



(formerly Northstar Venture Technologies Inc)

Management's Discussion and Analysis

For the six-month period ended June 30, 2021

NORTHSTAR CLEAN TECHNOLOGIES INC.
(formerly Northstar Venture Technologies Inc.)
Management’s Discussion and Analysis
June 30, 2021

DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION

The following is management’s interim discussion and analysis (“MD&A”), prepared as of August 20, 2021. This MD&A should be read in conjunction with the unaudited Interim Consolidated Financial Statements for the six months ended June 30, 2021 and the accompanying notes, the Company’s audited Consolidated Financial Statements and the accompanying notes for the year ended December 31, 2020, all as prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are stated in Canadian dollars unless otherwise indicated.

This report includes certain statements that may be deemed “forward-looking statements” within the meaning of applicable securities legislation. All statements, other than statements of historical facts that address such matters as future events or developments that the Company expects, are forward looking statements and, as such, are subject to risks, uncertainties, assumptions and other factors of which are beyond the reasonable control of the Company. You can identify these statements by forward-looking words such as “expects”, “does not expect”, “plans”, “anticipates”, “does not anticipate”, “believes”, “intends”, “estimated”, “projects”, “potential”, “scheduled”, “forecast”, “budget”, and similar expressions, or that events or conditions “will”, “would”, “may”, “could”, “should” or “might” occur and similar words. Such statements give the Company’s current expectations or forecasts of future events and are not guarantees of future performance and actual results or developments may differ materially from those expressed in, or implied by, this forward looking information. With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things anticipated costs and expenditures and the Company’s ability to achieve its goals. Although management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Factors that could cause actual results to differ materially from those in forward-looking statements include, for example, such matters as continued availability of capital and financing and general economic, market or business conditions. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information. Any forward-looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Description of Business

Northstar Clean Technologies Inc. (“Northstar” or the “Company”) was incorporated on August 21, 2017 as Blocktech Ventures Inc. under the laws of the British Columbia Corporations Act. On August 4, 2020, the Company entered into an amalgamation agreement and on December 23, 2020, the Company completed an amalgamation with its subsidiary 1257848 BC Ltd. and Empower Environmental Solutions Ltd (“Empower”) (the “Amalgamation”). Upon Amalgamation, the Company acquired all the shares of Empower (41,248,577 shares) by issuing 44,331,147 Company shares in exchange. Pursuant to the agreement, following completion of the transaction, Empower shareholders own approximately 64.92% of the combined company resulting in the shareholders of the Empower controlling the Company. Accordingly, the transaction was considered a reverse takeover transaction (“RTO”). The head office and principal address of the Company is located at 7046 Brown Street, Delta, British Columbia, Canada, V4G 1G8. The Company’s registered and records office is Suite 900, 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3H1.

The Company, through its wholly-owned subsidiary Empower, has developed a proprietary design process technology for taking discarded or defective single-use asphalt shingles, otherwise destined for already over-crowded landfills, and extracting the liquid asphalt, aggregate sands and fiber for usage in new asphalt, shingles, construction products and other industrial applications. The Company’s proprietary design process was developed over the last decade with technical and scientific assistance from the United Kingdom and Alberta. As part of this design process, we anticipate that Empower will process disposed shingle waste back into its component parts for reuse/resale, thus eliminating the need to dispose of the single-use waste, where it would sit in a landfill. The Company’s principal office and plant operations is 7046 Brown Street, Delta, British Columbia, Canada, V4G 1G8.

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Outlook and growth strategy

The Company intends to become one of the leading shingle material recovery providers in North America, extracting 99% of the recovered components from asphalt shingles that would otherwise be sent to a landfill.

The durability, reliability and economical performance of the asphalt shingle makes it the most popular roofing material in North America, according to the Asphalt Roofing Manufacturer’s Association.¹ According to a 2012 report by the Northeast Recycling Council (“NERC”),² asphalt shingles are used in approximately two-thirds of all new and replacement home roofing in the United States. However, asphalt shingle waste has long been a problem for municipalities which operate landfills. In metropolitan areas that handle large amounts of construction waste, shingle waste is generally disposed of in volume at municipal landfills. Asphalt is petroleum-based, is energy intensive to produce and scores very low on an environmental scorecard. Once the asphalt shingles are worn out on a roof of a home or building, it is a problem to dispose of them in a sustainable or environmentally-friendly way. As a result, asphalt shingles represent the fourth largest category of construction waste according to the US Environmental Protection Agency (“US EPA”).³ The Asphalt Roofing Manufacturer’s Associate (“ARMA”) estimated that 13.2 million tons of asphalt shingle scrap from roof tear-offs is produced annually in the United States.⁴ A 2007 study estimated that over 1.25 million tons of asphalt shingle waste is generated in Canada annually.⁵ Currently, based on Company management’s industry knowledge, some operators collect and grind shingles. However, their activity is limited due to restrictive parameters placed on asphalt producers. In 2018, only 2.1 million tons (approximately 14%) of discarded asphalt shingles were repurposed in the United States according to the US EPA.⁶ To address the large volume of asphalt roofing waste, some governments in Canada are considering implementing waste disposal bans for asphalt roofing.⁷

The Company believes its business will appeal to roofing contractors, shingle manufacturers and waste haulers by enabling them to dispose of their used or off-spec shingles at the Company’s facility, at a meaningful discount to market rates for disposing of shingles in landfills, rather than paying higher fees to deposit the shingles in a landfill. The Company believes general global trends in sustainability will encourage groups such as these to seek alternatives to landfill disposal and to seek out environmentally friendly solutions. Once in commercial production, the Company expects to be able to provide these alternative solutions through its proprietary process design technology while also generating the "tipping fee" revenue that provides the raw material inputs for the Company's repurposing needs. The Company then employs its proprietary process design technology to convert the asphalt shingles into three primary products – liquid asphalt, aggregate and fiber – that are planned to be sold to paving companies, cement companies and other industrial and construction product manufacturers, who can benefit from a discounted purchase price to virgin products. Furthermore, the growth potential for the venture is expected to be significant as the Company’s plants can theoretically be located in any large metropolitan area where asphalt shingles are present.

The fact that roofing contractors and waste haulers must pay a tipping fee, at a price higher than the Company’s proposed tipping fee, to deposit single-use asphalt shingles in landfills therefore enhances the economics of the business and the price competitiveness of our end products. To encourage roofing contractors and waste haulers to provide their discarded shingles to the Empower Facility as feedstock, the Company intends to offer a discount to landfill tipping fees. These tipping fees are expected to supplement the Company's income from the sale of finished product. In addition, the Company will offer a tangible discount to market for the price it will charge customers for liquid asphalt in order to gain entry into that marketplace. At present, we envisage that fiber and aggregate will be sold for market value.

In addition to the advantages of the Company's business model mentioned above, management believes that the very fact that the product is nearly one hundred percent repurposed will make it attractive to individuals, corporations and governments. We believe that the fact that a facility can be operated in every major metropolitan area where asphalt shingles are present makes the Company a compelling business opportunity.

1 See: <https://www.asphaltroofing.org/asphalt-shingle-brands/>

2 NERC, “Asphalt Shingles Manufacturing & Waste Management in the Northeast Fact Sheet”, 2012.

3 US EPA, “Advancing Sustainable Materials Management: 2018 Fact Sheet”, 2020.

4 ARMA, “Guidelines for the Use of Reclaimed Asphalt Shingles in Asphalt Pavements”, 2015.

5 Athena Institute, “Enhanced Recovery of Roofing Materials”, 2007.

6 US EPA, “Advancing Sustainable Materials Management: 2018 Fact Sheet”, 2020.

7 Canadian Council of Ministers of the Environment, “Guide for Identifying, Evaluating and Selecting Policies for Influencing Construction, Renovation and Demolition Waste Management”, 2019

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PERFORMANCE SUMMARY

The following is a summary of the significant events and transactions that occurred during the year ended December 31, 2020 and for the subsequent period to the report date hereof:

- (a) During the six months ended June 30, 2021
- the Company spent \$342,968 on acquisitions of property plant and equipment.
 - the Company spent \$83,650 in research and development expenses.
 - Empower repaid \$856,958 in loan principal.
 - Empower renegotiated a new 5-year lease agreement on its premises effective January 1, 2021 for an initial term of 5 years with an option to extend for an additional 5 year. The Basic annual rents are as follows:
 - from January 1, 2021 to December 31, 2022 - \$558,435 per annum
 - from January 1, 2023 to December 31, 2024 - \$583,563 per annum, and
 - from January 1, 2025 to December 31, 2025 - \$609,837 per annum
 - Estimated additional rents are approximately \$126,000 per annum.
 - The Company filed a preliminary prospectus dated April 15, 2021 and an amended and restated preliminary prospectus dated May 7, 2021 and began trading on the TSX Venture Exchange (“TSX-V”) on July 13, 2021 under the symbol “ROOF”.
 - the Company raised \$12,251,812 on the issue of 34,975,178 Units at a price of \$0.35 per Unit. Each Unit is comprised of one common share in the capital of the Company (each, a “Share”) and one-half of one transferable common share purchase warrant (each whole warrant, a “Warrant”). Each Warrant will entitle the holder thereof to acquire one Share (each, a “Warrant Share”) at a price of \$0.50 per Warrant Share for a period of two years from listing on a public market and such warrants trade on the TSX-V under the symbol “ROOF.WT”. In addition, to the cash portion of the finder’s fees in the amount of \$705,098, 2,014,565 Broker Warrants on Escrow Release valued at \$391,873.
 - the Company issued 702,736 shares to settle outstanding loans payable of \$200,000 plus \$45,958 in accrued interest.
 - Each of the directors, being Neil Currie, James Currie, Gordon Johnson, James Borkowski and Gregg Sedun, provided bridge loans totaling \$480,000 in aggregate during the period which were repaid in the same period with interest totaling \$2,495.
- (b) During the year ended December 31, 2020
- On December 23, 2020 the amalgamation with Newco was completed, all shareholders of the Company exchanged their shares into 1.0747 Northstar shares.
 - Prior to the Amalgamation, Northstar advanced a total of \$731,301 to Empower. These amounts are eliminated after the Amalgamation date.
 - Empower, prior to the Amalgamation issued a total of 2,082,500 shares at a price of \$0.15 per share for gross proceeds of \$312,375 on warrant exercises.
 - Northstar issued a total of 44,331,147 shares in connection with the RTO (Note 4) valued at \$8,383,146.
 - Empower spent \$433,511 on acquisitions of property plant and equipment.
 - Empower spent \$55,699 in research and development expenses.

Selected Annual Information

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Loss and comprehensive loss	\$ 6,596,793	\$ 901,168	\$ 973,682
Basic and diluted loss per share	0.16	0.02	0.03
Total assets	4,859,762	2,365,966	1,906,577
Total liabilities	2,503,071	2,117,806	1,645,399

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SUMMARY OF QUARTERLY RESULTS

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Total assets	\$ 16,094,979	\$ 12,816,534	\$ 4,859,762	\$ 2,602,964
Property, plant and equipment	2,512,702	2,573,141	2,370,872	2,232,882
Working capital (deficit)	9,331,991	(1,358,439)	(62,755)	(1,907,428)
Shareholders' equity (deficit)	12,801,486	1,991,514	2,356,691	(131,710)
Operating expenses	1,804,089	1,107,245	5,898,105	119,300
Loss and comprehensive loss	(1,853,482)	(1,129,859)	(5,894,744)	(142,372)
Basic and diluted loss per share	(0.02)	(0.02)	(0.14)	(0.01)

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Total assets	\$ 2,390,818	\$ 2,484,756	\$ 2,365,966	\$ 2,527,583
Property, plant and equipment	2,112,403	2,018,248	1,840,844	1,849,387
Working capital (deficit)	(2,139,647)	(2,033,407)	(1,725,359)	151,883
Shareholders' equity	(10,661)	(246,330)	248,160	378,210
Operating expenses	321,134	230,455	139,385	193,111
Loss and comprehensive loss	(324,222)	(235,455)	(230,050)	(200,196)
Basic and diluted loss per share	(0.01)	(0.01)	(0.02)	(0.01)

Results of Operations

The following discussion addresses the operating results and financial condition of the Company for the three months ended June 30, 2021, compared with the three ended June 30, 2020.

For the three-month ended June 30, 2021:

Loss and comprehensive for the period

The Company had a loss and comprehensive loss for the three-month period ended June 30, 2021 of \$1,853,482 (2020 - \$324,222). The net increase of \$1,529,260 in the loss and comprehensive loss for the three-month period ended June 30, 2021 compared to the three-month period ended June 30, 2020 was mainly due an increase of \$1,482,955 in General and administrative expenses, with an increase in research and development expenses of \$51,968 and \$5,663 in interest income. The changes in General and administrative, Research and development expenses and other income are noted below.

Other income

During the three-month period ended June 30, 2021, the Company reported interest income of \$5,666 compared to \$3 for the three-month period ended June 30, 2020. The interest income is due from a net investment in sublease and reported separately from the interest expense of \$5,666 on the lease liability which is included in operating expenses. The net investment in sublease was acquired as part of the acquisition of Northstar.

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Research and development expenses ("R&D")

During the three-month period ended June 30, 2021, the Company reported R&D of \$55,059 compared to \$3,091 for the three-month period ended June 30, 2020. The items that caused the \$51,968 increase is noted in the following:

In comparison to the three-month period ended June 30, 2020:

- Contract consulting fees of \$380 (2020 - \$Nil) increased by \$380 due to timing as the Company pushes to complete its final phase of testing of the asphalt shingle recycling equipment and the use of consultants for its R&D.
- Repairs and maintenance of \$15,149 (2020 - \$3,091) increased by 12,058 on repairs and small modifications to the recycling equipment as the Company is beginning testing.
- Site materials of \$39,530 (2020 - \$Nil) increased by \$39,530 as the Company ran numerous tests and the use of materials was required.

Operating expenses

General and administrative expenses of \$1,804,089 (2020 - \$321,134) are primarily comprised of advertising and promotion, interest, depreciation, management fees, office expenses, professional fees, rent and utilities, transfer agent and regulatory fees, share-based compensation, and travel. The net increase was \$1,482,955 compared to the three-month period ended June 30, 2020. Items that caused the net decrease are noted in the following:

In comparison to the three-month period ended June 30, 2020:

- Advertising and promotion of \$3,367 (2020 - \$Nil) was minimal remained fairly consistent.
- Bank charges and interest of \$81,943 (2020 - \$29,388) increased by \$52,555. Bank loan interest decreased by \$7,625 due to a principal reduction in the Company's bank loan, Shareholder loan interest increased by \$7,625, Directors' loan interest increased by \$2,495 and the balance mainly on accretion interest on the new leases on the premises and acquisition of the Northstar lease.
- Consulting of \$127,886 (2020 - \$Nil) increased by \$127,886 due to additional consultants as the Company sought to publicly list its shares and external consulting costs in trying to seek out additional talent.
- Depreciation of \$115,491 (2020 - \$88,197) increased by \$27,294 mainly due to the ROU assets acquired in a new lease of the premises.
- Management fees of \$Nil (2020 - \$27,881) decreased by \$27,881 as the Company hired the Empower management as employees on the RTO and the costs reported in Wages and benefits.
- Office and miscellaneous of \$4,329 (2020 - \$1,301) increased by \$3,028 was due to an increase in office supplies.
- Professional fees of \$185,001 (2020 - \$124,963) increased by \$60,038. Legal fees decreased by \$12,712 mainly due to the Company requiring such services to complete its IPO, Audit and Accounting fees increased by \$52,500 due to the addition of a CFO on the RTO and accruals for Audit fees of \$20,000 for the period.
- Rent and utilities of \$39,008 (2020 - \$37,552) remained fairly consistent when compared to the comparative period.
- Share-based compensation of \$1,127,240 (2020 - \$9,803) increased by \$1,117,437 due to timing of options granted and related to the vesting of the stock options.
- Transfer agent and regulatory fees of \$58,328 (2020 - \$Nil) increased by \$58,328 as the Company was preparing to list its shares in a public market.
- Travel of \$13,143 (2020 - \$Nil) increased by \$13,143 as the Company as the Company brought in certain consultants to assist in assessing the Company's recycling equipment.
- Wages and benefits of \$48,353 (2020 - \$Nil) increased by \$48,353 as the Company hired the Empower management as employees on the RTO and the costs reported in Wages and benefits were previously reported as Management fees.

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Results of Operations

The following discussion addresses the operating results and financial condition of the Company for the six months ended June 30, 2021, compared with the six ended June 30, 2020.

For the six-month ended June 30, 2021:

Loss and comprehensive for the period

The Company had a loss and comprehensive loss for the six-month period ended June 30, 2021 of \$2,983,341 (2020 - \$559,677). The net increase of \$2,423,664 in the loss and comprehensive loss for the six-month period ended June 30, 2021 compared to the six-month period ended June 30, 2020 was mainly due an increase of \$2,359,745 in General and administrative expenses, with an increase in research and development expenses of \$75,559 and \$11,640 in interest income. The changes in General and administrative, Research and development expenses and other income are noted below.

Other income

During the six-month period ended June 30, 2021, the Company reported interest income of \$11,643 compared to \$3 for the six-month period ended June 30, 2020. The interest income is due from a net investment in sublease and reported separately from the interest expense of \$11,643 on the lease liability which is included in operating expenses. The net investment in sublease was acquired as part of the acquisition of Northstar.

Research and development expenses ("R&D")

During the six-month period ended June 30, 2021, the Company reported R&D of \$83,650 compared to \$8,091 for the six-month period ended June 30, 2020. The items that caused the \$75,559 increase is noted in the following:

In comparison to the six-month period ended June 30, 2020:

- Contract consulting fees of \$7,748 (2020 - \$5,000) increased by \$2,748 due to timing as the Company pushes to complete its final phase of testing of the asphalt shingle recycling equipment and the use of consultants for its R&D.
- Site materials of \$60,753 (2020 - \$Nil) increased by \$60,753 as the Company ran numerous tests and the use of materials was required.

Operating expenses

General and administrative expenses of \$2,911,334 (2020 - \$551,589) are primarily comprised of advertising and promotion, interest, depreciation, management fees, office expenses, professional fees, rent and utilities, transfer agent and regulatory fees, share-based compensation, and travel. The net increase was \$2,359,745 compared to the six-month period ended June 30, 2020. Items that caused the net decrease are noted in the following:

In comparison to the six-month period ended June 30, 2020:

- Advertising and promotion of \$4,110 (2020 - \$Nil) increased by \$4,110 as the Company prepares to list its shares in a public market and begins to report to shareholders.
- Bank charges and interest of \$167,517 (2020 - \$63,852) increased by \$103,665. Bank loan interest decreased by \$19,196 due to a principal reduction in the Company's bank loan, Shareholder loan interest increased by \$7,625, Directors loan interest increased by \$2,495 and the balance mainly on accretion interest on the new leases on the premises and acquisition of the Northstar lease.
- Consulting of \$258,461 (2020 - \$Nil) increased by \$258,461 due to additional consultants as the Company sought to publicly list its shares and external consulting costs in trying to seek out additional talent.
- Depreciation of \$230,983 (2020 - \$176,395) increased by \$54,588 due to the ROU assets acquired in a new lease of the premises.
- Management fees of \$Nil (2020 - \$55,761) decreased by \$55,761 as the Company hired the Empower management as employees on the RTO and the costs reported in Wages and benefits.

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- Office and miscellaneous of \$4,329 (2020 - \$1,434) increased by \$2,895 was due to an increase in office supplies.
- Professional fees of \$334,089 (2020 - \$128,680) increased by \$205,409. Legal fees increased by \$112,659 mainly due to the Company requiring such services to complete its IPO, Audit and Accounting fees increased by \$57,750 due to the addition of a CFO on the RTO and accruals for Audit fees of \$35,000 for the period.
- Rent and utilities of \$75,767 (2020 - \$113,615) decreased by \$37,848 mainly due to a catch up of rent payments made in January 2020, otherwise remained consistent.
- Share-based compensation of \$1,645,964 (2020 - \$9,803) increased by \$1,636,161 due to timing of options granted and related to the vesting of the stock options.
- Transfer agent and regulatory fees of \$76,298 (2020 - \$Nil) increased by \$76,298 as the Company was preparing to list its shares in a public market.
- Travel of \$17,111 (2020 - \$Nil) increased by \$17,111 as the Company as the Company brought in certain consultants to assist in assessing the Company's recycling equipment.
- Wages and benefits of \$96,705 (2020 - \$Nil) increased by \$96,705 as the Company hired the Empower management as employees on the RTO and the costs reported in Wages and benefits were previously reported as Management fees.

LIQUIDITY AND CAPITAL RESOURCES

The Company's development of asphalt recycling activities has been funded to date primarily through the issuance of common shares and loan financings, and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from its recycling operations. Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of its commercialization of a proprietary process technology for the recycling of asphalt shingles and the extraction and recovery of asphalt cement, fiberglass/felt and mineral aggregates to be sold and used in asphalt pavement, shingle manufacturing, construction products, and other industrial applications, as well as its continued ability to raise capital. The Company anticipates spending approximately \$225,000 in capital resources on its recycling equipment and R&D in the next twelve months. The Company was continually searching for additional funding and partners to complete its recycling plant and operating expenditures until it partnered with Northstar and became a wholly owned subsidiary on December 23, 2020.

Currently, the Company's overhead expenses are averaging approximately \$225,000 per month (excluding share-based payments on issuance of stock options) during the development and setting up of the asphalt recycling plant.

The Company assesses its financing requirements and its ability to access equity or debt markets on an ongoing basis. The assessment considers: the stage and success of the Company's evaluation activities to date; the continued participation of the Company's partners in evaluation activities; and financial market conditions. It is possible that future economic events and global conditions may result in further volatility in the financial markets which could negatively impact the Company's ability to access equity or debt markets in the future. In March 2021, the Company issued 702,736 shares in settlement of \$245,958 in Debt. On March 25, 2021 and March 26, 2021, the Company raised \$12,251,812 on 34,975,178 Subscription Receipts at a price of \$0.35 per Subscription Receipt. The Subscription Receipts incurred \$705,098 in finders fees payable in cash of which \$352,649 was withheld from the Subscription Receipts and the balance of \$352,449 in finders fees were paid on Escrow Release. Each Subscription Receipt converted into one unit upon the receipt of the final prospectus by the British Columbia Securities Commission on June 22, 2021. In May 2021, the Company received an aggregate of \$480,000 in loans from each of the directors, being Neil Currie, James Currie, Gordon Johnson, James Borkowski and Gregg Sedun, as bridge loans as the Company completed its IPO and repaid the bridge loans in full in June 2021 from proceeds of the share issuances.

As at June 30, 2021, the Company had working capital of \$9,331,991 compared to working capital deficit of \$62,755 as at December 31, 2020. As at June 30, 2021, the Company had cash of \$10,277,305 compared to a bank indebtedness of \$1,977,795 as at December 31, 2020.

Net cash used in operating activities for the six months ended June 30, 2021 was \$1,355,062 compared to \$99,189 provided for the six months ended June 30, 2020, consisting primarily of the operating loss for the period and the change in non-cash items.

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Net cash used in investing activities for the six months ended June 30, 2021 was \$720,295 compared to \$289,765 during six months ended June 30, 2020 was consisting of cash used for the acquisition of property, plant and equipment of \$342,968 (2020 - \$288,265), refundable deposits of \$402,500 (2020 - \$1,500) less lease payments received of \$25,173 (2020 - \$Nil).

Net cash used in financing activities for the six months ended June 30, 2021 was \$10,374,867 compared to \$388,954 provided during the six months ended June 30, 2020 which consisted of \$480,000 in loan proceeds (2020 - \$203,457), \$1,336,958 (2020 - \$Nil) in loan payments, \$12,241,312 (2020 - \$312,375) in proceeds from the issuance of shares less \$304,389 (2020 - \$Nil) in share issue costs, \$Nil (2020 - \$52,672) in repayment of bank indebtedness, \$304,389 (2020 - \$179,550) in lease liability repayment on IFRS-16 leased premises.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet transactions.

PROPOSED TRANSACTIONS

The Company had filed an amended and restated preliminary prospectus dated May 7, 2021 to list its shares on a public market and began trading on July 13, 2021 on the TSX-V under the symbol "ROOF".

CHANGES IN ACCOUNTING POLICIES

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise the right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

The amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The Company does not expect the adoption of this amendment to have a significant impact.

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RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2021 and 2020, the Company paid or accrued the following amounts to companies controlled by directors and former directors or companies having certain directors and former directors in common:

Name of Company, Directors and/or Officers	Directors/Officers	June 30, 2021	June 30, 2020
<i>Expenses:</i>			
Currie Capital Corp. (Consulting fees) (Share-based payments)	A director and CEO, namely, Neil Currie	\$ 30,000 \$ 203,060	\$ - \$ -
Gord Johnson (Management fees) (Wages and benefits) (Share-based payments)	A director and president, namely, Gord Johnson	\$ - \$ 45,000 \$ 67,686	\$ 27,881 \$ - \$ -
Gregg Sedun (Share-based payments)	A director, namely, Gregg Sedun	\$ 67,686	\$ -
James Borkowski (Share-based payments)	A director, namely, James Borkowski	\$ 67,686	\$ -
James Currie (Share-based payments)	A director, namely, James Currie	\$ 135,373	\$ -
Sead Hamzagic, Inc. (Professional fees) (Share-based payments)	A CFO, namely, Sead Hamzagic	\$ 35,000 \$ 135,373	\$ - \$ -
Terry Charles (Management fees) (Wages and benefits) (Share-based payments)	A former director, COO, namely, Terry Charles	\$ - \$ 45,000 \$ 67,686	\$ 27,880 \$ - \$ -

As at June 30, 2021, accounts payable and accrued liabilities include \$3,588 (December 31, 2020 - \$16,793) owing to companies with certain directors in common or companies controlled by directors or former directors as follows:

Name of Company, Directors and/or Officers	Directors/Officers	June 30, 2021	December 31, 2020
Gord Johnson	A director and president, namely, Gord Johnson	\$ 3,588	\$ 3,750
Terry Charles	A former director, COO, namely, Terry Charles	\$ -	\$ 13,043
		\$ 3,588	\$ 16,793

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COMMITMENTS

The Company had renegotiated a new lease effective January 1, 2021 for an initial term of 5 years with an option to extend for an additional 5 year. The Basic annual rents are as follows:

- from January 1, 2021 to December 31, 2022 - \$558,435 per annum
- from January 1, 2023 to December 31, 2024 - \$583,563 per annum, and
- from January 1, 2025 to December 31, 2025 - \$609,837 per annum

Estimated additional rents are approximately \$126,000 per annum.

LOANS PAYABLE

Credit Facility:

The Company has a variable rate term loan with a maximum authorized limit of \$1,500,000 with Vancity Savings Credit Union. The credit facility carries an annual interest rate of Vancity Prime + 1.75%, is calculated and payable monthly and secured by a general security agreement and personal guarantees of certain Directors and Shareholders. All amounts due under the credit facility are due on demand. The amount outstanding as at June 30, 2021 was \$857,014 (December 31, 2021 - \$1,365,557).

Shareholder loans:

The Company had a loan payable to a non-related party shareholders in the amount of \$523,520. The loans carried an annual interest rate of 10%, was unsecured and were paid in full in June 2021. The amount outstanding as at June 30, 2021 was \$Nil (December 31, 2020 - \$523,520) including \$Nil (December 31, 2020 - \$79,513) in interest.

Directors' loans:

The Company had borrowed \$480,000 during May and June on a short-term basis. The loans carried an annual interest rate of 6%, was unsecured and were paid in full in June 2021 with interest totaling \$2,495.

Bridge loan:

Prior to the Amalgamation, Northstar advanced a total of \$731,301 to Empower. These amounts are eliminated after the Amalgamation date.

CAPITAL MANAGEMENT

The Company's capital comprises its shareholders equity under management. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its recycling technology and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to maximize ongoing development efforts, the Company does not pay dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

To fund future operations and exploration activities, the Company will need to raise funds through future share issuances, issue new debt or dispose of assets.

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There have been no changes to the Company's approach to capital management during the period ended June 30, 2021. The Company is not subject to externally imposed capital requirements.

FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Management Objectives

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored.

Capital Management

The Company manages its capital to ensure that it will be able to continue as going-concern while maximizing the return to shareholders through the optimization of debt and equity balances.

The capital of the Company consists of items included in Shareholders' Equity of \$12,801,486.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue equity or return capital to shareholders. There were no changes to the Company's approach to capital management during the period ended June 30, 2021. The Company is not subject to externally imposed capital requirements.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

Cash is held with reputable banks in Canada. The long-term credit rating of these banks, as determined by Standard and Poor's, was A+.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due.

Accounts payables and accrued liabilities are paid in the normal course of business generally according to their terms. In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. As at June 30, 2021, the Company had \$10,277,305 cash to settle current liabilities of \$1,406,504.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company's credit facility bears interest at a rate of prime plus 1.75%, and as such the Company is exposed to interest rate risk. The effect of a 10% increase in interest rates would be nominal. In addition, an immaterial amount of interest rate exposure exists in respect of cash balances on the statement of financial position.

Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary financial instruments are denominated in United States dollars. The Company has not entered any foreign currency contracts to mitigate this risk. The Company's sensitivity analysis suggests that a 10% change in the rate of exchange between the Canadian and United States dollar would have an insignificant impact on its results of operations as it held nominal financial assets and liabilities denominated in United States dollars.

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Fair Value Measurements Recognized in the Statement of Financial Position

The following table summarizes the carrying values of the Company's financial instruments.

	June 30, 2021	December 31, 2020
Financial assets at FVTPL (i)	\$ 10,277,305	\$ 1,977,799
Other financial liabilities (ii)	\$ 985,002	\$ 2,259,836

(i) Cash
(ii) Bank indebtedness, Accounts payable and accrued liabilities and loans payable.

The Company categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observability of the inputs used in the measurement.

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash is measured at fair value using Level 1 inputs. Investments are measured at Level 2. Fair value of level 2 investments were estimated by reference to Securities Transfer Agreement.

The fair values of other financial liabilities approximate their carrying value, due to their short-term nature.

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OUTSTANDING SHARE DATA as at August 20, 2021:

- a) Authorized Share Capital:
 Unlimited number of common shares without par value
- b) Issued Share Capital:
 106,110,903 common shares with a stated value of \$24,744,885
- c) Outstanding stock options:

	Expiry Date	Exercise Price	Number of Options
	February 16, 2031	\$ 0.35	3,300,000
Outstanding			3,300,000
Exercisable			1,650,000

- d) Outstanding share purchase warrants:

	Expiry Date	Former Expiry Date	Exercise Price	June 30, 2021	December 31, 2020*
	July 13, 2026*	Sept23, 2021	\$ 0.279	1,074,732	1,074,732
	July 13, 2026*	Sept23, 2021	\$ 0.279	564,234	564,234
Finders warrants –	July 13, 2026*	Sept23, 2021	\$ 0.279	406,249	406,249
	July 13, 2026*	Oct26, 2021	\$ 0.279	1,558,361	1,558,361
	July 13, 2026*	Nov14, 2021	\$ 0.279	53,737	53,737
	July 13, 2026*	Dec1, 2021	\$ 0.279	268,683	268,683
Finders warrants –	July 13, 2026*	Nov8, 2023	\$ 0.465	345,526	345,526
	July 13, 2026*	Nov8, 2023	\$ 0.465	130,086	130,086
Finders warrants –	July 13, 2026*	Feb27, 2024	\$ 0.465	145,089	145,089
	July 13, 2026*	Feb27, 2024	\$ 0.465	74,371	74,371
	July 13, 2026*	Apr4, 2024	\$ 0.279	698,575	698,575
	July 13, 2026*	Jun20, 2024	\$ 0.279	64,484	64,484
	July 13, 2026*	Jun26, 2024	\$ 0.279	134,341	134,341
	July 13, 2026*	Dec16, 2024	\$ 0.279	179,121	179,121
Broker warrants –	June 22, 2023	-	\$ 0.500	2,014,565	-
	June 22, 2023	-	\$ 0.500	17,487,584	-
Outstanding and exercisable				25,199,738	5,697,589

*The warrants outstanding on acquisition (Note 4) were converted at a ratio of 1 old for 1.0747 new warrants on December 23, 2020 and the price was adjusted by the same ratio. All warrants were reissued for a period of 5 years when the Company become publicly listed and trading with a new expiry date of July 13, 2026.

- e) Shares held in escrow or pooling agreements: Nil