



**Condensed Consolidated Interim Financial Statements**

**For the periods ended March 31, 2023 and 2022  
(Unaudited - Expressed in Canadian Dollars)**

# Northstar Clean Technologies Inc.

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

As at March 31, 2023 and December 31, 2022

	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 655,237	\$ 1,114,166
Receivables	10,596	-
GST receivable	45,271	207,389
Prepays	49,354	98,481
Net investment in sublease (Note 3)	61,479	65,696
	<u>821,937</u>	<u>1,485,732</u>
<b>Non-Current</b>		
Deposits (Note 3)	674,091	624,091
Property, plant and equipment (Note 4)	3,210,572	3,286,540
Intangible assets (Note 5)	32,455	25,686
Net investment in sublease (Note 3)	54,648	66,247
Right-of-use asset (Note 3)	1,225,839	1,340,761
	<u>5,197,605</u>	<u>5,343,325</u>
	<u>\$ 6,019,542</u>	<u>\$ 6,829,057</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 1,519,509	\$ 1,238,078
Equity based compensation payable (Note 10)	39,267	23,178
Loans payable (Note 6)	120,950	121,250
Convertible debentures (Note 7)	47,208	6,000
Lease liability (Note 3)	523,967	516,811
	<u>2,250,901</u>	<u>1,905,317</u>
<b>Non-Current</b>		
Loans payable (Note 6)	20,533	46,711
Equity based compensation payable (Note 10)	36,363	21,464
Convertible debentures (Note 7)	1,377,436	928,408
Lease liability (Note 3)	1,011,076	1,142,650
	<u>4,696,309</u>	<u>4,044,550</u>
<b>Shareholders' equity</b>		
Capital stock (Note 9)	25,448,274	25,448,274
Reserves (Note 10)	3,761,625	3,534,330
Deficit	(27,886,666)	(26,198,097)
	<u>1,323,233</u>	<u>2,784,507</u>
	<u>\$ 6,019,542</u>	<u>\$ 6,829,057</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 14)

### On behalf of the Board:

"James Borkowski"

Director

"Aidan G. Mills"

Director

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

# Northstar Clean Technologies Inc.

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

For the three months ended March 31, 2023 and 2022

	March 31, 2023	March 31, 2022
<b>REVENUE</b>		
Tipping fees	\$ 20,724	\$ -
Recycling income	680	-
	<u>21,404</u>	<u>-</u>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>		
Contract consulting fees	125,618	135,197
Repairs and maintenance	39,758	3,472
Site materials	163,878	134,194
	<u>(329,254)</u>	<u>(272,863)</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising, marketing and promotion (Note 8)	74,185	281,383
Bank charges, interest and finance charges (Note 3, 6, and 7)	117,977	58,938
Consulting fees (Note 8)	57,550	116,800
Depreciation (Notes 3, 4 and 5)	251,149	222,737
Insurance	26,741	36,261
IT and communications	30,698	34,995
Office and administration	20,925	23,218
Professional fees (Note 8)	76,156	109,252
Rent and utilities	132,604	76,054
Share-based compensation (Notes 8 and 10)	110,734	270,382
Transfer agent and regulatory fees	12,405	29,533
Travel	26,956	64,184
Wages and benefits (Note 8)	524,127	445,357
	<u>(1,462,207)</u>	<u>(1,769,094)</u>
<b>OTHER ITEMS</b>		
Foreign exchange gain	35	2,078
Other income	24,901	-
Interest income	3,168	6,939
	<u>28,104</u>	<u>9,017</u>
Income tax recovery (Note 7)	(53,384)	-
<b>Loss and comprehensive loss for the period</b>	<u>\$ (1,688,569)</u>	<u>\$ (2,032,940)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
<b>Weighted average number of common shares outstanding (basic and diluted)</b>	<u>108,000,903</u>	<u>106,125,903</u>

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

## Northstar Clean Technologies Inc.

### Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Reserves	Deficit	Total Shareholders' Equity
<b>Authorized Share Capital:</b>					
Unlimited number of common shares without par value					
<b>Issued:</b>					
<b>Balance, December 31, 2021</b>	<b>106,125,903</b>	<b>\$ 24,698,274</b>	<b>\$ 2,571,477</b>	<b>\$ (17,997,161)</b>	<b>\$ 9,272,590</b>
Share-based payments (Note 10)	-	-	270,382	-	270,382
Loss for the period	-	-	-	(2,032,940)	(2,032,940)
<b>Balance, March 31, 2022</b>	<b>106,125,903</b>	<b>\$ 24,698,274</b>	<b>\$ 2,841,859</b>	<b>\$ (20,030,101)</b>	<b>\$ 7,510,032</b>
<b>Balance, December 31, 2022</b>	<b>108,000,903</b>	<b>\$ 25,448,274</b>	<b>\$ 3,534,330</b>	<b>\$ (26,198,097)</b>	<b>\$ 2,784,507</b>
Equity portion of Convertible Debentures (Note 7)	-	-	144,333	-	144,333
Broker warrants (Note 7)	-	-	3,216	-	3,216
Share-based payments (Note 10)	-	-	79,746	-	79,746
Loss for the period	-	-	-	(1,688,569)	(1,688,569)
<b>Balance, March 31, 2023</b>	<b>108,000,903</b>	<b>\$ 25,448,274</b>	<b>\$ 3,761,625</b>	<b>\$ (27,886,666)</b>	<b>\$ 1,323,233</b>

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

# Northstar Clean Technologies Inc.

## Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

For the three months ended March 31, 2023 and 2022

	March 31, 2023	March 31, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,688,569)	\$ (2,032,940)
Items not affecting cash		
Depreciation (Note 3, 4 and 5)	251,149	222,737
Interest and finance charges on loans (Note 6 and 7)	76,217	5,852
Interest on investment in sublease (Note 3)	(3,168)	(4,667)
Share-based payments (Note 10)	110,734	270,382
Income tax recovery	(53,384)	-
Interest on lease liabilities (Note 3)	40,456	51,700
	<u>(1,266,565)</u>	<u>(1,486,936)</u>
Changes in non-cash working capital items		
GST receivables	162,117	(69,771)
Receivables	(10,596)	-
Prepays	49,126	112,065
Accounts payable and accrued liabilities	298,426	(204,297)
Net cash flows used in operating activities	<u>(767,492)</u>	<u>(1,648,939)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment (Note 4)	(77,077)	(248,872)
Acquisitions of intangible assets (note 5)	(6,945)	-
Deposits paid	(50,000)	(5,000)
Net cash flows used in investing activities	<u>(134,022)</u>	<u>(253,872)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of convertible debentures, net of issuance costs (Note 7)	618,900	-
Loan repayments (Note 6)	(30,425)	(15,000)
Repayment of lease liabilities (Note 3)	(145,890)	(139,608)
Net cash flows provided by (used in) financing activities	<u>442,585</u>	<u>(154,608)</u>
<b>Change in cash during the period</b>	(458,929)	(2,057,419)
<b>Cash, beginning of period</b>	1,114,166	5,948,876
<b>Cash, end of period</b>	<u>\$ 655,237</u>	<u>\$ 3,891,457</u>
Cash paid for interest	\$ 3,956	\$ -
Cash paid for tax	\$ -	\$ -

Supplemental disclosures with respect to cash flows (Note 11)

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

# Northstar Clean Technologies Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

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### 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 head office and principal address of the Company is located at 7046 Brown Street, Delta, British Columbia, Canada, V4G 1G8 (the “Empower Pilot Facility”). The Company’s registered and records office is 6204 – 125<sup>th</sup> Street, Surrey, British Columbia, Canada V3X 2E1.

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.

The Company is currently planning to construct and operate a scale up facility in Calgary Alberta.

#### Going concern

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume 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 \$1,688,569 during the three months ended March 31, 2023 (March 31, 2022 - \$2,032,940). The Company has a working capital deficiency of \$(1,428,964) (December 31, 2022 \$419,585) and is currently unable to self-finance operations, has limited resources, no source of operating cash flow, and no assurances that anticipated production and tipping fee 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.

# Northstar Clean Technologies Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

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### 2. BASIS OF PREPARATION

#### Statement of compliance

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of March 31, 2023. The Board of Directors approved the condensed consolidated interim financial statements for issue on May 29, 2023.

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2022. However, this interim financial report provides selected significant disclosures that are required in the annual financial statements under IFRS.

#### Basis of measurement

The condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting with the exception of cash flow information.

#### Functional and presentation currency

These condensed consolidated interim 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 has been rounded to the nearest dollar.

#### 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.

## Northstar Clean Technologies Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

#### 2. BASIS OF PREPARATION (Continued)

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

	Place of Incorporation	Effective interest at March 31, 2023	Effective interest at March 31, 2022
Empower Environmental Solutions Ltd	BC, Canada	100%	100%
Empower Environmental Solutions Calgary Ltd	Alberta, Canada	100%	100%
Empower Environmental Solutions Toronto West Ltd	Ontario, Canada	100%	100%
1284041 BC Ltd.	BC, Canada	100%	100%

#### 3. 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 March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
<b>Cost</b>		
Balance at beginning of period	\$ 2,260,140	\$ 2,260,140
<b>Balance, end of period</b>	<b>\$ 2,260,140</b>	<b>\$ 2,260,140</b>
<b>Accumulated depreciation</b>		
Balance at beginning of period	\$ 919,379	\$ 459,690
Depreciation	114,922	459,690
<b>Balance, end of period</b>	<b>\$ 1,034,301</b>	<b>\$ 919,379</b>
<b>Net book value</b>	<b>\$ 1,225,839</b>	<b>\$ 1,340,761</b>

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 March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
<b>Net investment in sublease</b>		
<b>Balance at beginning of period</b>	\$ 131,943	\$ 191,411
Lease payments received	(18,984)	(75,933)
Finance income	3,168	16,465
<b>Value of net investment in sublease, end of period</b>	<b>116,127</b>	<b>131,943</b>
Current portion	(61,479)	(65,696)
<b>Non-current portion</b>	<b>\$ 54,648</b>	<b>\$ 66,247</b>



## Northstar Clean Technologies Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

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

##### Lease liabilities

The following is the continuity of lease liabilities as at March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
<b>Cost</b>		
<b>Balance at beginning of period</b>	<b>\$ 1,659,461</b>	<b>\$ 2,103,465</b>
Lease payments	(164,874)	(634,367)
Interest accretion on lease liability	40,456	190,363
<b>Balance, end of period</b>	<b>\$ 1,535,043</b>	<b>\$ 1,659,461</b>
Current portion	(523,967)	(516,811)
<b>Non-current portion</b>	<b>\$ 1,011,076</b>	<b>\$ 1,142,650</b>

Variable lease payments for the period ended March 31, 2023 is \$51,533 (December 31, 2022 - \$179,006).

Rent expense relating to short term rental for the period ended March 31, 2023 is \$15,450 (December 31, 2022 - \$60,150).

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 and is paying the lease payments directly to the Landlord. The landlord holds a security deposit of \$10,043.

In connection with the lease agreement for Empower Calgary commencing on July 1, 2023, the Company made an initial deposit payment of \$50,000 to be held as a security deposit for the term of the lease. See Note 14 for details on the lease commitment.

# Northstar Clean Technologies Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

### 4. PROPERTY, PLANT AND EQUIPMENT

	Processing equipment	Storage Facility	Construction in progress	Furniture and Fixtures	Leasehold Improvements	Total
<b>Cost</b>						
<b>Balance – December 31, 2021</b>	\$ 28,210	\$ 56,468	\$ 3,159,573	\$ 4,178	\$ -	\$ 3,248,429
Additions	308,912	-	458,326	23,856	6,001	797,095
Transfers	3,130,765	-	(3,130,765)	-	-	-
Recovery of costs	-	-	(100,000)	-	-	(100,000)
<b>Balance – December 31, 2022</b>	<b>\$3,467,887</b>	<b>\$ 56,468</b>	<b>\$ 387,134</b>	<b>\$ 28,034</b>	<b>\$ 6,001</b>	<b>\$3,945,524</b>
Additions	6,761	-	52,197	1,125	-	60,083
<b>Balance – March 31, 2023</b>	<b>\$3,474,648</b>	<b>\$ 56,468</b>	<b>\$ 439,331</b>	<b>\$ 29,159</b>	<b>\$ 6,001</b>	<b>\$4,005,607</b>
<b>Accumulated Depreciation</b>						
<b>Balance – December 31, 2021</b>	\$ 24,802	\$ 15,514	\$ -	\$ 2,709	\$ -	\$ 43,025
Additions	604,209	8,191	-	3,309	250	615,959
<b>Balance – December 31, 2022</b>	<b>\$ 629,011</b>	<b>\$ 23,705</b>	<b>\$ -</b>	<b>\$ 6,018</b>	<b>\$ 250</b>	<b>\$ 658,984</b>
Additions	131,751	1,638	-	1,912	750	136,051
<b>Balance – March 31, 2023</b>	<b>\$ 760,762</b>	<b>\$ 25,343</b>	<b>\$ -</b>	<b>\$ 7,930</b>	<b>\$ 1,000</b>	<b>\$ 795,035</b>
<b>Net Book Value</b>						
Balance – December 31, 2022	\$2,838,876	\$ 32,763	\$ 387,134	\$ 22,016	\$ 5,751	\$3,286,540
Balance – March 31, 2023	\$2,713,886	\$ 31,125	\$ 439,331	\$ 21,229	\$ 5,001	\$3,210,572

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.

### 5. INTANGIBLE ASSETS

	Patents In Process	Patents	Total
<b>Cost:</b>			
<b>Balance – December 31, 2021</b>	\$ -	\$ -	\$ -
Additions	11,984	14,053	26,037
<b>Balance – December 31, 2022</b>	<b>\$ 11,984</b>	<b>\$ 14,053</b>	<b>\$ 26,037</b>
Additions	6,945	-	6,945
<b>Balance – March 31, 2023</b>	<b>\$ 18,929</b>	<b>\$ 14,053</b>	<b>\$ 32,982</b>
<b>Accumulated amortization</b>			
<b>Balance – December 31, 2021</b>	-	-	-
Amortization	-	351	351
<b>Balance – December 31, 2022</b>	<b>\$ -</b>	<b>\$ 351</b>	<b>\$ 351</b>
Amortization	-	176	176
<b>Balance – March 31, 2023</b>	<b>\$ -</b>	<b>\$ 527</b>	<b>\$ 527</b>
<b>Net book value</b>			
Balance – December 31, 2022	\$ 11,984	\$ 13,702	\$ 25,686
Balance – March 31, 2023	\$ 18,929	\$ 13,526	\$ 32,455

# Northstar Clean Technologies Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

### 6. LOANS PAYABLE

	Equipment Loan
<b>Loans payable:</b>	
Balance – December 31, 2021	\$ 239,015
Accrued interest	2,363
Repayment of loan and interest	(92,363)
Interest accretion on low interest loan	18,946
<b>Balance – December 31, 2022</b>	<b>167,961</b>
Less current portion	(121,250)
<b>Long term portion</b>	<b>\$ 46,711</b>
Balance – December 31, 2022	\$ 167,961
Accrued interest	425
Repayment of loan and interest	(30,425)
Interest accretion on low interest loan	3,522
<b>Balance – March 31, 2023</b>	<b>141,483</b>
Less current portion	(120,950)
<b>Long term portion</b>	<b>\$ 20,533</b>

#### Equipment loan:

The Company acquired \$270,000 of equipment from a company controlled by an officer of the Company during the year ended December 31, 2021. 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 until fully paid. Interest payments began 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 March 31, 2023 was \$141,483 (December 31, 2022 - \$167,961).

### 7. CONVERTIBLE DEBENTURES

Balance – December 31, 2021	\$ -
Additions	924,179
Accretion	4,229
Accrued interest	6,000
<b>Balance – December 31, 2022</b>	<b>934,408</b>
Less Current portion	6,000
<b>Long term portion</b>	<b>\$ 928,408</b>
Balance – December 31, 2022	\$ 934,408
Additions	417,966
Accretion	31,062
Accrued interest	41,208
<b>Balance – March 31, 2023</b>	<b>1,424,644</b>
Less current portion	47,208
<b>Long term portion</b>	<b>\$ 1,377,436</b>

#### First Tranche

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.

## Northstar Clean Technologies Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

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#### 7. CONVERTIBLE DEBENTURES (Continued)

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, 2025.

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.

On initial recognition, the financial liability was recognized at its present value of \$924,179, which represents the principal amount of \$1,440,000 less \$477,939 allocated to the equity component less transaction costs of \$37,882. During the period ended March 31, 2023, the Company incurred interest expense of \$36,000 (March 31, 2022 - \$Nil) and accretion expense of \$27,435 (March 31, 2022 - \$Nil). The equity component has been recorded net of deferred tax impacts 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 March 31, 2023, \$1,440,000 (December 31, 2022 - \$1,440,000) principal amount of the Convertible Debentures are outstanding and \$42,000 (December 31, 2022 - \$6,000) interest has been accrued.

#### Second Tranche

On February 28, 2023, the Company issued \$625,000 in aggregate principal amount of Convertible Debentures. The Convertible Debentures are unsecured, mature on February 28, 2026 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 February 28, 2026.

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)

# Northstar Clean Technologies Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

### 7. CONVERTIBLE DEBENTURES (Continued)

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 \$625,000 and a market rate of interest of 25%. The debt component is being amortized using an effective interest rate of 25.37% 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 24,000 broker warrants valued at \$3,216 which are exercisable to purchase on additional common share at \$0.35 per share until February 28, 2026.

On initial recognition, the financial liability was recognized at its present value of \$417,966, which represents the principal amount of \$625,000 less \$199,005 allocated to the equity component less transaction costs of \$8,029. For the period ended March 31, 2023 the Company incurred interest expense of \$5,208 (March 31, 2022 - \$Nil) and accretion expense of \$3,627 (March 31, 2022 - \$Nil). The equity component has been recorded net of deferred tax impacts resulting in the equity component being recorded at \$144,333.

Management capitalized transaction costs which are directly attributable to the issuance of the Convertible Debentures. These transaction costs total \$9,316 and have been netted against the principal amount of the debt and the equity option on a pro-rata basis.

As of March 31, 2023, \$625,000 principal amount of the Convertible Debentures are outstanding and \$5,208 interest has been accrued.

### 8. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) As at March 31, 2023, accounts payable and accrued liabilities include \$912,837 (December 31, 2022 - \$754,656) owing to companies with certain directors in common and companies controlled by certain directors and officers. 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 periods 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:

	March 31, 2023	March 31, 2022
Advertising, marketing and promotion	\$ 31,313	\$ 26,900
Consulting fees	-	6,000
Professional fees	-	36,000
Wages and benefits	276,210	225,385
Share-based payment	81,460	133,541
	<u>\$ 388,983</u>	<u>\$ 427,826</u>

- (c) On February 28, 2023 \$50,000 (December 15, 2022, \$360,000) was received in convertible debenture proceeds by officers or directors of the company.
- (d) As at March 31, 2023, prepaids include \$15,000 (December 31, 2022 - \$45,000) to a company controlled by a director.

# Northstar Clean Technologies Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

### 9. CAPITAL STOCK

#### Authorized Share Capital:

Unlimited number of common shares without par value

#### Issuance of shares

During the period ended March 31, 2023, there were no share transactions.

During the year ended December 31, 2022, the Company completed the following share transactions:

- Issued a total of 1,875,000 common shares for proceeds of \$750,000.

### 10. 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
<b>Outstanding</b> , December 31, 2021	<b>6,675,000</b>	<b>\$ 0.35</b>
Issued	580,854	\$ 0.35
<b>Outstanding</b> , December 31, 2022	7,255,854	\$ 0.35
Issued	11,000	\$ 0.21
Expired	(450,000)	\$ 0.35
<b>Outstanding</b> , March 31, 2023	<b>6,816,854</b>	<b>\$ 0.35</b>

Share-based compensation recognized for options vested during the period ended March 31, 2023 was \$35,798 (March 31, 2022 - \$270,382).

Outstanding and exercisable stock options as at March 31, 2023:

	Number of Options		
	Expiry Date	Exercise Price	Outstanding Exercisable
	May 31, 2023	\$ 0.35	850,000 850,000
	December 15, 2024	\$ 0.35	475,000 237,500
	February 16, 2026	\$ 0.35	2,500,000 2,500,000
	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	200,000 100,000
	April 19, 2027	\$ 0.35	260,854 86,951
	August 30, 2027	\$ 0.35	20,000 20,000
	March 2, 2028	\$ 0.21	11,000 -
<b>Total Outstanding</b>			<b>6,816,854</b> <b>6,094,451</b>

The estimated remaining life of the stock options at March 31, 2023 is 2.7 years.

## Northstar Clean Technologies Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

#### 10. RESERVES (Continued)

##### Stock options (Continued)

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

Expiry Date	Number of Options		
	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	-
<b>Total Outstanding</b>		<b>7,255,854</b>	<b>6,312,500</b>

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

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

	March 31, 2023	December 31, 2022
Expected volatility	127.47%	128%
Risk-free interest rate	3.66%	2.21%
Expected life	5.0 years	4.34 years
Dividend yield	-	-
Forfeiture rate	-	-
Range of exercise prices	\$0.21	\$0.35
Range of share prices on date of issue	\$0.21	\$0.155 – \$0.36
Estimated fair value per option	\$0.18	\$0.24

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
<b>Outstanding, December 31, 2021</b>	<b>25,184,738</b>	<b>\$ 0.46</b>
Issued	157,200	\$ 0.35
<b>Outstanding, December 31, 2022</b>	<b>25,341,938</b>	<b>\$ 0.46</b>
Issued	24,000	\$ 0.35
<b>Outstanding, March 31, 2023</b>	<b>25,365,938</b>	<b>\$ 0.45</b>

The weighted average share price on date of exercise was \$0.45 and the estimated remaining life was .93 years

## Northstar Clean Technologies Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

#### 10. RESERVES (Continued)

##### Warrants (Continued)

Outstanding warrants:

	Expiry Date	Exercise Price	March 31, 2023	December 31, 2022
	July 13, 2026 <sup>(1)</sup>	\$ 0.279	4,596,268	4,596,268
Finders warrants	July 13, 2026 <sup>(1)</sup>	\$ 0.279	406,249	406,249
	July 13, 2026 <sup>(1)</sup>	\$ 0.465	490,615	490,615
Finders warrants	July 13, 2026 <sup>(1)</sup>	\$ 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
	December 15, 2025	\$ 0.350	157,200	157,200
	February 28, 2026	\$ 0.350	24,000	-
<b>Outstanding and exercisable</b>			<b>25,365,938</b>	<b>25,341,938</b>

<sup>(1)</sup>The warrants outstanding on acquisition 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 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 31, 2023	December 31, 2022
Expected volatility	128%	125%
Risk-free interest rate	3.94%	0.42%
Expected life	3 years	2 years
Dividend yield	-	-
Estimated fair value per warrant	\$0.13	\$0.19

##### Restricted Stock Units and Performance Stock Units

The Company grants restricted stock units and performance stock units to employees as share-based 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.



# Northstar Clean Technologies Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

### 10. RESERVES (Continued)

#### Restricted Stock Units and Performance Stock Units (Continued)

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
<b>Total Restricted Stock Units and Performance Stock Units</b>		<b>6,260,535</b>	<b>2,345,343</b>	<b>3,915,192</b>

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 period ended March 31, 2023, the Company anticipated a performance factor of 100% (2022 – 100%).

Share based compensation recognized for RSUs and PSUs vested during the period ending March 31, 2023 was \$74,936 (March 31, 2022 - \$Nil) of which \$30,988 is recorded as equity-based compensation payable.

### 11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended March 31, 2023:

- Issued 11,000 stock options at \$0.21 per share with a value of \$1,985 as share based payments.
- Property, plant, and equipment included in accounts payable and accrued liabilities - \$32,567.
- Issued 24,000 Broker Warrants as finders fees on Convertible Debt issuance valued at \$3,216.

Significant non-cash transactions during the year 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.

### 12. 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 \$1,323,233.

The Company manages its capital structure and makes adjustments in light of changes in economic

# Northstar Clean Technologies Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

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### 12. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### a) Capital Management (Continued)

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 March 31, 2023. 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+.

##### 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 March 31, 2023, the Company had \$655,237 cash to settle current liabilities of \$2,250,901 and as such, management believes the Company's exposure to liquidity risk is insignificant.

##### 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.

## Northstar Clean Technologies Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

#### 12. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

##### c) Fair Value Measurement Recognized in the Condensed Consolidated Interim Statement of Financial Position

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

	March 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss (i)	\$ 655,237	\$ 1,114,166
Financial assets at amortized cost (ii)	\$ 10,596	\$ -
Financial liabilities at amortized cost (iii)	\$ 3,161,266	\$ 2,385,089

(i) Cash  
(ii) Trade receivables  
(iii) 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.

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

#### 13. 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.

#### 14. SUBSEQUENT EVENTS

Northstar's wholly owned subsidiary, Empower Environmental Solutions Calgary Ltd., negotiated a new lease for the planned scale up facility in Rocky View County, near Calgary, Alberta effective July 1, 2023 for an initial term of 15-years with an option to extend for two additional 5 year terms. The basic annual rents are as follows:

- from July 1, 2023 to June 30, 2028 - \$346,516 per annum
- from July 1, 2028 to June 30, 2033 - \$381,168 per annum, and
- from July 1, 2033 to June 31, 2038 - \$419,284 per annum

Estimated additional rents are approximately \$120,000 per annum.

## **Northstar Clean Technologies Inc.**

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

March 31, 2023

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On April 19, 2023 Northstar announced that it closed a non-brokered private placement of 18,195,367 units of the Company at a purchase price of \$0.15 per unit for aggregate gross proceeds of \$2,729,305. Each unit consists of one common share of the Company and one common share purchase warrant of the Company, with each warrant entitling the holder thereof to acquire one additional common share at an exercise price of \$0.20 per warrant share for a period of 36 months following the closing date of the private placement. As part of the transaction, 511,819 broker warrants were issued at a price of \$0.20 with an expiry of 3 years.