month and the granting of 300,000 options on February 7, 2022, vesting quarterly, in equal installments. The Agreement will continue monthly for twelve months. Thereafter either party may terminate the Agreement, by providing 30 days written notice on or before each three-month period end.

18. REVENUE

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

	Year ended May 31, 2022 $	Six-month period ended May 31, 2021 $	Year ended November 30, 2020 $
Cleantech	-	37,883	-
Rental management	-	-	42,468
	-	37,883	42,468

On June 10, 2019, the Company entered into a lab services agreement (the "LSA") with a publicly traded Confidential Energy Company ("CEC") whereby CEC 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 CEC. 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 CEC upon completion of the following milestones:

- 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);

Expressed in Canadian Dollars

- 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, 2022, CEC had paid for Milestones 1 and 2 and Aduro has completed both milestones and the related revenue has been recognized. Revenue is recognized on the completion of the milestone and collection is probable.

19. FINANCE COSTS

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

	Year ended May 31, 2022 $	Six months ended May 31, 2021 $	Year ended November 30, 2020 $
Bank charges and interest	**3,764**	2,098	4,724
Lease finance charges (Note 14)	**2,707**	1,341	4,664
Interest on debt:			
Working capital loan – BDC (Note 13)	**3,801**	738	8,231
Convertible notes (Note 13)	**26,949**	19,796	36,941
CEBA (Note 13)	**264**	518	628
Term loan	**1,447**	521	-
ACT promissory notes and working capital advances (1)	**-**	8,508	1,842
Other finance costs	**-**	-	637
Total finance costs	**38,932**	33,520	57,667

(1) The Company charged interest on advances made to Aduro prior to the closing of the Transaction and the $8,508 and $1,842 was in respect of the interest charged and expensed prior to the closing of the Transaction on April 23, 2021.

20. 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, 2022 $	Six months ended May 31, 2021 $	Year ended November 30, 2020 $
Automobile	**19,857**	3,834	16,895
Bank charges	**7,863**	1,232	-
Investor relations and communication costs	**709,990**	-	-
Conferences	**57,305**	-	-
Office and general	**83,026**	5,996	9,857
Professional fees	**618,965**	192,037	167,885
Salary and related costs	**102,210**	10,939	15,781
Transfer agent and filing costs	**147,725**	5,170	-
Travel	**116,254**	2,687	4,075
Advertising and promotion	**-**	6,553	8,049
Other	**21,476**	3,256	-
Total general and administrative	**1,884,671**	231,704	222,542

Expressed in Canadian Dollars

21. 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, 2022 $	Six-month period ended May 31, 2021 $	Year ended November 30, 2020 $
Project related expenses	**506,690**	-	-
Payments to BIC (Note 10)	**-**	30,050	-
Payments to UWO (Note 12)	**49,526**	-	-
Professional fees – patent development costs (Note 16)	**90,917**	55,249	76,165
Subcontractor costs		-	4,350
Salary costs allocated (Note 16)	**389,279**	106,412	51,857
Consultant fees paid by share based payment (Note 22)	**1,384**	8,305	6,921
Purchase Price Payable settlement	**-**	-	2,265
Investment tax credits received	**-**	-	(25,051)
Total research and development	**1,037,796**	200,016	116,507

22. 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, 2022 $	Six-month period ended May 31, 2021 $	Year ended November 30, 2020 $
Consultant fees for research and development (Note 21)	**1,384**	8,305	6,921
Expense recognized for services provided based on vesting conditions of stock options (Note 15)	**1,789,547**	986,606	-
Total share-based payment expense	**1,790,931**	994,911	6,921

23. 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, 2022 $	Six-month period ended May 31, 2021 $	Year ended November 30, 2020 $
Loss before income taxes	**(5,080,551)**	(2,877,072)	(428,385)
Statutory rate	**27.00%**	27.00%	27.00%
Expected income tax recovery	**(1,371,749)**	(776,809)	(115,664)
Deductible and non-deductible items	**523,174**	658,955	22,530
Unrecognized benefit of non-capital losses	**848,575**	117,854	93,134
Total income taxes	**-**	**-**	-

Expressed in Canadian Dollars

As at May 31, 2022, May 31, 2021 and November 30, 2020, the nature of the Company's temporary differences was as follows:

	May 31, 2022 $	May 31, 2021 $	November 30, 2020 $
Tax loss carry forwards	**5,850,000**	2,801,000	1,173,000
Property and equipment and intangible assets	**7,000**	(26,000)	(100,000)
Other temporary differences	**(11,000)**	(11,000)	(11,000)
Finance costs and financing allowance	**200,000**	106,000	19,000
Valuation allowance	**(6,046,000)**	(2,870,000)	(1,081,000)
Total deductible temporary differences not recognized	-	-	-

As at May 31, 2022, the Company has accumulated non-capital losses for the Canadian income tax purposes totalling approximately $5,850,195 (May 31, 2021 – $2,801,351). The losses expire in the following periods:

	Year of Origin	Year of Expiry	Amount $
	2012	2032	30,713
	2013	2033	127,913
	2014	2034	46,501
	2015	2035	75,044
	2016	2036	103,332
	2017	2037	177,009
	2018	2038	347,092
	2019	2039	457,633
	2020	2040	533,468
	2021	2041	902,646
	2022	2042	3,048,844
Total tax loss carry forwards			5,850,195

24. 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 year ended May 31, 2022, six month period ended May 31, 2021, and year ended November 30, 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 has assessed the risk and decided not to hedge the risk.

Expressed in Canadian Dollars

(US$)	May 31, 2022 $	May 31, 2021 $	November 30, 2020 $
Cash and cash equivalents	**245**	(2,949)	-
Trade payables	**82,976**	87,226	90,201
Due to related parties	**-**	1,500	1,500
Convertible notes	**-**	60,797	60,797
Accrued interest – convertible notes	**-**	36,429	33,555
Net US dollar exposure	**83,221**	183,003	186,053

As at May 31, 2022, with other variables unchanged, a $0.10 change in the Canadian dollar against the US dollar would result in a $8,322 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 May 31, 2022 was $2,110,785 (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. The Company did not record any impairment for the periods ended May 31, 2022, and May 31, 2021.

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, 2022, May 31, 2021 and November 30, 2020:

		Due prior to			
	Amount $	2023 $	2024 $	2025 $	2026+ $
Trade payables and other current liabilities	619,001	619,001	-	-	-
Debt (Note 13)	58,295	30,935	27,360	-	-
Lease liability	183,349	46,126	41,490	27,851	67,882
Total expected maturities	860,645	696,062	68,850	27,851	67,882

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

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.

25. OPERATING SEGMENTS

Reportable Segments

The business is focusing on developing and scaling environmentally responsible technologies for converting end-of-life plastics and rubber tires 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

For all reporting periods, 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 six months period ended May 31, 2021, the revenues recognized were $37,883. The revenue of $37,883 was earned from an industry partner relating to a laboratory services agreement and nil (year ended November 30, 2020 - $42,648) for a short-term rental management services arrangement. The revenues provided cash flow for the Company's research and development activities.

For the period ended May 31, 2022, no revenue was recognised. For the period ended May 31, 2021, the Company's total revenue was from one (year ended November 30, 2020 – two) customer who was located in Canada.

26. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash working capital balances consists of the following:

	Year ended May 31, 2022 $	**Six-month period ended May 31, 2021 $**	**Year ended November 30, 2020 $**
Trade and other receivables	**(81,528)**	(38,210)	(7,463)
Prepaid expenses	**(312,644)**	-	-
Other current assets	**-**	-	11,519
Trade payables and other current liabilities	**57,380**	(160,156)	184,924
Contract liabilities	**-**	(37,883)	-
Project contributions payable	**(12,138)**	(75,612)	(44,000)
Net change in non-cash working capital balances	**(348,930)**	(311,861)	144,980

27. SUBSEQUENT EVENTS

Stock Options

On June 20, 2022, the Company granted 550,000 stock options (the "Options") to purchase up to 550,000 common shares (the "Shares") in the capital of the Company to an officer of the Company and a consultant in accordance with the Company's Stock Option Plan. Of the 550,000 Options, 400,000 Options were granted to the officer of the Company and are exercisable for a period of 10 years and 150,000 Options were granted to the consultant and are exercisable for a period of 2 years, unless terminated pursuant to the terms of the stock option plan. The Options are exercisable at $0.70 per Share. The Options granted to the officer vest monthly over 24 months. The Options granted to the consultant vest monthly over 12 months.

Advisory Agreement

On June 29, 2022, the Company entered into an investor relations agreement with Investment Publishing LLC **("Investment Publishing")** to provide investor relations services. The consulting agreement (the "Agreement") provides for a fee of $8,000 per month. The Agreement will continue on a monthly basis for twelve months and either party may terminate the Agreement by providing 30 days written notice. On June 20, 2022, 150,000 Options were granted to the principal of Investment Publishing in his capacity as a consultant of the Company.

Private Placement

On July 20, 2022, the Company announced the closing of a non-brokered private placement offering of units. The Company issued 2,599,579 units (the "Units") at a price of $0.72 per Unit for aggregate gross proceeds of $1,871,697. Each Unit is comprised of one common share of the Company (each, a "Common Share") and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to acquire one Common Share at a price of $1.00 per share, for a period of two years from the date the Units are issued. If during the exercise period of the Warrants, but after the resale restrictions on the shares have expired, the Company's shares trade at or above a closing price of $1.25 per share for ten (10) consecutive trading days, the Company may accelerate the expiry time of the Warrants by giving written notice to warrant holders by dissemination of a news release that the Warrants will expire 30 days from the date of providing such notice. The proceeds of the Offering will be used for general working capital purposes.

Letter of intent with Prospera Energy

On September 12, 2022, the Company entered into a letter of intent ("LOI") with Prospera Energy Inc. ("Prospera"), with the purpose of collaborating to pilot the HBU process on Prospera wells to assess the commercial application. The pilot will consist of three phases. In consideration for the services to be provided in phase one, Prospera will pay the Company a monthly fee of $25,000, with the total fees for the completion and delivery of phase one capped at $125,000 plus applicable taxes. Phases two and three will be assessed and mutually agreed to separately, subsequent to the completion of phase one.