



Aduro Clean Technologies Inc.

Interim Condensed Consolidated Financial Statements

For the three and six months ended November 30, 2023
(Unaudited)

(Expressed in Canadian Dollars)

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

	November 30, 2023	May 31, 2023
ASSETS		
Current		
Cash and cash equivalents	\$ 2,357,588	\$ 4,046,634
Deposits and Prepaid expenses (Note 4)	322,535	392,114
Other receivables (Note 5)	349,202	464,906
	<u>3,029,325</u>	<u>4,903,654</u>
Non-current		
Property and equipment (Note 6)	3,089,882	2,553,702
Right of use assets (Note 7)	146,177	122,104
Intangible assets (Note 8)	-	1,366
	<u>3,236,059</u>	<u>2,677,172</u>
Total Assets	\$ 6,265,384	\$ 7,580,826
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade payables and other current liabilities (Note 12)	\$ 543,737	\$ 455,048
Lease liability – current portion (Note 10)	38,413	34,765
Debt - current portion (Note 9)	8,945	27,478
	<u>591,095</u>	<u>517,291</u>
Non-current		
Lease liability – non-current portion (Note 10)	118,441	95,734
	<u>118,441</u>	<u>95,734</u>
Shareholders' equity (Note 11)		
Share capital	17,293,133	15,396,907
Warrant reserve	2,262,002	2,557,918
Contributed surplus	5,107,708	4,472,191
Accumulated deficit	(19,106,995)	(15,459,215)
	<u>5,555,848</u>	<u>6,967,801</u>
Total Liabilities and Shareholders' Equity	\$ 6,265,384	\$ 7,580,826
Nature and continuance of operations (Note 1)		

Approved on behalf of the Board of Directors on January 29, 2024:

“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 November 30, 2023	Three months ended November 30, 2022	Six months ended November 30, 2023	Six months ended November 30, 2022
Revenue (Note 14)	\$ 73,093	-	\$ 131,638	-
Expenses				
Research and development (Note 17)	628,385	437,591	1,251,378	797,787
General and administrative (Note 16)	871,049	478,259	1,475,459	957,405
Share-based compensation expense (Note 18)	541,018	236,830	850,197	599,981
Depreciation and amortization	102,718	27,917	193,276	51,440
Finance costs (Note 15)	3,160	4,596	6,411	9,524
Foreign exchange	1,716	231	2,474	3,149
Interest Income	(7)	-	(2,289)	-
	2,148,039	1,185,424	3,776,906	2,419,286
Loss before other items	(2,074,946)	(1,185,424)	(3,645,268)	(2,419,286)
Other items				
Loss on sale of vehicle (Note 6 & 9)	(2,512)	-	(2,512)	-
Loss and comprehensive loss	\$ (2,077,458)	\$ (1,185,424)	\$ (3,647,780)	\$ (2,419,286)
Basic and diluted loss per share	\$ (0.03)	\$ (0.02)	\$ (0.06)	\$ (0.04)
Weighted average number of common shares outstanding	64,390,215	55,601,680	64,285,297	54,600,752

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		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, 2022	2,599,579	1,423,490	429,543	-	-	1,853,033
Shares issued on exercise of warrants (Note 11)	1,817,425	1,170,608	(226,305)	-	-	944,303
Shares issued on exercise of options (Note 11)	300,000	383,880	-	(188,880)	-	195,000
Share-based compensation expense (Note 18)	-	-	-	599,981	-	599,981
Net loss for the period	-	-	-	-	(2,419,286)	(2,419,286)
Balance, November 30, 2022	57,020,043	9,507,294	2,750,695	3,324,853	(12,015,184)	3,567,658
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)	2,194,129	1,606,546	(295,916)	-	-	1,310,630
Shares issued on exercise of options (Note 11)	100,000	126,180	-	(51,180)	-	75,000
Shares issued on RSU vesting (Note 11)	150,000	163,500	-	(163,500)	-	-
Share-based compensation expense (Note 18)	-	-	-	850,197	-	850,197
Net loss for the period	-	-	-	-	(3,647,780)	(3,647,780)
Balance, November 30, 2023	66,352,625	\$ 17,293,133	\$ 2,262,002	\$ 5,107,708	\$ (19,106,995)	\$ 5,555,848

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

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

	Six months ended November 30, 2023	Six months ended November 30, 2022
Operating Activities		
Net loss for the period	\$ (3,647,780)	\$ (2,419,286)
Items not affecting cash:		
Depreciation and amortization	193,276	51,440
Share-based compensation expense (Note 18)	850,197	599,981
Interest expense accrued	5,311	7,269
Loss on sale of vehicle	2,512	-
Changes in non-cash working capital (Note 21)	388,702	(232,167)
Cash used in operating activities	(2,207,782)	(1,992,763)
Financing Activities		
Issue of common shares, net of issuing costs (Note 11)	1,385,630	2,992,336
Finance lease repayments (Note 10)	(28,683)	(30,636)
Term and working capital loan repayments (Note 9)	(18,454)	(15,293)
Cash provided by financing activities	1,338,493	2,946,407
Investing activities		
Property and equipment acquired	(830,757)	(992,829)
Sale of vehicle	11,000	-
Cash used by investing activities	(819,757)	(992,829)
Change in cash during the period	(1,689,046)	(39,185)
Cash and cash equivalents, start of period	4,046,634	2,110,785
Cash and cash equivalents, end of period	\$ 2,357,588	\$ 2,071,600

Supplementary disclosure of non-cash activities:

Decrease in accounts payable related to property and equipment during the period	(114,730)	-
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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 and six months ended November 30, 2023
Expressed in Canadian Dollars

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 and upgraded to the OTCQX on October 31, 2023, 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 November 30, 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 six months ended November 30, 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 November 30, 2023, the Company had a deficit of \$19,106,995 since inception and incurred negative operating cash flows. As at November 30, 2023, the Company’s working capital balance was \$2,438,230 (May 31, 2023: \$4,386,363) and available cash of \$2,357,588 (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 January 29, 2024.

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.

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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 subsidiaries.

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 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. Prior to June 1, 2023, the shares of the Company had a 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. Subsequent to June 1, 2023, the Company has elected to use its own trading history for the purposes of calculating volatility.

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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

	November 30, 2023	May 31, 2023
	\$	\$
Prepaid Equipment	21,421	-
Prepaid Marketing and Events	91,644	144,569
Prepaid Videos and Advertising	53,012	53,012
Prepaid Investor Relations	-	45,846
Prepaid Consulting Fees	17,408	36,532
Prepaid Insurance	27,254	7,674
Prepaid Conferences	-	14,776
Deposits	45,027	52,505
Other	66,769	37,200
Total	322,535	392,114

5. OTHER RECEIVABLES

	November 30, 2023	May 31, 2023
	\$	\$
HST receivable	198,036	334,388
Due from related party	78,073	78,073
Services receivable	73,093	51,339
Other	-	1,106
Total	349,202	464,906

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

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6. PROPERTY AND EQUIPMENT

The following table summarizes the Company's property and equipment as at November 30, 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	-	56,672	498,330	83,458	26,391	51,176	716,027
Disposals	(38,151)	-	-	-	-	-	(38,151)
Transfers	-	-	-	(584,111)	-	584,111	-
Balance at November 30, 2023	40,005	167,604	1,488,471	893,558	90,012	671,855	3,351,505
<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	8,180	12,014	125,399	-	7,196	13,546	166,335
Disposals	(24,639)	-	-	-	-	-	(24,639)
Balance at November 30, 2023	6,668	26,407	184,933	-	26,236	17,379	261,623
<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 November 30, 2023	33,337	141,197	1,303,538	893,558	63,776	654,476	3,089,882

As at November 30, 2023, the Company had not identified any impairment indicators.

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7. RIGHT OF USE ASSETS

The following table summarizes the Company's right of use assets as at November 30, 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	168,497
Additions	49,648
Balance at November 30, 2023	218,145
Accumulated Depreciation:	
Balance at May 31, 2022	8,450
Charge for the year	58,093
Removed on expiry of lease	(20,150)
Balance at May 31, 2023	46,393
Charge for the period	25,575
Balance at November 30, 2023	71,968
Carrying amounts:	
At May 31, 2022	184,198
At May 31, 2023	122,104
At November 30, 2023	146,177

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.

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8. INTANGIBLE ASSETS

The following table summarizes the Company's intangible assets as at November 30, 2023, May 31, 2023, and May 31, 2022:

	Investor Relations Videos	Patent	Total
	\$	\$	\$
Cost:			
Balance at May 31, 2022, 2023 and November 30, 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	1,366	-	1,366
Balance at November 30, 2023	45,255	76,858	122,113
Carrying amounts:			
At May 31, 2022	4,918	-	4,918
At May 31, 2023	1,366	-	1,366
At November 30, 2023	-	-	-

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.

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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 November 30, 2023, the Company had incurred \$706,390 (May 31, 2023: \$669,026) in patent development costs.

9. DEBT

As at November 30, 2023 and May 31, 2023, the Company's debt instruments were as follows:

	November 30, 2023	May 31, 2023
	\$	\$
Working capital loan – BDC	8,879	18,869
Accrued interest - working capital loan – BDC	66	145
Term loan	-	8,464
Total debt	8,945	27,478

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 November 30, 2023, the working capital loan will be repaid by 5 monthly principal payments of \$1,665 with a final payment of \$554 on May 8, 2024. As at November 30, 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%. On October 6, 2023, the motor vehicle was sold for \$11,000 and the outstanding loan amount of \$4,770 was paid in full.

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 November 30, 2023, the scheduled principal and accrued interest until maturity were as follows:

	Working Capital Loan – BDC	Term loan	Total
	\$	\$	\$
2024	8,945	-	8,945

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Debt continuity

The net change in debt during the six months ended November 30, 2023 and the year ended May 31, 2023 was as follows:

	November 30, 2023	May 31, 2023
	\$	\$
Starting balance	27,478	58,295
<i>Cash flows:</i>		
Principal debt repayments – working capital loan - BDC	(9,990)	(19,980)
Principal repayment – term loan	(8,464)	(10,768)
<i>Non-cash changes:</i>		
Accrued interest – working capital loan - BDC	(79)	(69)
Ending balance	8,945	27,478

10. LEASE LIABILITY

	November 30, 2023	May 31, 2023
	\$	\$
Gross lease obligations	178,171	152,867
Deferred finance charges	(21,317)	(22,368)
Total lease liability	156,854	130,499
Less: Current portion	38,413	34,765
Non-current portion	118,441	95,734
Interest on lease liabilities included in finance costs (Note 15)	5,390	13,644
Incremental borrowing rate at Initial Application date	8.45%	8.45%
Total cash outflow for the lease liability	28,683	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 November 30, 2023, the issued and outstanding common shares of the Company consisted of 66,352,625 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

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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.

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 six-month period ended November 30, 2023, 454,015 February 2021 Share Warrants were exercised at an exercise price of \$0.50, 1,312,984 April 2021 Share Warrants were exercised at an exercise price of \$0.50, 427,130 April 2022 Share Warrants were exercised at an exercise price of \$1.00, 100,000 options were exercised at an exercise price of \$0.75, and 150,000 granted Restricted Share Units vested, resulting in the issue of 2,444,129 common shares and gross proceeds of \$1,385,630.

As at November 30, 2023, 3,295,065 (May 31, 2023: 6,590,129) common shares were being held in escrow.

Stock Options:

As at November 30, 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	7.41	April 30, 2031
125,000	\$0.75	0.18	February 7, 2024
1,325,000	\$0.72	8.22	February 20, 2032
150,000	\$0.70	0.55	June 20, 2024
400,000	\$0.70	8.55	June 20, 2032
2,075,000	\$1.00	4.08	December 29, 2027
75,000	\$1.05	0.60	July 6, 2024
750,000	\$1.09	4.78	September 11, 2028
225,000	\$1.09	4.99	November 29, 2028
8,183,999	\$0.811	6.15	

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

	November 30, 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	1,050,000	1.0871	2,625,000	0.9371
Exercised	(100,000)	0.7500	(300,000)	0.6500
Cancelled	-	-	(516,000)	0.7217
Outstanding, end of period/year	8,183,999	\$ 0.8110	7,233,999	\$ 0.7701
Exercisable, end of period/year	6,040,199	\$ 0.7431	5,147,716	\$ 0.7149
Weighted average life (years)	6.15		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 67.36% to 211.86%
Dividend rate	Nil

For the six months ended November 30, 2023, an expense of \$686,697 (2023: \$599,981) 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 November 30, 2023, the following table details the share purchase warrants issued by the Company:

Description	Issue Date	Outstanding at November 30, 2023	Exercise price	Term (years)
February 2021 Share Warrants	February 4, 2021	1,075,896	\$ 0.50	4
April 2021 Share Warrants	April 23, 2021	1,500,373	\$ 0.50	4
April 2022 Share Warrant	April 8, 2022	2,070,336	\$ 1.00	2
April 2022 Finder Warrants	April 8, 2022	114,720	\$ 1.00	2
April 2022 Share Warrant	April 27, 2022	863,486	\$ 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		9,203,142		
Weighted average exercise price and remaining term (in years)			\$ 0.9330	0.91

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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	(2,194,129)
Outstanding and exercisable, November 30, 2023	9,203,142

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 six months ended November 30, 2023, 454,015 February 2021 Share Warrants were exercised at an exercise price of \$0.50, 1,312,984 April 2021 Share Warrants were exercised at an exercise price of \$0.50, 427,130 April 2022 Share Warrants were exercised at an exercise price of \$1.00, resulting in the issue of 2,194,129 common shares and \$295,916 being reclassified from warrants reserve to share capital.

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 November 30, 2023, 361,284 (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 November 30, 2023.

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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.

On September 11, 2023, the Company awarded 150,000 RSUs 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 six-month period ended November 30, 2023, an expense of \$163,500 (2023: \$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 and six months ended November 30, 2023, and 2022, compensation of key management personnel was as follows:

	Three months ended November 30, 2023 \$	Three months ended November 30, 2022 \$	Six months ended November 30, 2023 \$	Six months ended November 30, 2022 \$
Salary and related costs	115,630	109,413	228,822	213,643
Professional fees	126,334	123,667	265,335	245,124
Share-based compensation expense (Note 18)	361,220	114,048	509,223	291,337
	603,184	347,128	1,003,380	750,104

As at November 30, 2023 and May 31, 2023, the outstanding balances for related parties was comprised of the following:

	November 30, 2023 \$	May 31, 2023 \$
Due to key management personnel	50,499	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

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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. The ABID Agreement was extended for a renewed term starting January 1, 2024, and ending June 30, 2024. This renewed term will be automatically extended for successive six-month terms, subject to earlier termination by 30 days’ written notice from either party. Cash compensation for the services during the renewed term will be US\$50,000, with US\$25,000 payable on the renewal date of the agreement and US\$25,000 payable after three months.

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.

14. REVENUE

The Company entered into collaboration agreements with confidential publicly traded organisations for execution of a proof of concept and evaluation of the Company’s HPU technology. Revenue in the amount of \$131,638, recognized in the Statements of Loss and Comprehensive Loss, resulted from services completed during the six months ended November 30, 2023, pursuant to the collaboration agreements.

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15. FINANCE COSTS

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

	Three months ended November 30, 2023 \$	Three months ended November 30, 2022 \$	Six months ended November 30, 2023 \$	Six months ended November 30, 2022 \$
Lease finance charges	2,749	3,502	5,390	7,283
Interest on debt:				
Working capital loan – BDC	345	851	850	1,731
Term loan	66	226	171	493
Other finance costs	-	17	-	17
Total Finance Costs	3,160	4,596	6,411	9,524

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 November 30, 2023 \$	Three months ended November 30, 2022 \$	Six months ended November 30, 2023 \$	Six months ended November 30, 2022 \$
Investor relations and communication costs	197,112	65,308	282,541	181,024
Conferences	38,407	7,278	65,866	26,098
Automobile	11,968	996	17,372	2,459
Bank charges	9,623	1,407	11,533	3,247
Office and general	98,356	37,074	212,184	65,375
Professional fees	155,881	136,564	272,608	229,478
Salary and related costs	249,591	140,409	422,506	269,833
Transfer agent and filing costs	44,604	20,012	67,039	44,977
Travel	41,787	60,378	76,943	120,343
Other	23,720	8,833	46,867	14,571
Total General and Administrative	871,049	478,259	1,475,459	957,405

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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 November 30, 2023 \$	Three months ended November 30, 2022 \$	Six months ended November 30, 2023 \$	Six months ended November 30, 2022 \$
Project related expenses	297,592	212,148	583,349	364,720
Salary costs allocated	303,223	186,445	582,295	342,380
Payments to research partners	14,039	-	48,370	25,000
Professional fees – patent development costs	13,531	38,998	37,364	65,687
Total research and development	628,385	437,591	1,251,378	797,787

18. SHARE-BASED COMPENSATION EXPENSE

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

	Three months ended November 30, 2023 \$	Three months ended November 30, 2022 \$	Six months ended November 30, 2023 \$	Six months ended November 30, 2022 \$
Expense recognized for services provided based on vesting conditions of stock options (Note 11)	377,518	236,830	686,697	599,981
Expense recognized for services provided based on vesting conditions of restricted share units (Note 11)	163,500	-	163,500	-
Total share-based compensation expense	541,018	236,830	850,197	599,981

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 six months ended November 30, 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\$)	November 30, 2023 \$	May 31, 2023 \$
Cash and cash equivalents	155	185
Trade payables	9,154	13,542
Net US dollar exposure	9,309	13,727

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As at November 30, 2023, with other variables unchanged, a \$0.10 change in the Canadian dollar against the US dollar would result in a \$931 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 and other receivables which reflects management's assessment of the credit risk which at November 30, 2023 was \$2,706,790 (May 31, 2023: \$4,511,540).

Impairment losses

The allowance for doubtful accounts in respect of 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 six months ended November 30, 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.

The table below provides an analysis of the expected maturities of the Company's outstanding obligations as at November 30, 2023 and May 31, 2023:

	Amount \$	Due prior to			
		2024 \$	2025 \$	2026 \$	2027+ \$
Trade payables and other current liabilities	543,737	543,737	-	-	-
Debt (Note 9)	8,945	8,945	-	-	-
Lease liability (Note 10)	156,854	38,413	41,798	46,395	30,248
Total expected maturities	709,536	591,095	41,798	46,395	30,248

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

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are the same financial statements that management uses to monitor the performance of the Company and for the allocation of resources.

Entity Wide Disclosures

As at and for the period ended November 30, 2023 and the year ended May 31, 2023, the Company's operations and assets were in Canada and the Netherlands.

As at November 30, 2023, geographic information was as follows:

	Canada	Netherlands
Assets	6,244,650	20,734
Loss and comprehensive loss	(3,578,759)	(69,021)

As at May 31, 2023, geographic information was as follows:

	Canada	Netherlands
Assets	7,580,826	-
Loss and comprehensive loss	(5,863,317)	-

As an early-stage development company, the Company was not yet generating sustainable revenues from its development activities. The revenues of \$131,638 for the six months ended November 30, 2023, related to revenue earned following the completion of services pursuant to collaboration agreements with two confidential publicly traded organisations for execution of a proof of concept and evaluation of the Company's HPU technology (Note 14).

21. SUPPLEMENTAL CASH FLOW INFORMATION

For the six months ended November 30, 2023 and 2022, the net change in non-cash working capital balances consists of the following:

	November 30, 2023	November 30, 2022
	\$	\$
Other receivables	115,704	(41,040)
Prepaid expenses	69,579	(2,066)
Trade payables and other current liabilities	202,955	(189,525)
Project contributions payable	464	464
Net change in non-cash working capital balances	388,702	(232,167)

22. SUBSEQUENT EVENTS

Exercise of options and warrants

Subsequent to November 30, 2023, 250,018 share purchase warrants were exercised at an exercise price of \$0.50, 708,056 share purchase warrants were exercised at an exercise price of \$1.00, 75,170 finder warrants were exercised at an exercise price of \$1.00, 50,000 share purchase warrants were exercised at an exercise price of \$1.30, 80,000 options were exercised at an exercise price of \$0.75, and 75,000 options were exercised at an exercise price of \$1.05 for total proceeds of \$1,111,985.