Aduro Clean Technologies Inc.

Interim Condensed Consolidated Financial Statements

For the three and nine months ended February 28, 2023
(Unaudited)

(Expressed in Canadian Dollars)

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

	February 28, 2023	May 31, 2022
ASSETS		
Current		
Cash and cash equivalents	**$ 1,416,953**	$ 2,110,785
Deposits and Prepaid expenses (Note 4)	**273,805**	312,644
Other receivables (Note 5)	**309,915**	158,408
	2,000,673	2,581,837
Non-current		
Property and equipment (Note 6)	**1,650,536**	450,422
Right of use assets (Note 7)	**138,397**	184,198
Intangible assets (Note 8)	**2,049**	4,918
	1,790,982	639,538
Total Assets	**$ 3,791,655**	$ 3,221,375
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade payables and other current liabilities	**$ 376,248**	$ 585,104
Lease liability – current portion (Note 10)	**43,121**	46,126
Debt - current portion (Note 9)	**31,356**	30,935
	450,725	662,165
Non-current		
Lease liability – non-current portion (Note 10)	**102,148**	137,223
Debt – non-current portion (Note 9)	**3,884**	27,360
	106,032	164,583
Shareholders' equity (Note 11**)**		
Share capital	**10,518,264**	6,529,316
Warrant reserve	**2,518,088**	2,547,457
Contributed surplus	**4,059,643**	2,913,752
Accumulated deficit	**(13,861,097)**	(9,595,898)
	3,234,898	2,394,627
Total Liabilities and Shareholders' Equity	**$ 3,791,655**	$ 3,221,375

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors on May 1, 2023:

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

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

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

	Three months ended February 28, 2023	Three months ended February 28, 2022	Nine months ended February 28, 2023	Nine months ended February 28, 2022
Revenue (Note 14)	$ **58,290**	$ -	$ **58,290**	$ -
Expenses				
Depreciation and amortization	$ **41,645**	$ 14,768	$ **93,086**	$ 42,971
Finance costs (Note 15)	**4,264**	6,919	**13,788**	35,884
Foreign exchange	**17**	(1,274)	**3,166**	14,722
General and administrative (Note 16)	**545,077**	395,609	**1,502,482**	1,357,714
Share-based compensation expense (Note 18)	**877,182**	266,788	**1,477,164**	1,341,475
Research and development (Note 17)	**436,018**	299,053	**1,233,803**	708,189
	1,904,203	981,863	**4,323,489**	3,500,955
Loss before other items	**(1,845,913)**	(981,863)	**(4,265,199)**	(3,500,955)
Other items				
Loss on settlement of Debt (Note 9)	-	(256,724)	-	(245,313)
Loss and comprehensive loss	$ **(1,845,913)**	$ (1,238,587)	$ **(4,265,199)**	$ (3,746,268)
Basic and diluted loss per share	$ **(0.03)**	$ (0.05)	$ **(0.08)**	$ (0.19)
Weighted average number of common shares outstanding	**57,527,446**	24,255,636	**55,565,596**	20,184,006

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

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

	Share Capital					
	Number of Shares	**Amount**	**Warrant Reserve**	**Contributed Surplus**	**Deficit**	**Total**
Balance, May 31, 2021	33,908,358	$ 3,483,304	$ 1,775,651	$ 1,075,164	$ (4,515,347)	$ 1,818,772
Shares issued on exercise of warrants (Note 11)	1,700,401	1,019,051	(168,850)	-	-	850,201
Shares issued on exercise of Class A Special Warrants	13,333,328	815,443	-	-	-	815,443
Share-based compensation expense (Note 18)	-	-	-	1,342,859	-	1,342,859
Net loss for the period	-	-	-	-	(3,746,268)	(3,746,268)
Balance, February 28, 2022	**48,942,087**	**5,317,798**	**1,606,801**	**2,418,023**	**(8,261,615)**	**1,081,007**
Balance, May 31, 2022	**52,303,039**	**6,529,316**	**2,547,457**	**2,913,752**	**(9,595,898)**	**2,394,627**
Shares and warrants issued – July 19, 2022	2,599,579	1,423,490	429,543	-	-	1,853,033
Share Issuance Cost	-	(6,140)	-	-	-	(6,140)
Shares issued on exercise of warrants (Note 11)	2,926,966	2,052,718	(458,912)	(7,393)	-	1,586,413
Shares issued on exercise of options (Note 11)	300,000	383,880	-	(188,880)	-	195,000
Shares issued on RSU vesting (Note 11)	150,000	135,000	-	(135,000)	-	-
Share-based compensation expense (Note 18)	-	-	-	1,477,164	-	1,477,164
Net loss for the period	-	-	-	-	(4,265,199)	(4,265,199)
Balance, February 28, 2023	**58,279,584**	**$ 10,518,264**	**$ 2,518,088**	**$ 4,059,643**	**$ (13,861,097)**	**$ 3,234,898**

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

		Nine months ended February 28, 2023		Nine months ended February 28, 2022
Operating Activities				
Net loss for the period	**$**	**(4,265,199)**	$	(3,746,268)
Items not affecting cash:				
Depreciation and amortization		**93,086**		42,971
Share-based compensation expense (Note 18)		**1,477,164**		1,342,859
Interest expense accrued		**10,540**		27,092
Loss on settlement of debt (Note 9)		**-**		245,313
Unrealized foreign exchange on debt		**-**		4,061
Changes in non-cash working capital (Note 21)		**(319,467)**		(186,696)
Cash used in operating activities		**(3,003,876)**		(2,270,668)
Financing Activities				
Issue of common shares, net of issuing costs		**3,628,306**		850,201
Finance lease repayments		**(46,729)**		(17,406)
Term and working capital loan repayments (Note 9)		**(23,002)**		(52,538)
Cash provided by financing activities		**3,558,575**		780,257
Investing activities				
Property and equipment acquired		**(1,248,531)**		(169,267)
Cash used by investing activities		**(1,248,531)**		(169,267)
Change in cash during the period		**(693,832)**		(1,659,678)
Cash and cash equivalents, start of period		**2,110,785**		2,860,016
Cash and cash equivalents, end of period	**$**	**1,416,953**	**$**	1,200,338

The accompanying notes are an integral part of these 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 4). As part of the closing of the Transaction, the Company changed its name to "Aduro Clean Technologies Inc." from Dimension Five Technologies Inc. and the Company's shares were re-listed under the symbol ACT. On July 20, 2021, the Company's shares commenced trading on the OTCQB in the United States under the symbol "ACTHF" and on July 28, 2021, on the Frankfurt Exchange in Germany under the symbol "9D50".

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

The Company's primary business is the holding company of Aduro. Aduro is an early-stage business focusing on developing environmentally responsible technology for converting end-of-life plastics and tire rubber to specialty chemicals and fuels that replace petroleum, upgrading of heavy crude oils and the transformation of renewable oils into renewable fuels and specialty chemicals. The water base chemical recycling platform features three sector focus technologies, Hydrochemolytic Plastics Upgrading ("HPU"), Hydrochemolytic Renewables Upgrading ("HRU") and Hydrochemolytic Bitumen Upgrading ("HBU"). As at February 28, 2023, the Company has developed and owns eight patents, seven granted and one pending (see Note 8).

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

During the nine months ended February 28, 2023 and year ended May 31, 2022, the Company closed two non-brokered private placements (Note 11) that realized net proceeds of $4,052,863 which will be used for general working capital purposes to advance Aduro's scale-up and path to commercialization. As at February 28, 2023, the Company had a deficit of $13,861,097 since inception and incurred negative operating cash flows. As at February 28, 2023, the Company's working capital balance was $1,549,948 (May 31, 2022: $1,919,672) and available cash of $1,416,953 (May 31, 2022: $2,110,785). In addition, the Company closed in April 2023, a private placement that improves the Company's working capital and available cash position by $3,785,916 (Note 22). Therefore, management concludes that the Company has sufficient funds to fund its operations for the next twelve months. Ultimately the continuing operations of the Company are dependent upon generating profitable operations and obtaining funding, as required, to allow the Company to achieve its business objectives. While the Company's management believes that there are many financing opportunities available, there is no assurance that it will be able to successfully obtain additional financing as needed. These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due and do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the classifications used in the consolidated statements of financial position.

2. BASIS OF PREPARATION

a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared based on the principles of International Financial Reporting Standards (IFRS) and International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended May 31, 2022 and accompanying notes.

These financial statements were authorized for issue by the Board of Directors on May 1, 2023.

b) Basis of consolidation

The financial statements of all entities controlled by the Company are included in the financial statements from the date control commenced. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company's subsidiary has the same reporting date as the Company. Intra-group balances and transactions are eliminated on consolidation.

c) Basis of measurement

The financial statements have been prepared using the historical cost basis except as detailed in the Company's accounting policies in Note 3 to the consolidated financial statement for the year ended May 31, 2022.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

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

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

a) Ability to continue as a going concern

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

b) Property and equipment/intangible assets

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

c) Impairment

An evaluation of whether or not an asset is impaired involves consideration of whether indicators of impairment exist. Factors which could indicate impairment 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.

Expressed in Canadian Dollars

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's activities.

e) COVID-19

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

4. DEPOSITS AND PREPAID EXPENSES

	February 28, 2023 $	May 31, 2022 $
Prepaid Equipment	**140,359**	166,081
Prepaid Marketing and Events	**25,000**	96,239
Prepaid Advertising and Videos	**39,037**	-
Prepaid Consulting Fees	**9,616**	-
Prepaid Insurance	**12,532**	4,670
Prepaid Conferences	**3,346**	7,698
Deposits	**41,245**	36,245
Other	**2,670**	1,711
Total	**273,805**	312,644

5. OTHER RECEIVABLES

	February 28, 2023 $	May 31, 2022 $
HST receivable	**173,552**	96,351
Due from related party	**78,073**	62,057
Services Receivable	**58,290**	-
Total	**309,915**	158,408

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 19.

Expressed in Canadian Dollars

6. PROPERTY AND EQUIPMENT

The following table summarizes the Company's property and equipment as at February 28, 2023, May 31, 2022, and May 31, 2021:

	Motor Vehicle $	Furniture & Fixtures $	Leasehold Improvement $	Laboratory Equipment $	Computer Equipment $	Research Equipment $	Total $
Cost:							
Balance at May 31, 2021	38,151	5,051	-	-	9,617	16,865	69,684
Additions	-	928	25,232	347,497	37,340	-	410,997
Balance at May 31, 2022	38,151	5,979	25,232	347,497	46,957	16,865	480,681
Additions	-	71,499	287,468	875,421	6,099	8,044	1,248,531
Balance at February 28, 2023	**38,151**	**77,478**	**312,700**	**1,222,918**	**53,056**	**24,909**	**1,729,212**
Accumulated depreciation:							
Balance at May 31, 2021	2,384	4,800	-	-	4,927	1,748	13,859
Charge for the year	9,538	387	1,349	-	4,282	844	16,400
Balance at May 31, 2022	11,922	5,187	1,349	-	9,209	2,592	30,259
Charge for the period	7,153	5,070	28,153	-	7,207	834	48,417
Balance at February 28, 2023	**19,075**	**10,257**	**29,502**	**-**	**16,416**	**3,426**	**78,676**
Carrying amounts:							
At May 31, 2021	35,767	251	-	-	4,690	15,117	55,825
At May 31, 2022	26,229	792	23,883	347,497	37,748	14,273	450,422
At February 28, 2023	**19,076**	**67,221**	**283,198**	**1,222,918**	**36,640**	**21,483**	**1,650,536**

As at February 28, 2023, the Company had not identified any impairment indicators.

Expressed in Canadian Dollars

7. RIGHT OF USE ASSETS

The following table summarizes the Company's right of use assets as at February 28, 2023, May 31, 2022, and May 31, 2021:

	Property Leases **$**
Cost:	
Balance at May 31, 2021	57,592
Additions	192,648
Removed on expiry of lease	(57,592)
Balance at May 31, 2022	192,648
Additions	24,208
Removed on expiry of lease	(48,359)
Balance at February 28, 2023	**168,497**
Accumulated depreciation:	
Balance at May 31, 2021	42,578
Charge for year	27,919
Removed on expiry of lease	(62,047)
Balance at May 31, 2022	8,450
Charge for period	41,800
Removed on expiry of lease	(20,150)
Balance at February 28, 2023	**30,100**
Carrying amounts:	
At May 31, 2021	15,014
At May 31, 2022	184,198
At February 28, 2023	**138,397**

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

8. INTANGIBLE ASSETS

The following table summarizes the Company's intangible assets as at February 28, 2023, May 31, 2022, and May 31, 2021:

	Investor Relations Videos $	Patent $	Total $
Cost:			
Balance at May 31, 2021, 2022 and February 28, 2023	**45,255**	**76,858**	**122,113**
Accumulated amortization:			
Balance at May 31, 2021	33,628	67,253	100,881
Charge for year	6,709	9,605	16,314
Balance at May 31, 2022	40,337	76,858	117,195
Charge for period	2,869	-	2,869
Balance at February 28, 2023	**43,206**	**76,858**	**120,064**
Carrying amounts:			
At May 31, 2021	11,627	9,605	21,232
At May 31, 2022	4,918	-	4,918
At February 28, 2023	**2,049**	**-**	**2,049**

At February 28, 2023, the Company had not identified any impairment indicators.

Investor relations videos

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

Patents

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

Development costs

On October 1, 2020, the Company entered into a commercialization services agreement (the "CSA") with Bioindustrial Innovation Canada ("BIC") whereby the Company and certain commercialization service providers will carry out a project titled, "*Development of a Hydrochemolytic Pilot Unit for Upgrading Asphaltene and Waste Plastics*" for the purpose of designing, commissioning and building a revenue generating, pilot-scale start-up unit to process potential customers' feedstock to demonstrate the Company's patented HPU technology. 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. The commercialization rebate accrued to date is $250,000, 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.

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 February 28, 2023, the Company had incurred $652,837 (May 31, 2022: $556,927) in patent development costs.

9. DEBT

As at February 28, 2023 and May 31, 2022, the Company's debt instruments were as follows:

	February 28, 2023 **$**	**May 31, 2022** **$**
Working capital loan – BDC	**23,864**	38,849
Accrued interest - working capital loan – BDC	**160**	213
Term loan	**11,216**	19,233
Total debt	**35,240**	58,295
Less current portion:		
Working capital loan – BDC	**19,980**	19,980
Accrued interest - working capital loan – BDC	**160**	213
Term loan	**11,216**	10,742
Total current portion	**31,356**	30,935
Total non-current portion	**3,884**	27,360

Working capital loan – BDC

On August 21, 2017, the Company entered into a loan agreement (the "LA") with the Business Development Bank of Canada (the "BDC") whereby the Company received a $100,000 working capital loan. The loan bears interest at the BDC's floating base rate (5.05% at inception) plus a variance (3.4% at inception). The original term of the loan is 60 months with the principal balance, interest and all other amounts owing under the loan being due and payable by the maturity date. The loan is secured by a personal guarantee from the president of the Company. The outstanding balance and all accrued interest may be repaid at any time without penalty. On September 8, 2020 and on March 17, 2021, the Company and the BDC amended the agreement (the "Amending Letter") which updated the amending and standstill agreement dated September 8, 2020. The Amending Letter outlined the new repayment amounts and repayment dates together with a new maturity date of May 8, 2024. The working capital loan will be repaid by 32 monthly principal payments of $1,665 with a final payment of $554 on May 8, 2024. As at February 28, 2023, the BDC's floating base rate was 8.80% (May 31, 2022 - 5.30%) and the all-in interest rate (floating base rate and variance) was 12.20% (May 31, 2022 - 8.70%).

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 interest expense of $1,411 recognized but not payable due to the redemption. Included for the year ended May 31, 2022, under Loss 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.

Expressed in Canadian Dollars

Convertible notes

Between February 1, 2013, and August 30, 2015, the Company entered into seven note purchase agreements (the "NPAs") with investors whereby the investors purchased convertible notes (the "CNs") totaling US$60,797 from the Company. The CNs bear interest at 8.5% to 13% per annum and the principal balance and accrued interest are due and payable on or after maturity. Of this amount, US$4,200 was purchased by an officer of the Company (See Note 12).

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 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 foreign exchange and liquidity risk related to debt is disclosed in Note 19.

Scheduled principal and accrued interest payments

As at February 28, 2023, the scheduled principal and accrued interest until maturity were as follows:

	Working Capital Loan – BDC **$**	**Term loan** **$**	**Total** **$**
2023	20,140	11,216	31,356
2024	3,884	-	3,884

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

Expressed in Canadian Dollars

Debt continuity

The net change in debt during the nine months ended February 28, 2023 and the year ended May 31, 2022 was as follows:

	February 28, 2023 **$**	**May 31, 2022** **$**
Starting balance	**58,295**	656,312
Cash flows:		
Principal debt repayments – working capital loan - BDC	**(14,985)**	(19,980)
Principal repayment – CEBA	**-**	(30,000)
Principal repayment – term loan	**(8,017)**	(10,145)
Non-cash changes:		
Convertible notes extinguished with common shares	**-**	(558,719)
Gain on settlement of CEBA loan	**-**	(10,000)
Accrued interest – convertible notes	**-**	26,949
Accrued interest – working capital loan - BDC	**(53)**	(184)
Changes in foreign exchange rate	**-**	4,062
Ending balance	**35,240**	58,295

10. LEASE LIABILITY

The Company's lease liability as at February 28, 2023, and May 31, 2022 was as follows:

	February 28, 2023 **$**	**May 31, 2022** **$**
Gross lease obligations	**170,687**	219,719
Deferred finance charges	**(25,418)**	(36,370)
Total lease liability	**145,269**	183,349
Less: Current portion	**43,121**	46,126
Non-current portion	**102,148**	137,223

Interest on lease liabilities included in finance costs (Note 15)	**10,594**	2,707
Incremental borrowing rate at Initial Application date	**8.45%**	8.45%
Total cash outflow for the lease liability	**46,729**	29,071

The Company's exposure to liquidity risk related to lease liability is disclosed in Note 19.

11. SHARE CAPITAL

Common and Preferred Shares:

Authorized:

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

Issued and outstanding:

As at February 28, 2023, the issued and outstanding common shares of the Company consisted of 58,279,584 common shares and nil preferred shares (May 31, 2022: 52,303,039 common shares and nil preferred shares).

On October 22, 2020, the Company entered into a securities exchange agreement ("SEA") with Aduro's security holders (the "TV"s) and Aduro. 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 9).

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. The warrants are also subject to an acceleration right held by the Company if the shares have a closing price of $1.25 or greater per common share 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 closing date. The Company paid $109,784 in finder's fees, and $43,052 in legal fees recorded as share issuance cost, 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 closing date.

On July 19, 2022, the Company completed a non-brokered private placement pursuant to which it has issued an aggregate of 2,599,579 units (each, a "**July 2022 Unit**"), at a price of $0.72 per July 2022 Unit for gross proceeds of $1,871,697. Each July 2022 Unit is comprised of one common share and one-half of one common share purchase warrant (the "**July 2022 Share Warrant**"). Each July 2022 Share Warrant entitles the holder to acquire one common share at an exercise price of $1.00 per common share for a period of two years from the closing date. The warrants are also subject to an acceleration right held by the Company if the shares have a closing price of $1.25 or greater per common share on the Canadian Securities Exchange (or such other exchange on which the common shares may be traded at such time) for a period of ten (10) consecutive trading days at any time from the date that is four months and one day after the closing date. The Company paid $18,664 in legal fees recorded as share issuance cost.

During the year ended 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 gross proceeds of $850,201.

During the nine month period ended February 28, 2023, 2,402,403 February 2021 Share Warrants were exercised at an exercise price of $0.50, 453,728 May 2021 Share Warrants were exercised at an exercise price of $0.80, 68,875 February 2021 Finder Warrants were exercised at an exercise price of $0.30, 1,960 May 2021 Finder Warrants were exercised at an exercise price of $0.80, 300,000 options were exercised at an exercise price of $0.65, and 150,000 granted Restricted Share Units vested, resulting in the issue of 3,376,966 common shares and gross proceeds of $1,781,413.

As at February 28, 2023, 9,885,194 (May 31, 2022: 13,180,258) 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 February 28, 2023.

Expressed in Canadian Dollars

Stock Options:

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. On June 20, 2022, the Company granted 400,000 stock options to an officer at an exercise price of $0.70 for a term of ten years and 150,000 stock options to a consultant at an exercise price of $0.70 for a term of two years. On December 29, 2022, the Company granted 2,075,000 options to directors, officers, employees and an adviser at an exercise price of $1.00 for a term of five years.

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

	February 28, 2023			May 31, 2022		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding and exercisable, beginning of period/year	5,424,999	$	0.6781	3,749,999	$	0.6559
Granted	2,625,000		0.9371	1,675,000		0.7278
Exercised	(300,000)		0.6500	-		-
Cancelled	(425,000)		0.7371	-		-
Outstanding, end of period/year	**7,324,999**	**$**	**0.7686**	**5,424,999**	**$**	**0.6781**
Exercisable, end of period/year	**4,740,326**	**$**	**0.7009**	**3,761,857**	**$**	**0.6649**
Weighted average life (years)	**7.06**			**8.35**		

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

Risk-free interest rate	from 0.33% to 3.41%
Expected life	from 2 to 10 years
Expected volatility	from 100% to 211.86%
Dividend rate	Nil

For the three and nine months ended February 28, 2023, an expense of $742,182 and $1,342,164 (2022: $266,788 and $1,341,475) respectively was recognized for services provided based on vesting conditions of stock options. The amount recognized reflected the vesting duration of the options.

Expressed in Canadian Dollars

Share Purchase Warrants:

As at February 28, 2023, the following table details the share purchase warrants issued by the Company:

Description	Issue Date	Issued	Outstanding at February 28, 2023	Fair value at February 28, 2023	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	1,529,911	$ 151,921	$ 0.50	4
February 2021 Finder Warrants	February 4, 2021	75,945	-	$ -	$ 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	1,454,705	$ 706,474	$ 0.80	2
May 2021 Finder Warrants	May 14, 2021	126,681	124,721	$ 65,940	$ 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
July 2022 Share Warrant	July 19, 2022	1,299,788	1,299,788	$ 429,542	$ 1.00	2
		15,389,491	**10,737,054**	**$ 2,631,683**		
Weighted average exercise price and remaining term (in years)					**$ 0.7683**	**1.40**

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

	Total
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**
Issued	1,299,788
Cancelled/Expired/Exercised	(2,934,036)
Outstanding and exercisable, February 28, 2023	**10,737,054**
Carrying amount, May 31, 2022	$ 2,668,445
Carrying amount, February 28, 2023	**$ 2,631,683**

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.

During the year ended 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.

Expressed in Canadian Dollars

During the nine month period ended February 28, 2023, 2,402,403 February 2021 Share Warrants were exercised at an exercise price of $0.50, 453,728 May 2021 Share Warrants were exercised at an exercise price of $0.80, 68,875 February 2021 Finder Warrants were exercised at an exercise price of $0.30, 1,960 May 2021 Finder Warrants were exercised at an exercise price of $0.80, and 7,070 February 2021 Finder Warrants expired unexercised, resulting in the issue of 2,926,966 common shares and $466,305 reduction in the carrying value of share purchase warrants.

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

Risk-free interest rate	from 0.19% to 3.30%
Expected life	from 2 to 4 years
Expected volatility	from 84.92% to 148.58%
Dividend rate	Nil

As at February 28, 2023, 1,083,853 (May 31, 2022: 1,445,137) April 2021 Share Warrants were being held in escrow.

12. RELATED PARTY TRANSACTIONS

<u>Compensation of key management personnel</u>

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

During the three and nine months ended February 28, 2023, and 2022, compensation of key management personnel was as follows:

	Three months ended February 28, 2023 $	**Three months ended February 28, 2022 $**	**Nine months ended February 28, 2023 $**	**Nine months ended February 28, 2022 $**
Salary and related costs	**114,974**	39,545	**328,617**	86,918
Professional fees	**123,410**	66,333	**368,534**	205,985
Share-based compensation expense (Note 18)	**394,434**	75,981	**685,771**	591,397
	632,818	181,859	**1,382,922**	884,300

As at February 28, 2023 and May 31, 2022, the outstanding balances for related parties was comprised of the following:

	February 28, 2023 $	**May 31, 2022 $**
Due to key management personnel	**44,448**	44,579
Due from key management personnel	**78,073**	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 principal balance of US$4,200 and interest payable of US$4,896 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.

Expressed in Canadian Dollars

13. CONTRACTUAL OBLIGATIONS

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 "IC 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 IC Agreement will continue monthly for twelve months. Thereafter either party may terminate the IC Agreement, by providing 30 days written notice on or before each three-month period end. The agreement was amended on September 1, 2022, whereby the term of the agreement was amended to nine months ending on May 31, 2023. Starting in October 2022, no monthly fees will be charged. 75,000 options granted on February 7, 2022 and originally vesting on February 7 2023 were cancelled.

Investing Publishing LLC

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 "IP Agreement") provides for a fee of $8,000 per month. The IP Agreement will continue on a monthly basis for twelve months and either party may terminate the IP 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.

14. REVENUE

The Company entered into a collaboration agreement with a confidential publicly traded organisation for execution of a proof of concept and evaluation of the Company's HPU technology. Revenue in the amount of $58,290, recognized in the Statements of Loss and Comprehensive Loss, resulted from services completed during the three month period ending February 28, 2023 pursuant to the collaboration agreement.

15. FINANCE COSTS

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

	Three months ended February 28, 2023 $	**Three months ended February 28, 2022 $**	**Nine months ended February 28, 2023 $**	**Nine months ended February 28, 2022 $**
Lease finance charges	**3,311**	32	**10,594**	745
Interest on debt:				
Working capital loan – BDC	**769**	901	**2,501**	2,939
Convertible notes	**-**	5,647	**-**	26,949
CEBA	**-**	-	**-**	264
Term loan	**184**	339	**676**	1,140
Other finance costs	**-**	-	**17**	3,847
Total Finance Costs	**4,264**	6,919	**13,788**	35,884

Expressed in Canadian Dollars

16. GENERAL AND ADMINISTRATIVE

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

	Three months ended February 28, 2023 $	**Three months ended February 28, 2022 $**	**Nine months ended February 28, 2023 $**	**Nine months ended February 28, 2022 $**
Investor relations and communication costs	**82,019**	157,431	**263,043**	625,896
Conferences	**22,700**	3,000	**48,798**	16,705
Automobile	**1,103**	1,923	**3,562**	13,170
Bank charges	**2,019**	1,640	**5,266**	5,652
Office and general	**61,191**	18,588	**126,566**	52,492
Professional fees	**151,570**	135,141	**381,048**	415,524
Salary and related costs	**153,785**	26,361	**423,618**	55,115
Transfer agent and filing costs	**27,872**	25,040	**72,849**	100,603
Travel	**32,096**	20,270	**152,439**	57,227
Other	**10,722**	6,215	**25,293**	15,330
Total General and Administrative	**545,077**	395,609	**1,502,482**	1,357,714

17. RESEARCH AND DEVELOPMENT

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

	Three months ended February 28, 2023 $	**Three months ended February 28, 2022 $**	**Nine months ended February 28, 2023 $**	**Nine months ended February 28, 2022 $**
Project related expenses	**195,940**	169,403	**560,659**	323,011
Salary costs allocated	**202,354**	102,255	**544,734**	258,664
Payments to research partner	**7,500**	-	**32,500**	49,526
Professional fees – patent development costs	**30,224**	27,395	**95,910**	75,604
Consultant fees paid by share based payment (Note 18)	**-**	-	**-**	1,384
Total research and development	**436,018**	299,053	**1,233,803**	708,189

Expressed in Canadian Dollars

18. SHARE-BASED COMPENSATION EXPENSE

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

	Three months ended February 28, 2023 $	**Three months ended February 28, 2022 $**	**Nine months ended February 28, 2023 $**	**Nine months ended February 28, 2022 $**
Expense recognized for services provided based on vesting conditions of stock options (Note 11)	**742,182**	266,788	**1,342,164**	1,341,475
Expense recognized for services provided based on vesting conditions of restricted share units (Note 11)	**135,000**	-	**135,000**	-
Consultant fees for research and development (Note 17)	**-**	-	**-**	1,384
Total share-based compensation expense	**877,182**	266,788	**1,477,164**	1,342,859

19. 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 nine months ended February 28, 2023 and 2022. 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. 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.

(US$)	**February 28, 2023 $**	**May 31, 2022 $**
Cash and cash equivalents	**200**	245
Trade payables	**14,199**	82,976
Net US dollar exposure	**14,399**	83,221

As at February 28, 2023, with other variables unchanged, a $0.10 change in the Canadian dollar against the US dollar would result in a $1,440 pre-tax loss (May 31, 2022: $8,322) from the Company's financial instruments.

Credit risk

Credit risk arises from cash and cash equivalents held with a bank as well as credit exposure to customers in the form of outstanding trade and other receivables but excluding balances receivable from government entities. The maximum exposure to credit risk is equal to the carrying value of the Company's cash which reflects management's assessment of the credit risk which at February 28, 2023 was $1,416,953 (May 31, 2022: $2,110,785).

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 nine months ended February 28, 2023 and the year ended May 31, 2022.

Expressed in Canadian Dollars

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 February 28, 2023 and May 31, 2022:

			Due prior to		
	Amount	**2023**	**2024**	**2025**	**2026+**
	$	**$**	**$**	**$**	**$**
Trade payables and other current liabilities	376,248	376,248	-	-	-
Debt (Note 9)	35,240	31,356	3,884	-	-
Lease liability (Note 10)	145,269	43,121	26,936	30,953	44,259
Total expected maturities	556,757	450,725	30,820	30,953	44,259

			Due prior to		
	Amount	**2023**	**2024**	**2025**	**2026+**
	$	**$**	**$**	**$**	**$**
Trade payables and other current liabilities	585,104	585,104	-	-	-
Debt (Note 9)	58,295	30,935	27,360	-	-
Lease liability (Note 10)	183,349	46,126	41,490	27,851	67,882
Total expected maturities	826,748	662,165	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.

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.

20. OPERATING SEGMENTS

Reportable Segments

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

Expressed in Canadian Dollars

Entity Wide Disclosures

As at, and for the period and year ended February 28, 2023 and May 31, 2022, 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.

The revenues of $58,290 for the three and nine months ended February 28, 2023 related to revenue earned following the completion of services pursuant to a collaboration agreement with a confidential publicly traded organisation for execution of a proof of concept and evaluation of the Company's HPU technology (Note 14).

21. SUPPLEMENTAL CASH FLOW INFORMATION

For the nine months ended February 28, 2023 and 2022, the net change in non-cash working capital balances consists of the following:

	February 28, 2023 $	February 28, 2022 $
Trade and other receivables	**(151,507)**	(93,849)
Prepaid expenses	**38,838**	(107,360)
Trade payables and other current liabilities	**(207,262)**	26,651
Project contributions payable	**464**	(12,138)
Net change in non-cash working capital balances	**(319,467)**	(186,696)

22. SUBSEQUENT EVENTS

Private Placement

On April 3, 2023, the Company completed a non-brokered private placement pursuant to which it has issued an aggregate of 4,222,056 units (each, a "April 2023 Unit"), at a price of $0.93 per April 2023 Unit for gross proceeds of $3,926,512. Each April 2023 Unit is comprised of one common share and one-half of one common share purchase warrant (the "April 2023 Share Warrant"). Each April 2023 Share Warrant entitles the holder to acquire one common share at an exercise price of $1.30 per common share for a period of two years from the closing date. The warrants are also subject to an acceleration right held by the Company if the shares have a closing price of $1.60 or greater per common share on the Canadian Securities Exchange (or such other exchange on which the common shares may be traded at such time) for a period of ten (10) consecutive trading days at any time from the date that is four months and one day after the closing date. The Company paid cash finder's fee of $119,615, paid $20,981 in legal fees recorded as share issuance cost, and issued 128,617 finder's warrants (the "April 2023 Finder Warrants") to certain finders in connection with the Offering. Each April 2023 Finder Warrant is exercisable into one share at a price of $1.30 per common share for a period of two years after the closing date.

Exercise of warrants

Subsequent to February 28, 2023, 469,090 share purchase warrants were exercised at an exercise price of $0.80 for total proceeds of $375,272.