



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2024 and 2023
(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, 2024 and December 31, 2023

| | September 30, 2024 | December 31, 2023 (Audited) |
|--|-----------------------|-----------------------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 15,551,137 | \$ 7,648,311 |
| Receivables | 82,658 | 21,315 |
| Net GST receivable | 495,340 | 104,993 |
| Prepays | 328,017 | 78,399 |
| Net investment in sublease (Note 3) | 12,499 | 66,247 |
| | <u>16,469,651</u> | <u>7,919,265</u> |
| Non-Current | | |
| Deposits (Note 3) | 892,417 | 517,813 |
| Deferred financing costs (Note 8) | 184,192 | 131,250 |
| Property, plant and equipment (Note 5) | 15,694,999 | 5,040,686 |
| Intangible assets (Note 7) | 77,739 | 41,746 |
| Right-of-use asset (Note 3) | 3,630,136 | 4,224,285 |
| | <u>20,479,483</u> | <u>9,955,780</u> |
| | <u>\$ 36,949,134</u> | <u>\$ 17,875,045</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 11) | \$ 5,582,943 | \$ 1,938,864 |
| Equity-based compensation payable (Note 14) | 62,346 | 65,829 |
| Loans payable (Notes 8 and 11) | 48,363 | 58,472 |
| Convertible debentures (Note 9) | 319,177 | 34,681 |
| Lease liability (Note 3) | 662,165 | 651,306 |
| | <u>6,674,994</u> | <u>2,749,152</u> |
| Non-Current | | |
| Equity-based compensation payable (Note 14) | - | 41,017 |
| Loans payable (Notes 8 and 11) | 1,465,172 | - |
| Convertible debentures (Note 9) | 7,346,558 | 2,956,250 |
| Royalty debenture (Note 10) | 14,070,000 | - |
| Contract liability (Note 13) | 2,778,252 | 2,778,252 |
| Lease liabilities (Note 3) | 3,143,948 | 3,641,977 |
| Decommissioning liabilities (Note 4) | 271,000 | 271,000 |
| | <u>35,749,924</u> | <u>12,437,648</u> |
| Shareholders' equity | | |
| Common shares (Note 12) | 28,483,004 | 28,137,042 |
| Preferred shares (Notes 13) | 5,631,271 | 5,631,271 |
| Reserves (Note 14) | 6,119,494 | 4,539,108 |
| Deficit | (39,034,559) | (32,870,024) |
| | <u>1,199,210</u> | <u>5,437,397</u> |
| | <u>\$ 36,949,134</u> | <u>\$ 17,875,045</u> |

Nature and continuance of operations (Note 1)

Commitments (Notes 5 and 18)

Subsequent events (Note 19)

On behalf of the Board:

“Jeffrey Beyer”

Director

“Aidan 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, 2024 and 2023

| | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|--|--|---|---|
| OPERATIONS | | | | |
| Tipping fees | \$ 164,669 | \$ 63,634 | \$ 475,383 | \$ 141,839 |
| Cost of shingle collections | (202,766) | - | (345,290) | - |
| | (38,097) | 63,634 | 130,093 | 141,839 |
| RESEARCH EXPENSES | | | | |
| Contract consulting fees | \$ - | \$ 58,430 | \$ - | \$ 300,166 |
| Repairs and maintenance | - | 304 | - | 84,845 |
| Site materials | - | 115,237 | - | 362,434 |
| | - | (173,971) | - | (747,445) |
| GENERAL AND ADMINISTRATIVE EXPENSES | | | | |
| Advertising, marketing and investor relations | 104,039 | 70,345 | 305,385 | 208,361 |
| Consulting fees | 9,153 | 48,786 | 57,951 | 183,948 |
| Depreciation and amortization (Note 3, 5 and 7) | 322,369 | 279,892 | 963,480 | 783,114 |
| Insurance | 49,413 | 29,301 | 113,775 | 82,782 |
| IT and communications | 22,361 | 17,898 | 62,671 | 68,224 |
| Office and administration | 7,854 | 4,142 | 2,799 | 25,964 |
| Professional fees | 94,168 | 116,380 | 307,345 | 386,210 |
| Rent, utilities and site costs | 135,454 | 94,844 | 492,215 | 294,757 |
| Share-based compensation (Notes 11 and 14) | 86,884 | 168,853 | 393,919 | 380,305 |
| Transfer agent and regulatory fees | 5,654 | 36,929 | 33,966 | 84,046 |
| Travel | 43,043 | 40,274 | 115,272 | 101,064 |
| Wages, benefits and director fees (Note 11) | 593,464 | 418,124 | 1,617,075 | 1,441,668 |
| | (1,473,856) | (1,325,768) | (4,465,853) | (4,040,443) |
| OTHER ITEMS | | | | |
| Interest and finance charges (Notes 3, 8 and 9) | (628,259) | (167,025) | (1,416,068) | (424,273) |
| Transaction costs (Note 10) | (986,239) | - | (986,239) | - |
| Loss on fair value re-measurement of royalty debenture (Note 10) | (70,000) | - | (70,000) | - |
| Foreign exchange gain (loss) | (11,349) | 200,775 | 150,225 | 199,048 |
| Interest income | 620 | 2,366 | 3,202 | 8,444 |
| Other income | - | 415 | - | 25,317 |
| | (1,695,227) | 36,531 | (2,318,880) | (191,464) |
| Loss and comprehensive loss before income taxes | \$(3,207,180) | \$ (1,399,574) | \$ (6,654,640) | \$ (4,837,513) |
| Income tax recovery (Note 9) | - | - | 490,105 | 53,384 |
| Loss and comprehensive loss for the period | \$ (3,207,180) | \$ (1,399,574) | \$ (6,164,535) | \$ (4,784,129) |
| Basic and diluted loss per share | \$ (0.03) | \$ (0.01) | \$ (0.05) | \$ (0.04) |
| Weighted average number of common shares outstanding (basic and diluted) | 127,713,206 | 126,710,381 | 127,284,299 | 119,117,889 |

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 Common Shares | Number of Preferred Shares | Common Shares | Preferred Shares | Reserves | Deficit | Total Shareholders' Equity |
|---|-------------------------------|-------------------------------------|---------------------|---------------------|---------------------|------------------------|----------------------------------|
| Balance, December 31, 2022 | 108,000,903 | - | \$25,448,274 | - | \$ 3,534,330 | \$ (26,198,097) | \$ 2,784,507 |
| Private placements (Note 12) | 18,195,367 | - | 2,729,305 | - | - | - | 2,729,305 |
| Share issue costs (Note 12) | - | - | (133,078) | - | 56,305 | - | (76,773) |
| Private placement – preferred shares (Note 13) | - | 29,244,756 | - | 5,702,727 | - | - | 5,702,727 |
| Share issue costs (Note 13) | - | - | - | (71,456) | - | - | (71,456) |
| PSUs and RSUs settled (Note 14) | 514,111 | - | 92,540 | - | (92,540) | - | - |
| Equity portion of convertible debentures (Note 9) | - | - | - | - | 142,654 | - | 142,654 |
| Broker warrants (Note 9) | - | - | - | - | 3,216 | - | 3,216 |
| Share-based payments (Note 14) | - | - | - | - | 326,255 | - | 326,255 |
| Loss for the period | - | - | - | - | - | (4,784,129) | (4,784,129) |
| Balance, September 30, 2023 | 126,710,381 | 29,244,756 | \$28,137,041 | \$5,631,271 | \$ 3,970,220 | \$ (30,982,226) | \$ 6,756,306 |
| Balance, December 31, 2023 | 126,710,381 | 29,244,756 | \$28,137,042 | \$5,631,271 | \$4,539,108 | \$ (32,870,024) | \$ 5,437,397 |
| PSUs and RSUs settled (Note 14) | 1,656,527 | - | 269,793 | - | (269,793) | - | - |
| Equity portion of convertible debentures (Note 9) | - | - | - | - | 1,240,336 | - | 1,240,336 |
| Conversions of convertible debentures (Note 9) | 405,000 | - | 76,169 | - | - | - | 76,169 |
| Broker warrants (Note 9) | - | - | - | - | 199,705 | - | 199,705 |
| Share-based payments (Note 14) | - | - | - | - | 410,138 | - | 410,138 |
| Loss for the period | - | - | - | - | - | (6,164,535) | (6,164,535) |
| Balance, September 30, 2024 | 128,771,908 | 29,244,756 | \$28,483,004 | \$5,631,271 | \$6,119,494 | \$ (39,034,559) | \$ 1,199,210 |

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, 2024 and 2023

| | September 30, 2024 | September 30, 2023 |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss for the period | \$ (6,164,535) | \$ (4,784,129) |
| Items not affecting cash | | |
| Depreciation and amortization (Notes 3, 5 and 7) | 963,480 | 783,114 |
| Interest and finance charges on loans (Note 8 and 9) | 1,132,444 | 273,985 |
| Interest on net investment in sublease (Note 3) | (3,202) | (8,296) |
| Share-based payments (Note 14) | 393,919 | 380,305 |
| Income tax recovery | (490,105) | (53,384) |
| Loss on fair value re-measurement of royalty debenture | 70,000 | - |
| Interest on lease liabilities | 267,339 | 143,988 |
| Unrealized foreign exchange gain | (175,463) | (201,103) |
| | <u>(4,006,123)</u> | <u>(3,465,520)</u> |
| Changes in non-cash working capital items and items not affecting operating activities | | |
| GST receivables | (390,347) | 154,814 |
| Receivables | (61,343) | (29,003) |
| Prepays | (249,618) | (13,783) |
| Accounts payable and accrued liabilities | 285,873 | 43,278 |
| Transaction costs (Note 10) | 986,239 | - |
| Net cash flows used in operating activities | <u>(3,435,319)</u> | <u>(3,310,214)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment (Note 5) | (9,807,534) | (212,017) |
| Acquisition of intangible assets (Note 7) | (37,012) | (12,110) |
| Government grants (Note 6) | 1,389,738 | - |
| Deposits paid | (374,604) | (111,701) |
| Net cash flows used in investing activities | <u>(8,829,412)</u> | <u>(335,828)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of convertible debentures, net of issuance costs (Note 9) | 5,822,672 | 618,900 |
| Proceeds from issuance of royalty debenture, net of issuance costs (Note 10) | 13,769,235 | - |
| Proceeds from issuance of common shares, net of issuance costs (Note 12) | - | 2,652,532 |
| Proceeds from issuance of preferred shares, net of issuance costs (Note 13) | - | 8,409,523 |
| Loan proceeds (Note 8) | 1,542,100 | - |
| Deferred costs (Note 8) | (5,442) | (131,250) |
| Loan repayments (Note 8) | (60,175) | (91,050) |
| Repayments of lease liabilities (Note 3) | (697,559) | (479,589) |
| Cash-settled PSUs and RSUs paid-out (Note 14) | (28,281) | - |
| Convertible debentures interest paid (Note 9) | (348,358) | (103,250) |
| Net cash flows provided by financing activities | <u>19,994,192</u> | <u>10,875,816</u> |
| Change in cash during the period | 7,729,461 | 7,229,774 |
| Effect of exchange rate changes on cash | 173,365 | 201,103 |
| Cash, beginning of the period | 7,648,311 | 1,114,166 |
| Cash, end of the period | \$ 15,551,137 | \$ 8,545,043 |
| Interest paid | \$ 348,358 | \$ 154,362 |

Supplemental disclosures with respect to cash flows (Note 15)

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)

For the three and nine months ended September 30, 2024 and 2023

1. NATURE AND CONTINUANCE OF OPERATIONS

Nature of operations

Northstar Clean Technologies Inc. (“Northstar” or the “Company”) is a Canadian-based clean technology company focused on the sustainable recovery and reprocessing of asphalt shingles. Northstar has developed a proprietary design process for taking discarded asphalt shingles, otherwise destined for already over-crowded landfills, and extracting the liquid asphalt for use in new hot mix asphalt, shingle manufacturing and asphalt flat roof systems, and aggregate and fiber for use in construction products and other industrial applications. Focused on the circular economy, Northstar plans to reprocess used or defective asphalt shingle waste back into its three primary components for reuse/resale at its first commercial scale up facility in Calgary, Alberta (the “Empower Calgary Facility”). Since 2017, the Company has been conducting research & development at an existing pilot facility in Delta, British Columbia (the “Empower Pilot Facility”). As an emerging innovator in sustainable processing, Northstar’s mission is to be the leader in the recovery and reprocessing of asphalt shingles in North America, extracting the recovered components from asphalt shingles that would otherwise be sent to landfill.

Northstar was incorporated on August 21, 2017 as Blocktech Ventures Inc. under the laws of the British Columbia Corporations Act. In January 2021, the Company changed its name to Northstar Clean Technologies Inc. The head office and principal address of the Company is located at 1110-396 11th Ave SW, Calgary, Alberta, its planned Empower Calgary Facility is located at 285081 Wrangler Way, Rocky View County, Alberta and the Company’s registered and records office is 7046 Brown Street, Delta, British Columbia.

The Company is currently constructing the Empower Calgary Facility in Calgary, Alberta and is planning to begin operations in the near future.

Going concern

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

The Company incurred a significant operating loss of \$6,164,535 during the nine months ended September 30, 2024 (September 30, 2023 - \$4,784,129). The Company has working capital of \$9,794,657 (December 31, 2023 – working capital of \$5,170,113) and there is no assurance that anticipated production revenue will be sufficient to fund operations and may be dependant on future financings.

In addition, the Company has funded operations with \$10,405,000 of interest-bearing convertible debentures and a \$14,000,000 interest-bearing royalty debenture, of which, there are no assurances the Company will be able to generate future cash flows sufficient to repay interest and principal if not converted. While the Company has been successful at raising funds in the past, there can be no assurance that it will be able to do so in the future or on terms that are favourable to the Company. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

These condensed consolidated interim consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these condensed consolidated interim financial statements.

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended September 30, 2024 and 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 September 30, 2024. The Board of Directors approved the condensed consolidated interim financial statements for issue on November 25, 2024.

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, 2023. 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 have been rounded to the nearest dollar.

Basis of consolidation

These condensed consolidated interim 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 condensed consolidated interim financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

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

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended September 30, 2024 and 2023

| | Place of Incorporation | Effective interest at September 30, 2024 | Effective interest at September 30, 2023 |
|---|---------------------------|---|---|
| Empower Environmental Solutions Ltd | BC, Canada | 100% | 100% |
| Empower Environmental Solutions Calgary Ltd | AB, Canada | 100% | 100% |
| Empower Environmental Solutions Toronto West Ltd | ON, Canada | 100% | 100% |
| 1284041 BC Ltd. | BC, Canada | 100% | 100% |

Adoption of accounting policies

Royalty Debenture

The Company reviews the terms of its royalty debentures to determine whether there are embedded derivatives that are required to be bifurcated and accounted for as individual derivative financial instruments in accordance with IFRS 9: Financial Instruments. In circumstances where the royalty debenture contains embedded derivatives that are not separated from the host contracts, the fair values of the host contract and the derivative are valued together, with the change in fair value accounted through the statement of loss and comprehensive loss for each period reported.

Capitalized Borrowing Costs

The Company applies IAS 23: Borrowing Costs to account for borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset. A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

3. RIGHT-OF-USE ASSET AND LEASE LIABILITIES

Right-of-use assets

The Company's right-of-use assets are entirely comprised of premises for operating facilities. The following is the continuity of the cost and accumulated depreciation of right-of-use assets as at September 30, 2024 and December 31, 2023:

| | September 30, 2024 | December 31, 2023 |
|---------------------------------|-----------------------|----------------------|
| Cost | | |
| Balance, beginning of period | \$ 5,712,154 | \$ 2,260,140 |
| Additions | - | 3,452,014 |
| Balance, end of period | \$ 5,712,154 | \$ 5,712,154 |
| Accumulated depreciation | | |
| Balance, beginning of period | \$ 1,487,869 | \$ 919,379 |
| Depreciation | 594,149 | 568,490 |
| Balance, end of period | \$ 2,082,018 | \$ 1,487,869 |
| Net book value | \$ 3,630,136 | \$ 4,224,285 |

During the year ended December 31, 2023, the Company recognized right-of-use assets of \$3,452,014, including additions relating to lease liabilities with a fifteen-year term and an incremental borrowing rate of 8.35% for \$3,181,014 and decommissioning liabilities of \$271,000 (Note 4).

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended September 30, 2024 and 2023

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, 2024 and December 31, 2023:

| | September 30, 2024 | December 31, 2023 |
|---|-----------------------|----------------------|
| Net investment in sublease | | |
| NIS asset | \$ 66,247 | \$ 131,943 |
| Lease payments received | (56,950) | (75,933) |
| Finance income | 3,202 | 10,237 |
| Value of net investment in sublease, end of period | 12,499 | 66,247 |
| Less current portion | (12,499) | (66,247) |
| Non-current portion | \$ - | \$ - |

Lease liabilities

The following is the continuity of lease liabilities as at September 30, 2024 and December 31, 2023:

| | September 30, 2024 | December 31, 2023 |
|---------------------------------------|-----------------------|----------------------|
| Cost | | |
| Balance, beginning of period | \$ 4,293,283 | \$ 1,659,461 |
| Additions | - | 3,181,014 |
| Lease payments | (754,509) | (788,043) |
| Interest accretion on lease liability | 267,339 | 240,851 |
| Balance, end of period | \$ 3,806,113 | \$ 4,293,283 |
| Less current portion | (662,165) | (651,306) |
| Non-current portion | \$ 3,143,948 | \$ 3,641,977 |

Variable lease payments for the period ended September 30, 2024 is \$232,047 (December 31, 2023 - \$202,091).

Rent expense relating to short term rental for the period ended September 30, 2024 is \$6,750 (December 31, 2023 - \$22,200).

In connection with the agreement for the Empower Pilot Facility 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 \$6,328 per month plus the proportion share of expense in respect of operating costs and property taxes. The Company entered into an assignment agreement whereby the assignee has accepted the terms of the Company's lease terms and is paying the lease payments directly to the Landlord. The landlord holds a security deposit of \$10,043.

In connection with the lease agreement for the Empower Calgary Facility commencing on July 1, 2023, the Company made an initial deposit payment of \$50,000, and an additional deposit of \$373,516 on April 1, 2024, to be held as a security deposit for the term of the lease.

4. DECOMMISSIONING LIABILITIES

In connection with the lease related to the Company's Empower Pilot Facility, the Company is obligated to remove all equipment and materials from the location at the end of the lease which terminates on December 31, 2025. Located on the site is equipment used in the Empower Pilot Facility and roofing shingles which will be removed at the end of the term of the lease. If the lease is not extended, the Company is responsible for the costs

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended September 30, 2024 and 2023

associated with this removal. At the current level of activity at the Empower Pilot Facility, the shingles on site are not expected to be fully consumed in processing into asphalt and other roofing shingle components for research and testing. As a result, during the year ended December 31, 2023, the Company recognized a decommissioning liability in the amount of \$271,000 with a corresponding amount recorded to right-of-use assets to be depreciated over the remaining term of the lease (Note 3).

The following is a continuity of the Company's decommissioning liabilities as at September 30, 2024 and December 31, 2023:

| | September 30, 2024 | December 31, 2023 |
|-------------------------------------|-----------------------|----------------------|
| Balance, beginning of period | \$ 271,000 | \$ - |
| Additions | - | 271,000 |
| Balance, end of period | \$ 271,000 | \$ 271,000 |

5. PROPERTY, PLANT AND EQUIPMENT

| | Processing equipment | Storage Facility | Construction in progress | Furniture and Fixtures | Leasehold Improve- ments | Total |
|-------------------------------------|-------------------------|---------------------|-----------------------------|------------------------------|--------------------------------|----------------------|
| Cost | | | | | | |
| Balance – December 31, 2022 | \$ 3,467,887 | \$ 56,468 | \$ 387,134 | \$ 28,034 | \$ 6,001 | \$ 3,945,524 |
| Additions | 65,058 | - | 2,235,898 | 4,261 | - | 2,305,217 |
| Balance – December 31, 2023 | \$ 3,532,945 | \$ 56,468 | \$ 2,623,032 | \$ 32,295 | \$ 6,001 | \$ 6,250,741 |
| Additions | - | - | 12,398,598 | 13,765 | - | 12,412,363 |
| Government grants | - | - | (1,389,738) | - | - | (1,389,738) |
| Balance – September 30, 2024 | \$ 3,532,945 | \$ 56,468 | \$ 13,631,892 | \$ 46,060 | \$ 6,001 | \$ 17,273,366 |
| Accumulated Depreciation | | | | | | |
| Balance – December 31, 2022 | \$ 629,011 | \$ 23,705 | \$ - | \$ 6,018 | \$ 250 | \$ 658,984 |
| Additions | 533,943 | 6,552 | - | 7,576 | 3,000 | 551,071 |
| Balance – December 31, 2023 | \$ 1,162,954 | \$ 30,257 | \$ - | \$ 13,594 | \$ 3,250 | \$ 1,210,055 |
| Additions | 355,499 | 3,932 | - | 6,631 | 2,250 | 368,312 |
| Balance – September 30, 2024 | \$ 1,518,453 | \$ 34,189 | \$ - | \$ 20,225 | \$ 5,500 | \$ 1,578,367 |
| Net Book Value | | | | | | |
| Balance – December 31, 2023 | \$ 2,369,991 | \$ 26,211 | \$ 2,623,032 | \$ 18,701 | \$ 2,751 | \$ 5,040,686 |
| Balance – September 30, 2024 | \$ 2,014,492 | \$ 22,279 | \$ 13,631,892 | \$ 25,835 | \$ 501 | \$ 15,694,999 |

Construction in progress consists of property, plant and equipment related to the development of the Company's Empower Calgary facility. As at September 30, 2024, the Company had contractual commitments to acquire property, plant and equipment for \$3,622,107 (December 31, 2023 – \$3,651,853).

During the nine months ended September 30, 2024 the Company attributed a \$100,000 government grant from Alberta Innovates and a \$1,289,738 government grant from ERA to construction in progress.

During the nine months ended September 30, 2024 the Company attributed interest expense of \$7,067 (December 31, 2023 - \$Nil) to construction in progress.

Northstar Clean Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the three and nine months ended September 30, 2024 and 2023

6. GOVERNMENT GRANTS

The Company's wholly owned subsidiary, Empower Environmental Solutions Calgary Ltd., and Emissions Reduction Alberta ("ERA") signed a contribution agreement (the "Contribution Agreement") dated July 31, 2023, whereby ERA agreed to fund up to \$7,088,856 (the "ERA Grant") for the development and construction of the Empower Calgary Facility, subject to certain criteria.

The Contribution Agreement contains four funding milestones for the Empower Calgary Facility, payments for which are subject to meeting the criteria relating to achieving detailed engineering design, construction completion, commissioning completion and detailed testing completion.

During the nine months ended September 30, 2024, the Company received ERA approval for the Company's submission related to the first milestone following, among other criteria completed, the completion of 75% of detailed engineering and design for the Empower Calgary Facility. As a result of ERA's approval, the payment for the first milestone in the amount of \$1,340,722 had been received by the Company. The Company attributed \$1,289,738 from the amount received against capitalized construction in progress (Note 5), and the remaining against general and administrative expenses.

7. INTANGIBLE ASSETS

| | Patents In Process | Patents | Total |
|-------------------------------------|-----------------------|-----------|-----------|
| Cost: | | | |
| Balance – December 31, 2022 | \$ 11,984 | \$ 14,053 | \$ 26,037 |
| Additions | 15,882 | 900 | 16,782 |
| Balance – December 31, 2023 | \$ 27,866 | \$ 14,953 | \$ 42,819 |
| Additions | 16,382 | 20,630 | 37,012 |
| Balance – September 30, 2024 | \$ 44,248 | \$ 35,583 | \$ 79,831 |
| Accumulated amortization | | | |
| Balance – December 31, 2022 | \$ - | \$ 351 | \$ 351 |
| Amortization | - | 722 | 722 |
| Balance – December 31, 2023 | \$ - | \$ 1,073 | \$ 1,073 |
| Amortization | - | 1,019 | 1,019 |
| Balance – September 30, 2024 | \$ - | \$ 2,092 | \$ 2,092 |
| Net book value | | | |
| Balance – December 31, 2023 | \$ 27,866 | \$ 13,880 | \$ 41,746 |
| Balance – September 30, 2024 | \$ 44,248 | \$ 33,491 | \$ 77,739 |

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8. LOANS PAYABLE

| | Equipment Loan | Senior Secured Debt | Total Loans |
|---|-------------------|------------------------|---------------------|
| Loans payable: | | | |
| Balance – December 31, 2022 | \$ 167,961 | \$ - | \$ 167,961 |
| Accrued interest | 1,250 | - | 1,250 |
| Repayment of loan | (121,250) | - | (121,250) |
| Interest accretion on low interest loan | 10,511 | - | 10,511 |
| Balance – December 31, 2023 | 58,472 | - | 58,472 |
| Less current portion | (58,472) | - | (58,472) |
| Long term portion | \$ - | \$ - | \$ - |
| Balance – December 31, 2023 | \$ 58,472 | \$ - | \$ 58,472 |
| Additions net of transaction costs | - | 1,502,100 | 1,502,100 |
| Accrued interest | 175 | 7,067 | 7,242 |
| Repayment of loan | (60,175) | - | (60,175) |
| Interest accretion on low interest loan | 1,528 | 4,368 | 5,896 |
| Balance – September 30, 2024 | \$ - | \$ 1,513,535 | \$ 1,513,535 |
| Less current portion | - | (48,363) | (48,363) |
| Long term portion | \$ - | \$ 1,465,172 | \$ 1,465,172 |

Equipment loan:

The Company acquired \$270,000 of equipment from a company controlled by a former officer of the Company. The term of the loan was 30 months, beginning January 1, 2022 and ending June 30, 2024. The loan carried an annual interest rate of 1% per annum, secured by the equipment and repayable in monthly instalments of \$5,000 plus interest for the first 6 months and \$10,000 per month plus interest from 7th month until fully paid. Interest payments 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, 2024 was \$Nil (December 31, 2023 - \$58,472).

Senior Secured Debt:

During the year ended December 31, 2023, the Company entered into binding Letter of Offer credit agreement with the Business Development Bank of Canada ("BDC") for project financing (the "BDC Financing") of the Empower Calgary Facility of up to \$8,750,000 in non-revolving senior secured debt. The Company will use the proceeds from the BDC Financing for the development and construction of its Empower Calgary Facility in Calgary, AB.

The following is a summary of the material terms of the BDC Financing:

- BDC will provide a senior secured project loan of up to \$8,750,000;
- 15-year repayment period, with 156 principal payments beginning June 2025; and
- Fixed 5-year interest rate of 7.95% payable monthly.

As at September 30, 2024, the Company had drawn \$1,600,000 from the BDC Financing. Interest expense of \$7,067 was capitalized in association with construction in progress (Note 5).

Associated transaction costs totalling \$282,092 were recorded as deferred costs and will be allocated against the liability proportionately as funds are drawn and amortized over the life of the loan using the effective interest method. During the three and nine months ended September 30, 2024, \$97,900 of these costs were allocated against the liability.

Drawing on the debt is subject to a number of conditions precedent and is secured with a first security interest

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over the assets of Empower Environmental Solutions Calgary Ltd. and guarantees from Northstar Clean Technologies Inc. and Empower Environmental Solutions Ltd. supported by a first security interest from both guarantors.

9. CONVERTIBLE DEBENTURES

Since December 2022, the Company has entered into various financing arrangements through issuance of convertible debentures in tranches, raising a total of \$10,405,000. As of September 30, 2024, all convertible debentures principal amounts totalling \$10,405,000 remained outstanding.

During the nine months ended September 30, 2024, the Company issued \$6,080,000 (during the year ended December 31, 2023 - \$2,885,000) in aggregate principal amount of convertible debentures.

The convertible debentures of the Company are unsecured, mature within a three-year period and have the following terms and features:

Key terms and features of convertible debentures):

Conversion Features:

Type 1:

- Holders may convert to a unit all or a portion of all these convertible debentures (Type 1 Convertible Debentures) at any time. The conversion price of outstanding Type 1 Convertible Debentures ranges from \$0.25 to \$0.29 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 ranging from \$0.35 to \$0.50 per common share until expiry.

Type 2:

- Each Type 2 convertible debenture unit (Type 2 Convertible Debenture) consists of one unsecured convertible debenture of the Company in the Principal Amount of \$5,000 and a number of common share purchase warrants ranging from 20,000 to 25,000, with each warrant entitling the holder to purchase one additional common share at a price ranging from \$0.30 to \$0.35 per common share until expiry.
- Holders may convert all or a portion of all the Type 2 Convertible Debentures at any time at a conversion price ranging from \$0.20 to \$0.25 per common share.

Forced conversion and prepayment:

- All type 1 and type 2 convertible debentures, except those issued in May 2024, include a right of the Company to force conversion, if the share price exceeds a specified threshold (ranging from \$0.50 to \$0.75) for ten consecutive trading days.
- The Company has the option to redeem in cash all outstanding convertible debentures at any time after one year. The holder may elect to: (i) convert all the prepayment amount into conversion shares at the conversion price; or (ii) accept the prepayment amount in cash as set out in the prepayment notice.

Interest:

- Interest is paid semi-annually at rates ranging from 10% to 12.5% per annum and payable in arrears. Accrued and unpaid interest can be converted together with the principal.

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The summary of the convertible debentures terms is as follows:

| Type | Date of Issue | Issue Date | Maturity Date | Principal Amount | Interest Rate | Conversion Price | Warrant Exercise Price |
|--------|---------------|------------|---------------|------------------|---------------|------------------|------------------------|
| Type 1 | December 2022 | 15-Dec-22 | 15-Dec-25 | \$1,440,000 | 10.0% | \$0.25/unit | \$0.35/share |
| Type 1 | February 2023 | 28-Feb-23 | 28-Feb-26 | \$625,000 | 10.0% | \$0.25/unit | \$0.35/share |
| Type 2 | December 2023 | 21-Dec-23 | 21-Dec-26 | \$2,260,000 | 12.5% | \$0.20/share | \$0.30/share |
| Type 2 | February 2024 | 16-Feb-24 | 16-Feb-27 | \$1,375,000 | 12.5% | \$0.20/share | \$0.30/share |
| Type 1 | May 2024 | 28-May-24 | 28-May-27 | \$2,455,000 | 10.0% | \$0.29/unit | \$0.50/share |
| Type 2 | June 2024 | 26-Jun-24 | 26-Jun-27 | \$2,250,000 | 12.5% | \$0.25/share | \$0.35/share |

Accounting of the convertible debentures:

The Company determines the carrying amount of the financial liability using present value of future cashflows with the principal amounts and a market rate of interest of 25%. The debt component is being amortized using an effective interest rate ranging from 25.2% to 31.3% 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 debentures in reserves. The transaction costs, including broker warrants issued as part of the financing arrangements, are capitalized and allocated between liability and equity components on a pro-rata basis according to their carrying amounts.

The summary of the convertible debentures initial recognition details is as follows:

| Date of Issue | Principal Amount \$ | Less Equity Component \$ | Less Transaction Costs within Financial Liability \$ | Financial Liability Initial Recognition \$ | Total Transaction Costs within Equity \$ | Deferred Taxes \$ | Equity Component \$ |
|---------------|------------------------|-----------------------------|---|---|---|----------------------|------------------------|
| December 2022 | 1,440,000 | (477,939) | (37,882) | 924,179 | (18,820) | (123,962) | 335,157 |
| February 2023 | 625,000 | (199,005) | (6,350) | 419,645 | (2,966) | (52,930) | 143,109 |
| December 2023 | 2,260,000 | (638,861) | (191,471) | 1,429,668 | (75,455) | (152,120) | 411,286 |
| February 2024 | 1,375,000 | (386,302) | (32,332) | 956,366 | (12,632) | (100,890) | 272,780 |
| May 2024 | 2,455,000 | (814,571) | (9,227) | 1,631,202 | (4,582) | (218,696) | 591,293 |
| June 2024 | 2,250,000 | (637,869) | (214,217) | 1,397,914 | (84,759) | (172,224) | 380,886 |

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Continuity

The continuity of the convertible debentures as of September 30, 2024 and as of December 31, 2023 are as follows:

| Date of issue | Opening Balance \$ | Net Additions \$ | Accrued Interest \$ | Interest Paid \$ | Accretion \$ | Conversion \$ | Closing Balance \$ | Current Portion \$ | Long-term Portion \$ |
|---------------------------|-----------------------|---------------------|------------------------|---------------------|-----------------|------------------|-----------------------|-----------------------|-------------------------|
| December 2022 | 934,408 | - | 144,000 | (144,000) | 126,660 | - | 1,061,068 | 6,000 | 1,055,068 |
| February 2023 | - | 419,645 | 52,084 | (31,250) | 42,176 | - | 482,655 | 20,834 | 461,821 |
| December 2023 | - | 1,435,125 | 7,847 | - | 4,236 | - | 1,447,208 | 7,847 | 1,439,361 |
| December 31, 2023 | 934,408 | 1,854,770 | 203,931 | (175,250) | 173,072 | - | 2,990,931 | 34,681 | 2,956,250 |
| December 2022 | 1,061,068 | - | 107,864 | (72,000) | 118,352 | (57,797) | 1,157,487 | 41,864 | 1,115,623 |
| February 2023 | 482,655 | - | 46,875 | (62,500) | 46,877 | - | 513,907 | 5,208 | 508,699 |
| December 2023 | 1,447,208 | (5,457) | 211,875 | (149,882) | 142,914 | - | 1,646,658 | 70,625 | 1,576,033 |
| February 2024 | - | 956,366 | 106,675 | (63,976) | 56,595 | (18,372) | 1,037,288 | 42,700 | 994,588 |
| May 2024 | - | 1,631,202 | 84,561 | - | 71,461 | - | 1,787,224 | 84,561 | 1,702,663 |
| June 2024 | - | 1,397,914 | 74,219 | - | 51,038 | - | 1,523,171 | 74,219 | 1,448,952 |
| September 30, 2024 | 2,990,931 | 3,980,025 | 632,069 | (348,358) | 487,237 | (76,169) | 7,665,735 | 319,177 | 7,346,558 |

During the nine months ended September 30, 2024, the Company issued 405,000 common shares and 140,000 warrants resulting from convertible debentures conversions, including Type 1 December 2022 convertible debentures conversions at the price \$0.25/unit (280,000 common shares and 140,000 warrants were issued), and Type 2 February 2024 convertible debentures conversions at the price \$0.20/share (125,000 common shares) (Notes 12 and 14).

10. ROYALTY DEBENTURE

On September 13, 2024 the Company completed an agreement with CVW CleanTech Inc. (“CVW”) pursuant to which CVW provided the Company with \$14,000,000 million in funding through a five-year 10.0% second secured convertible debenture (the “Royalty Debenture”) convertible into revenue royalties on two future facilities. No principal payments are permitted, and interest is paid semi-annually, or at the election of the Company, added to the principal.

Upon the achievement of certain production and financial milestones, the Royalty Debenture will convert the full principal of the Royalty Debenture into two, equal royalty interests in the next two of the Company’s planned asphalt shingle reprocessing facilities after the Empower Calgary Facility. The Royalty Debenture will convert at a ratio of 1.7143% for every \$1,000,000 of principal with a royalty interest of 12% resulting from a conversion of \$7,000,000 in principal.

The proceeds will be used to accelerate the development of the Company’s next two shingle reprocessing facilities, fund working capital requirements and general corporate purposes. In the event that certain production and financial milestones are not met within a specified conversion period, CVW may elect to convert the royalty interest into the Empower Calgary Facility. In the event of non-conversion, the principal of the Royalty Debenture will be repayable in cash at maturity on September 13, 2029.

For accounting purposes, the Royalty Debenture is a hybrid contract, comprised of the debenture host and an embedded derivative consisting of the royalty conversion. The Company designated the Royalty Debenture upon

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initial recognition as fair value through profit or loss and accordingly recorded at fair value upon initial recognition and September 30, 2024. Upon initial recognition, the fair value of the Royalty Debenture was \$14,000,000. Transaction costs of \$986,239 were recorded as an expense in the income statement.

During the three and nine months ended September 30, 2024, the Company recognized a loss of \$70,000, due to a change in the fair value of the financial instrument resulting from interest rate fluctuations. The following table presents the change in Royalty Debenture balance:

| | September 30, 2024 |
|-------------------------------------|-----------------------|
| Balance, beginning of period | \$ - |
| Fair value at issuance | 14,000,000 |
| Increase in fair value | 70,000 |
| Balance, end of period | \$ 14,070,000 |

11. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) As at September 30, 2024, accounts payable and accrued liabilities include \$932,115 (December 31, 2023 - \$672,690) owing to key management personnel. The amounts are unsecured, non-interest bearing and due on demand.
- (b) Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. During the years presented the Company paid or accrued the following key management personnel compensation to directors, officers, and/or companies controlled by directors and officers and/or companies with certain directors in common:

| | Three months ended September 30, 2024 | Three months ended September 30, 2023 | Nine months ended September 30, 2024 | Nine months ended September 30, 2023 |
|--------------------------------------|--|--|---|---|
| Advertising, marketing and promotion | \$ 18,378 | \$ 15,000 | \$ 18,378 | \$ 48,750 |
| Share-based compensation | 66,638 | 157,546 | 274,828 | 288,154 |
| Wages, benefits and director fees | 428,912 | 262,328 | 1,042,650 | 986,602 |
| | \$ 513,928 | \$ 434,874 | \$ 1,335,856 | \$ 1,323,506 |

- (c) During the year ended December 31, 2021, the Company acquired equipment in the amount of \$270,000 plus GST and PST from a company with certain controlled by a former officer of the Company. See Note 8 for additional disclosure.
- (d) During the period ended September 30, 2024, the amount of \$350,000 (December 31, 2023 - \$325,000) was received in convertible debenture proceeds by officers or directors of the Company.
- (e) During the period ended September 30, 2024, the Company issued 1,088,591 (December 31, 2023 - 401,757) common shares to key management personnel for equity-settled RSUs and PSUs for 249,499 and 839,092 common shares, respectively (December 31, 2023 – for 92,712 and 309,045 common shares, respectively).

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12. COMMON SHARES

Authorized Share Capital:

Unlimited number of common shares without par value.

During the period ended September 30, 2024, the Company completed the following share transactions:

- Issued 1,656,527 common shares for equity-settled PSUs and RSUs that vested on March 31, 2024, and September 7, 2024 (Note 14).
- Issued 405,000 common shares for conversions of convertible debentures (Note 9).

During the period ended September 30, 2023, the Company completed the following common 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.

13. PREFERRED SHARES

On July 31, 2023, Northstar received a signed subscription agreement from Allmine Paving, LLC, an affiliate of TAMKO Building Products LLC (“TAMKO”), 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 if Preferred Shares are converted to Common Shares at a ratio of 1:1.

As part of the transaction, Northstar also signed a Memorandum of Understanding (“MOU”) 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 US\$1,800,000 each after the acceptance of certain milestones in the ERA Contribution Agreement. As a result of acceleration, the first tranche of \$2,455,000 (US\$1,800,000) convertible debentures has been received by the Company during the period ended September 30, 2024 (Note 9).

As part of the MOU, TAMKO agreed to an exclusivity period that shall begin on July 31, 2023, and shall end on the date that is three years following the acceptance by ERA of certain milestones with ERA. This exclusivity period may be extended based on criteria set out in the MOU.

At the option of the Company, for a period of 60 days commencing after the expiration of the exclusivity period, the Series A Preferred Shares may be redeemed for an amount equal to the applicable original issue price, plus dividends declared but unpaid thereon. The Company will provide a redemption notice defining the redemption date(s), the number of shares to be redeemed and all other terms of the redemption. On each redemption date, the Company shall redeem in cash, on a pro rata basis in accordance with the number of Series A Preferred Shares owned by each holder, that number of outstanding Series A Preferred Shares determined by dividing (i) the total number of Series A Preferred Shares outstanding immediately before such redemption date by (ii) the number of remaining redemption dates (including the redemption date to which such calculation applies).

The proceeds received for the preferred shares, exclusivity right, licensing agreement and other contractual matters are allocated to their components by fair valuing the liability and allocating the remaining proceeds to the preferred share equity component. The liability was fair valued at the differential between the traded common share price on the date of issuance and the price paid which amounts to \$2,778,252 and is classified as a contract

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liability which will be realized on a straight-line basis over a three-year period commencing when ERA milestone 3 has been achieved. The residual amount of \$5,702,727 is classified as equity.

Management capitalized transaction costs which are directly attributable to the issuance of the Preferred Shares. These transaction costs total \$71,456 and have been netted against the Preferred Shares which have been classified as an equity item.

14. 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, 2022 | 7,255,854 | \$ 0.35 |
| Granted | 1,481,472 | \$ 0.24 |
| Expired | (1,300,000) | \$ 0.35 |
| Outstanding, December 31, 2023 | 7,437,326 | \$ 0.33 |
| Granted | 2,886,002 | \$ 0.21 |
| Forfeited | (99,999) | \$ 0.28 |
| Outstanding, September 30, 2024 | 10,223,329 | \$ 0.21 |

Share-based compensation recognized for options vested during the three-month period ended September 30, 2024 was \$25,776 (September 30, 2023 - \$114,451) and for the nine-month period ended September 30, 2024 was \$205,666 (September 30, 2023 - \$203,130), which includes share-based compensation due to modification discussed below.

During the nine months ended September 30, 2024, the Company amended the exercise price of an aggregate of 6,205,854 stock options from \$0.35 to \$0.21 per common share and as a result recorded additional \$134,539 share-based compensation expense. The incremental fair value of stock options for which the terms were modified was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility 120%, risk-free interest rate 4.26%, remaining expected life 1.97 years, exercise price and share prices on date of issue \$0.21, resulting in the estimated fair value per option of \$0.12.

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Outstanding and exercisable stock options as at September 30, 2024:

| Expiry Date | Number of Options | | |
|--------------------------|-------------------|-------------------|------------------|
| | Exercise Price | Outstanding | Exercisable |
| December 15, 2024 | \$ 0.21 | 425,000 | 425,000 |
| February 16, 2026 | \$ 0.21 | 2,500,000 | 2,500,000 |
| June 12, 2026 | \$ 0.21 | 300,000 | 300,000 |
| July 12, 2026 | \$ 0.21 | 2,100,000 | 2,100,000 |
| December 15, 2026 | \$ 0.21 | 400,000 | 400,000 |
| February 7, 2027 | \$ 0.21 | 200,000 | 200,000 |
| April 19, 2027 | \$ 0.21 | 246,569 | 159,617 |
| August 30, 2027 | \$ 0.21 | 20,000 | 20,000 |
| March 2, 2028 | \$ 0.21 | 11,000 | 8,250 |
| September 7, 2028 | \$ 0.21 | 1,109,758 | 912,022 |
| October 4, 2028 | \$ 0.21 | 25,000 | 6,250 |
| January 8, 2029 | \$ 0.21 | 250,000 | 62,500 |
| February 20, 2029 | \$ 0.21 | 11,000 | 2,750 |
| September 19, 2029 | \$ 0.215 | 2,625,002 | - |
| Total Outstanding | | 10,223,329 | 7,096,389 |

The estimated remaining life of the stock options at September 30, 2024 is 2.79 years.

Subsequent to the nine months ended September 30, 2024, total of 264,286 stock options were forfeited.

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

| Expiry Date | Number of Options | | |
|--------------------------|-------------------|------------------|------------------|
| | Exercise Price | Outstanding | Exercisable |
| December 15, 2024 | \$ 0.35 | 475,000 | 475,000 |
| 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 | 400,000 |
| February 7, 2027 | \$ 0.35 | 200,000 | 150,000 |
| 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 | 2,750 |
| September 7, 2028 | \$ 0.21 | 1,145,472 | 750,000 |
| October 4, 2028 | \$ 0.21 | 25,000 | - |
| Total Outstanding | | 7,437,326 | 6,784,701 |

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

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

| | September 30, 2024 | December 31, 2023 |
|--|-----------------------|----------------------|
| Expected volatility | 125% | 124% |
| Risk-free interest rate | 2.78% | 3.96% |
| Expected life | 5 years | 4.59 years |
| Dividend yield | - | - |
| Forfeiture rate | - | - |
| Range of exercise prices | \$0.21 - \$0.215 | \$0.21 - \$0.35 |
| Range of share prices on date of grant | \$0.135 - \$0.205 | \$0.14 - \$0.21 |
| Estimated fair value per option | \$0.17 | \$0.12 |

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, 2022 | 25,341,938 | \$ 0.46 |
| Issued | 30,451,186 | \$ 0.24 |
| Expired | (19,487,149) | \$ 0.50 |
| Outstanding, December 31, 2023 | 36,305,975 | \$ 0.25 |
| Issued | 17,116,250 | \$ 0.33 |
| Outstanding, September 30, 2024 | 53,422,225 | \$ 0.27 |

The estimated remaining life of the warrants at September 30, 2024 is 2.05 years (December 31, 2023 - 2.55 years).

Outstanding and exercisable warrants as at September 30, 2024:

| | Expiry Date | Exercise Price | September 30, 2024 | December 31, 2023 |
|------------------------------------|-------------------|-------------------|-----------------------|----------------------|
| | July 13, 2026 (1) | \$ 0.279 | 4,596,268 | 4,596,268 |
| Finders warrants | July 13, 2026 (1) | \$ 0.279 | 406,249 | 406,249 |
| | July 13, 2026 (1) | \$ 0.465 | 490,615 | 490,615 |
| Finders warrants | July 13, 2026 (1) | \$ 0.465 | 204,457 | 204,457 |
| Broker warrants | December 15, 2025 | \$ 0.350 | 157,200 | 157,200 |
| Broker warrants | February 28, 2026 | \$ 0.350 | 24,000 | 24,000 |
| Broker warrants | April 19, 2026 | \$ 0.200 | 511,819 | 511,819 |
| | April 19, 2026 | \$ 0.200 | 18,195,367 | 18,195,367 |
| | December 21, 2026 | \$ 0.300 | 11,300,000 | 11,300,000 |
| Broker warrants | December 21, 2026 | \$ 0.300 | 420,000 | 420,000 |
| | February 16, 2027 | \$ 0.300 | 6,875,000 | - |
| Broker warrants | February 16, 2027 | \$ 0.300 | 131,250 | - |
| Broker warrants | July 5, 2026 | \$ 0.350 | 250,000 | - |
| | June 26, 2027 | \$ 0.350 | 9,000,000 | - |
| Broker warrants | June 26, 2027 | \$ 0.350 | 720,000 | - |
| | December 15, 2025 | \$ 0.350 | 140,000 | - |
| Outstanding and exercisable | | | 53,422,225 | 36,305,975 |

⁽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

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the Company became publicly listed and commenced trading, with a new expiry date of July 13, 2026. These warrants are non-transferable.

During the nine months ended September 30, 2024, the Company issued 140,000 warrants for conversions of convertible debentures (Note 9).

In connection with the February 2024 tranche of convertible debentures (Note 9), 131,250 broker warrants were issued, valued at \$8,516 and included in convertible debentures transaction costs, which are exercisable to purchase on additional common share at \$0.30 per share until February 16, 2027.

In connection with the June 2024 tranche of convertible debentures (Note 9), 720,000 non-transferable broker warrants were issued, valued at \$103,689 and included in convertible debentures transaction costs, which are exercisable to purchase on additional common share at \$0.35 per share until June 26, 2027.

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

| | September 30, 2024 | December 31, 2023 |
|----------------------------------|-----------------------|----------------------|
| Expected volatility | 121% | 119% |
| Risk-free interest rate | 3.91% | 3.74% |
| Expected life | 3 years | 3 years |
| Dividend yield | - | - |
| Estimated fair value per warrant | \$0.13 | \$0.09 |

Restricted Stock Units and Performance Stock Units

The Company grants restricted stock units (“RSUs”) and performance stock units (“PSUs”) to employees as share-based payments enabling them to acquire up to 10,000,000 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 PSU 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 RSUs and PSUs vest over 3 years. The fair value is determined using the stock price at the date of grant.

Issued RSUs and PSUs outstanding at September 30, 2024:

| | Vesting Date | Issued | Cash-settled | Equity-settled |
|----------------------------|--------------------|------------------|----------------|------------------|
| 2022 RSUs | March 31, 2025 | 108,998 | 11,785 | 97,213 |
| 2023 RSUs | March 31, 2025 | 213,571 | - | 213,571 |
| 2024 RSUs | September 19, 2025 | 395,641 | - | 395,641 |
| 2024 RSUs | September 19, 2026 | 395,641 | - | 395,641 |
| 2022 Actual PSUs | March 31, 2025 | 486,069 | 201,308 | 284,761 |
| 2023 Actual PSUs | March 31, 2025 | 720,803 | - | 720,803 |
| Total RSUs and PSUs | | 2,320,723 | 213,093 | 2,107,630 |

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Issued RSUs and PSUs outstanding at December 31, 2023:

| | Vesting Date | Issued | Cash-settled | Equity-settled |
|----------------------------|-------------------|-------------------|------------------|------------------|
| 2022 RSUs | March 31, 2024 | 130,424 | 11,785 | 118,639 |
| 2022 RSUs | March 31, 2025 | 130,424 | 11,785 | 118,639 |
| 2023 RSUs | September 7, 2024 | 296,606 | 29,464 | 267,142 |
| 2023 RSUs | March 31, 2025 | 296,606 | 29,464 | 267,142 |
| 2022 Actual PSUs | March 31, 2024 | 652,135 | 256,663 | 395,472 |
| 2022 Actual PSUs | March 31, 2025 | 652,135 | 256,663 | 395,472 |
| 2023 Maximum PSUs | September 7, 2024 | 4,449,103 | 2,445,533 | 2,003,570 |
| 2023 Maximum PSUs | March 31, 2025 | 4,449,103 | 2,445,533 | 2,003,570 |
| Total RSUs and PSUs | | 11,056,536 | 5,486,890 | 5,569,646 |

The Company has completed a restructuring of the cash-settled PSUs during the period ended September 30, 2024.

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

The fair value of the PSUs was calculated using the stock price at the date of granting multiplied by the anticipated achievable performance factor and then amortized over the vesting schedule. The cash-settled PSUs were re-valued at each reporting date. For the period ended September 30, 2024, the Company anticipated a performance factor of 135% for equity-settled PSUs and 100% for cash-settled PSUs.

During the period ended September 30, 2024, the Company initiated a restructuring plan of its performance units and cancelled 1,421,427 of the 2023 cash-settled PSUs and RSUs. These cancelled cash-settled PSUs and RSUs were replaced with the accrual of long-term cash bonuses. As at September 30, 2024, a total of \$361,042 of the bonuses payable were accrued and presented within current accounts payable and accrued liabilities.

Total compensation recognized for RSUs and PSUs vested during the nine month period ending September 30, 2024 was \$549,295, of which \$361,042 is presented as wages and benefits, and the remaining \$188,253 is presented as share-based compensation in the condensed consolidated interim statement of loss and comprehensive loss.

During the period ended September 30, 2024, certain 2023 cash-settled PSUs and RSUs were paid-out in the amount of \$28,281. The \$26,526 of cash-settled RSUs and PSUs that vested on March 31, 2024, have not yet been paid out, and are recorded in equity-based compensation payable. Certain cash-settled PSUs were paid-out in the amount of \$31,903 during the year ended December 31, 2023.

During the period ending September 30, 2024, the company issued 1,195,743 common shares to employees as payment for the equity-based PSUs and 460,784 common shares as payment to employees for the equity-based RSUs both of which vested on March 31, 2024, and September 7, 2024, and were issued at a total value of \$269,793.

15. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the nine months ended September 30, 2024:

- Issued 1,195,743 common shares to employees for equity settled PSUs.
- Issued 460,784 common shares to employees for equity settled RSUs.
- Property, plant and equipment included in accounts payable and accrued liabilities - \$2,794,814.
- Property, plant and equipment included in receivables - \$17,385.
- Transaction costs include accounts payable and accrued liabilities - \$755,474.

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- Issued 851,250 Broker Warrants as finders fees on Convertible Debt issuance valued at \$112,205.
- Issued 250,000 Broker Warrants as finders fees on BDC Financing valued at \$87,500.

Significant non-cash transactions during the nine months ended September 30, 2023:

- Issued 395,472 common shares to employees for equity settled PSUs.
- Issued 118,639 common shares to employees for equity settled RSUs.
- Issued 24,000 Broker Warrants as finders fees on Convertible Debt issuance valued at \$3,216.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Capital Management

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

The capital of the Company consists of items included in Shareholders' Equity of \$1,199,210.

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, 2024. 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+.

The Company's receivable consists of mainly amounts receivable from customers for tipping fees. Following credit evaluations, it was concluded that the counterparties possess strong creditworthiness, demonstrating their ability to meet financial obligations consistently.

ii) Liquidity Risk

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

Accounts payable 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, 2024, the Company had \$15,551,137 cash to settle current liabilities of \$6,674,994.

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.

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iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's cash balances held in United States dollars and US dollar denominated payables.

As at September 30, 2024, the Company has certain monetary items denominated in United States dollars. Based on these net exposures, a 10% change of the Canadian dollar against the United States dollar would result in an impact on net loss of \$27,340 (December 31, 2023 – \$612,259). The Company does not hedge its risk from changes in foreign currency exchange rates.

c) Fair values

The carrying values of cash, receivables, GST receivable, prepaids, accounts payable and accrued liabilities, equity-based compensation payable, loans payable, and convertible debentures included on the condensed consolidated balance sheet approximates the fair values of the respective assets and liabilities due to the short-term nature or market rate of interest of those instruments.

The fair value of the royalty debenture is determined based on the best available information at the measurement date, incorporating observable market data, market participant assumptions, and adjustments for current market conditions, along with unobservable inputs such as status of company operations and future cash flows.

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.

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

17. SEGMENTED INFORMATION

The Company currently operates in one business segment in Canada, consisting of a proprietary process which takes discarded asphalt shingles and extracting the liquid asphalt for use in new hot mix asphalt, shingle manufacturing and asphalt flat roof systems, and aggregate and fiber for use in construction products and other industrial applications.

18. COMMITMENTS

The Company has the following commitments, apart from the commitments disclosed elsewhere in the financial statements:

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Lease Commitments

Calgary

Northstar's wholly owned subsidiary, Empower Environmental Solutions Calgary Ltd., negotiated a land lease for the planned scale up facility in Rocky View County, near Calgary, Alberta effective August 18, 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 August 18, 2023 to August 17, 2028 - \$346,516 per annum
- from August 18, 2028 to August 17, 2033 - \$381,168 per annum
- from August 18, 2033 to August 17, 2038 - \$419,284 per annum

Delta

Northstar's wholly owned subsidiary, Empower Environmental Solutions Ltd., has a 5-year lease for the pilot facility in Delta, BC, which expires December 2025, but has a 5-year renewal option. The basic annual rents remaining are as follows:

- from January 1, 2023 to December 31, 2024 - \$583,563 per annum
- from January 1, 2025 to December 31, 2025 - \$609,838 per annum

Convertible debentures

Principal payments due within 2-5 years - \$10,405,000

Royalty debenture

Principal payments due within 2-5 years - \$14,000,000

Property, plant and equipment

Contractual commitments to acquire property, plant and equipment within less than 1 year - \$3,622,107

19. SUBSEQUENT EVENTS

In addition to subsequent events disclosed elsewhere in the financial statements, the following occurred after September 30, 2024:

- The Company finalized a lease for office space with an initial term of 5 years commencing February 1, 2025, for approximately \$7,200 per month. The lease includes an option to extend for one additional 5-year term, and the ability to terminate after May 1, 2026 with certain conditions. Upon execution of the lease a security deposit of \$15,430 was paid.
- The Company negotiated a new lease which consolidates the land leased at its planned scale up facility in Rocky view County (Note 18) and a building housing the facility for approximately \$80,000 per month, an initial term of 15 years commencing March 1, 2025, and an option to extend for two additional 5-year terms. Upon execution of the lease an additional security deposit of \$150,000 was paid. A second cash security payment of \$1,000,000 was provided and is fully refundable at the end of year 6. Remaining security deposits are fully refundable at the end of year 11.
- The Company received \$2,705,618 under its senior secured debt facility (Note 8). The total amount outstanding under the senior secured debt facility is currently \$4,305,618.
- 203,500 common shares were issued pursuant to the exercise of warrants and 750,000 common shares issued pursuant to the conversion of Type 2 Convertible Debentures issued February 2024.
- The Company approved the grant of 310,000 RSUs and 310,000 options to certain directors, officers, employees and consultants of the Company.