CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2025 and 2024
(Unaudited - Expressed in Canadian dollars)

Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Note	June 30, 2025	December 31, 2024 (Audited)
Assets			
Current assets			
Cash and cash equivalents		$ 2,041,421	$ 10,225,904
Receivables		109,933	93,051
Net GST receivable		261,390	426,851
Inventories	3	77,489	-
Prepaids		59,970	244,146
		2,550,203	10,989,952
Non-Current			
Right-of-use asset	4	16,841,733	10,143,130
Deposits	4	2,126,030	2,059,546
Property, plant and equipment	5	24,659,020	22,418,635
Intangible assets	7	123,695	101,579
Deferred financing costs	8	-	15,913
Total assets		$ 46,300,681	$ 45,728,755
Liabilities			
Current			
Accounts payable and accrued liabilities	15	$ 2,004,751	$ 5,038,438
Equity-based compensation payable	13	38,294	51,882
Loans payable	8	672,960	394,080
Convertible debentures	9	1,491,396	53,914
Lease liability	4	40,103	611,931
		4,247,504	6,150,245
Non-Current			
Loans payable	8	7,754,063	7,490,269
Convertible debentures	9	5,891,779	7,356,677
Royalty debenture	10	15,141,000	14,420,000
Contract liability	12	2,778,252	2,778,252
Lease liabilities	4	16,626,926	8,866,890
Total Liabilities		52,439,524	47,062,333
Shareholders' (deficiency) equity			
Common shares	11	30,110,426	28,909,096
Preferred shares	12	5,631,271	5,631,271
Reserves	13	6,402,356	6,325,090
Shares to be issued		-	3,809
Deficiency		(48,282,896)	(42,202,844)
Total shareholders’ (deficiency) equity		(6,138,843)	(1,333,578)
Total liabilities and shareholders’ (deficiency) equity		$ 46,300,681	$ 45,728,755

Nature and continuance of operations and Going concern (Note 1)
Commitments (Note 19)
Subsequent events (Notes 9, 11, 13, 20)

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

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian dollars, except for share information)

		Three Months Ended June 30		Six Months Ended June 30	
	Notes	**2025**	**2024**	**2025**	**2024**
Revenue					
Tipping fees		$ 142,487	$ 240,114	$ 318,004	$ 310,714
Cost of shingle collection	3,6	52,293	(142,524)	(171,014)	(142,524)
		194,780	97,590	146,990	168,190
Expenses					
General and administrative	14,15	1,307,161	921,978	2,268,926	1,622,728
Depreciation and amortization	4,5,7	328,050	320,841	653,444	641,111
Share-based compensation	13,15	137,436	21,540	332,260	307,035
Rent, utilities and site costs		324,259	151,426	504,805	356,761
Insurance		53,345	32,329	133,839	64,362
		(2,150,251)	(1,448,114)	(3,893,274)	(2,991,997)
Loss from operating activities		(1,955,471)	(1,350,524)	(3,746,284)	(2,823,807)
Other items					
Interest and finance expense	4,9	(940,807)	(447,759)	(1,755,121)	(787,809)
Fair value re-measurement of royalty debenture	10	(367,500)	-	(721,000)	-
Foreign exchange gain		17,254	31,264	14,463	161,574
Interest income		29,475	1,071	40,976	2,582
Tax recoveries - GST		86,914	-	86,914	-
		(1,174,664)	(415,424)	(2,333,768)	(623,653)
Loss before income taxes		(3,130,135)	(1,765,948)	(6,080,052)	(3,447,460)
Income tax recovery		-	390,171	-	490,105
Loss and comprehensive loss		**$ (3,130,135)**	**$ (1,375,777)**	**$ (6,080,052)**	**$ (2,957,355)**
Basic and diluted loss per share		$ (0.02)	$ (0.01)	$ (0.05)	$ (0.02)
Weighted average number of common shares outstanding (basic and diluted)		136,448,577	127,424,597	134,705,200	127,067,489

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

Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficiency) Equity

(Unaudited - Expressed in Canadian dollars, except for share information)

	Notes	Number of Common Shares	Number of Preferred Shares	Common Shares	Preferred Shares	Shares to be issued	Reserves	Deficit	Total Shareholders' (Deficiency) Equity
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	11,13,15	722,152	-	124,965	-	-	(124,965)	-	-
Equity portion of convertible debentures	9	-	-	-	-	-	1,240,336	-	1,240,336
Broker warrants	9	-	-	-	-	-	199,705	-	199,705
Share-based payments	13,15	-	-	-	-	-	324,122	-	324,122
Loss for the period		-	-	-	-	-	-	(2,957,355)	(2,957,355)
Balance, June 30, 2024		**127,432,533**	**29,244,756**	**$ 28,262,007**	**$ 5,631,271**	**-**	**$ 6,178,306**	**$ (35,827,379)**	**$ 4,244,205**
Balance, December 31, 2024		**130,875,408**	**29,244,756**	**$ 28,909,096**	**$ 5,631,271**	**$ 3,809**	**$ 6,325,090**	**$ (42,202,844)**	**$ (1,333,578)**
PSUs and RSUs settled	11,13,15	1,316,349	-	213,583	-	-	(213,583)	-	-
Conversions of convertible debentures	9	3,140,000	-	513,907	-	-	-	-	513,907
Exercise of warrants	11,13	1,970,808	-	405,989	-	(3,809)	(11,827)	-	390,353
Exercise of options	11,13	174,420	-	67,851	-	-	(30,351)	-	37,500
Share-based payments	13,15	-	-	-	-	-	333,027	-	333,027
Loss for the period		-	-	-	-	-	-	(6,080,052)	(6,080,052)
Balance, June 30, 2025		**137,476,985**	**29,244,756**	**$ 30,110,426**	**$ 5,631,271**	**$ -**	**$ 6,402,356**	**$ (48,282,896)**	**$ (6,138,843)**

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

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - Expressed in Canadian dollars)

		Three Months Ended June 30		Six Months Ended June 30	
	Notes	**2025**	**2024**	**2025**	**2024**
Cash provided by (used in):					
Operating Activities					
Loss for the period		$ (3,130,135)	$ (1,375,777)	$ (6,080,052)	$ (2,957,355)
Adjustments for:					
Depreciation and amortization	4,5,7	328,050	320,841	653,444	641,111
Interest and finance charges on loans and debentures	8,9	701,361	356,824	1,382,961	601,845
Interest on net investment in sublease	4	-	(1,072)	-	(2,583)
Share-based payments	13,15	137,436	21,540	333,027	307,035
Income tax recovery		-	(390,171)	-	(490,105)
Fair value re-measurement of royalty debenture	10	367,500	-	721,000	-
Interest on lease liabilities	4	414,861	89,145	710,084	182,197
Unrealized foreign exchange gain		(11,872)	(55,777)	(15,006)	(191,846)
Changes in non-cash working capital	16	274,594	428,674	(962,315)	102,760
Net cash used in operating activities		**(918,205)**	**(605,773)**	**(3,256,857)**	**(1,806,941)**
Investing Activities					
Acquisition of property, plant and equipment	5	(1,946,558)	(4,094,208)	(6,027,047)	(5,942,486)
Deposits paid		(68,213)	(374,604)	(66,484)	(374,604)
Acquisition of intangible assets	7	(5,970)	(5,112)	(23,410)	(20,156)
Proceeds from government grants	6	3,580,114	1,289,738	3,580,114	1,389,738
Changes in non-cash working capital	16	(1,088,521)	(755,437)	(1,797,968)	(626,773)
Net cash used in investing activities		**470,852**	**(3,939,623)**	**(4,334,795)**	**(5,574,281)**
Financing Activities					
Issuance of convertible debentures, net of issuance costs	9	-	4,495,903	-	5,822,670
Deferred costs	8	(20,113)	(7,161)	(22,263)	(7,161)
Loan proceeds	8	617,698	-	617,698	-
Loan repayments and interest paid	8	(225,110)	(30,050)	(384,521)	(60,175)
Repayments of lease liabilities	4	(376,494)	(232,519)	(666,081)	(465,039)
Exercise of warrants	11,13	136,000	-	390,353	-
Exercise of options	11,13	37,500	-	37,500	-
Cash-settled PSUs and RSUs paid-out	13	(12,821)	(28,281)	(12,821)	(28,281)
Convertible debentures interest paid	9	(517,937)	(72,000)	(548,798)	(103,250)
Net cash (used in) provided by financing activities		**(361,277)**	**4,125,892**	**(588,933)**	**5,158,764**
Change in cash and cash equivalents		(808,630)	(419,504)	(8,180,585)	(2,222,458)
Effect of exchange rate changes on cash		(3,331)	55,790	(3,898)	197,917
Cash and cash equivalents, beginning of the period		2,853,382	5,987,484	10,225,904	7,648,311
Cash and cash equivalents, end of the period		**$ 2,041,421**	**$ 5,623,770**	**$ 2,041,421**	**$ 5,623,770**
Cash		989,720	5,623,770	989,720	5,623,770
Cash equivalents		1,051,701	-	1,051,701	-
Total cash and cash equivalents, end of the period		**$ 2,041,421**	**$ 5,623,770**	**$ 2,041,421**	**$ 5,623,770**
Cash Interest paid		$ 685,447	$ 72,000	$ 875,719	$ 103,250

Supplemental disclosures with respect to cash flows (Note 16).

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

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 ("Empower Calgary"). Since 2017, the Company has been conducting research & development at an existing pilot facility in Delta, British Columbia ("Empower Delta"). 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 101, 12111 40th Street SE, Calgary, Alberta, Empower Calgary 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.

During the six months ended June 30, 2025, construction of the Empower Calgary facility was completed along with continuing commissioning efforts of all major processing units. Following quarter-end, the Company announced the successful production of its first liquid asphalt. Commercial operations are expected to begin in the second half of this year.

Going concern

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

The Company incurred a significant operating loss of $6,080,052 during the six months ended June 30, 2025 (June 30, 2024 - $2,957,355). The Company has a working capital deficiency of $1,697,301 (December 31, 2024 – working capital surplus of $4,839,707) and there is no assurance that anticipated production revenue will be sufficient to fund operations and therefore future financings may be required.

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 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 consolidated financial statements.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements ("interim consolidated financial statements") are unaudited and were prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2024, unless otherwise noted (see Note 3). The interim consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS® Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"), has been omitted or condensed. The preparation of interim consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, have been set out in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2024. These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024.

These interim consolidated financial statements are presented in Canadian dollars ($ or C$), which is the Company's functional currency and were approved by the Company's Board of Directors on August 26, 2025.

Adoption of accounting policies

Inventory consists of used or defective asphalt shingles collected from suppliers for use as feedstock in the Company's recovery and reprocessing processes. Inventory is measured at the lower of cost and net realizable value, in accordance with IAS 2 *Inventories*. Cost includes all expenditures directly attributable to bringing inventories to their present location and condition, including allocations of direct labour, equipment usage, and overhead, as applicable. The cost of inventory is an estimate, determined using standard costing, and regularly reviewed and adjusted to ensure it accurately reflects the most reliable, expected costs attributable to collecting, sorting, and processing shingles for use in production. Abnormal costs, such as those arising from inefficiencies or unusual events, are expensed immediately when incurred.

The valuation of inventories is based on the lower of cost and net realizable value. Determining net realizable value requires management to make estimates regarding expected selling prices, costs of completion, and selling costs. These estimates consider current market conditions, historical trends, and future expectations.

The Company assesses its inventory for impairment at each reporting period to ensure that the carrying amount of inventory does not exceed its net realizable value. If the net realizable value of the inventory is lower than its carrying cost, the inventory is written down to its net realizable value, and the impairment loss is recognized in profit or loss. Assessing inventory for impairment involves judgment in evaluating future demand and technological changes. Any changes in these estimates may result in adjustments to the carrying amount of inventories and impact profit or loss.

Associated with the collection of shingles, the Company earns revenues in the form of tipping fees based on contracted rates per tonne of used or defective asphalt shingles collected from suppliers.

(Unaudited - Expressed in Canadian dollars)

3. INVENTORIES

As at June 30, 2025, the Company recognized $77,489 in inventory related to the cost of shingle collection (December 31, 2024 – $Nil). This amount includes costs incurred for shingles collected during the period which are expected to be consumed in regular operations following the completion of commissioning.

No inventory was expensed to cost of sales during the period, and there were no write-downs of inventory to net realizable value, nor reversals of previously recognized write-downs during the period.

4. RIGHT-OF-USE ASSET AND LEASE LIABILITIES

Right-of-use assets

	June 30, 2025	December 31, 2024
Cost		
Balance, beginning of period	**$ 12,276,438**	**$ 5,712,154**
Additions/modifications	7,144,205	6,835,284
De-recognition	-	(271,000)
Balance, end of period	**19,420,643**	**12,276,438**
Accumulated depreciation		
Balance, beginning of period	**2,133,308**	**1,487,869**
Depreciation	445,602	795,995
De-recognition	-	(150,556)
Balance, end of period	**2,578,910**	**2,133,308**
Net book value	**$ 16,841,733**	**$ 10,143,130**

The Company's right-of-use assets are entirely comprised of premises for operating facilities and the head office in Calgary.

During the six months ended June 30, 2025, the Company finalized a lease extension at Empower Delta and surrounding lands through to 2040. The Company plans to retrofit and develop a commercial facility at this site. This arrangement has been accounted for as a modification of the existing lease under IFRS 16. Effective March 1, 2025 the Company recognized an incremental right-of-use asset and corresponding lease liability using a 10% incremental borrowing rate for the lease period ending December 31, 2040. No gain/loss was recognized. In connection with the agreement, an additional security deposit of $44,213 was capitalized as at June 30, 2025.

On December 23, 2024, the Company finalized a lease agreement for Empower Calgary, which consolidates its previously leased land with a newly constructed building that will house operational activities. The lease is effective March 1, 2025, with early occupancy established prior to the end of 2024. The lease term includes an initial 15-year term plus two optional 5-year extensions. The facility is considered critical to the Company's future operations. This arrangement has been accounted for as a modification of the existing lease under IFRS 16. At December 31, 2024 the Company recognized incremental right-of-use assets using a 10% incremental borrowing rate and 25-year lease period. No gain/loss was recognized. A corresponding lease liability of $5,599,913 was also recognized. The right-of-use assets were increased by $1,000,000 related to an upfront tenant improvement payment, which was paid during the six months ended June 30, 2025.

(Unaudited - Expressed in Canadian dollars)

On December 1, 2024, the Company gained access to its leased head office in Calgary, with a 5-year initial lease term starting February 1, 2025, and basic rent of approximately $4,700 per month. The lease includes an option to extend for one additional 5-year term and allows termination after May 1, 2026, under certain conditions. A security deposit of $15,430 was paid upon signing the lease. At the date of occupancy, a right-of-use asset and corresponding lease liability of $235,371 were recognized.

Lease liabilities

	June 30, 2025	December 31, 2024
Balance, beginning of period	$ 9,478,821	$ 4,293,283
Additions	7,144,205	5,835,284
Lease payments	(666,081)	(999,684)
Interest accretion on lease liability	710,084	349,938
Balance, end of period	**16,667,029**	**9,478,821**
Less current portion	(40,103)	(611,931)
Non-current portion	**$ 16,626,926**	**$ 8,866,890**

Variable lease payments for the six months ended June 30, 2025 are $224,173 (June 30, 2024 - $164,991). These amounts have been excluded from Right-of-Use Assets and Lease Liabilities.

As of June 30, 2025, deposits related to right-of-use assets include $500,283 related to Empower Delta, $18,043 related to the Calgary head office and $1,607,704 related to Empower Calgary (December 31, 2024 - $456,070 related to Empower Delta, $25,472 related to the Calgary head office, and $1,578,004 related to Empower Calgary). Of the Empower Calgary deposit, $1,000,000 is refundable after 2030, and the remainder is refundable after 2035.

5. PROPERTY, PLANT AND EQUIPMENT

	Processing Equipment	Storage Facility	Construction in Progress	Furniture and Fixtures	Leasehold Improvements	Total
Balance – December 31, 2023	**$ 3,532,945**	**$ 56,468**	**$ 2,623,032**	**$ 32,295**	**$ 6,001**	**$ 6,250,741**
Additions	-	-	19,194,553	67,321	-	19,261,874
Government grants	-	-	(1,389,738)	-	-	(1,389,738)
Balance – December 31, 2024	**$ 3,532,945**	**$ 56,468**	**$ 20,427,847**	**$ 99,616**	**$ 6,001**	**$ 24,122,877**
Additions	-	-	6,017,988	9,059	-	6,027,047
Government grants	-	-	(3,580,114)	-	-	(3,580,114)
Balance – June 30, 2025	**$ 3,532,945**	**$ 56,468**	**$ 22,865,721**	**$ 108,675**	**$ 6,001**	**$ 26,569,810**
Accumulated Depreciation						
Balance – December 31, 2023	**$ 1,162,954**	**$ 30,257**	**$ -**	**$ 13,594**	**$ 3,250**	**$ 1,210,055**
Additions	473,998	5,242	-	12,196	2,751	494,187
Balance – December 31, 2024	**$ 1,636,952**	**$ 35,499**	**$ -**	**$ 25,790**	**$ 6,001**	**$ 1,704,242**
Additions	189,599	2,097	-	14,852	-	206,548
Balance – June 30, 2025	**$ 1,826,551**	**$ 37,596**	**$ -**	**$ 40,642**	**$ 6,001**	**$ 1,910,790**
Net Book Value						
Balance – December 31, 2024	**$ 1,895,993**	**$ 20,969**	**$ 20,427,847**	**$ 73,826**	**$ -**	**$ 22,418,635**
Balance – June 30, 2025	**$ 1,706,394**	**$ 18,872**	**$ 22,865,721**	**$ 68,033**	**$ -**	**$ 24,659,020**

Construction in progress consists of property, plant and equipment related to the development of the Company's Empower Calgary facility. Commensurate with the successful start-up of commercial operations, the Company will begin depreciating these assets.

During the six months ended June 30, 2025 the Company allocated $3,580,114 of grant proceeds received from Emissions Reduction Albert ("ERA") to construction in progress (December 31, 2024 - $1,289,738 from ERA and $100,000 from Alberta Innovates) (Note 6).

During the six months ended June 30, 2025 the Company attributed interest expense of $347,672 (December 31, 2024 - $109,515) to construction in progress.

6. GOVERNMENT GRANTS

Empower Calgary 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 Empower Calgary. The Contribution Agreement contains four funding milestones, payments for which are subject to specific criteria.

During the six months ended June 30, 2025, the Company received ERA approval and a payment of $3,864,474 related to Milestone 2 under the Contribution Agreement. This milestone required, among other criteria, the substantial completion of the Empower Calgary facility, as defined in the Builder's Lien Act. Of the total amount received, the Company allocated $3,580,114 to capitalized construction in progress (Note 5). The remaining funds were attributed as follows: $132,779 to cost of shingle collection and $151,400 to general and administrative expenses, consistent with the original classification of eligible expenditures under the Contribution Agreement. During the year ended December 31, 2024, the Company received ERA approval and payment of $1,340,722 related to Milestone 1 related to the Contribution Agreement, which required, among other criteria, the completion of 75% of detailed engineering and design for Empower Calgary. Of this amount, $1,289,738 was allocated to construction in progress (Note 5), with the remainder attributed to general and administrative expenses.

As at June 30, 2025 the Company received a total of $5,205,196 related to the ERA Grant. Approximately $1,883,660 remains outstanding under the Contribution Agreement, receivable upon attainment of specific commissioning and operational milestones.

(Unaudited - Expressed in Canadian dollars)

7. INTANGIBLE ASSETS

	Patents in Process	Patents	Total
Balance – December 31, 2023	**$ 27,866**	**$ 14,953**	**$ 42,819**
Additions	40,868	20,631	61,499
Transfers	(16,175)	16,175	-
Balance – December 31, 2024	**$ 52,559**	**$ 51,759**	**$ 104,318**
Additions	23,410	-	23,410
Balance – June 30, 2025	**$ 75,969**	**$ 51,759**	**$ 127,728**
Accumulated amortization			
Balance – December 31, 2023	**$ -**	**$ 2,739**	**$ 2,739**
Amortization	**-**	1,666	1,666
Balance – December 31, 2024	**$** -	**$ 2,739**	**$ 2,739**
Amortization	-	1,294	1,294
Balance – June 30, 2025	**$** -	**$ 4,033**	**$ 4,033**
Net book value			
Balance – December 31, 2024	**$ 52,559**	**$ 49,020**	**$ 101,579**
Balance – June 30, 2025	**$ 75,969**	**$ 47,726**	**$ 123,695**

8. LOANS PAYABLE

	Senior Secured Debt	Equipment Loan	Total
Balance – December 31, 2023	**$ -**	**$ 58,472**	**$ 58,472**
Loan proceeds	8,132,302	-	8,132,302
Transaction costs	(275,456)	-	(275,456)
Accrued interest	82,012	175	82,187
Interest payments	(82,012)	(175)	(82,187)
Repayment of loan	-	(60,000)	(60,000)
Interest accretion	27,503	1,528	29,031
Balance – December 31, 2024	**$ 7,884,349**	**$ -**	**$ 7,884,349**
Less current portion	(394,080)	-	(394,080)
Long term portion	**$ 7,490,269**	**$ -**	**$ 7,490,269**
Balance – December 31, 2024	**$ 7,884,349**	**$ -**	**$ 7,884,349**
Loan proceeds	617,698	-	617,698
Transaction costs	(38,176)	-	(38,176)
Accrued interest	326,921	-	326,921
Interest payments	(326,921)	-	(326,921)
Repayment of loan	(57,600)	-	(57,600)
Interest accretion	20,752	-	20,752
Balance – June 30, 2025	**$ 8,427,023**	**$ -**	**$ 8,427,023**
Less current portion	(672,960)	-	(672,960)
Long term portion	**$ 7,754,063**	**$ -**	**$ 7,754,063**

Senior Secured Debt

During the year ended December 31, 2023, the Company entered into a binding definitive credit agreement with the Business Development Bank of Canada ("BDC") for project financing of up to $8,750,000 in non-revolving senior secured debt for the Empower Calgary facility (the "BDC Financing"). The loan carries a thirteen-year amortization period beginning June 30, 2025, with a fixed five-year interest rate of 7.95%, payable monthly. As at June 30, 2025, the Company had fully drawn the $8,750,000 available under the BDC Financing (December 31, 2024 – $8,132,302). The loan is secured by a first security interest over the assets of Empower Environmental Solutions Calgary Ltd., and is further supported by first security interests over the assets of the named guarantors, Northstar Clean Technologies Inc. and Empower Environmental Solutions Ltd.

Proceeds have been attributed to the development and construction of Empower Calgary. Interest expense of $347,672 (December 31, 2024 - $109,515) was capitalized in association with construction in progress (Note 5).

Transaction costs totalling $313,632 have been allocated against the BDC facility and amortized over the life of the loan using the effective interest method, with at an average effective interest rate of 8.8%. During the six months ended June 30, 2025 $38,176 (December 31, 2024 - $275,456) of these costs were allocated against the liability.

The agreement includes a range of financial, insurance and reporting conditions. Beginning with the fiscal year ended December 31, 2025, the Company is required to maintain a fixed charge coverage ratio of 1.1:1. Throughout the term of the BDC Financing, the Company must also maintain appropriate environmental and commercial general liability insurance policies, provide financial statements on a timely basis, remain in good standing with relevant government agencies and comply with environmental laws and regulations, among other minor reporting obligations.

9. CONVERTIBLE DEBENTURES

Since December 2022, the Company entered into various financing arrangements through issuance of convertible debentures in tranches, raising a total of $10,405,000. As at June 30, 2025, convertible debentures principal amounts totalling $9,305,000 (December 31, 2024 - $10,000,000) remain outstanding, after convertible debenture conversions during the three and six month period ended June 30, 2025 of $200,000 and $695,000, respectively (December 31, 2024 - $405,000).

During the six months ended June 30, 2025 the Company issued $Nil (during the year ended December 31, 2024 - $6,080,000) 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.
- Warrants issuable upon conversion of Type 1 debentures are not part of the fully diluted share base.

(Unaudited - Expressed in Canadian dollars)

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 units or shares, as appropriate depending on Type 1 or Type 2 convertible debentures 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.

The summary of the convertible debentures terms at the initial recognition was as follows:

Type	Date of Issue	Issue Date	Maturity Date	Principal Amount at Date of Issue	Principal Amount at June 30, 2025	Interest Rate	Conversion Price	Warrant Exercise Price per Share
Type 1	December 2022	15-Dec-22	15-Dec-25	$1,440,000	$1,035,000	10.0%	$0.25/unit	$0.35
Type 1	February 2023	28-Feb-23	28-Feb-26	$625,000	$525,000	10.0%	$0.25/unit	$0.35
Type 2	December 2023	21-Dec-23	21-Dec-26	$2,260,000	$1,910,000	12.5%	$0.20/share	$0.30
Type 2	February 2024	16-Feb-24	16-Feb-27	$1,375,000	$1,130,000	12.5%	$0.20/share	$0.30
Type 1	May 2024	28-May-24	28-May-27	$2,455,000	$2,455,000	10.0%	$0.29/unit	$0.50
Type 2	June 2024	26-Jun-24	26-Jun-27	$2,250,000	$2,250,000	12.5%	$0.25/share	$0.35

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% given the risk profile of the Company. The debt component is being amortized using an effective interest rate ranging from 22.4% to 31.2% 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 Shareholders' (Deficiency) 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.

(Unaudited - Expressed in Canadian dollars)

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**

The continuity of the convertible debentures as of June 30, 2025 and as of December 31, 2024 is as follows:

Date of Issue	Opening Balance $	Net Additions $	Accrued Interest $	Interest Paid $	Accretion $	Conversion $	Closing Balance $	Current Portion $	Long-term Portion $
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	-	142,389	(142,389)	162,507	(141,781)	**1,081,794**	6,000	1,075,794
February 2023	482,655	-	62,500	(62,500)	64,323	-	**546,978**	20,833	526,145
December 2023	1,447,208	(5,457)	282,429	(291,061)	201,827	(45,979)	**1,588,967**	-	1,588,967
February 2024	-	956,366	145,734	(145,735)	86,149	(134,063)	**908,451**	-	908,451
May 2024	-	1,631,202	145,936	(122,762)	125,527	-	**1,779,903**	23,174	1,756,729
June 2024	-	1,397,914	144,531	(140,625)	102,678	-	**1,504,498**	3,906	1,500,592
December 31, 2024	2,990,931	3,980,025	923,519	(905,072)	743,011	(321,823)	**7,410,591**	53,914	7,356,677
December 2022	1,081,794	-	56,074	(56,074)	64,087	(171,906)	**973,975**	973,975	-
February 2023	546,978	-	27,528	(30,861)	36,089	(89,393)	**490,341**	490,341	-
December 2023	1,588,967	-	126,856	(126,856)	114,381	(206,067)	**1,497,281**	-	1,497,281
February 2024	908,451	-	71,632	(71,632)	50,722	(46,541)	**912,632**	-	912,632
May 2024	1,779,903	-	122,750	(122,750)	114,611	-	**1,894,514**	23,174	1,871,340
June 2024	1,504,498	-	140,625	(140,625)	109,934	-	**1,614,432**	3,906	1,610,526
June 30, 2025	7,410,591	-	545,465	(548,798)	489,824	(513,907)	**7,383,175**	1,491,396	5,891,779

During the six months ended June 30, 2025, the Company issued 3,140,000 common shares and 670,000 warrants (during the year ended December 31, 2024 – 1,855,000 common shares and 340,000 warrants) resulting from conversions of $695,000 convertible debentures, including:

- Type 1 December 2022 convertible debentures conversions at the price $0.25/unit (940,000 common shares and 470,000 warrants)
- Type 1 February 2023 convertible debentures conversions at the price $0.25/share (400,000 common shares and 200,000 warrants)
- Type 2 December 2023 convertible debentures conversions at the price $0.20/share (1,450,000 common shares), and
- Type 2 February 2024 convertible debentures conversions at the price $0.20/share (350,000 common shares) (Notes 11 and 13).

Subsequent to the six months ended June 30, 2025, the Company issued 900,000 common shares resulting from conversions of $180,000 convertible debentures, including:

- Type 2 December 2023 convertible debentures conversions at the price $0.20/share (250,000 common shares).
- Type 2 February 2024 convertible debentures conversions at the price $0.20/share (650,000 common shares) (Note 20).

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 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 Empower Calgary. 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 to apply to Empower Calgary. 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 initial recognition as fair value through profit or loss and accordingly recorded at fair value upon initial recognition and as at December 31, 2024. Upon initial recognition, the fair value of the Royalty Debenture was $14,000,000. Cash transaction costs of $986,239 were recorded as an expense in the statement of loss and comprehensive loss. Due to significant uncertainty surrounding potential future revenues related to the royalty, valuation of the royalty debenture has primarily relied on comparing actual progress towards completion of future facilities against budgeted timelines.

During the six months ended June 30, 2025, a fair value remeasurement charge of $721,000 was recognized. As accrued interest accumulates, it contributes to the overall cash flows, which can affect the instrument’s value. Actual progress towards completion of future facilities remains consistent with budgeted timelines, therefore there was no further valuation impact as at June 30, 2025. The following table presents the change in Royalty Debenture balance:

(Unaudited - Expressed in Canadian dollars)

	June 30, 2025	December 31, 2024
Balance, beginning of period	$ 14,420,000	$ -
Fair value at issuance	-	14,000,000
Increase in fair value	721,000	420,000
Balance, end of period	**$ 15,141,000**	**$ 14,420,000**

11. COMMON SHARES

The Company is authorized to issue an unlimited number of common shares without nominal or par value. Changes in issued common shares are as follows:

	Six months ended June 30, 2025	Year ended December 31, 2024
Common shares, beginning of period	130,875,408	126,710,381
PSUs and RSUs settled (Notes 13, 15)	1,316,349	1,656,527
Conversion of convertible debentures (Note 9)	3,140,000	1,855,000
Exercise of warrants (Note 13)	1,970,808	653,500
Exercise of options (Note 13)	174,420	-
Common shares, end of period	**137,476,985**	**130,875,408**

Subsequent to the six months ended June 30, 2025, the Company closed a non-brokered private placement of 11,926,664 units at a price of $0.30 per unit for gross proceeds of approximately $3.6 million. Each unit consists of one common share and one common share purchase warrant, with each warrant exercisable to acquire one additional common share at a price of $0.45 for a period of 36 months from the financing closing date. In connection with the transaction, the Company paid cash finder's fees totaling $179,337 and issued 597,787 non-transferable broker warrants, each exercisable at $0.30 for one common share for a period of 36 months following closing of the transaction (Note 20).

12. 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 the Preferred Shares are converted to Common Shares at the agreed ratio of 1:1.

As part of the transaction, Northstar signed a Memorandum of Understanding ("MOU") with TAMKO Building Products LLC, relating to the proposed construction and operation of the first four 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 was received by the Company during 2024 (Note 9).

(Unaudited - Expressed in Canadian dollars)

The Company has also signed a non-binding Memorandum of Understanding (the "Strategic MOU") with TAMKO dated July 31, 2023, under which Northstar and TAMKO agreed to work together with respect to the initial Northstar US Facilities. 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. During the exclusivity period under the Strategic MOU, TAMKO has agreed to enter into offtake agreements providing for the acquisition of a significant portion of the asphalt and aggregate produced by the Northstar US Facilities. The parties have agreed to work together to determine the location of each of the Northstar US Facilities.

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 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 $5,631,271, net of transaction costs of $71,456, was classified as equity.

13. 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; however all options outstanding have a term of 5 years.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2023	**7,437,326**	**$ 0.330**
Granted	3,196,002	$ 0.220
Expired	(425,000)	$ 0.210
Forfeited	(364,285)	$ 0.230
Outstanding, December 31, 2024	**9,844,043**	**$ 0.210**
Exercised	(174,420)	$ 0.215
Outstanding, June 30, 2025	**9,669,623**	**$ 0.210**

(Unaudited - Expressed in Canadian dollars)

Share-based compensation recognized for options vested during the three months ended June 30, 2024 was $94,551 (June 30, 2024 - $155,068) and for the six-month period ended June 30, 2024 was $218,780 (June 30, 2024 - $179,890).

Outstanding and exercisable stock options as at June 30, 2025:

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
February 16, 2026	$ 0.210	2,500,000	2,500,000
June 12, 2026	$ 0.210	300,000	300,000
July 12, 2026	$ 0.210	2,100,000	2,100,000
December 15, 2026	$ 0.210	200,000	200,000
February 7, 2027	$ 0.210	200,000	200,000
April 19, 2027	$ 0.210	217,997	217,997
August 30, 2027	$ 0.210	20,000	20,000
March 2, 2028	$ 0.210	11,000	11,000
September 7, 2028	$ 0.210	1,074,044	1,074,044
October 4, 2028	$ 0.210	25,000	18,750
January 8, 2029	$ 0.210	250,000	125,000
February 20, 2029	$ 0.210	11,000	5,500
September 19, 2029	$ 0.215	2,450,582	612,646
November 25, 2029	$ 0.280	310,000	77,500
Total Outstanding		**9,669,623**	**7,462,437**

The estimated remaining life of the stock options at June 30, 2025 was 2.2 years.

Outstanding and exercisable stock options as at December 31, 2024:

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
February 16, 2026	$ 0.210	2,500,000	2,500,000
June 12, 2026	$ 0.210	300,000	300,000
July 12, 2026	$ 0.210	2,100,000	2,100,000
December 15, 2026	$ 0.210	200,000	200,000
February 7, 2027	$ 0.210	200,000	200,000
April 19, 2027	$ 0.210	217,997	145,332
August 30, 2027	$ 0.210	20,000	20,000
March 2, 2028	$ 0.210	11,000	8,250
September 7, 2028	$ 0.210	1,074,044	912,022
October 4, 2028	$ 0.210	25,000	12,500
January 8, 2029	$ 0.210	250,000	62,500
February 20, 2029	$ 0.210	11,000	2,750
September 19, 2029	$ 0.215	2,625,002	-
November 25, 2029	$ 0.280	310,000	-
Total Outstanding		**9,844,043**	**6,463,354**

The estimated remaining life of the stock options at December 31, 2024 was 2.73 years.

Subsequent to the six months ended June 30, 2025, the Company granted a total of 2,422,766 stock options to directors, officers, employees, and select consultants under its annual incentive compensation program. The options have an exercise price of $0.335, a term of five years, and vest in four equal 25% instalments every six months starting January 10, 2026, through July 10, 2027 (Note 20).

(Unaudited - Expressed in Canadian dollars)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2023	**36,305,975**	**$ 0.249**
Issued	17,316,250	$ 0.329
Expired	(653,500)	$ 0.273
Outstanding, December 31, 2024	**52,968,725**	**$ 0.275**
Issued	670,000	$ 0.350
Exercised	(1,970,808)	$ 0.200
Outstanding, June 30, 2025	**51,667,917**	**$ 0.279**

The estimated remaining life of the warrants at June 30, 2025 is 1.3 years (December 31, 2024 - 1.8 years).

Outstanding and exercisable warrants:

Expiry Date	Exercise Price	June 30, 2025	December 31, 2024
December 15, 2025	$ 0.350	967,200	497,200
February 28, 2026	$ 0.350	224,000	24,000
April 19, 2026	$ 0.200	16,436,378	18,407,186
July 13, 2026 (1)	$ 0.279	5,002,517	5,002,517
July 13, 2026 (1)	$ 0.465	695,072	695,072
December 21, 2026	$ 0.300	11,616,500	11,616,500
February 16, 2027	$ 0.300	7,006,250	7,006,250
June 26, 2027	$ 0.350	9,720,000	9,720,000
Outstanding and exercisable		**51,667,917**	**52,968,725**

(1)The warrants outstanding on acquisition were converted at a ratio of 1 old for 1.0747 new warrants on December 23, 2020 and the price was adjusted by the same ratio. All warrants were reissued on July 13, 2021, for a period of 5 years when the Company became publicly listed and commenced trading, with a new expiry date of July 13, 2026. These warrants are non-transferable.

During the six months ended June 30, 2025, the Company issued 670,000 warrants for conversions of convertible debentures (Note 9).

Subsequent to the six months ended June 30, 2025, the Company issued 11,926,664 warrants and 597,787 broker warrants as part of a non-brokered private placement which closed on July 28, 2025. In addition, the Company also issued 20,300 common shares resulting from warrants and broker warrants exercised (Note 20).

Restricted stock units and performance stock units

The Company grants restricted stock units ("RSUs") and performance stock units ("PSUs") to employees as share-base payments enabling them to acquire common shares of the Company. Under the plan in effect at June 30, 2025, up to 10,000,000 of the issued and outstanding common shares could be issued under the plan. Subsequent to the year ended December 31, 2024, the maximum number of common shares that could be issued in respect of RSUs and PSUs was increased to 13,700,000 at the Company's Annual General Meeting held on July 29, 2025 through the formal approval of the 2025 Incentive Plan. The quantity of each RSU 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.

(Unaudited - Expressed in Canadian dollars)

Issued RSUs and PSUs outstanding at June 30, 2025:

	Vesting Date	Issued	Cash-settled	Equity-settled
2024 RSUs	September 19, 2025	347,676	-	347,676
2024 RSUs	September 19, 2026	347,676	-	347,676
2024 RSUs	November 25, 2025	155,000	-	155,000
2024 RSUs	November 25, 2026	155,000	-	155,000
Total RSUs and PSUs		**1,005,352**	**-**	**1,005,352**

1,005,562 equity settled PSUs, 310,786 equity-settled RSUs and 142,381 cash-settled PSUs vested on March 31, 2025.

Issued RSUs and PSUs outstanding at December 31, 2024:

	Vesting Date	Issued	Cash-settled	Equity-settled
2022 RSUs	March 31, 2025	97,215	-	97,215
2023 RSUs	March 31, 2025	213,571	-	213,571
2024 RSUs	September 19, 2025	347,676	-	347,676
2024 RSUs	September 19, 2026	347,676	-	347,676
2024 RSUs	November 25, 2025	155,000	-	155,000
2024 RSUs	November 25, 2026	155,000	-	155,000
2022 Actual PSUs	March 31, 2025	427,142	142,381	284,761
2023 Actual PSUs	March 31, 2025	720,801	-	720,801
Total RSUs and PSUs		**2,464,081**	**142,381**	**2,321,700**

The fair value of RSUs is calculated using the stock price at the date of grant and amortized over the vesting schedule. Cash-settled RSUs are re-valued at each reporting date and classified as liabilities.

The fair value of the PSUs is calculated using the stock price at the date of granting multiplied by the anticipated achievable performance factor and amortized over the vesting schedule. Cash-settled PSUs are re-valued at each reporting date.

During the year ended December 31, 2024, the Company completed 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, $185,000 of which were paid out during the year ended December 31, 2024. As at June 30, 2025, a total of $261,799 of the bonuses payable net of forfeitures remain accrued and presented within current accounts payable and accrued liabilities (December 31, 2024 - $190,399).

Total compensation recognized for RSUs and PSUs vested during the six months ended June 30, 2025, was $184,879, of which $71,400 is presented as wages and benefits, and the remaining $113,479 is presented as share-based compensation in the consolidated statement of loss and comprehensive loss (June 30, 2024 - $416,728, of which $289,583 presented as wages and benefits, and $127,145 presented as share-based compensation).

(Unaudited - Expressed in Canadian dollars)

During the six months ended June 30, 2025, certain cash-settled PSUs were paid-out in the amount of $12,821 (June 30, 2024 - $28,281) As at June 30, 2025, equity based compensation payable includes $38,294 (December 31, 2024 - $51,882) owing for vested cash-settled PSUs.

During the six months ended June 30, 2025, the Company issued 1,005,562 common shares to employees as payment for the equity-settled PSUs and 310,786 common shares as payment to employees for the equity-settled RSUs (June 30, 2024 - 474,939 common shares for PSUs and 247,213 common shares for RSUs) (Note 11).

Subsequent to the six months ended June 30, 2025, the Company granted 538,702 equity-settled RSUs and 1,197,391 equity-settled PSUs were to certain directors, officers, and employees. The RSUs vest 50% each year following the award date. The PSUs vest 25% every six months following the award date (Note 20).

14. GENERAL & ADMINISTRATIVE EXPENSES

	Three months ended June 30		Six months ended June 30	
	2025	**2024**	**2025**	**2024**
Wages, benefits and director fees (Note 15)	$ 599,071	$ 598,035	$ 1,120,401	$ 1,023,611
Professional fees	340,345	131,608	489,745	213,177
Consulting fees	220,479	43,934	270,985	48,798
Advertising, marketing and investor relations	115,130	94,787	262,014	201,346
Travel	14,282	25,014	53,477	72,229
IT and communications	18,245	25,090	39,498	40,310
Transfer agent and regulatory fees	5,884	16,810	19,216	28,312
Office and administration	(6,275)	(13,300)	13,590	(5,055)
	$ 1,307,161	$ 921,978	$ 2,268,926	$ 1,622,728

15. RELATED PARTY TRANSACTIONS AND BALANCES

(a) As at June 30, 2025, accounts payable and accrued liabilities include $387,747 (December 31, 2024 - $350,837) owing to key management personnel related to annual performance bonuses. The amounts are unsecured and non-interest bearing.

(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 June 30		Six Months Ended June 30	
	2025	**2024**	**2025**	**2024**
Share-based compensation	$ 78,623	$ 26,826	$ 231,442	$ 198,153
Wages, benefits and director fees	287,746	394,875	609,674	613,737
	$ 366,369	$ 421,701	$ 841,116	$ 811,890

(Unaudited - Expressed in Canadian dollars)

(c) During the six months ended June 30, 2025, the amount of $Nil (December 31, 2024 - $50,000) was received in convertible debenture proceeds by officers or directors of the Company.

(d) During the period ended June 30, 2025, the Company issued 1,088,590 (June 30, 2024 - 308,903) common shares to key management personnel related to 249,499 equity-settled RSUs and 839,091 equity settled PSUs which vested during the period (June 30, 2024 –71,285 and 237,618, respectively).

16. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	Three Months Ended June 30		Six Months Ended June 30	
	2025	**2024**	**2025**	**2024**
Changes in non-cash working capital items and items not affecting operating activities				
GST receivables	$ 427,427	$ (118,310)	$ 165,461	$ (217,892)
Receivables	(43,771)	(97,735)	(34,267)	(136,996)
Inventories	(77,489)	-	(77,489)	-
Prepaids	36,946	69,869	184,176	(44,088)
Accounts payable and accrued liabilities	(68,519)	574,850	(1,200,196)	501,736
	274,594	428,674	(962,315)	102,760
Changes in non-cash working capital relating to:				
Operating	274,594	428,674	(962,315)	102,760
Investing	(1,088,521)	(755,437)	(1,797,968)	(626,773)
Financing	-	-	-	-
	$ (813,927)	$ (326,763)	$ (2,760,283)	$ (524,013)

Significant non-cash transactions during the six months ended June 30, 2025:

- Issued 310,786 common shares to employees for equity settled RSUs.
- Issued 1,005,562 common shares to employees for equity settled PSUs.
- Property, plant and equipment included in accounts payable and accrued liabilities - $794,709.

Significant non-cash transactions during the six months ended June 30, 2024:

- Issued 247,213 common shares to employees for equity settled RSUs.
- Issued 474,939 common shares to employees for equity settled PSUs.
- Property, plant and equipment included in accounts payable and accrued liabilities - $189,985.
- Property, plant and equipment included in receivables - $17,385.
- 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.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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' deficiency of $6,138,843. 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 six months ended June 30, 2025. The Company is not subject to externally imposed capital requirements.

Market and Operational Risk

The Company is indirectly exposed to risks associated with U.S. trade tariffs, which may affect credit, input costs and supply chain conditions. Although current operations are based in Canada, the Company is evaluating expansion into the U.S. market, which could result in direct exposure to U.S. trade policies and regulatory requirements.

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 and cash equivalents are held with reputable banks in Canada. Where publicly available, 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. At June 30, 2025 and December 31, 2024, there was no material expected credit loss recorded against receivables.

ii) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at June 30, 2025, the Company had a working capital deficiency of $1,697,301 (December 31, 2024 – working capital surplus of $4,839,707). The Company will seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. The Company's approach to managing liquidity risk is to endeavor to ensure that it will have sufficient liquidity to meet liabilities when they fall due. The Company's short-term financial liabilities are due on demand and are subject to normal trade terms. The Company's exposure to and management of liquidity risk has not changed materially from that of the prior year.

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

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 June 30, 2025, 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 $19,704 (December 31, 2024 – $17,056). The Company does not hedge its risk from changes in foreign currency exchange rates.

Fair value measurements recognized in the statement of financial position

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

	June 30, 2025	December 31, 2024
Financial assets at amortized cost (i)	$ 2,151,354	$ 10,318,955
Financial liabilities at amortized cost (ii)	$ 17,853,243	$ 20,385,260
Financial Liabilities at FVTPL (iii)	$ 15,141,000	$ 14,420,000

(i) Cash and receivables
(ii) Accounts payable and accrued liabilities, equity-based compensation payable, loans payable and convertible debentures.
(iii) Royalty debentures (Note 10)

The carrying values of cash, receivables, accounts payable and accrued liabilities, equity-based compensation payable, convertible debentures and loans payable included on the 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 based on Level 3 inputs and is determined based on the best available information at the measurement date, incorporating observable market data and adjustments for current market conditions such as commodity pricing and interest rates, along with unobservable inputs such as tipping fees, liquid asphalt prices and discount rates.

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 year.

18. SEGMENTED INFORMATION

The Company currently operates in one business segment in Canada consisting of a proprietary process which takes discarded asphalt shingles and extracts 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.

(Unaudited - Expressed in Canadian dollars)

19. COMMITMENTS

The Company's commitments are enforceable and legally binding obligations to make payments in the future for goods and services. These items exclude amounts recorded on the consolidated balance sheet. The Company had the following variable lease commitments as at June 30, 2025:

	2025	2026	2027	2028	2029	Thereafter	Total
Northstar (i)	$ 14,268	$ 28,536	$ 28,536	$ 28,536	$ 28,536	$ 2,378	$ 130,790
Empower Calgary (ii)	59,250	118,500	118,500	118,500	118,500	1,184,999	1,718,249
Empower Delta (iii)	122,020	244,041	244,041	244,041	244,041	2,684,448	3,782,632
	$ 195,538	**$ 391,077**	**$ 391,077**	**$ 391,077**	**$ 391,077**	**$ 3,871,825**	**$ 5,631,671**

(i) Annual operating costs related to leased office space with an initial term of 5 years commencing February 1, 2025 and includes one additional 5-year term. Early occupancy was obtained December 1, 2024.
(ii) Annual operating costs related to land and building for Empower Calgary with an initial term of 15 years with two additional 5-year optional terms.
(iii) Annual operating costs related to leased land and building for Empower Delta with an initial term commencing January 1, 2025 and ending December 31, 2040.

20. SUBSEQUENT EVENTS

In addition to subsequent events disclosed elsewhere in the financial statements, the following occurred after June 30, 2025:

- On July 28, 2025, the Company closed the Financing of 11,926,664 units at a price of $0.30 per unit for gross proceeds of approximately $3.6 million. Each unit consists of one common share and one common share purchase warrant, with each warrant exercisable to acquire one additional common share at a price of $0.45 for a period of 36 months from the financing closing date. In connection with the financing, the Company paid cash finder's fees totaling $179,337 and issued 597,787 non-transferable broker warrants, each exercisable at $0.30 for one common share for a period of 36 months following closing of the financing (Note 11).

  The net proceeds received are intended to support the forecasted production ramp of the Calgary facility to achieve the near-term objective of ERA Milestone 3 production threshold, business development costs for Hamilton and the first U.S. site, and for general corporate purposes.

- On July 9, 2025, the Company granted a total of 2,422,766 stock options to directors, officers, employees, and select consultants under its annual incentive compensation program. The options have an exercise price of $0.335, a term of five years, and vest in four equal 25% instalments every six months starting January 10, 2026, through July 10, 2027. In addition, 538,702 equity-settled RSUs and 1,197,391 equity-settled PSUs were granted to certain directors, officers, and employees. The RSUs vest 50% each year following the award date. The PSUs vest 25% every six months following the award date (Note 13).

- The Company issued 900,000 common shares for conversions of convertible debentures resulting from conversions of $180,000 convertible debentures (Note 9).