



Condensed Consolidated Interim Financial Statements

**For the periods ended June 30, 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 June 30, 2023 and December 31, 2022

	June 30, 2023	December 31, 2022
ASSETS		
Current		
Cash	\$ 1,543,285	\$ 1,114,166
Receivables	17,214	-
GST receivable	44,714	207,389
Prepays (Note 8)	22,995	98,481
Net investment in sublease (Note 3)	69,050	65,696
	<u>1,697,258</u>	<u>1,485,732</u>
Non-Current		
Deposits (Note 3)	684,091	624,091
Deferred costs (Note 14)	43,750	-
Property, plant and equipment (Note 4)	3,103,004	3,286,540
Intangible assets (Note 5)	33,815	25,686
Net investment in sublease (Note 3)	30,863	66,247
Right-of-use asset (Note 3)	1,110,916	1,340,761
	<u>5,006,439</u>	<u>5,343,325</u>
	<u>\$ 6,703,697</u>	<u>\$ 6,829,057</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 1,277,580	\$ 1,238,078
Equity based compensation payable (Note 10)	40,267	23,178
Loans payable (Note 6)	114,419	121,250
Convertible debentures (Note 7 and 8)	26,833	6,000
Lease liability (Note 3)	543,196	516,811
	<u>2,002,295</u>	<u>1,905,317</u>
Non-Current		
Loans payable (Note 6)	-	46,711
Equity based compensation payable (Note 10)	40,538	21,464
Convertible debentures (Note 7 and 8)	1,423,020	928,408
Lease liability (Note 3)	864,292	1,142,650
	<u>4,330,145</u>	<u>4,044,550</u>
Shareholders' equity		
Capital stock (Note 9)	28,137,041	25,448,274
Reserves (Note 10)	3,819,255	3,534,330
Deficit	(29,582,744)	(26,198,097)
	<u>2,373,552</u>	<u>2,784,507</u>
	<u>\$ 6,703,697</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 and six months ended June 30, 2023 and 2022

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
REVENUE				
Tipping fees	\$ 54,949	\$ -	\$ 75,673	\$ -
Recycling income	1,852	-	2,533	-
	<u>56,801</u>	<u>-</u>	<u>78,206</u>	<u>-</u>
RESEARCH AND DEVELOPMENT EXPENSES				
Contract consulting fees	116,118	127,263	241,736	262,460
Repairs and maintenance	44,876	1,366	84,634	4,838
Site materials	83,319	161,419	247,197	295,613
	<u>(244,313)</u>	<u>(290,048)</u>	<u>(573,567)</u>	<u>(562,911)</u>
GENERAL AND ADMINISTRATIVE EXPENSES				
Advertising, marketing and promotion (Note 8)	63,831	134,288	138,016	415,672
Bank charges, interest and finance charges (Note 3, 6, and 7)	139,270	57,353	257,248	116,291
Consulting fees (Note 8)	77,612	57,550	135,162	174,350
Depreciation (Notes 3, 4 and 5)	252,074	278,989	503,222	501,727
Insurance	26,741	35,015	53,481	71,275
IT and communications	19,627	70,568	50,325	105,563
Office and administration	897	8,050	21,822	31,269
Operating costs	19,276	-	26,533	-
Professional fees (Note 8)	193,674	234,236	269,830	343,488
Rent and utilities	48,033	85,824	173,380	161,879
Share-based compensation (Notes 8 and 10)	100,718	129,323	211,452	399,519
Transfer agent and regulatory fees	34,711	11,288	47,117	40,821
Travel	33,834	62,211	60,790	126,394
Wages and benefits (Note 8)	499,416	499,362	1,023,543	944,719
	<u>(1,509,714)</u>	<u>(1,664,057)</u>	<u>(2,971,921)</u>	<u>(3,432,967)</u>
OTHER ITEMS				
Foreign exchange gain	(1,762)	491	(1,727)	2,569
Other income	-	9,301	24,901	9,301
Interest income	2,910	4,306	6,077	11,245
	<u>1,148</u>	<u>14,098</u>	<u>29,251</u>	<u>23,115</u>
Income tax recovery (Note 7)	-	-	(53,384)	-
Loss and comprehensive loss for the period	<u>\$ (1,696,078)</u>	<u>\$ (1,940,007)</u>	<u>\$ (3,384,647)</u>	<u>\$ (3,972,763)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>
Weighted average number of common shares outstanding (basic and diluted)	<u>122,436,784</u>	<u>106,125,903</u>	<u>115,258,722</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
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 7)	-	-	335,157	-	335,157
Broker warrants (Note 7)	-	-	15,406	-	15,406
Share-based payments (Note 10)	-	-	612,290	-	612,290
Loss for the period	-	-	-	(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
Balance, December 31, 2022	108,000,903	\$25,448,274	\$ 3,534,330	\$ (26,198,097)	\$ 2,784,507
Private placement (Note 9 and 11)	18,195,367	2,729,305	-	-	2,729,305
Share issue costs (Note 9)	-	(133,078)	56,305	-	(76,773)
PSUs and RSUs settled (Note 10)	514,111	92,540	(92,540)	-	-
Equity portion of convertible debentures (Note 7)	-	-	142,654	-	142,654
Broker warrants (Note 7)	-	-	3,216	-	3,216
Share-based payments (Note 10)	-	-	175,290	-	175,290
Loss for the period	-	-	-	(3,384,647)	(3,384,647)
Balance, June 30, 2023	126,710,381	\$ 28,137,041	\$ 3,819,255	\$ (29,582,744)	\$ 2,373,552

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)

	June 30, 2023	June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (3,384,647)	\$ (3,972,763)
Items not affecting cash		
Depreciation (Note 3, 4 and 5)	503,222	501,727
Interest and finance charges on loans (Note 6 and 7)	175,033	11,475
Interest on investment in sublease (Note 3)	(5,937)	(8,972)
Share-based payments (Note 10)	211,452	399,519
Income tax recovery	(53,384)	-
Interest on lease liabilities (Note 3)	77,775	100,707
	<u>(2,476,486)</u>	<u>(2,968,307)</u>
Changes in non-cash working capital items		
GST receivables	162,675	(111,232)
Receivables	(17,214)	-
Prepays	75,486	188,308
Accounts payable and accrued liabilities	17,941	74,009
Net cash flows used in operating activities	<u>(2,237,598)</u>	<u>(2,817,222)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 4)	(67,929)	(503,815)
Acquisitions of intangible assets (note 5)	(8,480)	-
Deposits paid	(60,000)	(15,043)
Net cash flows used in investing activities	<u>(136,409)</u>	<u>(518,858)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertible debentures, net of issuance costs (Note 7)	618,900	-
Payments made on convertible debentures (Note 7)	(72,000)	-
Proceeds from issuance of common shares, net of issuance costs (Note 9)	2,652,532	-
Deferred costs (Note 14)	(43,750)	-
Loan repayments (Note 6)	(60,775)	(30,000)
Repayment of lease liabilities (Note 3)	(291,781)	(279,217)
Net cash flows provided by (used in) financing activities	<u>2,803,126</u>	<u>(309,217)</u>
Change in cash during the period	429,119	(3,645,297)
Cash, beginning of period	1,114,166	5,948,876
Cash, end of period	<u>\$ 1,543,285</u>	<u>\$ 2,303,579</u>

Cash paid for interest \$ 79,242 \$ 11,475

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)

June 30, 2023

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 1110-396 11th Ave SW, Calgary, Alberta T2R 0C5 and its current facility is located at 7046 Brown Street, Delta, British Columbia, Canada, V4G 1G8 (the “Empower Pilot Facility”). The Company’s registered and records office is 7046 Brown Street, Delta, British Columbia, Canada, V4G 1G8.

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 \$3,384,647 during the six months ended June 30, 2023 (June 30, 2022 - \$3,972,763). The Company has a working capital deficiency of \$(261,287) (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. downturn. 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. However, it is management’s assumption that the Company will continue to operate as a going concern.

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2023

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 June 30, 2023. The Board of Directors approved the condensed consolidated interim financial statements for issue on August 22, 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)

June 30, 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 June 30, 2023	Effective interest at June 30, 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 June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Cost		
Balance at beginning of period	\$ 2,260,140	\$ 2,260,140
Balance, end of period	\$ 2,260,140	\$ 2,260,140
Accumulated depreciation		
Balance at beginning of period	\$ 919,379	\$ 459,690
Depreciation	229,845	459,690
Balance, end of period	\$ 1,149,224	\$ 919,379
Net book value	\$ 1,110,916	\$ 1,340,761

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 June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Net investment in sublease		
Balance at beginning of period	\$ 131,943	\$ 191,411
Lease payments received	(37,967)	(75,933)
Finance income	5,937	16,465
Value of net investment in sublease, end of period	99,913	131,943
Current portion	(69,050)	(65,696)
Non-current portion	\$ 30,863	\$ 66,247

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2023

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

Lease liabilities

The following is the continuity of lease liabilities as at June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Cost		
Balance at beginning of period	\$ 1,659,461	\$ 2,103,465
Lease payments	(329,748)	(634,367)
Interest accretion on lease liability	77,775	190,363
Balance, end of period	\$ 1,407,488	\$ 1,659,461
Current portion	(543,196)	(516,811)
Non-current portion	\$ 864,292	\$ 1,142,650

Variable lease payments for the three month period ending June 30, 2023 is \$46,847 (June 30, 2022 - \$44,752) and the variable lease payments for the six month period ended June 30, 2023 is \$98,380 (June 30, 2022 - \$89,503).

Rent expense relating to short term rental for the three month period ended June 30, 2023 is \$2,250 (June 30, 2022 - \$15,450) and rent expense for the six month period ended June 30, 2023 is \$17,700 (June 30, 2022 - \$30,250).

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)

June 30, 2023

4. PROPERTY, PLANT AND EQUIPMENT

	Processing equipment	Storage Facility	Construction in progress	Furniture and Fixtures	Leasehold Improvements	Total
Cost						
Balance – December 31, 2021	\$ 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)
Balance – December 31, 2022	\$3,467,887	\$ 56,468	\$ 387,134	\$ 28,034	\$ 6,001	\$3,945,524
Additions	54,971	-	33,394	1,125	-	89,490
Balance – June 30, 2023	\$3,522,858	\$ 56,468	\$ 420,528	\$ 29,159	\$ 6,001	\$4,035,014
Accumulated Depreciation						
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
Additions	264,407	3,276	-	3,843	1,500	273,026
Balance – June 30, 2023	\$ 893,418	\$ 26,981	\$ -	\$ 9,861	\$ 1,750	\$ 932,010
Net Book Value						
Balance – December 31, 2022	\$2,838,876	\$ 32,763	\$ 387,134	\$ 22,016	\$ 5,751	\$3,286,540
Balance – June 30, 2023	\$2,629,440	\$ 29,487	\$ 420,528	\$ 19,298	\$ 4,251	\$3,103,004

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
Cost:			
Balance – December 31, 2021	\$ -	\$ -	\$ -
Additions	11,984	14,053	26,037
Balance – December 31, 2022	\$ 11,984	\$ 14,053	\$ 26,037
Additions	8,480	-	8,480
Balance – June 30, 2023	\$ 20,464	\$ 14,053	\$ 34,517
Accumulated amortization			
Balance – December 31, 2021	-	-	-
Amortization	-	351	351
Balance – December 31, 2022	\$ -	\$ 351	\$ 351
Amortization	-	351	351
Balance – June 30, 2023	\$ -	\$ 702	\$ 702
Net book value			
Balance – December 31, 2022	\$ 11,984	\$ 13,702	\$ 25,686
Balance – June 30, 2023	\$ 20,464	\$ 13,351	\$ 33,815

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2023

6. LOANS PAYABLE

	Equipment Loan
Loans payable:	
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
Balance – December 31, 2022	167,961
Less current portion	(121,250)
Long term portion	\$ 46,711
Balance – December 31, 2022	\$ 167,961
Accrued interest	775
Repayment of loan and interest	(60,775)
Interest accretion on low interest loan	6,458
Balance – June 30, 2023	114,419
Less current portion	(114,419)
Long term portion	\$ -

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 June 30, 2023 was \$114,419 (December 31, 2022 - \$167,961).

7. 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
Balance – December 31, 2022	\$ 934,408
Additions	419,645
Accretion	74,967
Accrued interest	92,833
Interest paid out	(72,000)
Balance – June 30, 2023	1,449,853
Less current portion	26,833
Long term portion	\$ 1,423,020

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)

June 30, 2023

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 three month period ended June 30, 2023, the Company incurred interest expense of \$36,000 (June 30, 2022 - \$Nil) and accretion expense of \$31,741 (June 30, 2022 - \$Nil) and for the six month period ending June 30, 2023 it incurred interest expense of \$72,000 (June 30, 2022 - \$Nil) and accretion expense of \$59,176 (June 30, 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 June 30, 2023, \$1,440,000 (December 31, 2022 - \$1,440,000) principal amount of the Convertible Debentures are outstanding and \$72,000 (December 31, 2022 - \$6,000) interest has been accrued and \$72,000 (December 31, 2022 - Nil) interest has been paid out.

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 Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2023

7. CONVERTIBLE DEBENTURES (Continued)

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 \$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 \$419,645, which represents the principal amount of \$625,000 less \$199,005 allocated to the equity component less transaction costs of \$6,350. For the three month period ended June 30, 2023 the Company incurred interest expense of \$15,625 (June 30, 2022 - \$Nil) and accretion expense of \$12,128 (June 30, 2022 - \$Nil) and for the six months ended June 30, 2023 it incurred interest expense of \$20,833 (June 30, 2022 - \$Nil) and accretion expense of \$15,790 (June 30, 2022 - \$Nil). The equity component has been recorded net of deferred tax impacts resulting in the equity component being recorded at \$142,654.

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 June 30, 2023, \$625,000 (December 31, 2022 - \$Nil) principal amount of the Convertible Debentures are outstanding and \$20,833 (December 31, 2022 - \$Nil) interest has been accrued.

8. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) As at June 30, 2023, accounts payable and accrued liabilities include \$762,466 (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:

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2023

8. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Advertising, marketing and promotion	\$ 2,500	\$ 26,900	\$ 33,750	\$ 53,800
Consulting fees	-	12,000	-	36,000
Professional fees	-	44,000	-	80,000
Wages and benefits	411,931	245,000	656,931	470,385
Share-based payment	53,005	75,198	134,464	275,773
	\$ 467,436	\$ 403,098	\$ 825,145	\$ 915,958

(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 June 30, 2023, prepaids include \$15,000 (December 31, 2022 - \$45,000) to a company controlled by a director.

9. CAPITAL STOCK

Authorized Share Capital:

Unlimited number of common shares without par value

Issuance of shares

During the period ended June 30, 2023, the Company completed the following share transactions:

- a non-brokered private placement of 18,195,367 units for aggregate gross proceeds of \$2,729,305. Each unit consisted 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 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 three years and a value of \$56,305, and finders fees of \$76,773 were paid.
- Issued 514,111 common shares for equity settled PSUs and RSUs that vested on June 23, 2023.

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.

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2023

10. RESERVES (Continued)

Stock options (Continues)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2021	6,675,000	\$ 0.35
Issued	580,854	\$ 0.35
Outstanding, December 31, 2022	7,255,854	\$ 0.35
Issued	311,000	\$ 0.35
Expired	(1,300,000)	\$ 0.35
Outstanding, June 30, 2023	6,266,854	\$ 0.35

Share-based compensation recognized for options vested during the three month period ended June 30, 2023 was \$52,881 (June 30, 2022 - \$123,253) and for the six month period ended June 30, 2023 was \$88,679 (June 30, 2022 - \$393,449).

Outstanding and exercisable stock options as at June 30, 2023:

Expiry Date	Number of Options		
	Exercise Price	Outstanding	Exercisable
December 15, 2024	\$ 0.35	475,000	356,250
February 16, 2026	\$ 0.35	2,500,000	2,500,000
June 12, 2026	\$ 0.35	300,000	300,000
July 12, 2026	\$ 0.35	2,100,000	2,100,000
December 15, 2026	\$ 0.35	400,000	300,000
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	-
Total Outstanding		6,266,854	5,763,201

The estimated remaining life of the stock options at June 30, 2023 is 2.84 years.

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	-
Total Outstanding		7,255,854	6,312,500

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

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2023

10. 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:

	June 30, 2023	December 31, 2022
Expected volatility	125.93%	128%
Risk-free interest rate	4.04%	2.21%
Expected life	3 years	4.34 years
Dividend yield	-	-
Forfeiture rate	-	-
Range of exercise prices	\$0.21-\$0.35	\$0.35
Range of share prices on date of issue	\$0.15 - \$0.21	\$0.155 - \$0.36
Estimated fair value per option	\$0.095	\$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
Outstanding, December 31, 2021	25,184,738	\$ 0.46
Issued	157,200	\$ 0.35
Outstanding, December 31, 2022	25,341,938	\$ 0.46
Issued	18,731,186	\$ 0.20
Expired	(19,487,149)	\$ 0.50
Outstanding, June 30, 2023	24,585,975	\$ 0.225

The weighted average share price on date of exercise was \$0.225 and the estimated remaining life was 2.86 years

Outstanding warrants:

	Expiry Date	Exercise Price	June 30, 2023	December 31, 2022
Finders warrants	July 13, 2026 ⁽¹⁾	\$ 0.279	4,596,268	4,596,268
	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
Broker warrants	June 22, 2023	\$ 0.500	-	2,014,565
	December 15, 2025	\$ 0.350	157,200	157,200
Broker Warrants	February 28, 2026	\$ 0.350	24,000	-
	April 19, 2026	\$ 0.200	511,819	-
	April 19, 2026	\$ 0.200	18,195,367	-
Outstanding and exercisable			24,585,975	25,341,938

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2023

10. RESERVES (Continued)

Warrants (Continued)

(1) 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:

	June 30, 2023	December 31, 2022
Expected volatility	127 - 128%	125%
Risk-free interest rate	3.75 -3.94%	0.42%
Expected life	3 years	2 years
Dividend yield	-	-
Estimated fair value per warrant	\$0.11-\$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-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 prior period.

Issued Restricted Stock Units and Performance Stock Units outstanding at June 30, 2023:

	Vesting Date	Issued	Cash Settled	Stock settled
Restricted Stock Units	June 23, 2023 ⁽¹⁾	11,785	11,785	-
Restricted Stock Units	March 31, 2024	130,424	11,785	118,639
Restricted Stock Units	March 31, 2025	130,424	11,785	118,639
Actual Performance Stock Units	June 23, 2023	256,663	256,663	-
Actual Performance Stock Units	March 31, 2024	652,142	256,666	395,476
Actual Performance Stock Units	March 31, 2025	652,142	256,666	395,476
Total Restricted Stock Units and Performance Stock Units		1,833,580	805,350	1,028,230

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2023

10. RESERVES (Continued)

Restricted Stock Units and Performance Stock Units (Continued)

Issued Restricted Stock Units and Performance Stock Units outstanding at December 31, 2022:

	Vesting Date	Issued	Cash Settled	Stock settled
Restricted Stock Units	June 23, 2023 ⁽¹⁾	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
Actual Performance Stock Units	June 23, 2023	1,956,421	769,996	1,186,425
Actual Performance Stock Units	March 31, 2024	1,956,421	769,996	1,186,425
Actual Performance Stock Units	March 31, 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 and classified as liabilities.

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. During the period ended June 30, 2023 the performance factor for the Performance Stock Units was approved at 100%, which applies to all three years of vesting and, as such, the Performance Stock Units have been adjusted in the current period to reflect the actual number of units that will vest. The cash-settled Performance Stock Units were re-valued at each reporting date and classified as liabilities.

Share-based compensation recognized for RSUs and PSUs vested during the three month period ending June 30, 2023 was \$47,837 (June 30, 2022 - \$6,070) and for the six month period ending June 30, 2023 was \$122,773 (June 30, 2022 - \$6,070) of which \$36,162 (June 30, 2022 - \$2,126) is recorded as equity-based compensation payable.

During the period ending June 30, 2023 the company issued 395,472 common shares to employees as payment for the equity based Performance Stock Units and 118,639 common shares as payment to employees for the equity based Restricted Stock Units both of which vested on June 23, 2023 and were issued at a total value of \$92,540.

The 11,785 cash-settled Restricted Stock Units and 256,663 Performance Stock Units that vested on June 30, 2023 have not yet been paid out.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended June 30, 2023:

- Issued 118,639 common shares to employees for equity settled Restricted Stock Units.
- Issued 395,472 common shares to employees for equity settled Performance Stock Units.
- On June 22, 2023 there were 19,487,149 broker warrants that expired.
- Issued 18,195,367 warrants at \$0.20 as part of a private equity transaction.
- Issued 511,819 finders warrants on a private equity transaction.
- Issued 11,000 stock options at \$0.21 per share with a value of \$1,985 as share based payments.
- Issued 300,000 stock options at \$0.35 per share with a value of \$27,695 as share based payments.
- Property, plant, and equipment included in accounts payable and accrued liabilities - \$27,999.
- Issued 24,000 Broker Warrants as finders fees on Convertible Debt issuance valued at \$3,216.

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2023

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (Continued)

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 \$2,373,552.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue equity or return capital to shareholders. There were no changes to the Company's approach to capital management during the period ended June 30, 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 June 30, 2023, the Company had \$1,543,285 cash to settle current liabilities of \$2,002,295 and as such, management believes the Company's exposure to liquidity risk is significant.

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.

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2023

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

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 Measurement Recognized in the Condensed Consolidated Interim Statement of Financial Position

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

	June 30, 2023	December 31, 2022
Financial assets at fair value through profit or loss (i)	\$ 1,543,285	\$ 1,114,166
Financial assets at amortized cost (ii)	\$ 17,214	\$ -
Financial liabilities at amortized cost (iii)	\$ 2,922,657	\$ 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 with the exception of the related party equipment loan which bears interest at 1% but was recognized at present value using a 10% market rate of interest with the difference recognized as a shareholder contribution in reserves.

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.

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2023

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

On July 31, 2023, Northstar signed a binding Contribution Agreement with Emissions Reduction Alberta (ERA) for a total non-repayable grant in the amount of \$7,088,856. Payments of the grant amount will come in installments after reaching the objectives of each of the four pre-defined milestones, with a 15% holdback being paid out at the end of the project. The project runs from August 1, 2023 through to July 31, 2025.

On July 7, 2023, Northstar signed a credit agreement with the Business Development Bank of Canada ("BDC") for project financing of up to \$8.75 million in non-revolving senior secured debt. The material terms of the Credit Agreement are:

- 15-year repayment period after a 2-year interest only period
- Fixed 5-year interest rate of 8.35% payable monthly
- Covenants: maintain Fixed Charge Coverage Ratio equal to or greater than 1.10:1.00

The financing was subject to a one-time fee of \$43,750, which has already been paid by Northstar and has been recorded as a deferred cost in the Statement of Financial Position, and an annual recurring fee of \$1,000. In connection with the BDC financing, the Company will pay a finder's fee to Independent Traders Group Inc. of \$87,500 in cash and will issue up to \$87,500 in common share purchase warrants exercisable at \$0.35 per common share of the Company for a period of 24 months or up to 36 months subject to TSX Venture Exchange policies and approval.

On July 31, 2023, Northstar received a signed subscription agreement from Allmine Paving, LLC, an affiliate of TAMKO Building Products LLC, for 29,244,756 Preferred Shares of Northstar at \$0.29 per share for total proceeds of \$8,480,979, which represents 18.75% ownership of Northstar once the transaction is complete. Preferred Shares are convertible to Common Shares at a ratio of 1:1.

As part of the transaction, Northstar also signed a Memorandum of Understanding with TAMKO Building Products LLC, relating to the proposed construction and operation of the first three shingle reprocessing facilities built by Northstar in the U.S. The agreement includes providing a supply agreement from the TAMKO facilities to the Empower facilities for asphalt shingles, a Take or Pay offtake agreement for the sale of asphalt oil and aggregate from the Empower facilities to the TAMKO facilities, a licensing agreement, and the obligation to purchase two sets of Northstar convertible debentures of \$2,376,000 each after the acceptance of ERA Milestone 3 and the completion of deliverables for ERA Milestone 4.