NORTHSTAR
CLEAN TECHNOLOGIES

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Northstar Clean Technologies Inc.:

Opinion

We have audited the consolidated financial statements of Northstar Clean Technologies Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss and negative cash flows from operations during the year ended December 31, 2022, and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Matter

The consolidated financial statement for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on April 22, 2022.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Brent Wolfe.

Vancouver, British Columbia

April 18, 2023

MNP LLP

Chartered Professional Accountants

Northstar Clean Technologies Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at December 31, 2022 and 2021

		December 31, 2022		December 31, 2021
ASSETS				
Current				
Cash	$	1,114,166	$	5,948,876
GST receivable		207,389		370,293
Prepaids		98,481		407,109
Net investment in sublease (Note 5)		65,696		59,469
		1,485,732		6,785,747
Non-Current				
Deposits (Note 5 and 6)		624,091		451,070
Property, plant and equipment (Note 6)		3,286,540		3,205,404
Intangible assets (Note 7)		25,686		-
Net investment in sublease (Note 5)		66,247		131,942
Right-of-use asset (Note 5)		1,340,761		1,800,450
		5,343,325		5,588,866
	$	6,829,057	$	12,374,613
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 10)	$	1,238,078	$	759,543
Equity-based compensation payable (Note 12)		23,178		-
Loans payable (Note 8)		121,250		90,000
Convertible debentures (Note 9)		6,000		-
Lease liability (Notes 5)		516,811		444,004
		1,905,317		1,293,547
Non-Current				
Equity-based compensation payable (Note 12)		21,464		-
Loans payable (Note 8)		46,711		149,015
Convertible debentures (Note 9)		928,408		-
Lease liability (Notes 5)		1,142,650		1,659,461
		4,044,550		3,102,023
Shareholders' equity				
Capital stock (Note 11)		25,448,274		24,698,274
Reserves (Note 12)		3,534,330		2,571,477
Deficit		(26,198,097)		(17,997,161)
		2,784,507		9,272,590
	$	6,829,057	$	12,374,613

Nature and continuance of operations (Note 1)
Subsequent events (Note 17)

On behalf of the Board:

"James Borkowski" Director *"Aidan G. Mills"* Director

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

Northstar Clean Technologies Inc.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
For the years ended December 31, 2022 and 2021

	2022	2021
RESEARCH AND DEVELOPMENT EXPENSES		
Contract consulting fees	$ 477,539	$ 316,182
Repairs and maintenance	18,347	89,278
Site materials	1,079,942	228,001
	(1,575,828)	(633,461)
GENERAL AND ADMINISTRATIVE EXPENSES		
Advertising, marketing and promotion (Note 10)	609,334	909,395
Bank charges, interest and finance charges	228,589	292,679
Consulting fees (Note 10)	276,664	501,785
Depreciation (Note 5, 6 and 7)	1,075,999	461,966
Insurance	128,060	73,215
IT and communications	159,386	43,873
Office and administration	55,133	23,203
Professional fees (Note 10)	591,795	576,485
Rent and utilities	426,116	227,257
Share-based compensation (Notes 4, 10 and 12)	656,932	2,357,265
Transfer agent and regulatory fees	106,671	106,967
Travel	226,945	123,767
Wages and benefits (Note 10)	2,228,134	721,737
	(6,769,758)	(6,419,594)
OTHER ITEMS		
Foreign exchange gain (loss)	(988)	12,463
Gain on sale of investment	-	1
Interest income	19,703	22,000
Loss on tax receivable	(130,522)	-
Other income	12,136	-
Loss on sale of property, plant and equipment (Note 6)	-	(80,000)
Write-off of property, plant and equipment (Note 6)	-	(109,321)
	(99,671)	(154,857)
Loss and comprehensive loss before income taxes	$ (8,445,257)	$ (7,207,912)
Investment tax credit recovery (Note 16)	120,359	-
Income tax recovery (Note 9 and 16)	123,962	-
Loss and comprehensive loss for the year	$ (8,200,936)	$ (7,207,912)
Basic and diluted loss per share	$ (0.08)	$ (0.08)
Weighted average number of common shares outstanding (basic and diluted)	106,838,232	88,830,351

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

Northstar Clean Technologies Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Reserves	Deficit	Total Shareholders' Equity
Authorized Share Capital:					
Unlimited number of common shares without par value					
Issued:					
Balance, December 31, 2020	**68,282,989**	**$ 12,602,086**	**$ 543,854**	**$ (10,789,249)**	**$ 2,356,691**
Private placements (Note 11)	34,975,178	12,241,312	-	-	12,241,312
Share issue costs (Note 11)	-	(1,151,082)	391,873	-	(759,209)
Penalty shares issued (Note 4)	2,150,000	752,500	-	-	752,500
Warrant exercise (Note 11)	15,000	7,500	-	-	7,500
Share-based payments (Note 12)	-	-	1,604,765	-	1,604,765
Shares issued for debt	702,736	245,958	-	-	245,958
Shareholder contribution on low interest loan	-	-	30,985	-	30,985
Loss for the year	-	-	-	(7,207,912)	(7,207,912)
Balance, December 31, 2021	**106,125,903**	**24,698,274**	**2,571,477**	**(17,997,161)**	**9,272,590**
Private placements (Note 11)	1,875,000	750,000	-	-	750,000
Equity portion of Convertible Debentures (Note 9)	-	-	335,157	-	335,157
Broker warrants (Note 9)	-	-	15,406	-	15,406
Share-based payments (Note 12)	-	-	612,290	-	612,290
Loss for the year	-	-	-	(8,200,936)	(8,200,936)
Balance, December 31, 2022	**108,000,903**	**$25,448,274**	**$ 3,534,330**	**$ (26,198,097)**	**$ 2,784,507**

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

Northstar Clean Technologies Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
For the years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (8,200,936)	$ (7,207,912)
Items not affecting cash		
Depreciation	1,075,999	461,966
Loss on sale of equipment under construction (Note 6)	-	80,000
Loss on disposition of equipment under construction (Note 6)	-	109,321
Interest and finance charges on loans (Note 8 and 9)	29,175	54,491
Interest on investment in sublease (Note 5)	(16,465)	(22,000)
Share-based payments (Note 12)	656,932	2,357,265
Loss on tax receivable	130,522	-
Income tax recovery	(123,962)	-
Interest on lease liabilities	190,363	232,347
Gain on sale of investments	-	(1)
	(6,258,372)	(3,934,523)
Changes in non-cash working capital items		
GST Receivables	32,384	(164,063)
Prepaids	140,606	(394,048)
Accounts payable and accrued liabilities	398,291	398,074
Net cash flows used in operating activities	(5,687,091)	(4,094,560)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 6)	(716,853)	(761,229)
Acquisition of intangible assets (Note 7)	(26,036)	-
Proceeds from government PPE government grants (Note 6)	100,000	-
Proceeds on disposition of property, plant and equipment (Note 6)	-	24,000
Deposits Paid	(5,000)	(402,500)
Net cash flows used in investing activities	(647,889)	(1,139,729)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertible debentures, net of issuance costs (Note 9)	1,398,704	-
Loan proceeds (Note 8)	-	480,000
Loan repayments (Note 8)	(90,000)	(2,205,800)
Repayments of lease liabilities (Note 5)	(558,434)	(558,433)
Proceeds from issuance of shares on private placements (Note 11)	750,000	12,241,312
Proceeds from issuance of shares on warrant exercises (Note 11)	-	7,500
Share issue costs (Note 11)	-	(759,209)
Net cash flows provided by financing activities	1,500,270	9,205,370
Change in cash during the year	(4,834,710)	3,971,081
Cash, beginning of year	5,948,876	1,977,795
Cash, end of year	$ 1,114,166	$ 5,948,876
Cash paid for interest	$ 29,442	$ 50,304
Cash paid for tax	$ -	$ -

Supplemental disclosures with respect to cash flows (Note 13)

The accompanying notes are an integral part of the consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Nature of operations

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 shares of the Company in exchange. Pursuant to the agreement, following completion of the transaction, Empower shareholders owned 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 principal address of the Company and the Company's registered and records office is located at 7046 Brown Street, Delta, British Columbia, Canada, V4G 1G8 (the "Empower Pilot Facility").

The Company, through its wholly-owned subsidiary Empower, has developed a proprietary design process technology at its Empower Pilot Facility for taking discarded or defective single-use asphalt shingles, otherwise destined for already over-crowded landfills, and extracting the liquid asphalt, aggregate and fiber for usage in new asphalt, shingles, construction products and other industrial applications.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company incurred a significant operating loss of $8,200,936 during the year ended December 31, 2022 (December 31, 2021 - $7,207,912). The company has a working capital deficiency of $(419,585) (December 31, 2021 surplus of $5,492,200) and is currently unable to self-finance operations, has limited resources, no source of operating cash flow, and no assurances that anticipated production revenue will be sufficient to fund operations. As a result, the adverse conditions result in a material uncertainty that may cast significant doubt on the validity of the going concern assumption.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods. COVID-19 may hinder the Company's ability to raise financing for development or operating costs due to uncertain capital markets, supply chain disruptions, increased government regulations and other unanticipated factors, all of which may also negatively impact the Company's business and financial condition. It is management's assumption that the Company will continue to operate as a going concern.

While many of the restrictions imposed during the COVID-19 pandemic are now being eased globally, the Company's business may still be impacted through lingering or renewed effects of the pandemic, including through supply chain, financial constraints of its customers and suppliers, increasing costs, and difficulty attracting skilled labor, with a result that it may not be able to build, own and operate its Empower Pilot Facility and/or the Empower Calgary Facility within the anticipated timeframe or on budget. In some cases, such delays may result in liquidated damages, and may adversely affect the Company's operations.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of December 31, 2022. The Board of Directors approved the consolidated financial statements for issue on April 18, 2022.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current period presentation.

Consolidated Statement of Loss and Comprehensive Loss:

	December 31, 2021 Re-stated	December 31, 2021 Original	Difference
Advertising, marketing and promotion	$ 909,395	$ 849,737	$ 59,658
Consulting fees	$ 501,785	$ 504,953	$ (3,168)
Investor relations	$ -	$ 58,535	$ (58,535)
IT and communications	$ 43,873	$ -	$ 43,873
Office and administration	$ 23,203	$ 65,738	$ (42,525)
Rent and utilities	$ 227,257	$ 226,560	$ 697
Total	$1,705,513	$1,705,513	$ -

Consolidated Statement of Cashflows:

	December 31, 2021 Re-stated	December 31, 2021 Original	Difference
Lease payments received	$ -	$ 73,824	$ 73,824
Lease liability	$ 558,433	$(632,257)	$(73,824)
Total	$ 558,433	$ 558.433	$ -

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies. These consolidated financial statements have been prepared using the accrual basis of accounting with the exception of cash flow information.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

2. BASIS OF PREPARATION (Continued)

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these judgments and estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those judgments and estimates.

The most significant accounts that require judgments and estimates as the basis for determining the stated amounts include the recoverability of property, plant and equipment, assumptions used in share-based payments and convertible debentures, recognition of deferred income tax amounts, and the going concern assumption.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Significant Estimates

<u>Recoverability of property, plant, and equipment</u>
The carrying value of property and equipment, which are included in the consolidated statements of financial position. The cost model is utilized and the value of the property and equipment is based on the expenditures incurred less any accumulated depreciation and any accumulated impairment losses. At every reporting period, management assesses the potential impairment indicators which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount as determined on the basis of a sale of the asset in an arm's length transaction between knowledgeable and willing parties.

<u>Determination of market interest rate for loans, convertible debt and leases</u>

The Company determined the market interest rates for loans, leases and convertible debentures based on the Company's debt borrowing rate from third party lenders in the marketplace and by considering other market indicators.

Valuation of convertible debentures

The determination of the fair value is an area of significant judgment given that it is subject to various inputs, assumptions and estimates including: contractual future cash flows, discount rates, credit spreads and volatility. Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds

<u>Valuation of share-based payments</u>

Stock Option Awards

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Share Unit Awards

Share Unit Awards are measured at fair value on the date of grant which is estimated by reference the Company's quoted market price. The performance share units require the input of the expected performance factor which is a subjective assumption. Changes in this input assumption can materially affect the fair value estimate and the Company's earnings. The performance share units are re-measured at each reporting date based on the estimated

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (Continued)

Share Unit Awards (continued)

performance factor and the change in fair value is recognized as an expense in the statement of operations.

Critical judgements

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Going concern

As discussed in note 1, a material uncertainty around the going concern assumption exists, however, management has plans to ensure the continuation of the operations into the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a list of significant accounting policies used by the Company.

(a) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The consolidated financial statements include the accounts of the Company and its subsidiaries listed in the following table:

	Place of Incorporation	Effective interest at December 31, 2022	Effective interest at December 31, 2021
Empower Environmental Solutions Ltd	BC, Canada	100%	100%
Empower Environmental Solutions Calgary Ltd	Alberta, Canada	100%	0%
Empower Environmental Solutions Toronto West Ltd	Ontario, Canada	100%	0%
1284041 BC Ltd.	BC, Canada	100%	100%

Empower Environmental Solutions Calgary Ltd. and Empower Environmental Solutions Toronto West Ltd. were both incorporated in 2022 and would therefore show 0% interest in 2021.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Cash and cash equivalents

Cash and cash equivalents, when applicable, are designated as fair value through profit and loss ("FVTPL") and include highly liquid short-term interest bearing variable rate investments with an original maturity of three months or less, or which are readily convertible into a known amount of cash with no significant charges. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For the years presented, the Company only held cash.

(c) Financial instruments

Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the profit or loss in the period in which they arise.

Financial assets at FVTOCI
Financial assets carried at FVTOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTOCI are included in other comprehensive income or loss in the period in which they arise.

Impairment of financial assets at amortized cost
An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in

the statements of comprehensive loss.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of loss.

(d) Impairment of non-current assets

At each financial position reporting date, the Company's non-current assets are reviewed to determine whether there is any indication that the carrying value of those assets are impaired and may not be recoverable. If any such indication exists, the recoverable amount of the asset is evaluated at the level of a cash-generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between

(d) Impairment of non-current assets (Continued)

knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(e) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company determines diluted earnings/loss per share whereby the dilutive effect on earnings/loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. The Company starts to depreciate property, plant and equipment when assets are ready and available for use.

Depreciation is calculated using the following methods over their respective estimated useful lives at the following annual rates:

Processing equipment	20% declining balance, no residual value
Storage facility	20% declining balance, no residual value
Construction in progress	Nil until available for use
Furniture and fixtures	20% declining balance, no residual value
Computer equipment	55% declining balance, no residual value
Leasehold improvements	Straight-line over the term of lease

Depreciation methods and useful lives are reviewed at each reporting date and adjusted prospectively. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

Property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statements of loss and comprehensive loss.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

(g) Intangible assets

Intangible assets are recorded at cost less accumulated amortization and any impairment losses. Amortization of definite life intangibles is calculated on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Patents - 20 years

The estimated useful lives, residual values and amortization methods are reviewed annually and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization but are subject to an annual test of impairment.

(h) Leases

Leases are recognized as a lease liability and a corresponding right-of-use ("ROU") asset at the date on which the leased asset is available for use by the Company. Liabilities and assets arising from a lease are initially measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate when the rate implicit in the lease is not readily available. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leases

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

Lease payments are allocated between the lease liability and finance costs. Cash outflows for repayment of the principal portion of the lease liability is classified as cash flows from financing activities. The interest portion of the lease payments is classified as cash flows from operating activities.

The ROU asset is initially measured at an amount equal to the corresponding lease liability and is subsequently depreciated on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the consolidated statement of loss on a straight-line basis over the lease term. If the right-of-use asset is subsequently leased to a third party (a "sublease"), the Company will assess the classification of the sublease as to whether it is a finance or operating lease. Subleases that are classified as an operating lease will recognize lease income while a finance lease will recognize a lease receivable and derecognize the carrying value of the right-of-use asset, with the difference recorded in profit or loss.

(i) Income taxes

Income tax on the profit or loss for the year presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the deferred tax asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(k) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events. It is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as interest expense.

(l) Share-based payment transactions

The Company grants stock options to acquire common shares to directors, officers, employees and consultants. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Stock Options

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is accrued and charged to operations with the offset credit to reserves, over the vesting period. If and when the stock options are exercised, the applicable amounts from reserves are transferred to capital stock.

Share-based compensation to non-employees is measured at the fair value of the goods or services received or the fair value of the equity instruments issued if the fair value of the goods or services cannot be reliably measured, and is recorded at the date the goods or services are received.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

Share Unit Awards

Share Unit Awards are measured at fair value on the date of grant which is estimated by reference the Company's quoted market price. At each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share unit awards that are expected to vest. The fair value of the share unit awards is accrued and charged to operations with the offset credit to reserves, for equity settled share unit awards and to liabilities, for cash settled share unit awards, over the vesting period. For cash settled share unit awards, the fair value is re-calculated based on the Company's quoted market price at the reporting period. When the share unit awards are issued, the applicable amounts from reserves are transferred to capital stock and the applicable amounts from liabilities are charged against cash.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Convertible Debentures

Convertible debentures are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. Where the conversion option has a variable conversion rate, the conversion option is recognized as a derivative liability measured at fair value through profit and loss. The residual amount is recognized as a financial liability and subsequently measured at amortized cost. The determination of the fair value is also an area of significant judgment given that it is subject to various inputs, assumptions and estimates including: contractual future cash flows, discount rates, credit spreads and volatility. Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds.

(n) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Equity units
The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as units. The proceeds from the issue of units are allocated between common shares and share purchase warrants where the fair value of the common shares is based on the market value on the date of the issuance of the placement and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against common share component.

(o) New accounting standards adopted during the year

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, 2023. Earlier application is permitted. The Company's adoption of this amendment will have no significant impact.

Property, Plant and Equipment – Proceeds before Intended Use (Amendment to IAS 16)

The amendment will prohibit the Company from deducting net proceeds from selling any items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in a manner intended by management. The amendment requires retrospective application and effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

(Expressed in Canadian Dollars)

4. POST-CLOSING COVENANTS

As described in Note 1, on December 23, 2020, Empower completed the Amalgamation with 1257848 BC Ltd., a wholly owned subsidiary of the Company. As consideration for the Amalgamation, the Company issued a total of 44,331,147 common shares to the shareholders of Empower.

Part of the acquisition of Empower on December 23, 2020 (Refer to the December 31, 2021 Audited Financial Statements), Post-Closing Covenants were put in place whereby Northstar Shareholders would receive an aggregate of 2,150,000 Shares of the Company if the Company is not listed on either the TSXV or the CSE on or before March 31, 2021. The Company did not meet the Post-Closing Covenants by listing on or before March 31, 2021, therefore on April 1, 2021, Northstar issued, for no additional consideration, an additional 2,150,000 Northstar Shares and divided among the Entitled Shareholders pro-rata according to the interest each of them held in Northstar as shown on the Equity Record. The shares were issued on April 1, 2021 at a fair value of $0.35 per share for a total of $752,500 which has been expensed as share-based compensation.

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY

Right-of-use assets

The Company's right-of-use assets are entirely comprised of premises for operating facility. The following is the continuity of the cost and accumulated depreciation of right-of-use assets as at December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Cost		
Balance at beginning of year	**$ 2,260,140**	**$ 612,140**
Expiration	-	(612,140)
Additions	-	2,260,140
Balance, end of year	**$ 2,260,140**	**$ 2,260,140**
Accumulated depreciation		
Balance at beginning of year	**$ 459,690**	**$ 612,140**
Expiration	-	(612,140)
Depreciation	459,689	459,690
Balance, end of year	**$ 919,379**	**$ 459,690**
Net book value	**$ 1,340,761**	**$ 1,800,450**

The Company's Net investment assets ("NIS") are comprised of premises under lease and are sub-leased. The following is the continuity of the NIS asset as at December 31, 2022 and 2021:

Net investment in sublease	December 31, 2022	December 31, 2021
NIS asset acquired from Northstar	$ 191,411	$ 243,235
Lease payments received	(75,933)	(73,824)
Finance income	16,465	22,000
Value of net investment in sublease, end of year	131,943	191,411
Current portion	(65,696)	(59,469)
Non-current portion	**$ 66,247**	**$ 131,942**

(Expressed in Canadian Dollars)

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY (Continued)

Lease liabilities

The following is the continuity of lease liabilities as at December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Cost		
Balance at beginning of year	**$ 2,103,465**	**$ 243,235**
Additions	-	2,260,140
Lease payments	(634,367)	(632,257)
Interest accretion on lease liability	190,363	232,347
Balance, end of year	**$ 1,659,461**	**$ 2,103,465**
Current portion	(516,811)	(444,004)
Non-current portion	**$ 1,142,650**	**$ 1,659,461**

Variable lease payments for the year ended December 31, 2022 is $179,006 (2021 - $175,545).

Rent expense relating to short term rental for year ended December 31, 2022 is $60,150 (2021 - $Nil).

In connection with the agreement for the lease, the Company made a deposit payment of $85,000 of which $37,800 was applied to the Basic Rent due in December 2015, and the balance of $47,200 was held as a security deposit. The Company renegotiated a new lease on January 1, 2021 and the security deposit held with the addition of $402,500 formed part of the new security deposit.

In connection with the NIS lease, the Company's lease term is until November 30, 2024. The current monthly basic rent is payable monthly in advance at a rate of $6,136 per month plus the proportion share of expense in respect of operating costs and property taxes. The Company entered into an assignment agreement whereby the assignee has accepted the terms of the Company's lease terms and is paying the lease payments directly to the Landlord. The landlord holds a security deposit of $10,043.

(Expressed in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Processing equipment	Storage Facility	Construction in progress	Furniture and Fixtures	Leasehold Improve-ments	Total
Cost						
Balance – December 31, 2020	**$ 28,210**	**$ 20,300**	**$ 2,359,511**	**$ 3,600**	**$ 56,604**	**$ 2,468,225**
Additions	-	36,168	1,013,383	578	-	1,050,129
Disposals	-	-	(104,000)	-	-	(104,000)
Impairments	-	-	(109,321)	-	-	(109,321)
Fully amortized assets	-	-	-	-	(56,604)	(56,604)
Balance – December 31, 2021	**$ 28,210**	**$ 56,468**	**$ 3,159,573**	**$ 4,178**	**$ -**	**$3,248,429**
Transfers	3,130,765	-	(3,130,765)	-	-	-
Additions	308,912	-	458,326	23,856	6,001	797,095
Government grant	-	-	(100,000)	-	-	(100,000)
Balance – December 31, 2022	**$ 3,467,887**	**$ 56,468**	**$ 387,134**	**$ 28,034**	**$ 6,001**	**$3,945,524**
Accumulated Depreciation						
Balance – December 31, 2020	**$ 23,950**	**$ 14,314**	**$ -**	**$ 2,485**	**$ 56,604**	**$ 97,353**
Additions	852	1,200	-	224	-	2,276
Fully amortized assets	-	-	-	-	(56,604)	(56,604)
Balance – December 31, 2021	**$ 24,802**	**$ 15,514**	**$ -**	**$ 2,709**	**$ -**	**$ 43,025**
Additions	604,209	8,191	-	3,309	250	615,959
Balance – December 31, 2022	**$ 629,011**	**$ 23,705**	**$ -**	**$ 6,018**	**$ 250**	**$ 658,984**
Net Book Value						
Balance – December 31, 2021	**$ 3,408**	**$ 40,954**	**$ 3,159,573**	**$ 1,469**	**$ -**	**$ 3,205,404**
Balance – December 31, 2022	**$ 2,838,876**	**$ 32,763**	**$ 387,134**	**$ 22,016**	**$ 5,751**	**$ 3,286,540**

During the year ended December 31, 2021, the Company received $24,000 on the disposition of equipment included in construction in progress equipment with a net book value of $104,000. The Company recognized a loss of $80,000 on the sale.

During the year ended December 31, 2022 the Company transferred $3,130,765 from construction in progress equipment to processing equipment and as of February 1, 2022 the Company started recording depreciation on this equipment. The Company also received a $100,000 government grant from Alberta Innovates relating directly to capitalized engineering costs.

7. INTANGIBLE ASSETS

	Patents In Process	Patents	Total
Cost:			
Balance – December 31, 2021	**$ -**	**$ -**	**$ -**
Additions	11,984	14,053	26,037
Balance – December 31, 2022	**$ 11,984**	**$ 14,053**	**$ 26,037**
Accumulated amortization			
Balance – December 31, 2021	**-**	**-**	**-**
Amortization	-	351	351
Balance – December 31, 2022	**$ -**	**$ 351**	**$ 351**
Net book value			
Balance – December 31, 2021	**$ -**	**$ -**	**$ -**
Balance – December 31, 2022	**$ 11,984**	**$ 13,702**	**$ 25,686**

(Expressed in Canadian Dollars)

8. LOANS PAYABLE

	Credit Facility	Shareholder Loans	Directors' Loans	Equipment Loan	Total
Loans payable:					
Balance – December 31, 2020	**$ 1,365,557**	**$ 551,710**	**$ -**	**$ -**	**$1,917,267**
Advances	-	-	480,000	-	480,000
Accrued interest	35,252	16,744	2,495	-	54,491
Repayment of principal and interest	(1,400,809)	(322,496)	(482,495)	-	(2,205,800)
Shares for debt	-	(245,958)	-	-	(245,958)
Equipment received for loan	-	-	-	270,000	270,000
Interest accretion on low interest loan	-	-	-	(30,985)	(30,985)
Balance – December 31, 2021	**-**	**-**	**-**	**239,015**	**239,015**
Less current portion	**-**	**-**	**-**	**(90,000)**	**(90,000)**
Long term portion	**$ -**	**$ -**	**$ -**	**$ 149,015**	**$ 149,015**
Balance – December 31, 2021	**-**	**-**	**-**	**239,015**	**239,015**
Accrued interest	-	-	-	2,363	2,363
Repayment of loan	-	-	-	(92,363)	(92,363)
Interest accretion on low interest loan	-	-	-	18,946	18,946
Balance – December 31, 2022	**-**	**-**	**-**	**167,961**	**167,961**
Less current portion	-	-	-	(121,250)	(121,250)
Long term portion	**$ -**	**$ -**	**$ -**	**$ 46,711**	**$ 46,711**

Credit Facility:

The Company had a variable rate term loan with a maximum authorized limit of $1,500,000 with Vancity Savings Credit Union. The credit facility carried an annual interest rate of Vancity Prime + 1.75%, was 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 and the remaining balance was repaid in December 2021.

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 of which $245,958 was settled with the issuance of 702,736 shares (Note 11).

The Company had a loan payable to a non-related party shareholder in the amount of $28,190. The amount was non-interest bearing, is unsecured and was repaid in full in June 2021.

Directors' loans:

During the year ended December 31, 2021, the Company had borrowed $480,000 from directors of the Company. 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 were eliminated after the Amalgamation date.

Equipment loan:

The Company acquired $270,000 of equipment from a Company controlled by an officer of the Company during the year. The term of the loan is 30 months, beginning January 1, 2022 and ending June 30, 2024. The loan carries an annual interest rate of 1% per annum, secured by the equipment and repayable in monthly instalments of $5,000 plus interest for the first 6 months and $10,000 per month plus interest from 7th month until fully paid. Interest payments begin in July 2022. The equipment loan was recognized as the present value using a 10% market rate of interest. The difference was recognized as a shareholder contribution in reserves on low interest loan. The amount outstanding as at December 31, 2022 was $167,961 (December 31, 2021 - $239,015).

(Expressed in Canadian Dollars)

9. CONVERTIBLE DEBENTURES

Balance – December 31, 2021	**$ -**
Additions	924,179
Accretion	4,229
Accrued Interest	6,000
Balance – December 31, 2022	**934,408**
Less current portion	6,000
Long term portion	**$ 928,408**

On December 15, 2022, the Company issued $1,440,000 in aggregate principal amount of Convertible Debentures. The Convertible Debentures are unsecured, mature on December 15, 2025 and bear cash interest semi-annually at a rate of 10% per annum, calculated in arrears.

Holders may convert all or a portion of all the Convertible Debentures together with any and all accrued but unpaid interest on conversion amount at any time at a conversion price per Unit of $0.25 per Unit. Each Unit consists of one common share and one-half of one non-transferable warrant, with each Warrant entitling the holder to purchase one additional common share at a price of $0.35 per Warrant Share until December 31, 2022.

Northstar will be entitled to force the conversion of the principal amount and any accrued and unpaid interest then outstanding at the respective conversion price and interest conversion price on not more than sixty (60) days' notice and not less than thirty (30) days' notice in the event that the daily volume weighted average trading price of the shares on the Exchange is greater than $0.75 per share for ten (10) consecutive trading days of the shares on the TSXV preceding such notice.

The Company determines the carrying amount of the financial liability using present value of future cashflows with the principal amount of $1,440,000 and a market rate of interest of 25%. The debt component is being amortized using an effective interest rate of 26.56% over its remaining term. The liability component is then increased by accretion of the discounted amounts to reach the nominal value of the convertible notes at maturity which is recorded in the statements of loss and comprehensive loss as accretion expense.

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability from the amount of the principal, and is presented in Equity as an equity component of convertible notes in reserves.

The transaction costs are distributed between liability and equity components on a pro-rata basis according to their carrying amounts. Included in transaction costs are 157,200 broker warrants valued at $15,406 which are exercisable to purchase on additional common share at $0.35 per share until December 15, 2025.

The financial liability has been recognized at its present value of $934,408, which represents the principal amount of $1,440,000 less $477,938 allocated to the equity component plus accrued interest of $6,000 less transaction costs of $37,882 plus accretion interest of $4,228. The equity component has been recorded net of deferred tax impacts (Note 16) resulting in the equity component being recorded at $335,157.

Management capitalized transaction costs which are directly attributable to the issuance of the Convertible Debentures. These transaction costs total $56,702 and have been netted against the principal amount of the debt and the equity option on a pro-rata basis.

As of December 31, 2022, $1,440,000 principal amount of the Convertible Debentures are outstanding and $6,000 interest has been accrued.

The fair value of the conversion option was determined based on the assumed borrowing rate of 25% which is the company's debt borrowing rate without a conversion option.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS AND BALANCES

(a) As at December 31, 2022, accounts payable and accrued liabilities include $754,656 (December 31, 2021 - $178,759) owing to companies with certain directors in common and companies controlled by certain directors and officers or former directors. The amounts are unsecured, non-interest bearing and due on demand.

(b) Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. During the years presented the Company paid or accrued the following key management personnel compensation to directors, officers, and/or companies controlled by directors and officers and/or companies with certain directors in common:

	December 31, 2022	December 31, 2021
Advertising, marketing and promotion	$ 55,800	$ 106,300
Consulting fees	42,000	64,000
Professional fees	80,000	118,000
Wages, bonuses and benefits	1,166,210	505,134
Share-based payment	453,994	1,377,542
	$ 1,798,004	$ 2,170,976

(c) During the year ended December 31, 2021, the Company acquired equipment in the amount of $270,000 plus GST and PST from a company with certain controlled by an officer. See Note 8 for additional disclosure.
(d) On December 15, 2022 $360,000 was received in convertible debenture proceeds by officers or directors of the company.
(e) As at December 31, 2022 prepaids includes $45,000 (December 31, 2021 – NIL) to a company controlled by a director.

11. CAPITAL STOCK

Authorized Share Capital:
Unlimited number of common shares without par value

Issuance of shares
During the year ended December 31, 2022, the Company issued 1,875,000 common shares for proceeds of $750,000

During the year ended December 31, 2021, the Company completed the following share transactions:
- Issued a total of 702,736 common shares with a fair value of $245,958 in settlement of debts in the amount of $245,958 (Note 8).
- On April 1, 2021, the Company issued 2,150,000 shares with a value of $752,500 under a Post-Closing Covenant in the Northstar Empower Agreement (Note 4). The benefit was recorded as share-based compensation.
- Issuance of shares received on subscription receipts:
  On March 25, 2021 and March 26, 2021, the Company raised $12,241,312 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. 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 entitles 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. In addition, to the cash portion of the finder’s fees, 2,014,565 Special Warrants were issued and has converted to 2,014,565 Broker Warrants on Escrow Release valued at $391,873. The Company incurred additional share issuance costs of $54,111 in connection with the financing.
- In November 2021, the Company issued 15,000 shares on the exercise of warrants for gross proceeds of $7,500.

(Expressed in Canadian Dollars)

12. RESERVES

Stock options

The Company grants stock options to acquire common shares to directors, officers, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option is as determined by the Board at the time of grant. Options vest as determined by the Board of Directors. The options can be granted for a maximum term of 10 years.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2020	**-**	**$ -**
Issued	6,675,000	$ 0.35
Outstanding, December 31, 2021	**6,675,000**	**$ 0.35**
Issued	580,854	$ 0.35
Outstanding, December 31, 2022	7,255,854	$ 0.35

Share-based compensation recognized for options vested during the year ended December 31, 2022 was $519,021 (December 31, 2021 - $1,604,765).

Outstanding and exercisable stock options as at December 31, 2022:

		Number of Options	
Expiry Date	Exercise Price	Outstanding	Exercisable
May 31,2023	$ 0.35	850,000	850,000
December 15, 2024	$ 0.35	625,000	312,500
February 16, 2026	$ 0.35	2,800,000	2,800,000
July 12, 2026	$ 0.35	2,100,000	2,100,000
December 15, 2026	$ 0.35	400,000	200,000
February 7, 2027	$ 0.35	200,000	50,000
April 19, 2027	$ 0.35	260,854	-
August 30, 2027	$ 0.35	20,000	-
Total Outstanding		**7,255,854**	**6,312,500**

The estimated remaining life of the stock options at December 31, 2022 is 2.95 years

Outstanding and exercisable stock options as at December 31, 2021:

		Number of Options	
Expiry Date	Exercise Price	Outstanding	Exercisable
February 16, 2026	$ 0.35	3,300,000	2,475,000
July 12, 2026	$ 0.35	2,100,000	525,000
December 15, 2024	$ 0.35	875,000	-
December 15, 2026	$ 0.35	400,000	-
Total Outstanding		**6,675,000**	**3,000,000**

The estimated remaining life of the stock options at December 31, 2021 is 4.19 years.

(Expressed in Canadian Dollars)

12. RESERVES (Continued)

Stock options (Continued)

The fair value of stock options were calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2022	December 31, 2021
Expected volatility	128%	125%
Risk-free interest rate	2.21%	0.79%
Expected life	4.34 years	4.74 years
Dividend yield	-	-
Forfeiture rate	-	-
Range of exercise prices	$0.35	$0.35
Range of share prices on date of issue	$0.155 – 0.36	$0.305 – 0.39
Estimated fair value per option	$0.24	$0.31

The expected volatility was estimated using the average historical volatility of comparable companies.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2020	**5,697,589**	**$ 0.30**
Issued	19,502,149	$ 0.50
Exercised	(15,000)	$ 0.50
Outstanding, December 31, 2021	**25,184,738**	**$ 0.46**
Issued	157,200	$ 0.35
Outstanding, December 31, 2022	**25,341,938**	**$ 0.46**

The weighted average share price on the date of exercise was $0.46 and the estimated remaining life was 1.18 years

The Warrants issued prior to December 23, 2020 will be void and of no value unless exercised on or before 5 years from the date that the warrants are issued, provided however, that if the Company's shares are listed for trading on a Stock Exchange or Stock Market before the expiry of the 5 year term at which the Warrant may be exercised any time after the expiry of five years from the date that the Company's shares are listed for trading on such Stock Exchange or Stock Market.

Outstanding and exercisable warrants as at December 31, 2022:

	Expiry Date	Exercise Price	December 31, 2022	December 31, 2021
	July 13, 2026 (1)	$ 0.279	4,596,268	4,596,268
Finders warrants	July 13, 2026 (1)	$ 0.279	406,249	406,249
	July 13, 2026 (1)	$ 0.465	490,615	490,615
Finders warrants	July 13, 2026 (1)	$ 0.465	204,457	204,457
	June 22, 2023	$ 0.500	17,472,584	17,472,584
Broker warrants	June 22, 2023	$ 0.500	2,014,565	2,014,565
Broker warrants	December 15, 2025	$ 0.350	157,200	-
Outstanding and exercisable			**25,341,938**	**25,184,738**

(Expressed in Canadian Dollars)

12. RESERVES (Continued)

Warrants (Continued)

(1)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 on July 13, 2021, for a period of 5 years when the Company became publicly listed and trading, with a new expiry date of July 13, 2026. These warrants are non-transferable.

The fair value of warrants issued were calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2022	December 31, 2021
Expected volatility	129%	125%
Risk-free interest rate	3.4%	0.42%
Expected life	3 years	2 years
Dividend yield	-	-
Estimated fair value per warrant	$0.10	$0.19

Restricted Stock Units and Performance Stock Units

The Company grants Restricted Stock Units and Performance Stock Units to employees as share-base payments enabling them to acquire up to 6,500,000 of the issued and outstanding common stock of the Company. Under the plan, the quantity of each Restricted Stock Unit is as determined by the Board at the time of grant. The maximum quantity of each Performance Stock Unit is determined by the Board at the time of grant but the quantity is then adjusted at the first vesting date by the performance factor achieved during the performance period. The Restricted Stock Units and Performance Stock Units vest over 3 years. The fair value is determined using the stock price at the Date of Grant

All Restricted Stock Units and Performance Stock Units were granted in the current period.

Issued Restricted Stock Units and Performance Stock Units:

	Vesting Date	Issued	Cash Settled	Stock settled
Restricted Stock Units	June 23, 2023	130,424	11,785	118,639
Restricted Stock Units	March 31, 2024	130,424	11,785	118,639
Restricted Stock Units	March 31, 2025	130,424	11,785	118,639
Maximum Performance Stock Units	June 23, 2023	1,956,421	769,996	1,186,425
Maximum Performance Stock Units	July 13, 2024	1,956,421	769,996	1,186,425
Maximum Performance Stock Units	July 13, 2025	1,956,421	769,996	1,186,425
Total Restricted Stock Units and Performance Stock Units		**6,260,535**	**2,345,343**	**3,915,192**

The fair value of the Restricted Stock Units was calculated using the stock price at the date of granting and then amortized over the vesting schedule. The cash-settled Restricted Stock Units were re-valued at each reporting date.

The fair value of the Performance Stock Units was calculated using the stock price at the date of granting multiplied by the anticipated achievable performance factor and then amortized over the vesting schedule. The cash-settled Performance Stock Units were re-valued at each reporting date. For the year ended December 31, 2022, the company anticipated a performance factor of 100% (2021 – Nil).

12. RESERVES (Continued)

Restricted Stock Units and Performance Stock Units (Continued)

Share based compensation recognized for RSUs and PSUs vested during the year ended December 31, 2022 was $137,911 (2021 - $Nil) of which $44,642 is recorded as equity-based compensation payable.

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended December 31, 2022:
- Property, plant and equipment included in accounts payable and accrued liabilities - $49,561.
- There was a loss on tax receivable of $130,522 relating to GST refunds that will likely not be received
- Issued 157,200 Broker Warrants as finders fees on Convertible Debt issuance valued at $15,406

Significant non-cash transactions during the year ended December 31, 2021:
- Issued 2,150,000 shares at $0.35 per share with a value of $752,500 as share based payments.
- Acquired $270,000 of equipment under construction with a loan to an officer.
- Settled $245,958 in vendor debts with 702,736 shares at $0.35 per share.
- Recognition of $2,260,140 in right-of-use assets and lease liabilities.
- Issued 2,014,565 Broker Warrants as finders fees on share issuance costs valued at $391,873.
- Property, plant, and equipment included in accounts payable and accrued liabilities - $129,805.
- Recognized $30,985 on contribution from low interest shareholder loan.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) 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 $2,784,507.

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 year ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

b) 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.

i) 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+.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

ii) 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 December 31, 2022, the Company had $1,114,166 cash to settle current liabilities of $1,905,317.

iii) 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 is not subject to interest rate risk.

iv) 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.

c) Fair Value Measurements Recognized in the Statement of Financial Position

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

	December 31, 2022	December 31, 2021
Financial assets at FVTPL (i)	$ 1,114,166	$ 5,948,876
Financial liabilities at amortized cost (ii)	$ 2,385,089	$ 998,558

(i) Cash, and investments
(ii) Accounts payable and accrued liabilities and equity-based compensation payable, and loans payable, and convertible debentures.

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. There has been no change to the fair value hierarchy levels during the period.

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

(Expressed in Canadian Dollars)

15. SEGMENTED INFORMATION

The Company currently operates in one business segment in Canada, being the repurposing and reprocessing 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.

16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2022	2021
Loss before tax	$ (8,445,257)	$ (7,207,912)
Expected income tax (recovery)	(2,280,219)	(1,946,137)
Permanent differences	190,530	640,455
Scientific Research & Experimental Development	(120,359)	-
Adjustment to prior year provision versus statutory tax returns and expiry of non-capital losses	815,312	351,668
Change in unrecognized deductible temporary differences	1,150,415	954,014
Total income tax expense (recovery)	$ (244,321)	$ -

The total income tax expense (recovery) comprises of the following:

	2022	2021
Investment tax credit expense (recovery)	$ (120,359)	$ -
Deferred tax expense (recovery)	(123,962)	-
Total income tax expense (recovery)	**$ (244,321)**	**$ -**

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2022	2021
Deferred tax assets (liabilities)		
Property and equipment	$ -	$ (300,000)
ROU assets	(398,000)	-
Lease liability	398,000	-
Convertible debenture	(138,000)	-
Financing costs	5,081	-
Non-capital losses	132,919	300,000
Net deferred tax liability	$ -	$ -

(Expressed in Canadian Dollars)

16. INCOME TAXES (Continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2022	Expiry Date Range	2021	Expiry Date Range
Temporary differences				
Right-of-use assets/ Lease liability	186,757	No expiry date	111,604	No expiry date
Property and equipment	2,505,939	No expiry date	-	No expiry date
Share issue costs	486,220	2042 to 2045	680,671	2041 to 2044
Non-capital losses	14,779,765	2029 to 2042	7,548,646	2029 to 2041

Tax attributes are subject to review, and potential adjustment, by tax authorities.

17. SUBSEQUENT EVENTS

On February 14, 2023 the Company announced that it has signed a long-term 15 year lease agreement with two 5-year renewal options for an industrial zoned 4 acre property for the planned Calgary scale-up facility. Future monthly lease payments are as follows:

- from July 1, 2023 to June 30, 2028 - $28,876 per month
- from July 1, 2028 to June 30, 2033 - $31,764 per month, and
- from July 1, 2033 to June 31, 2038 - $34,940 per month

On February 28, 2023 the Company closed a $625,000 non-brokered private placement of unsecured convertible debentures with the same terms and conditions as the December 15, 2022 debentures.

On March 2, 2023 the Company issued 11,000 stock options to an employee at an exercise price of $0.21 for a 5-year term, to vest as to 25% on each of 6, 12, 18 and 24 months post-issuance.