



Aduro Clean Technologies Inc.

Interim Condensed Consolidated Financial Statements

For the three months ended August 31, 2023
(Unaudited)

(Expressed in Canadian Dollars)

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

	August 31, 2023	May 31, 2023
ASSETS		
Current		
Cash and cash equivalents	\$ 2,962,675	\$ 4,046,634
Deposits and Prepaid expenses (Note 4)	386,788	392,114
Other receivables (Note 5)	200,634	464,906
	3,550,097	4,903,654
Non-current		
Property and equipment (Note 6)	2,881,247	2,553,702
Right of use assets (Note 7)	105,812	122,104
Intangible assets (Note 8)	683	1,366
	2,987,742	2,677,172
Total Assets	\$ 6,537,839	\$ 7,580,826
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade payables and other current liabilities	\$ 471,387	\$ 455,048
Lease liability – current portion (Note 10)	26,096	34,765
Debt (Note 9)	19,656	27,478
	517,139	517,291
Non-current		
Lease liability – non-current portion (Note 10)	89,042	95,734
	89,042	95,734
Shareholders' equity (Note 11)		
Share capital	15,712,087	15,396,907
Warrant reserve	2,518,918	2,557,918
Contributed surplus	4,730,190	4,472,191
Accumulated deficit	(17,029,537)	(15,459,215)
	5,931,658	6,967,801
Total Liabilities and Shareholders' Equity	\$ 6,537,839	\$ 7,580,826
Nature and continuance of operations (Note 1)		

Approved on behalf of the Board of Directors on October 30, 2023:

“Ofer Vicus” _____, Director

“Peter Kampian” _____, Director

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

	Three months ended August 31, 2023	Three months ended August 31, 2022
Revenue (Note 14)	\$ 58,545	\$ -
Expenses		
Research and development (Note 17)	622,994	360,196
General and administrative (Note 16)	604,410	479,146
Share-based compensation expense (Note 18)	309,179	363,151
Depreciation and amortization (Notes 6, 7, 8)	90,558	23,523
Finance costs (Note 15)	3,251	4,928
Foreign exchange	757	2,918
Interest Income	(2,282)	-
	1,628,867	1,233,862
Loss and comprehensive loss	\$ (1,570,322)	\$ (1,233,862)
Basic and diluted loss per share	\$ (0.025)	\$ (0.02)
Weighted average number of common shares outstanding	63,949,800	53,610,703

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

	<u>Share Capital</u>		Warrant Reserve	Contributed Surplus	Deficit	Total
	Number of Shares	Amount				
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, 2023	2,599,579	1,423,490	429,543	-	-	1,853,033
Shares issued on exercise of warrants (Note 11)	100,400	60,170	(9,970)	-	-	50,200
Share-based compensation expense (Note 18)	-	-	-	363,151	-	363,151
Net loss for the period	-	-	-	-	(1,233,862)	(1,233,862)
Balance, August 31, 2022	55,003,018	8,012,976	2,967,030	3,276,903	(10,829,760)	3,427,149
Balance, May 31, 2023	63,908,496	15,396,907	2,557,918	4,472,191	(15,459,215)	6,967,801
Shares issued on exercise of warrants (Note 11)	150,000	189,000	(39,000)	-	-	150,000
Shares issued on exercise of options (Note 11)	100,000	126,180	-	(51,180)	-	75,000
Share-based compensation expense (Note 18)	-	-	-	309,179	-	309,179
Net loss for the period	-	-	-	-	(1,570,322)	(1,570,322)
Balance, August 31, 2023	64,158,496	\$ 15,712,087	\$ 2,518,918	\$ 4,730,190	\$ (17,029,537)	\$ 5,931,658

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

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

	Three months ended August 31, 2023	Three months ended August 31, 2022
Operating Activities		
Net loss for the period	\$ (1,570,322)	\$ (1,233,862)
Items not affecting cash:		
Depreciation and amortization	90,558	23,523
Share-based compensation expense (Note 18)	309,179	363,151
Interest expense accrued	2,607	3,788
Changes in non-cash working capital (Note 21)	102,402	(188,784)
Cash used in operating activities	(1,065,576)	(1,032,184)
Financing Activities		
Issue of common shares, net of issuing costs	225,000	1,903,233
Finance lease repayments (Note 10)	(18,003)	(16,724)
Term and working capital loan repayments (Note 9)	(7,788)	(7,625)
Cash provided by financing activities	199,209	1,878,884
Investing activities		
Property and equipment acquired (Note 6)	(217,592)	(378,923)
Cash used by investing activities	(217,592)	(378,923)
Change in cash during the period	(1,083,959)	467,777
Cash and cash equivalents, start of period	4,046,634	2,110,785
Cash and cash equivalents, end of period	\$ 2,962,675	\$ 2,578,562

Supplementary disclosure of non-cash activities:

Property and equipment additions in accounts payable increased during the period	183,536	-
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The accompanying notes are an integral part of these financial statements.

Aduro Clean Technologies Inc.
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the three months ended August 31, 2023
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1. NATURE AND CONTINUANCE OF OPERATIONS

Aduro Clean Technologies Inc. (the “Company”) was incorporated in the Province of British Columbia on January 10, 2018, under the Business Corporations Act of British Columbia. On February 12, 2019, the Company’s shares commenced trading on the Canadian Securities Exchange (“CSE”) under the symbol “DFT.” On April 23, 2021, the Company 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 Company’s primary business is the holding company of Aduro Energy Inc. (“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 based chemical recycling platform features three sector focus applications, Hydrochemolytic Plastics Upcycling (“HPU”), Hydrochemolytic Renewables Upgrading (“HRU”) and Hydrochemolytic Bitumen Upgrading (“HBU”). As at August 31, 2023, the Company has developed and owns eight patents, seven granted and one pending.

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 three months ended August 31, 2023 and year ended May 31, 2023, the Company closed two non-brokered private placements (Note 11) that realized net proceeds of \$5,626,435 which will be used for general working capital purposes to advance Aduro’s scale-up and path to commercialization. As at August 31, 2023, the Company had a deficit of \$17,029,537 since inception and incurred negative operating cash flows. As at August 31, 2023, the Company’s working capital balance was \$3,032,958 (May 31, 2023: \$4,386,363) and available cash of \$ 2,962,675 (May 31, 2023: \$4,046,634). 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, 2023 and accompanying notes.

These financial statements were authorized for issue by the Board of Directors on October 30, 2023.

b) Basis of consolidation

The financial statements of all entities controlled by the Company, including Aduro Energy Inc. and Aduro Clean Technologies Europe B.V., 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.

Aduro Clean Technologies Inc.
Notes to the Consolidated Financial Statements
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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, 2023.

d) Functional and presentation currency

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

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.

d) Share purchase warrants, stock options, and restricted share units

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.

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The fair value of Restricted Share Units (RSUs) is measured based on the closing price of the Company's common shares on the date of grant. The fair value of each tranche of RSUs is recognized as expense on a straight-line basis over its vesting period. The fair value of RSUs is charged to profit or loss with a corresponding increase in contributed surplus within equity. 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 vesting of equity settled RSUs, the related contributed surplus associated with the RSU is reclassified into share capital.

4. DEPOSITS AND PREPAID EXPENSES

	August 31, 2023	May 31, 2023
	\$	\$
Prepaid Equipment	9,758	-
Prepaid Marketing and Events	129,569	144,569
Prepaid Videos and Advertising	53,012	53,012
Prepaid Investor Relations	61,508	45,846
Prepaid Consulting Fees	4,945	36,532
Prepaid Insurance	25,145	7,674
Prepaid Conferences	8,231	14,776
Deposits	63,233	52,505
Other	31,387	37,200
Total	386,788	392,114

5. OTHER RECEIVABLES

	August 31, 2023	May 31, 2022
	\$	\$
HST receivable	120,861	334,388
Due from related party	78,073	78,073
Services Receivable	-	51,339
Other	1,700	1,106
Total	200,634	464,906

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

Aduro Clean Technologies Inc.
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6. PROPERTY AND EQUIPMENT

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

	Motor Vehicle \$	Furniture & Fixtures \$	Leasehold Improvement \$	Laboratory Equipment \$	Computer Equipment \$	Research Equipment \$	Total \$
<i>Cost:</i>							
Balance at May 31, 2022	38,151	5,979	25,232	347,497	46,957	16,865	480,681
Additions	40,005	104,953	964,909	1,046,714	16,664	19,703	2,192,948
Balance at May 31, 2023	78,156	110,932	990,141	1,394,211	63,621	36,568	2,673,629
Additions	-	4,084	313,685	66,066	13,192	4,101	401,128
Transfers	-	-	-	(584,111)	-	584,111	-
Balance at August 31, 2023	78,156	115,016	1,303,826	876,166	76,813	624,780	3,074,757
<i>Accumulated depreciation:</i>							
Balance at May 31, 2022	11,922	5,187	1,349	-	9,209	2,592	30,259
Charge for the year	11,205	9,206	58,185	-	9,831	1,241	89,668
Balance at May 31, 2023	23,127	14,393	59,534	-	19,040	3,833	119,927
Charge for the period	4,885	5,385	54,798	-	3,190	5,325	73,583
Balance at August 31, 2023	28,012	19,778	114,332	-	22,230	9,158	193,510
<i>Carrying amounts:</i>							
At May 31, 2022	26,229	792	23,883	347,497	37,748	14,273	450,422
At May 31, 2023	55,029	96,539	930,607	1,394,211	44,581	32,735	2,553,702
At August 31, 2023	50,144	95,238	1,189,494	876,166	54,583	615,622	2,881,247

As at August 31, 2023, the Company had not identified any impairment indicators.

Aduro Clean Technologies Inc.
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7. RIGHT OF USE ASSETS

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

	Property Leases \$
Cost:	
Balance at May 31, 2022	192,648
Additions	24,208
Removed on expiry of lease	(48,359)
Balance at May 31, 2023 and August 31, 2023	168,497
Accumulated depreciation:	
Balance at May 31, 2022	8,450
Charge for year	58,093
Removed on expiry of lease	(20,150)
Balance at May 31, 2023	46,393
Charge for the period	16,292
Balance at August 31, 2023	62,685
Carrying amounts:	
At May 31, 2022	184,198
At May 31, 2023	122,104
At August 31, 2023	105,812

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.

8. INTANGIBLE ASSETS

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

	Investor		
	Relations Videos	Patent	Total
	\$	\$	\$
Cost:			
Balance at May 31, 2022, 2023 and August 31, 2023	45,255	76,858	122,113
Accumulated amortization:			
Balance at May 31, 2022	40,337	76,858	117,195
Charge for year	3,552	-	3,552
Balance at May 31, 2023	43,889	76,858	120,747
Charge for period	683	-	683
Balance at August 31, 2023	44,572	76,858	121,430
Carrying amounts:			
At May 31, 2022	4,918	-	4,918
At May 31, 2023	1,366	-	1,366
At August 31, 2023	683	-	683

At August 31, 2023, the Company had not identified any impairment indicators.

Aduro Clean Technologies Inc.
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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 Hydrochemolytic™ 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.

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 August 31, 2023, the Company had incurred \$692,859 (May 31, 2023: \$669,026) in patent development costs.

9. DEBT

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

	August 31, 2023	May 31, 2023
	\$	\$
Working capital loan – BDC	13,874	18,869
Accrued interest - working capital loan – BDC	111	145
Term loan	5,671	8,464
Total debt	19,656	27,478

Aduro Clean Technologies Inc.
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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. As at August 31 2023, the working capital loan will be repaid by 8 monthly principal payments of \$1,665 with a final payment of \$554 on May 8, 2024. As at August 31, 2023, the BDC’s floating base rate was 9.30% (May 31, 2023 - 8.80%) and the all-in interest rate (floating base rate and variance) was 12.70% (May 31, 2023 - 12.20%).

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 August 31, 2023, the scheduled principal and accrued interest until maturity were as follows:

	Working Capital Loan – BDC	Term loan	Total
	\$	\$	\$
2024	13,985	5,671	19,656

Debt continuity

The net change in debt during the three months ended August 31, 2023 and the year ended May 31, 2023 was as follows:

	August 31, 2023	May 31, 2023
	\$	\$
Starting balance	27,478	58,295
<i>Cash flows:</i>		
Principal debt repayments – working capital loan - BDC	(4,995)	(19,980)
Principal repayment – term loan	(2,793)	(10,768)
<i>Non-cash changes:</i>		
Accrued interest – working capital loan - BDC	(34)	(69)
Ending balance	19,656	27,478

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10. LEASE LIABILITY

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

	August 31, 2023	May 31, 2023
	\$	\$
Gross lease obligations	134,864	152,867
Deferred finance charges	(19,726)	(22,368)
Total lease liability	115,138	130,499
Less: Current portion	26,096	34,765
Non-current portion	89,042	95,734
Interest on lease liabilities included in finance costs (Note 15)	2,641	13,644
Incremental borrowing rate at Initial Application date	8.45%	8.45%
Total cash outflow for the lease liability	18,003	64,550

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 August 31, 2023, the issued and outstanding common shares of the Company consisted of 64,158,496 common shares and nil preferred shares (May 31, 2023: 63,908,496 common shares and nil preferred shares).

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.

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 and legal fees of \$33,495, all of which were recorded as share issuance costs, 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.

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During the year ended May 31, 2023, 2,402,403 February 2021 Share Warrants were exercised at an exercise price of \$0.50, 1,752,684 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, 109,860 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 4,783,822 common shares and gross proceeds of \$2,906,899.

During the three-month period ended August 31, 2023, 150,000 April 2022 Share Warrants were exercised at an exercise price of \$1.00, and 100,000 options were exercised at an exercise price of \$0.75, resulting in the issue of 250,000 common shares and gross proceeds of \$225,000.

As at August 31, 2023, 6,590,129 (May 31, 2023: 6,590,129) common shares were being held in escrow.

Stock Options:

As at August 31, 2023, the following table details the stock options outstanding:

Number of Options	Weighted Average Exercise Price	Weighted Average Period (years)	Expiry Date
3,058,999	\$0.65	7.66	April 30, 2031
125,000	\$0.75	0.43	February 7, 2024
1,325,000	\$0.72	8.47	February 20, 2032
150,000	\$0.70	0.80	June 20, 2024
400,000	\$0.70	8.80	June 20, 2032
2,075,000	\$1.00	4.33	December 29, 2027
75,000	\$1.05	0.85	July 6, 2024
7,208,999	\$0.7733	6.58	

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

	August 31, 2023		May 31, 2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of period/year	7,233,999	\$ 0.7701	5,424,999	\$ 0.6781
Granted	75,000	1.0500	2,625,000	0.9371
Exercised	(100,000)	0.7500	(300,000)	0.6500
Cancelled	-	-	(516,000)	0.7217
Outstanding, end of period/year	7,208,999	\$ 0.7733	7,233,999	\$ 0.7701
Exercisable, end of period/year	5,557,699	\$ 0.7301	5,147,716	\$ 0.7149
Weighted average life (years)	6.58		6.80	

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 4.66%
Expected life	from 2 to 10 years
Expected volatility	from 71.20% to 211.86%
Dividend rate	Nil

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For the three months ended August 31, 2023, an expense of \$309,179 (2023: \$363,151) was recognized for services provided based on vesting conditions of stock options. The amount recognized reflected the vesting duration of the options.

Share Purchase Warrants:

As at August 31, 2023, the following table details the share purchase warrants issued by the Company:

Description	Issue Date	Outstanding at August 31, 2023	Exercise price	Term (years)
February 2021 Share Warrants	February 4, 2021	1,529,911	\$ 0.50	4
April 2021 Share Warrants	April 23, 2021	2,813,357	\$ 0.50	4
April 2022 Share Warrant	April 8, 2022	2,226,036	\$ 1.00	2
April 2022 Finder Warrants	April 8, 2022	114,720	\$ 1.00	2
April 2022 Share Warrant	April 27, 2022	984,916	\$ 1.00	2
April 2022 Finder Warrants	April 27, 2022	38,900	\$ 1.00	2
July 2022 Share Warrant	July 19, 2022	1,299,788	\$ 1.00	2
April 2023 Share Warrant	April 3, 2023	2,111,026	\$ 1.30	2
April 2023 Finder Warrants	April 3, 2023	128,617	\$ 1.30	2
Total outstanding and exercisable		11,247,271		
Weighted average exercise price and remaining term (in years)			\$ 0.8667	1.21

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

	Total
Outstanding and exercisable, May 31, 2022	12,371,302
Issued	3,539,431
Cancelled/Expired/Exercised	(4,513,462)
Outstanding and exercisable, May 31, 2023	11,397,271
Cancelled/Expired/Exercised	(150,000)
Outstanding and exercisable, August 31, 2023	11,247,271

The carrying amounts of the February 2021 Finder Warrants, May 2021 Finder Warrants, April 2022 Finder Warrants, and April 2023 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, 2023, 2,402,403 February 2021 Share Warrants were exercised at an exercise price of \$0.50, 1,752,684 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, and 109,860 May 2021 Finder Warrants were exercised at an exercise price of \$0.80, resulting in the issue of 4,333,822 common shares and \$1,089,750 and \$63,847 being reclassified from warrants reserve and contributed surplus, respectively, to share capital. Additionally, 7,070 February 2021 Finder Warrants, 155,749 May 2021 Share Warrant, and 16,821 May 2021 Finder Warrants expired unexercised.

During the three months ended August 31, 2023, 150,000 April 2022 Share Warrants were exercised at an exercise price of \$1.00, resulting in the issue of 150,000 common shares and \$39,000 being reclassified from warrants reserve to share capital.

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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 3.54%
Expected life	from 2 to 4 years
Expected volatility	from 81.10% to 148.58%
Dividend rate	Nil

As at August 31, 2023, 722,569 (May 31, 2023: 722,569) April 2021 Share Warrants were being held in escrow.

Special Warrants

On the closing of the transaction with Aduro Energy Inc. 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"), 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 first milestone ("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 13,333,328 BSWs special warrants were issued to the Aduro security holders in accordance with the terms of the securities exchange agreement ("SEA") and were outstanding as at August 31, 2023.

Restricted Share Units

On December 29, 2022, the Company awarded 150,000 restricted share units ("RSU") to an officer of the company pursuant to the Company's equity incentive plan. All of the RSUs vested immediately upon the date of award, at which time the Company issued 150,000 common shares. For the three-month period ended August 31, 2023, \$nil expense (2022: \$135,000) was recognized for services provided based on the vesting conditions of RSU's.

12. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

During the three months ended August 31, 2023 and 2022, compensation of key management personnel was as follows:

	Three months ended August 31, 2023	Three months ended August 31, 2022
	\$	\$
Salary and related costs	113,192	104,344
Professional fees	140,001	121,457
Share-based compensation expense (Note 18)	148,003	177,288
	401,196	403,089

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

	August 31, 2023	May 31, 2023
	\$	\$
Due to key management personnel	63,552	33,587
Due from key management personnel	78,073	78,073

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

13. CONTRACTUAL OBLIGATIONS

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. The agreement was amended on February 14, 2023, whereby the term of the agreement was amended to twelve months ending on August 31, 2023. The agreement was amended on August 8, 2023, whereby the term of the agreement was extended to October 30, 2023. The agreement was amended on September 12, 2023, whereby the term of the agreement was extended to February 28, 2024. 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. The agreement was amended on July 1, 2023, whereby the term of the agreement was extended to December 31, 2023.

Common Cents Media, Social Purpose Corporation

On May 1, 2023, the Company entered into an investor relations agreement with Common Cents Media, Social Purpose Corporation (“Common Cents”) to provide marketing services through social media channels and online media distribution. The consulting agreement (the “CS Agreement”) provides for a fee of US \$15,000 for an initial term of six months to commence on April 10, 2023, and on a month-to-month basis thereafter.

Arrowhead Business and Investment Decisions LLC

On May 1, 2023, the Company entered into an investor relations agreement with Arrowhead Business and Investment Decisions LLC (“Arrowhead”) to provide investor relations services and develop the Company’s international market awareness. The consulting agreement (the “ABID Agreement”) provides for a fee of US \$45,000 for an initial term starting May 8, 2023, and ending December 31, 2023. This initial term may be further extended for renewable six-month terms, at a fee of US\$ 50,000 per renewed six-month term, subject to earlier termination by 30 days written notice from either party.

Outside The Box Capital Inc.

On July 10, 2023, the Company entered into an investor relations agreement with Outside The Box Capital Inc. (“OTBC”) to provide marketing consulting and investor relations services, including marketing services through social media channels and online media distribution. The consulting agreement (the “OTBC Agreement”) provides for a fee of \$100,000 for an 8-month term starting July 10, 2023, and ending March 10, 2024. The Company also granted OTBC 75,000 options vesting immediately upon grant, with an exercise price of \$1.05, and a one-year term.

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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 \$58,545, recognized in the Statements of Loss and Comprehensive Loss, resulted from services completed during the three months ended August 31, 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 August 31, 2023	Three months ended August 31, 2022
	\$	\$
Lease finance charges	2,641	3,781
Interest on debt:		
Working capital loan – BDC	505	880
Term loan	105	267
Total Finance Costs	3,251	4,928

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 August 31, 2023	Three months ended August 31, 2022
	\$	\$
Investor relations and communication costs	85,429	115,716
Conferences	27,459	18,820
Automobile	5,404	1,464
Bank charges	1,909	1,840
Office and general	113,829	28,301
Professional fees	116,727	92,914
Salary and related costs	172,915	129,424
Transfer agent and filing costs	22,435	24,964
Travel	35,156	59,965
Other	23,147	5,738
Total General and Administrative	604,410	479,146

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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 August 31, 2023	Three months ended August 31, 2022
	\$	\$
Project related expenses	285,758	152,572
Payments to research partner	34,331	25,000
Professional fees – patent development costs	23,833	26,689
Salary costs allocated	279,072	155,935
Total research and development	622,994	360,196

18. SHARE-BASED COMPENSATION EXPENSE

Share-based compensation expense recognized in the Statements of Loss and Comprehensive Loss is comprised of the following:

	Three months ended August 31, 2023	Three months ended August 31, 2022
	\$	\$
Expense recognized for services provided based on vesting conditions of stock options (Note 11)	309,179	363,151
Total share-based compensation expense	309,179	363,151

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 three months ended August 31, 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.

	August 31, 2023	May 31, 2023
(US\$)	\$	\$
Cash and cash equivalents	170	185
Trade payables	8,783	13,542
Net US dollar exposure	8,953	13,727

As at August 31, 2023, with other variables unchanged, a \$0.10 change in the Canadian dollar against the US dollar would result in a \$895 pre-tax loss (May 31, 2023: \$1,373) 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 August 31, 2023 was \$2,962,675 (May 31, 2023: \$4,046,634).

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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 three months ended August 31, 2023 and the year ended May 31, 2023.

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 August 31, 2023:

	Amount \$	Due prior to			
		2024 \$	2025 \$	2026 \$	2027+ \$
Trade payables and other current liabilities	471,387	471,387	-	-	-
Debt (Note 9)	19,656	19,656	-	-	-
Lease liability (Note 10)	115,138	26,096	28,862	32,952	27,228
Total expected maturities	606,181	517,139	28,862	32,952	27,228

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.

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Entity Wide Disclosures

As at, and for the period and year ended August 31, 2023 and May 31, 2023, 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 \$58,545 for the three months ended August 31, 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 three months ended August 31, 2023 and 2022, the net change in non-cash working capital balances consists of the following:

	August 31, 2023	August 31, 2022
	\$	\$
Trade and other receivables	264,273	3,326
Prepaid expenses	5,325	(86,281)
Trade payables and other current liabilities	(167,660)	(106,293)
Project contributions payable	464	464
Net change in non-cash working capital balances	102,402	(188,784)

22. SUBSEQUENT EVENTS

Exercise of options and warrants

Subsequent to August 31, 2023, 303,212 share purchase warrants were exercised at an exercise price of \$0.50 and 241,430 share purchase warrants were exercised at an exercise price of \$1.00 for total proceeds of \$393,036.

Stock Options and Restricted Share Units

On September 11, 2023, the Company granted 750,000 stock options to purchase up to 750,000 common shares in the capital of the Company to certain officers and employees of the Company pursuant to the Company's Omnibus Equity Incentive Plan (the "Plan"). The Options are exercisable for a period of five years from the date of grant at a price of \$1.09 per common share. The Options will vest on a monthly basis over a period of two years from the date of grant. The Company also awarded 150,000 RSUs to an officer of the company pursuant to the Plan. All of the RSUs vested immediately upon the date of award, at which time the Company issued 150,000 common shares.