



Condensed Consolidated Interim Financial Statements

**For the three and nine month periods ended September 30, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)**

Northstar Clean Technologies Inc.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

As at September 30, 2022 and December 31, 2021

	September 30, 2022	December 31, 2021
ASSETS		
Current		
Cash	\$ 1,236,920	\$ 5,948,876
GST receivable	217,307	370,293
Prepays	282,522	407,109
Net investment in sublease (Note 5)	64,080	59,469
	<u>1,800,829</u>	<u>6,785,747</u>
Non-Current		
Deposits (Note 5)	466,113	451,070
Property, plant and equipment (Note 6)	3,318,021	3,205,404
Net investment in sublease (Note 5)	83,289	131,942
Right-of-use asset (Note 5)	1,455,683	1,800,450
	<u>5,323,106</u>	<u>5,588,866</u>
	<u>\$ 7,123,935</u>	<u>\$ 12,374,613</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 782,769	\$ 759,543
Equity-based compensation payable (Note 10)	15,612	-
Loans payable (Note 7)	107,112	90,000
Lease liability (Note 5)	497,924	444,004
	<u>1,403,417</u>	<u>1,293,547</u>
Non-Current		
Equity-based compensation payable (Note 10)	14,458	-
Loans payable (Note 7)	86,754	149,015
Lease liability (Note 5)	1,276,717	1,659,461
	<u>2,781,346</u>	<u>3,102,023</u>
Shareholders' equity		
Capital stock (Note 9)	25,198,274	24,698,274
Reserves (Note 10)	3,074,720	2,571,477
Deficit	(23,930,405)	(17,997,161)
	<u>4,342,589</u>	<u>9,272,590</u>
	<u>\$ 7,123,935</u>	<u>\$ 12,374,613</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 nine months ended September 30, 2022 and 2021

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
RESEARCH AND DEVELOPMENT EXPENSES				
Contract consulting fees	\$ 111,002	\$ 89,255	\$ 373,461	\$ 187,003
Repairs and maintenance	4,255	7,741	9,093	22,890
Site materials	331,614	63,424	627,227	124,177
	<u>(446,871)</u>	<u>(160,420)</u>	<u>(1,009,781)</u>	<u>(334,070)</u>
GENERAL AND ADMINISTRATIVE EXPENSES				
Advertising, marketing and promotion (Note 8)	91,927	531,753	507,598	536,036
Bank charges, interest and finance charges	53,055	65,648	169,346	233,165
Consulting fees (Note 8)	62,865	138,705	237,215	307,166
Depreciation (Notes 5 and 6)	284,667	115,492	786,394	346,475
Insurance	28,382	37,049	99,658	37,049
IT and communications	18,321	1,483	123,884	3,340
Office and administration	12,583	4,833	43,851	7,305
Professional fees (Note 8)	69,725	92,333	413,213	426,422
Rent and utilities	102,616	44,721	264,495	120,488
Share-based compensation (Notes 4, 8 and 10)	133,794	568,564	533,313	2,214,528
Transfer agent and regulatory fees	32,312	12,033	73,133	88,331
Travel	60,788	38,862	187,182	55,800
Wages and benefits (Note 8)	479,156	96,570	1,423,875	193,275
	<u>(1,430,191)</u>	<u>(1,748,046)</u>	<u>(4,863,157)</u>	<u>(4,569,380)</u>
OTHER ITEMS				
Foreign exchange gain (loss)	(1,472)	893	1,097	893
Other income	2,835	-	12,136	-
Loss on tax receivable	(130,522)	-	(130,522)	-
Interest income	3,936	5,342	15,181	16,986
	<u>(125,223)</u>	<u>6,235</u>	<u>(102,108)</u>	<u>17,879</u>
Loss and comprehensive loss before income taxes	(2,002,284)	(1,902,231)	(5,975,046)	(4,885,571)
Income Tax Recovery	41,802	-	41,802	-
Loss and comprehensive loss for the period	\$ (1,960,482)	\$ (1,902,231)	\$ (5,933,244)	\$ (4,885,571)
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.06)	\$ (0.06)
Weighted average number of common shares outstanding (basic and diluted)	106,750,903	106,110,903	106,283,437	81,795,990

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, 2020	68,282,989	\$ 12,602,086	\$ 543,854	\$ (10,789,249)	\$ 2,356,691
Private Placement (Note 9)	34,975,178	12,241,312	-	-	12,241,312
Share issue costs (Note 9)	-	(1,096,971)	391,873	-	(705,098)
Penalty shares issued (Note 4)	2,150,000	752,500	-	-	752,500
Share-based payments (Note 10)	-	-	1,462,028	-	1,462,028
Shares issued for debt	702,736	245,958	-	-	245,958
Loss for the period	-	-	-	(4,885,571)	(4,885,571)
Balance, September 30, 2021	106,110,903	24,744,885	2,397,755	(15,674,820)	11,467,820
Balance, December 31, 2021	106,125,903	\$ 24,698,274	\$ 2,571,477	\$ (17,997,161)	\$ 9,272,590
Private Placement (Note 9)	1,250,000	500,000	-	-	500,000
Share-based payments (Note 10)	-	-	503,243	-	503,243
Loss for the period	-	-	-	(5,933,244)	(5,933,244)
Balance, September 30, 2022	107,375,903	\$ 25,198,274	\$ 3,074,720	\$ (23,930,405)	\$ 4,342,589

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 nine months ended September 30, 2022 and 2021

	September 30, 2022	September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (5,933,244)	\$ (4,885,571)
Items not affecting cash		
Depreciation	786,394	346,475
Interest and finance charges on loans	16,714	42,663
Interest on investment in sublease	(12,908)	(16,986)
Share-based payments	533,313	2,214,528
Loss on tax receivable	130,522	-
Interest on lease liabilities	146,951	178,022
	(4,332,258)	(2,120,869)
Changes in non-cash working capital items		
GST Receivables	22,465	(52,643)
Prepays	124,586	(279,764)
Accounts payable and accrued liabilities	140,858	(245,365)
Net cash flows used in operating activities	(4,044,349)	(2,698,641)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(771,876)	(524,428)
Proceeds from government PPE government grants	100,000	-
Deposits	(15,043)	(402,500)
Net cash flows used in investing activities	(686,919)	(926,928)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Proceeds	-	480,000
Loan repayments	(61,863)	(1,688,918)
Lease payments	(418,825)	(418,825)
Subscriptions received	500,000	12,241,312
Deferred financing costs	s -	(705,098)
Net cash flows provided by (used in) financing activities	19,312	9,908,471
Change in cash during the period	(4,711,956)	6,282,902
Cash, beginning of period	5,948,876	1,977,795
Cash, end of period	\$ 1,236,920	\$ 8,260,697
Cash paid for interest	\$ 17,148	\$ 46,516
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)

September 30, 2022

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 – 125th 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.

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 \$5,933,244 during the nine months ended September 30, 2022 (year ended December 31, 2021 - \$7,207,912). Although the Company has working capital of \$384,524 as at September 30, 2022 (December 31, 2021 - \$5,492,200) and has commenced steady state operations at its Empower Pilot Facility, the Company is currently unable to self-finance operations, has limited resources, no source of operating cash flow, and no assurances that anticipated production revenue will be sufficient to fund operations. As a result, these 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.

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 IFRS Interpretations Committee (“IFRIC”).

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

September 30, 2022

2. BASIS OF PREPARATION (Continued)

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of September 30, 2022. The Board of Directors approved the condensed consolidated interim financial statements for issue on November 22, 2022.

Statement of compliance (Continued)

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 financial statements of the Company for the year ended December 31, 2021. However, this interim financial report provides selected significant disclosures that are required in the annual financial statements under IFRS.

Principles of consolidation

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

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

	Place of Incorporation	Effective interest at September 30, 2022
Empower Environmental Solutions Ltd	BC, Canada	100%
Empower Environmental Solutions Calgary Ltd	Alberta, Canada	100%
Empower Environmental Solutions Toronto West Ltd	Ontario, Canada	100%

Comparative Figures

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

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.

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

September 30, 2022

3. BASIS OF PREPARATION (Continued)

Use of estimates and judgements

In addition to those noted below, these unaudited condensed consolidated interim financial statements include the same estimates and judgements as the annual audited consolidated financial statements for the year ended December 31, 2021.

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

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

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

Estimates

Valuation of share-based payments

Stock Option Awards

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

Share Unit Awards

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

Critical judgements

Income taxes

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

Going concern

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

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

September 30, 2022

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2021.

New accounting standards adopted during the period

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

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

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

The amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Company’s adoption of this amendment will have no significant impact.

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

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

4. POST-CLOSING COVENANTS

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

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

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

September 30, 2022

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY

Right-of-use assets

The Company's right-of-use assets are entirely comprised of premises for operating facility. The following is the continuity of the cost and accumulated depreciation of right-of-use assets as at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Cost		
Balance at beginning of period	\$ 2,260,140	\$ 612,140
Expiration	-	(612,140)
Additions	-	2,260,140
Balance, end of period	\$ 2,260,140	\$ 2,260,140
Accumulated depreciation		
Balance at beginning of period	\$ 459,690	\$ 612,140
Expiration	-	(612,140)
Depreciation	344,767	459,690
Balance, end of period	\$ 804,457	\$ 459,690
Net book value	\$ 1,455,683	\$ 1,800,450

The Company's Net investment assets ("NIS") are comprised of premises under lease and are sub-leased. The following is the continuity of the NIS asset as at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Net investment in sublease		
Balance at beginning of period	\$ 191,411	\$ 243,235
Lease payments received	(56,950)	(73,824)
Finance income	12,908	22,000
Value of net investment in sublease, end of period	147,369	191,411
Current portion	(64,080)	(59,469)
Non-current portion	\$ 83,289	\$ 131,942

Lease liabilities

The following is the continuity of lease liabilities as at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Cost		
Balance at beginning of period	\$ 2,103,465	\$ 243,235
Additions	-	2,260,140
Lease payments	(475,775)	(632,257)
Interest accretion on lease liability	146,951	232,347
Balance, end of period	\$ 1,774,641	\$ 2,103,465
Current portion	(497,924)	(444,004)
Non-current portion	\$ 1,276,717	\$ 1,659,461

Variable lease payments for the 3 months ended September 30, 2022 is \$44,751 (2021 - \$31,614) and for the 9 months ended September 30, 2022 is \$134,255 (2021 - \$94,842).

Rent expense relating to short term rental for the 3 months ended September 30, 2022 is \$14,450 (2021 - \$Nil) and for the 9 months ended September 30, 2022 is \$44,700 (2021 - \$Nil).

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

September 30, 2022

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

The following is a schedule of future minimum lease payments under lease commitments as at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Total Payments:		
No later than one year	\$ 653,213	\$ 634,366
Later than one year, not later than five years	1,427,880	1,922,501
Later than five years	-	-
Net minimum lease payments	\$ 2,081,093	\$ 2,556,867

Payments recognized in the condensed consolidated interim financial statements relating to short-term leases and low-value assets for the periods ended September 30, 2022, were \$Nil (December 31, 2021 - \$Nil),

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

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

6. PROPERTY, PLANT AND EQUIPMENT

	Processing equipment	Storage Facility	Construction in progress	Furniture and Fixtures	Leasehold Improve- ments	Total
Cost						
Balance – December 31, 2020	\$ 28,210	\$ 20,300	\$ 2,359,511	\$ 3,600	\$ 56,604	\$2,468,225
Additions	-	36,168	1,013,383	578	-	1,050,129
Equipment sold	-	-	(104,000)	-	-	(104,000)
Equipment written off	-	-	(109,321)	-	-	(109,321)
Fully amortized assets	-	-	-	-	(56,604)	(56,604)
Balance – December 31, 2021	\$ 28,210	\$ 56,468	\$ 3,159,573	\$ 4,178	\$ -	\$3,248,429
Transfers	3,130,765	-	(3,130,765)	-	-	-
Additions	253,930	-	388,312	12,002	-	654,244
Recovery of Costs	-	-	(100,000)	-	-	(100,000)
Balance – September 30, 2022	\$3,412,905	\$ 56,468	\$ 317,120	\$ 16,180	\$ -	\$3,802,673
Accumulated Depreciation						
Balance – December 31, 2020	\$ 23,950	\$ 14,314	\$ -	\$ 2,485	\$ 56,604	\$ 97,353
Additions	852	1,200	-	224	-	2,276
Fully amortized assets	-	-	-	-	(56,604)	(56,604)
Balance – December 31, 2021	\$ 24,802	\$ 15,514	\$ -	\$ 2,709	\$ -	\$ 43,025
Additions	433,565	6,143	-	1,919	-	441,627
Balance – September 30, 2022	\$ 458,367	\$ 21,657	\$ -	\$ 4,628	\$ -	\$ 484,652
Net Book Value						
Balance – December 31, 2021	\$ 3,408	\$ 40,954	\$ 3,159,573	\$ 1,469	\$ -	\$3,205,404
Balance – September 30, 2022	\$2,954,538	\$ 34,811	\$ 317,120	\$ 11,552	\$ -	\$3,318,021

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

September 30, 2022

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the period ended September 30, 2022, the Company received \$Nil (December 31, 2021 - \$24,000) on the disposition of equipment included in construction in progress equipment with a net book value of \$Nil (December 31, 2021 - \$104,000). The Company recognized a loss of \$Nil (December 31, 2021 - \$80,000 on the sale).

7. LOANS PAYABLE

	Credit Facility	Shareholder Loans	Directors' Loans	Equipment Loan	Total
Loans payable:					
Balance – December 31, 2020	\$ 1,365,557	\$ 551,710	\$ -	\$ -	\$ 1,917,267
Advances	-	-	480,000	-	480,000
Accrued interest	35,252	16,744	2,495	-	54,491
Repayment of loan and interest	(1,400,809)	(322,496)	(482,495)	-	(2,205,800)
Shares for debt	-	(245,958)	-	-	(245,958)
Equipment received for loan	-	-	-	270,000	270,000
Interest accretion on low interest loan	-	-	-	(30,985)	(30,985)
Balance – December 31, 2021	-	-	-	239,015	239,015
Less current portion	-	-	-	(90,000)	(90,000)
Long term portion	\$ -	\$ -	\$ -	\$ 149,015	\$ 149,015
Balance – December 31, 2021	\$ -	\$ -	\$ -	\$ 239,015	\$ 239,015
Accrued interest	-	-	-	1,863	1,863
Repayment of loan	-	-	-	(61,863)	(61,863)
Interest accretion on low interest loan	-	-	-	14,851	14,851
Balance – September 30, 2022	-	-	-	193,866	193,866
Less current portion	-	-	-	(107,112)	(107,112)
Long term portion	\$ -	\$ -	\$ -	\$ 86,754	\$ 86,754

Credit Facility:

The Company had a variable rate term loan with a maximum authorized limit of \$1,500,000 with Vancity Savings Credit Union. The credit facility carried an annual interest rate of Vancity Prime + 1.75%, was calculated and payable monthly and secured by a general security agreement and personal guarantees of certain Directors and Shareholders. All amounts due under the credit facility are due on demand and the remaining balance was repaid in December 2021. The amount outstanding as at September 30, 2022 was \$Nil (December 31, 2021 - \$Nil).

Shareholder loans:

The Company had a loan payable to a non-related party shareholders in the amount of \$523,520. The loans carried an annual interest rate of 10%, was unsecured and were paid in full in June 2021 of which \$245,958 was settled with the issuance of 702,736 shares (Note 9). The amount outstanding as at September 30, 2022 was \$Nil (December 31, 2021 - \$Nil).

The Company had a loan payable to a non-related party shareholder in the amount of \$28,190. The amount was non-interest bearing, is unsecured and was repaid in full in June 2021. The amount outstanding as at September 30, 2022 was \$Nil (December 31, 2021 - \$Nil).

Directors' loans:

During the year ended December 31, 2021, the Company had borrowed \$480,000 from directors of the Company. The loans carried an annual interest rate of 6%, was unsecured and were paid in full in June 2021 with interest totaling \$2,495.

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

September 30, 2022

7. LOANS PAYABLE (Continued)

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 September 30, 2022 was \$193,866 (December 31, 2021 - \$239,015).

8. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) As at September 30, 2022, accounts payable and accrued liabilities include \$438,331 (December 31, 2021 - \$178,759) owing to directors, officers and companies with certain directors in common and companies controlled by certain directors and officers or former directors. The amounts are unsecured, non-interest bearing and due on demand.
- (b) Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. During the 3 and 9 month 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:

	For the 3 months ended September 30, 2022	For the 3 months ended September 30, 2021	For the 9 months ended September 30, 2022	For the 9 months ended September 30, 2021
Advertising, marketing and promotion	\$ -	\$ 40,500	\$ 53,800	\$ -
Consulting fees	18,000	10,000	54,000	40,000
Professional fees	-	22,000	80,000	57,000
Share-based payment	91,207	462,130	366,980	1,227,949
Wages and benefits	245,000	79,723	715,385	169,723
	\$ 354,207	\$ 614,353	\$ 1,270,165	\$ 1,494,672

- (c) During the nine months ended September 30, 2022, the Company acquired equipment in the amount of \$Nil plus GST and PST (December 31, 2021 - \$270,000) from a company with certain controlled by an officer. See Note 7 for additional disclosure.

9. CAPITAL STOCK

Authorized Share Capital:

Unlimited number of common shares without par value

Issuance of shares

During the period ended September 30, 2022, the Company issued 1,250,000 common shares for proceeds of \$500,000.

During the year ended December 31, 2021, the Company completed the following share transactions:

- Issued a total of 702,736 common shares with a fair value of \$245,958 in settlement of debts in the amount of \$245,958 (Note 7).
- On April 1, 2021, the Company issued 2,150,000 shares with a value of \$752,500 under a Post-Closing Covenant in the Northstar Empower Agreement (Note 4). The benefit was recorded as share-based compensation.

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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September 30, 2022

9. CAPITAL STOCK (Continued)

- Issuance of shares received on subscription receipts:
On March 25, 2021 and March 26, 2021, the Company raised \$12,241,312 on 34,975,178 Subscription Receipts at a price of \$0.35 per Subscription Receipt. The Subscription Receipts incurred \$705,098 in finders fees payable in cash of which \$352,649 was withheld from the Subscription Receipts and the balance of \$352,449 in finders fees were paid on Escrow Release. Each Subscription Receipt converted into one unit upon the receipt of the final prospectus by the British Columbia Securities Commission on June 22, 2021. Each Unit is comprised of one common share in the capital of the Company (each, a "Share") and one-half of one transferable common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Share (each, a "Warrant Share") at a price of \$0.50 per Warrant Share for a period of two years from listing on a public market. In addition, to the cash portion of the finder's fees, 2,014,565 Special Warrants were issued and has converted to 2,014,565 Broker Warrants on Escrow Release valued at \$391,873. The Company incurred additional share issuance costs of \$54,111 in connection with the financing.
- In November 2021, the Company issued 15,000 shares on the exercise of warrants for gross proceeds of \$7,500.

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
Outstanding , December 31, 2020	-	\$ -
Issued	6,675,000	\$ 0.35
Outstanding , December 31, 2021	6,675,000	\$ 0.35
Issued	580,854	\$ 0.35
Outstanding , September 30, 2022	7,255,854	\$ 0.35

Share-based compensation recognized for options vested during the 3 month period ended September 30, 2022 was \$54,013 (2021 - \$568,564) and for the 9 month period ended September 30, 2022 was \$447,462 (2021 - \$1,645,964).

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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September 30, 2022

10. RESERVES (Continued)

Outstanding and exercisable stock options as at September 30, 2022:

Expiry Date	Exercise Price	Number of Options	
		Outstanding	Exercisable
February 16, 2026	\$ 0.35	3,300,000	3,300,000
July 12, 2026	\$ 0.35	2,100,000	2,100,000
December 15, 2024	\$ 0.35	875,000	406,250
December 15, 2026	\$ 0.35	400,000	100,000
February 7, 2027	\$ 0.35	200,000	50,000
May 31, 2023	\$ 0.35	100,000	100,000
April 19, 2027	\$0.35	260,854	-
August 30, 2027	\$ 0.35	20,000	-
Total Outstanding		7,255,854	6,056,250

The estimated remaining life of the stock options at September 30, 2022 is 3.44 years.

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

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

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

Stock options (Continued)

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

	Sep 30, 2022	December 31, 2021
Expected volatility	73%	125%
Risk-free interest rate	2.21%	0.79%
Expected life	4.34 years	4.74 years
Dividend yield	-	-
Estimated fair value per option	\$0.17	\$0.31

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

Northstar Clean Technologies Inc.

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10. RESERVES (Continued)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2020	5,697,589	\$ 0.30
Issued	19,502,149	\$ 0.50
Exercised	(15,000)	\$ 0.50
Outstanding, December 31, 2021 and September 30, 2022	25,184,738	\$ 0.46

The weighted average share price on the date of exercise was \$0.46.

Outstanding and exercisable warrants as at September 30, 2022:

	Expiry Date	Exercise Price	September 30, 2022
	July 13, 2026 ⁽¹⁾	\$ 0.279	4,596,268
Finders warrants	July 13, 2026 ⁽¹⁾	\$ 0.279	406,249
	July 13, 2026 ⁽¹⁾	\$ 0.465	490,615
Finders warrants	July 13, 2026 ⁽¹⁾	\$ 0.465	204,457
	June 22, 2023	\$ 0.500	17,472,584
Broker warrants	June 22, 2023	\$ 0.500	2,014,565
Outstanding and exercisable			25,184,738

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

	December 31, 2021
Expected volatility	125%
Risk-free interest rate	0.42%
Expected life	2 years
Dividend yield	-
Estimated fair value per warrant	\$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 5,000,000 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 vesting date by the performance factor achieved during the performance period. The Restricted Stock Units and Performance Stock Units vest over 3 years. The fair value is determined using the stock price at the Date of Grant

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

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10. RESERVES (Continued)

Issued Restricted Stock Units and Performance Stock Units:

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

The fair value of the Restricted Stock Units was calculated using the stock price at the date of granting and then amortized over the vesting schedule.

The 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. For the nine months ended September 30, 2022, the company anticipated a performance factor of 120% (2021 – Nil)

Share based compensation recognized for RSUs and PSUs vested during the three month period ended September 30, 2022 was \$27,944 (2021 - \$Nil). Share based compensation recognized for RSUs and PSUs vested during the nine month period ended September 30, 2022 was \$85,851 (2021-\$nil) of which \$30,070 is recorded as equity-based compensation payable

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended September 30, 2022:

- Property, plant and equipment included in accounts payable and accrued liabilities - \$12,173.
- There was a loss on tax receivable of \$130,522 relating to GST refunds that will likely not be received

Significant non-cash transactions during the period ended September 30, 2021:

- Issued 2,150,000 shares at \$0.35 per share with a value of \$752,500 as share based payments.
- Settled \$245,958 in vendor debts with 702,736 shares at \$0.35 per share.
- Recognition of \$2,260,140 in right-of-use assets and lease liabilities.
- Issued 2,014,565 Broker Warrants as finders fees on share issuance costs valued at \$391,873.
- Property, plant, and equipment included in accounts payable and accrued liabilities - \$20,778.

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 \$4,342,589

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 September 30, 2022. The Company is not subject to externally imposed capital requirements.

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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

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 September 30, 2022, the Company had \$1,236,920 cash to settle current liabilities of \$1,416,305 and as such, management believes the Company is exposed to liquidity risk.

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

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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.

	September 30, 2022	December 31, 2021
Financial assets at FVTPL (i)	\$ 1,236,920	\$ 5,948,876
Financial liabilities at amortized cost (ii)	\$ 1,006,705	\$ 998,558
(i) Cash		
(ii) Accounts payable and accrued liabilities and equity-based compensation payable, and loans payable		

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

The three levels are defined as follows:

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

Cash is measured at fair value using Level 1 inputs. There has been no change to the fair value hierarchy levels during the period.

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

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

On October 3, 2022, Northstar Clean Technologies Inc. issued 625,000 shares for proceeds of \$250,000 to Renewable U Energy Inc.

On October 4, 2022, Northstar Clean Technologies Inc and Renewable U Energy Inc. announced that they have entered into a binding term sheet for a strategic financing of debt and securities, including common shares in the capital of the Company and secured convertible debentures for Northstar's proposed Phase 1 plan of building and constructing three scale-up asphalt shingle reprocessing facilities in Calgary, and, as presently intended, both the greater Toronto area and the Pacific Northwest. The total amount of the financing is approximately \$43.5 million. The initial \$1 million proceeds due on October 31, 2022 to the Company have not yet been received.