



**NORTHSTAR**  
CLEAN TECHNOLOGIES

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

To the Shareholders of Northstar Clean Technologies Inc.:

### Opinion

We have audited the consolidated financial statements of Northstar Clean Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholders' (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS® Accounting Standards.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2025 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS® Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Brent Wolfe.

Vancouver, British Columbia

April 28, 2026

*MNP LLP*

Chartered Professional Accountants

**Consolidated Statements of Financial Position**  
(Expressed in Canadian dollars)

As at December 31	Note	2025	2024
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 457,094	\$ 10,225,904
Receivables		106,367	93,051
Net GST receivable		87,257	426,851
Inventories	4	104,855	-
Prepays		84,901	244,146
		840,504	10,989,952
Non-Current			
Right-of-use asset	5	15,758,223	10,143,130
Deposits	5	2,126,030	2,059,546
Property, plant and equipment	6	26,378,126	22,418,635
Intangible assets	8	125,122	101,579
Deferred financing costs		-	15,913
<b>Total assets</b>		<b>\$ 45,228,005</b>	<b>\$ 45,728,755</b>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	18	\$ 3,818,963	\$ 5,038,438
Equity-based compensation payable	14	38,294	51,882
Loans payable	9	657,300	394,080
Convertible debentures	10	2,170,978	1,129,708
Contract liability	13	555,650	-
Lease liabilities	5	145,824	611,931
		7,387,009	7,226,039
Non-Current			
Loans payable	9	8,562,503	7,490,269
Convertible debentures	10	4,611,481	6,280,883
Royalty debenture	11	15,898,050	14,420,000
Contract liability	13	2,129,993	2,778,252
Lease liabilities	5	15,963,067	8,866,890
<b>Total Liabilities</b>		<b>54,552,103</b>	<b>47,062,333</b>
<b>Shareholders' (deficiency)</b>			
Common shares	12	35,320,803	28,909,096
Preferred shares	13	5,631,271	5,631,271
Reserves	14	6,396,911	6,325,090
Shares to be issued		281,625	3,809
Deficiency		(56,954,708)	(42,202,844)
<b>Total shareholders' (deficiency)</b>		<b>(9,324,098)</b>	<b>(1,333,578)</b>
<b>Total liabilities and shareholders' (deficiency)</b>		<b>\$ 45,228,005</b>	<b>\$ 45,728,755</b>

Nature and continuance of operations and going concern (Note 1)

Commitments (Note 22)

Subsequent events (Note 24)

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

*These consolidated financial statements were approved by the Company's Board of Directors on April 28, 2026.*

**On behalf of the Board:**

/s/ Jeff Beyer Director

/s/ Aidan Mills Director

**Consolidated Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian dollars, except for share information)

Years ended December 31	Notes	2025	2024
Revenue	15	\$ 593,586	\$ 640,569
Cost of sales	7	(500,147)	(572,547)
		93,439	68,022
<b>Expenses</b>			
Pre-commercial operating		1,603,267	631,565
Depreciation and amortization	5,6,8	1,298,215	1,291,848
General and administrative	17,18	5,709,162	3,980,502
Share-based compensation	14,18	1,020,704	637,263
Insurance		243,981	195,145
		(9,875,329)	(6,736,323)
Loss from operating activities		(9,781,890)	(6,668,301)
<b>Other items</b>			
Interest and finance expense	5,10	(3,696,366)	(2,056,903)
Transaction costs	11	-	(986,239)
Fair value re-measurement of royalty debenture	11	(1,478,050)	(420,000)
Foreign exchange (loss) gain		11,069	154,604
Loss on sale of non-core assets	6	(35,622)	-
Interest income		49,473	3,358
Gain on derecognition of right-of-use asset	5	-	150,556
Tax recoveries - GST		86,914	-
Amortization of contract liability	13	92,608	-
		(4,969,974)	(3,154,624)
Loss before income taxes		(14,751,864)	(9,822,925)
Income tax recovery		-	490,105
<b>Loss and comprehensive loss</b>		<b>\$ (14,751,864)</b>	<b>\$ (9,332,820)</b>
Basic and diluted loss per share		\$ (0.10)	\$ (0.07)
Weighted average number of common shares outstanding (basic and diluted)		142,028,036	127,827,131

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

**Consolidated Statements of Changes in Shareholders' (Deficiency)**  
(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
<b>Balance, December 31, 2023</b>		<b>126,710,381</b>	<b>29,244,756</b>	<b>\$ 28,137,042</b>	<b>\$ 5,631,271</b>	<b>-</b>	<b>\$ 4,539,108</b>	<b>\$ (32,870,024)</b>	<b>\$ 5,437,397</b>
PSUs and RSUs settled	12,14,18	1,656,527	-	269,793	-	-	(269,793)	-	-
Equity portion of convertible debentures	10	-	-	-	-	-	1,240,337	-	1,240,337
Conversions of convertible debentures	10,12	1,855,000	-	321,823	-	-	-	-	321,823
Exercise of warrants	12,14	653,500	-	180,438	-	3,809	(1,888)	-	182,359
Broker warrants		-	-	-	-	-	199,705	-	199,705
Share-based payments	14,18	-	-	-	-	-	617,621	-	617,621
Loss for the year		-	-	-	-	-	-	(9,332,820)	(9,332,820)
<b>Balance, December 31, 2024</b>		<b>130,875,408</b>	<b>29,244,756</b>	<b>\$ 28,909,096</b>	<b>\$ 5,631,271</b>	<b>\$ 3,809</b>	<b>\$ 6,325,090</b>	<b>\$ (42,202,844)</b>	<b>\$ (1,333,578)</b>
Private placement	12	11,926,664	-	3,577,999	-	-	-	-	3,577,999
Share issue costs	12	-	-	(451,440)	-	-	141,258	-	(310,182)
PSUs and RSUs settled	12,14,18	1,819,025	-	328,257	-	-	(328,257)	-	-
Conversions of convertible debentures	10,12	8,480,000	-	2,462,543	-	-	(717,042)	-	1,745,501
Convertible debentures interest settled	10	-	-	-	-	281,625	-	-	281,625
Exercise of warrants	12,14	2,060,028	-	426,497	-	(3,809)	(14,491)	-	408,197
Exercise of options	12,14	174,420	-	67,851	-	-	(30,351)	-	37,500
Share-based payments	14,18	-	-	-	-	-	1,020,704	-	1,020,704
Loss for the year		-	-	-	-	-	-	(14,751,864)	(14,751,864)
<b>Balance, December 31, 2025</b>		<b>155,335,545</b>	<b>29,244,756</b>	<b>\$ 35,320,803</b>	<b>\$ 5,631,271</b>	<b>\$ 281,625</b>	<b>\$ 6,396,911</b>	<b>\$ (56,954,708)</b>	<b>\$ (9,324,098)</b>

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

**Consolidated Statements of Cash Flows**  
(Expressed in Canadian dollars)

<b>Years ended December 31</b>	<b>Notes</b>	<b>2025</b>	<b>2024</b>
<b>Cash provided by (used in):</b>			
Operating activities			
Loss for the year		\$(14,751,864)	\$ (9,332,820)
Adjustments for:			
Depreciation and amortization	5,6,8	1,298,215	1,291,848
Interest and finance charges on loans and debentures	10	2,117,652	1,668,233
Interest on net investment in sublease		-	(3,358)
Share-based payments	14,18	1,020,704	617,621
Income tax recovery		-	(490,105)
Fair value re-measurement of royalty debenture	11	1,478,050	420,000
Gain on derecognition of right-of-use asset		-	(150,556)
Interest on lease liabilities	5	1,561,806	349,939
Loss on sale of non-core assets	6	35,622	-
Unrealized foreign exchange loss (gain)		(10,266)	(208,088)
Amortization of contract liability	13	(92,608)	-
Changes in non-cash working capital	19	1,073,163	597,472
<b>Net cash used in operating activities</b>		<b>(6,269,527)</b>	<b>(5,239,814)</b>
Investing activities			
Acquisition of property, plant and equipment	6	(8,077,216)	(19,152,359)
Deposits paid	5	(66,484)	(1,541,733)
Acquisition of intangible assets	8	(26,584)	(61,499)
Proceeds from government grants	2,7	4,274,448	1,389,738
Proceeds from sale of non-core assets	6	100,000	-
Changes in non-cash working capital	19	(1,810,558)	1,939,354
<b>Net cash used in investing activities</b>		<b>(5,606,394)</b>	<b>(17,426,499)</b>
Financing activities			
Issuance of convertible debentures, net of issuance costs	10	-	5,822,671
Issuance of royalty debenture, net of issuance costs	11	-	13,019,236
Issuance of common shares, net of issuance costs	12	3,267,817	-
Deferred financing costs		(25,913)	(470)
Loan proceeds	9	1,617,698	8,060,153
Loan repayments and interest paid	9	(951,976)	(142,187)
Repayments of lease liabilities	5	(1,429,290)	(930,079)
Exercise of warrants	12,14	408,197	182,359
Exercise of options	12,14	37,500	-
Cash-settled PSUs and RSUs paid-out	14	(12,821)	(74,607)
Convertible debentures interest paid	10	(692,158)	(905,072)
Changes in non-cash working capital	19	(107,000)	-
<b>Net cash provided by financing activities</b>		<b>2,112,054</b>	<b>25,032,004</b>
Change in cash and cash equivalents		(9,763,867)	2,365,691
Effect of exchange rate changes on cash and cash equivalents		(4,943)	211,902
Cash and cash equivalents, beginning of the year		10,225,904	7,648,311
<b>Cash and cash equivalents, end of the year</b>		<b>\$ 457,094</b>	<b>\$ 10,225,904</b>
Cash		407,094	10,225,904
Cash equivalents		50,000	-
<b>Total cash and cash equivalents, end of the year</b>		<b>\$ 457,094</b>	<b>\$ 10,225,904</b>
Cash interest paid	9,10	\$ 1,613,839	\$ 987,084

Supplemental disclosures with respect to cash flows (Note 19).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

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### 1. NATURE AND CONTINUANCE OF OPERATIONS

#### Nature of operations

Northstar Clean Technologies Inc. (“Northstar” or the “Company”) is a Canadian waste to value technology company focused on the sustainable recovery and reprocessing of asphalt shingles. Northstar developed and owns a proprietary design process for taking discarded asphalt shingles, otherwise destined for already overcrowded landfills, and extracting the liquid asphalt for use in new hot mix asphalt, shingle manufacturing and asphalt flat roof systems while also extracting 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”). Between 2017 and 2024, the Company conducted research & development at its pilot facility in Delta, British Columbia (“Empower Delta”). As an emerging innovator in sustainable processing, Northstar’s mission aims at leading the recovery and reprocessing of asphalt shingles in North America, that would otherwise be sent to landfill addressing numerous stakeholder objectives.

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 40<sup>th</sup> 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.

Construction of Empower Calgary was substantially completed in the first quarter of 2025. Following construction completion, the facility entered its commissioning phase, during which the Company focused on validating equipment performance, refining operating procedures, and integrating learnings from early testing. During the commissioning phase, the Company produced its first liquid asphalt and independent laboratory tests indicated the asphalt quality produced will satisfy requirements contained in a number of the Company’s commercial agreements, demonstrating the technology works. Material-transfer and processing issues emerged following commissioning, which resulted in delays to full operational readiness and the Company continues to implement incremental improvements identified during commissioning as it advances toward commercial readiness. No significant sales of asphalt, aggregate, limestone or fibre were recognized during 2025. Ramp up of operations is currently anticipated in the second half of 2026.

#### Going concern

These 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.

As Empower Calgary has completed commissioning but has not yet commenced commercial operations, the Company remains in a pre-commercial revenue phase and continues to rely on external sources of capital to fund operations, optimization activities, and working capital requirements. The Company expects to continue to incur operating losses and negative cash flows until commercial production begins, which is currently anticipated in the second half of 2026.

The Company incurred a significant loss of \$14,751,864 during the year ended December 31, 2025 (December 31, 2024 - \$9,332,820). The Company has a working capital deficiency of \$6,546,505 (December 31, 2024 – working capital surplus of \$3,763,913) and there is no assurance that anticipated production revenue will be sufficient to fund operations and therefore future financings may be required.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

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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. In addition, on July 28, 2025, the Company completed a non-brokered private placement of 11,926,664 units at a price of \$0.30 per unit for gross proceeds of \$3,577,999 (Note 12). 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.

Management has strengthened working capital reserves and continues to pursue a range of financing initiatives, including equity, debt, strategic partnerships, government programs, and other non-dilutive funding opportunities. Achieving feedstock processing rates of approximately 80 tonnes per day during commissioning has supported the Company's financing strategy by demonstrating meaningful technical progress toward commercial readiness. However, the Company's ability to continue as a going concern is dependent upon its ability to secure additional financing and ultimately achieve successful commercial operations at Empower Calgary.

These circumstances create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. These 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

These consolidated financial statements have been prepared in accordance with IFRS<sup>®</sup> Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). The policies applied in these consolidated financial statements are based on IFRS effective for the Company's reporting for the year ended December 31, 2025.

In preparing these consolidated financial statements, management considered the current economic environment, including its impact on the Company's ability to secure additional financing and achieve successful commercial operations at Empower Calgary. Based on information available at the reporting date, management determined that the going-concern basis of accounting remains appropriate.

The Board of Directors approved the consolidated financial statements for issue on April 28, 2026.

#### **Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and share-based payments, which are measured at fair value as explained in the accounting policies. These consolidated financial statements have been prepared using the accrual basis of accounting with the exception of cash flow information.

#### **Functional and presentation currency**

These consolidated 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

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### Use of estimates and judgments

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

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

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

#### *Significant Estimates*

##### Estimated useful lives of property, plant, and equipment

Useful lives are based on management's expectations regarding the period over which the assets will be available for use, considering the original plant design, operational plans, maintenance programs, and technological changes. Actual results may differ from these estimates, and changes in expected useful lives are accounted for prospectively.

##### Valuation of inventories

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 further processing costs and expected market pricing less the estimated selling costs. These estimates consider current market conditions, historical trends, budget assumptions and future expectations.

##### Determination of market interest rate for loans and leases

The Company determined the market interest rates for loans and leases based on the Company's debt borrowing rate from third party lenders in the marketplace and by considering other market indicators.

##### Valuation of convertible debentures

The determination of the fair value is an area of significant judgment given that it is subject to various inputs, assumptions and estimates including contractual future cash flows, discount rates, credit spreads and volatility. Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds.

##### Valuation of royalty debenture

The determination of the fair value is an area of significant judgment given that it is subject to various inputs, assumptions and estimates including completion of Empower Calgary, future facility development, future revenue projections, commodity price forecasts, regulatory environment, contractual future cash flows, discount rates, credit spreads and volatility. 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 projected timelines.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

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### Valuation of share-based payments

#### Stock Option Awards

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

#### Share Unit Awards

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

### *Critical judgments*

#### Income taxes

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

#### Going concern

As discussed in Note 1, a material uncertainty around the going concern assumption exists; however, management has several strategies to ensure the continuation of the operations into the foreseeable future. There is judgment involved in assessing the going concern assumption.

#### Assessment of Impairment Indicators

Property, plant & equipment and right-of-use assets are reviewed separately for indicators of impairment at every reporting period or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The identification of impairment indicators of impairment requires significant judgment.

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.

#### Determination of Asset Availability for Use

The Company applies significant judgement in determining the point at which construction in progress related to the facility development becomes available for use and subject to depreciation under IAS 16. An asset is considered available for use when it is capable of operating in the manner intended by management, which

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

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requires more than substantial completion of construction and commissioning activities. The assessment also includes the ability to operate as an integrated facility and to generate product revenues on a sustained and reliable basis.

### Capitalization of development costs

The Company expenses research costs related to its proprietary design process technologies prior to achieving technical feasibility. After technical feasibility has been achieved all development costs related to the Company's proprietary design process technology are capitalized. The period in which technical feasibility has been achieved, and the capitalization of related development costs is a critical judgment determined by management.

### Government grants

The Company uses significant judgment in determining when reasonable assurance has been achieved in determining when to recognize government grants related to assets.

### Lease modifications

The Company exercises judgment in determining whether changes to lease agreements constitute a lease modification under IFRS 16. This includes assessing whether modifications should be treated as separate leases or adjustments to existing leases. For non-separate modifications, lease liabilities and right-of-use assets are remeasured using an updated incremental borrowing rate, which requires judgment. Additionally, management evaluates whether modifications affect the lease term, considering renewal and termination options. These judgments impact the measurement of lease liabilities, right-of-use assets, and lease-related expenses.

### **Reclassification of comparatives**

The December 2022 convertible debentures, maturing on December 15, 2025, were incorrectly classified as non-current liabilities as at December 31, 2024. As the convertible debentures were due within twelve months of the reporting date, they should have been classified as current liabilities in accordance with IAS 1.69(c). Comparative figures have been updated to reflect this reclassification, resulting in \$1,075,794 being reclassified from non-current to current liabilities, with no impact on total liabilities, total assets, net loss, equity, or cash flows. The debentures were fully converted during 2025 and no balance remains outstanding at December 31, 2025 (Note 10).

<b>As at December 31, 2024</b>	<b>Previously reported</b>	<b>Adjustment</b>	<b>As adjusted</b>
Current portion	\$ -	\$ 1,075,794	\$ 1,075,794
Long-term portion	1,075,794	(1,075,794)	-
	<b>\$ 1,075,794</b>	<b>\$ -</b>	<b>\$ 1,075,794</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

For the year ended December 31, 2024, proceeds from government grants were incorrectly classified within financing activities. Comparative figures have been updated and included within investing activities to align with the expenditures they fund. For the year ended December 31, 2024, capitalized interest and financing charges were incorrectly classified within operating activities. Comparative figures have been updated and included within investing activities. These changes have been applied retrospectively, with updated comparatives and no impact on total cash flows.

For the year ended December 31, 2024 Consolidated Statement of Cash Flows	Previously reported	Adjustment	As adjusted
Operating activities			
Interest and finance charges on loans and debentures	\$ 1,777,748	\$ (109,515)	\$ 1,668,233
Investing activities			
Acquisition of property, plant and equipment	(19,261,874)	109,515	(19,152,359)
Proceeds from government grants	-	1,389,738	1,389,738
Financing activities			
Proceeds from government grants	1,389,738	(1,389,738)	-
	<b>\$ (16,094,388)</b>	<b>\$ -</b>	<b>\$ (16,094,388)</b>

### 3. MATERIAL ACCOUNTING POLICIES

The following is a list of material accounting policies used by the Company.

#### (a) Basis of consolidation

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

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

As at December 31	Place of Incorporation	2025	2024
Empower Environmental Solutions Ltd	BC, Canada	100%	100%
Empower Environmental Solutions Calgary Ltd.	AB, Canada	100%	100%
Empower Environmental Solutions Hamilton Ltd.	ON, Canada	100%	100%
1284041 BC Ltd.	BC, Canada	100%	100%

#### (b) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

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(c) Cash and cash equivalents

Cash and cash equivalents include highly liquid short-term interest-bearing variable rate investments with an original maturity of three months or less, or which are readily convertible into a known amount of cash with no significant charges. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(d) Convertible debentures

Convertible debentures are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. Where the conversion option has a variable conversion rate, the conversion option is recognized as a derivative liability measured at fair value through profit and loss. The residual amount is recognized as a financial liability and subsequently measured at amortized cost. The determination of the fair value is also an area of significant judgment given that it is subject to various inputs, assumptions and estimates including contractual future cash flows, discount rates, credit spreads and volatility. Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds.

(e) Financial instruments

*Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

*Measurement*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the profit or loss in the period in which they arise.

Financial assets carried at FVTOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTOCI are included in other comprehensive income or loss in the period in which they arise.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

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An 'expected credit loss' impairment model applies when determining impairment of financial assets at amortized cost, which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

### *Derecognition*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of loss.

### **(f)** Government grants

The Company recognizes government grants in accordance with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance. Government grants are recognized when there is reasonable assurance that milestone criteria for their receipt will be met and the grant will be received. Grants related to income are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate. Grants related to assets are deducted in calculating the carrying amount of the asset. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

### **(g)** Inventory

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 which requires judgement, 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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

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### (h) Impairment of non-current assets

At each financial position reporting date, the Company's non-current assets are reviewed to determine whether there is any indication that the carrying value of those assets are impaired and may not be recoverable. If any such indication exists, the recoverable amount of the asset is evaluated at the level of a cash-generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### (i) Income taxes

Income tax on the profit or loss for the year presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit and do not give rise to equal taxable and deductible temporary differences; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the deferred tax asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

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### (j) Leases

Leases are recognized as a lease liability and a corresponding right-of-use (“ROU”) asset at the date on which the leased asset is available for use by the Company. Liabilities and assets arising from a lease are initially measured at the present value of the remaining lease payments, discounted using the Company’s estimated incremental borrowing rate when the rate implicit in the lease is not readily available. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

Lease payments are allocated between the lease liability and finance costs. Cash outflows for repayment of the principal portion of the lease liability is classified as cash flows from financing activities. The interest portion of the lease payments is classified as cash flows from operating activities.

The ROU asset is initially measured at an amount equal to the corresponding lease liability and is subsequently depreciated on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the consolidated statement of loss on a straight-line basis over the lease term. If the right-of-use asset is subsequently leased to a third party (a “sublease”), the Company will assess the classification of the sublease as to whether it is a finance or operating lease. Subleases that are classified as an operating lease will recognize lease income while a finance lease will recognize a lease receivable and derecognize the carrying value of the right-of-use asset, with the difference recorded in profit or loss.

### (k) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company determines diluted earnings/loss per share whereby the dilutive effect on earnings/loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

### (l) Pre-commercial operating costs

Prior to the commencement of commercial production, certain facility-level operating costs, including site labor, rent, utilities, site services, maintenance and other operating expenditures, are expensed as incurred. In accordance with IAS 2 Inventories, only costs directly attributable to the production of inventory during periods in which the facility is operating in the manner intended by management may be capitalized to inventory or included in cost of sales. As Empower Calgary remained in commissioning and early operational readiness during the period, these costs did not meet the criteria for capitalization and are presented within operating expenses. These costs are expected to transition to cost of sales once commercial production begins.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

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### (m) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. The Company starts to depreciate property, plant and equipment when assets are ready and available for use.

Depreciation is calculated using the following methods over their respective estimated useful lives at the following annual rates:

Processing equipment	20% declining balance, no residual value
Storage facility	20% declining balance, no residual value
Construction in progress	Nil until available for use
Furniture and fixtures	20% declining balance, no residual value
Leasehold improvements	Straight-line over the term of lease

Depreciation methods and useful lives are reviewed at each reporting date and adjusted prospectively. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

Property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statements of loss and comprehensive loss.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

### (n) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events. It is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as interest expense.

### (o) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### (p) Research and development costs

Research costs are expensed as incurred.

Development costs are capitalized only after technical feasibility of the asset for sale or use has been established, and only those costs that can be measured reliably are capitalized. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Amortization of capitalized development costs begins when the asset is available for use or sale.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

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**(q)** Revenue recognition

Revenue is generated primarily from tipping fees charged for the collection of post-consumer asphalt shingles and manufacturing shingle tear-offs accepted by the facility. Tipping fee revenue is recognized when the related shingle collection services are provided, which is the point at which control of the service transfers to the customer in accordance with IFRS 15 Revenue from Contracts with Customers.

**(r)** 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.

**(s)** Share-based payment transactions

The Company grants stock options to acquire common shares to directors, officers, employees and consultants. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

*Stock Options*

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is accrued and charged to operations with the offset credit to reserves, over the vesting period. If and when the stock options are exercised, the applicable amounts from reserves are transferred to common shares.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

*Share Unit Awards*

Share Unit Awards are measured at fair value on the date of grant which is estimated by reference to the Company's quoted market price. At each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share unit awards that are expected to vest. The fair value of the share unit awards is accrued and charged to operations with the offset credit to reserves, for equity settled share unit awards and to liabilities, for cash settled share unit awards, over the vesting period. For cash settled share unit awards, the fair value is re-calculated based on the Company's quoted market price at the reporting period. When equity settled share unit awards vest, the applicable amounts from reserves are transferred to common shares. When cash settled share unit awards vest, the liability is settled in cash.

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(Expressed in Canadian dollars)

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### (t) Share capital

Common shares are classified as equity. The Company assesses classification of preferred shares as either equity or a financial liability. Where the preferred shareholder has an option to redeem their shares, or if redemption is mandatory, the shares are considered a financial liability. If the option to redeem lies with the issuer without a contractual obligation, these shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

#### *Equity units*

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as units. The proceeds from the issue of units are allocated between common shares and share purchase warrants where the fair value of the common shares is based on the market value on the date of the issuance of the placement and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against common share component.

### **New standards issued but not yet effective**

The following new or amended standards have been issued by the IASB but are not yet effective and have not been early adopted by the Company.

#### *Presentation and Disclosure in Financial Statements*

On April 9, 2024, the IASB issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18"), which will replace International Accounting Standard 1, "Presentation of Financial Statements". IFRS 18 will establish a revised structure for the Consolidated Statements of Comprehensive Income (Loss) and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with certain transition provisions. The Company is continuing to evaluate the impacts of adopting IFRS 18 on the Consolidated Financial Statements and will adopt IFRS 18 effective January 1, 2027, using the retrospective approach.

#### *Financial Instruments*

On May 30, 2024, the IASB issued amendments to IFRS 9, "Financial Instruments", and IFRS 7, "Financial Instruments: Disclosures". The amendments include clarifications on the derecognition of financial liabilities and the classification of certain financial assets. In addition, new disclosure requirements for equity instruments designated as FVOCI were added. The amendments are effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively. The amendments to IFRS 9 and IFRS 7 will not have a material impact on the Consolidated Financial Statements.

## **4. INVENTORIES**

As at December 31, 2025, the Company recognized \$104,855 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 following ramp up to commercial operations. Inventory of \$5,383 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the years ended December 31, 2025 and 2024

### 5. RIGHT-OF-USE ASSET AND LEASE LIABILITIES

#### Right-of-use assets

As at December 31	2025	2024
<b>Cost</b>		
Balance, beginning of year	\$ 12,276,438	\$ 5,712,154
Additions/modifications	6,497,554	6,835,284
De-recognition	-	(271,000)
<b>Balance, end of year</b>	<b>18,773,992</b>	<b>12,276,438</b>
<b>Accumulated depreciation</b>		
Balance, beginning of year	2,133,308	1,487,869
Depreciation	882,461	795,995
De-recognition	-	(150,556)
<b>Balance, end of year</b>	<b>3,015,769</b>	<b>2,133,308</b>
<b>Net book value</b>	<b>\$ 15,758,223</b>	<b>\$ 10,143,130</b>

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

During the year ended December 31, 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 of \$7,144,205 using a 10% incremental borrowing rate for the lease period ending December 2040. No gain/loss was recognized. In connection with the agreement, an additional security deposit of \$44,213 was capitalized as at December 31, 2025. As a result of the lease extension, management adjusted its estimate of decommissioning obligations related to the right-of-use asset as at December 31, 2024.

On December 23, 2024, the Company finalized a lease agreement for Empower Calgary, which consolidated its previously leased land with a newly constructed building that houses operational activities. The lease was 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 year ended December 31, 2025. No gain/loss was recognized.

During the year ended December 31, 2025, the Company signed an amending agreement to the lease agreement for Empower Calgary, increasing the amounts of basic rent from August 1, 2025. The incremental borrowing rate was adjusted from 10% to 11.35%. This arrangement has been accounted for as a modification of the existing lease under IFRS 16. Effective August 1, 2025 the Company recognized a reduction to incremental right-of-use assets and corresponding lease liability of \$646,651 using a 11.35% incremental borrowing rate for the lease period ending February 2050.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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

As at December 31	2025	2024
Balance, beginning of year	\$ 9,478,821	\$ 4,293,283
Additions	6,497,554	5,835,284
Lease payments	(1,429,290)	(999,684)
Interest accretion on lease liability	1,561,806	349,938
<b>Balance, end of year</b>	<b>16,108,891</b>	<b>9,478,821</b>
Less current portion	(145,824)	(611,931)
<b>Non-current portion</b>	<b>\$ 15,963,067</b>	<b>\$ 8,866,890</b>

Variable lease payments for the year ended December 31, 2025 are \$448,436 (December 31, 2024 - \$307,801). These amounts have been excluded from Right-of-Use Assets and Lease Liabilities.

As of December 31, 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.

## 6. PROPERTY, PLANT AND EQUIPMENT

	Processing Equipment	Storage Facility	Construction in Progress	Furniture and Fixtures	Leasehold Improvements	Total
<b>Balance – December 31, 2023</b>	\$ 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)
<b>Balance – December 31, 2024</b>	<b>\$ 3,532,945</b>	<b>\$ 56,468</b>	<b>\$ 20,427,847</b>	<b>\$ 99,616</b>	<b>\$ 6,001</b>	<b>\$ 24,122,877</b>
Additions	-	-	8,773,215	9,059	-	8,782,274
Government grants	-	-	(4,274,448)	-	-	(4,274,448)
Disposals	(288,882)	-	-	-	-	(288,882)
<b>Balance – December 31, 2025</b>	<b>\$ 3,244,063</b>	<b>\$ 56,468</b>	<b>\$ 24,926,614</b>	<b>\$ 108,675</b>	<b>\$ 6,001</b>	<b>\$ 28,341,821</b>
<b>Accumulated Depreciation</b>						
<b>Balance – December 31, 2023</b>	\$ 1,162,954	\$ 30,257	\$ -	\$ 13,594	\$ 3,250	\$ 1,210,055
Additions	473,998	5,242	-	12,196	2,751	494,187
<b>Balance – December 31, 2024</b>	<b>\$ 1,636,952</b>	<b>\$ 35,499</b>	<b>\$ -</b>	<b>\$ 25,790</b>	<b>\$ 6,001</b>	<b>\$ 1,704,242</b>
Additions	378,375	4,194	-	30,144	-	412,713
Disposals	(153,260)	-	-	-	-	(153,260)
<b>Balance – December 31, 2025</b>	<b>\$ 1,862,067</b>	<b>\$ 39,693</b>	<b>\$ -</b>	<b>\$ 55,934</b>	<b>\$ 6,001</b>	<b>\$ 1,963,695</b>
<b>Net Book Value</b>						
<b>Balance – December 31, 2024</b>	<b>\$ 1,895,993</b>	<b>\$ 20,969</b>	<b>\$ 20,427,847</b>	<b>\$ 73,826</b>	<b>\$ -</b>	<b>\$ 22,418,635</b>
<b>Balance – December 31, 2025</b>	<b>\$ 1,381,996</b>	<b>\$ 16,775</b>	<b>\$ 24,926,614</b>	<b>\$ 52,741</b>	<b>\$ -</b>	<b>\$ 26,378,126</b>

Construction in progress consists of property, plant and equipment related to the development of the Company's Empower Calgary facility. Depreciation will begin when the asset is available for use, which requires it to be capable of operating in the manner intended by management. As at December 31, 2025, no depreciation has been recognized.

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Construction of Empower Calgary was substantially completed in the first quarter of 2025. Following construction completion, the facility entered the commissioning phase, during which the Company focused on validating equipment performance, refining operating procedures, and integrating learnings from early testing. During the commissioning phase, the Company produced its first liquid asphalt and independent laboratory tests indicated the asphalt quality produced will satisfy requirements contained in a number of the Company's commercial agreements, demonstrating the technology works. During commissioning the Company achieved Emissions Reduction Alberta ("ERA") Milestone 3 by reaching a pre-determined target of 80 tonnes of shingle processing in a 24-hour period. Material-transfer and processing issues emerged following commissioning, which resulted in delays to full operational readiness and the Company continues to implement incremental improvements identified during commissioning as it advances toward commercial readiness. No significant sales of asphalt, aggregate, limestone or fibre were recognized during 2025. Ramp up to steady operations is currently anticipated in the second half of 2026.

During the year ended December 31, 2025 the Company allocated \$4,274,448 of grant proceeds received from ERA to construction in progress (December 31, 2024 - \$1,289,738 from ERA and \$100,000 from Alberta Innovates) (Note 7).

During the year ended December 31, 2025 the Company attributed interest expense of \$705,057 (December 31, 2024 - \$109,515) associated with the Company's 7.95% non-revolving senior secured debt with the Business Development Bank of Canada to construction in progress.

### 7. GOVERNMENT GRANTS

Empower Calgary and 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 year ended December 31, 2025, the Company received ERA approval and payments totalling \$4,599,464 related to Milestones 2 and 3 under the Contribution Agreement. Milestone 2 required, among other criteria, the substantial completion of the Empower Calgary facility, as defined in the Builder's Lien Act. Milestone 3 required processing over 80 tonnes of shingle feedstock per day. Of the total amount received during the year, the Company allocated \$4,274,448 to capitalized construction in progress (Note 6). The remaining funds were attributed as follows: \$148,121 to cost of shingle collection and \$176,895 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 6), with the remainder attributed to general and administrative expenses. As at December 31, 2025 total funding received by the Company was \$5,940,186 related to the ERA Grant with approximately \$1,148,670 remaining outstanding under the Contribution Agreement.

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### 8. INTANGIBLE ASSETS

	Patents in		Total
	Process	Patents	
<b>Balance – December 31, 2023</b>	\$ 27,866	\$ 14,953	\$ 42,819
Additions	40,868	20,631	61,499
Transfers	(16,175)	16,175	-
<b>Balance – December 31, 2024</b>	<b>\$ 52,559</b>	<b>\$ 51,759</b>	<b>\$ 104,318</b>
Additions	18,540	8,044	26,584
Transfers	(19,140)	19,140	-
<b>Balance – December 31, 2025</b>	<b>\$ 51,959</b>	<b>\$ 78,943</b>	<b>\$ 130,902</b>
<b>Accumulated amortization</b>			
<b>Balance – December 31, 2023</b>	\$ -	\$ 1,073	\$ 1,073
Amortization	-	1,666	1,666
<b>Balance – December 31, 2024</b>	<b>\$ -</b>	<b>\$ 2,739</b>	<b>\$ 2,739</b>
Amortization	-	3,041	3,041
<b>Balance – December 31, 2025</b>	<b>\$ -</b>	<b>\$ 5,780</b>	<b>\$ 5,780</b>
<b>Net book value</b>			
<b>Balance – December 31, 2024</b>	<b>\$ 52,559</b>	<b>\$ 49,020</b>	<b>\$ 101,579</b>
<b>Balance – December 31, 2025</b>	<b>\$ 51,959</b>	<b>\$ 73,163</b>	<b>\$ 125,122</b>

### 9. LOANS PAYABLE

	Senior Secured Debt	Unsecured Debt	Equipment Loan	Total
<b>Balance – December 31, 2023</b>	\$ -	\$ -	\$ 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
<b>Balance – December 31, 2024</b>	<b>\$ 7,884,349</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,884,349</b>
Less current portion	(394,080)	-	-	(394,080)
<b>Long term portion</b>	<b>\$ 7,490,269</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,490,269</b>
<b>Balance – December 31, 2024</b>	<b>\$ 7,884,349</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,884,349</b>
Loan proceeds	617,698	1,000,000	-	1,617,698
Transaction costs	(41,826)	-	-	(41,826)
Accrued interest	670,056	6,500	-	676,556
Interest payments	(670,056)	-	-	(670,056)
Repayment of loan	(281,920)	-	-	(281,920)
Interest accretion	35,002	-	-	35,002
<b>Balance – December 31, 2025</b>	<b>\$ 8,213,303</b>	<b>\$ 1,006,500</b>	<b>\$ -</b>	<b>\$ 9,219,803</b>
Less current portion	(560,800)	(96,500)	-	(657,300)
<b>Long term portion</b>	<b>\$ 7,652,503</b>	<b>\$ 910,000</b>	<b>\$ -</b>	<b>\$ 8,562,503</b>

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### 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 which began June 30, 2025, with a fixed five-year interest rate of 7.95%, payable monthly. As at December 31, 2025, the Company had fully drawn the \$8,750,000 available under the BDC Financing (December 31, 2024 – \$8,132,302). On November 18, 2025, the BDC Financing was amended to suspend principal repayments between December 2025 and March 2026, with a corresponding extension of the amortization period by four months.

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.

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 at the Empower Environmental Solutions Calgary Ltd. subsidiary level. As part of the November 18, 2025 amendment, the commencement of this coverage-ratio requirement was extended by one year to coincide with the Company’s first full year of commercial operations. 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.

Loan proceeds were attributed to the development and construction of Empower Calgary. As at December 31, 2025 interest expense totalling \$705,057 (December 31, 2024 - \$109,515) has been capitalized in association with construction in progress (Note 6).

Transaction costs totalling \$317,282 were allocated against the BDC facility and amortized over the life of the loan using the effective interest method, with an average effective interest rate of 8.8%. During the year ended December 31, 2025, additional transaction costs of \$41,826 (December 31, 2024 - \$275,456) was allocated against the liability.

### Unsecured Debt

On December 5, 2025, the Company completed the first tranche of a non-brokered financing for gross proceeds of \$1,000,000, consisting of 200 units (“Unsecured Debt”). Each unit comprises a \$5,000 unsecured debenture and 1,250 detachable non-transferable warrants. The debentures bear interest at 9% per annum, payable semi-annually, and interest may be settled in cash or in common shares at a deemed price equal to the ten-day VWAP prior to the interest payment date. The debentures are unsecured. The warrants have an exercise price of \$0.395 and a 36-month term from closing. All securities issued are subject to a statutory hold period expiring April 6, 2026. The financing was subscribed for by an arm’s-length investor.

Subsequent to the end of the year the Company completed the second tranche of the unsecured debenture financing and issued related-party promissory notes (Note 24).

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### 10. 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 December 31, 2025, convertible debentures principal amounts totalling \$7,990,000 (December 31, 2024 - \$10,000,000) remain outstanding, after convertible debenture conversions during the year ended December 31, 2025 of \$1,960,000 (December 31, 2024 - \$405,000).

During the year ended December 31, 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.

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.

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

Type	Issue Date	Maturity Date	Principal Amount at Date of Issue	Principal Amount at December 31, 2025	Interest Rate	Conversion Price	Warrant Exercise Price per Share
Type 1	Dec 2022	Dec 2025	\$ 1,440,000	\$ -	10.0%	\$0.25/unit	\$0.35
Type 1	Feb 2023	Feb 2026	625,000	525,000	10.0%	\$0.25/unit	\$0.35
Type 2	Dec 2023	Dec 2026	2,260,000	1,760,000	12.5%	\$0.20/share	\$0.30
Type 2	Feb 2024	Feb 2027	1,375,000	1,000,000	12.5%	\$0.20/share	\$0.30
Type 1	May 2024	May 2027	2,455,000	2,455,000	10.0%	\$0.29/unit	\$0.50
Type 2	Jun 2024	Jun 2027	2,250,000	2,250,000	12.5%	\$0.25/share	\$0.35
			<b>\$ 10,405,000</b>	<b>\$ 7,990,000</b>			

### 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 24.8% 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.

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

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

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

Issue Date	Opening Balance \$	Net Additions \$	Accrued Interest \$	Interest Paid \$	Accretion \$	Conversion \$	Closing Balance \$	Current Portion \$ <i>reclassified (Note 2)</i>	Long-term Portion \$ <i>reclassified (Note 2)</i>
<b>Dec 31, 2023</b>	934,408	1,854,770	203,931	(175,250)	173,072	-	<b>2,990,931</b>	34,681	2,956,250
Dec 2022	1,061,068	-	142,389	(142,389)	162,507	(141,781)	<b>1,081,794</b>	1,081,794	-
Feb 2023	482,655	-	62,500	(62,500)	64,323	-	<b>546,978</b>	20,833	526,145
Dec 2023	1,447,208	(5,457)	282,429	(291,061)	201,827	(45,979)	<b>1,588,967</b>	-	1,588,967
Feb 2024	-	956,366	145,734	(145,735)	86,149	(134,063)	<b>908,451</b>	-	908,451
May 2024	-	1,631,202	145,936	(122,762)	125,527	-	<b>1,779,903</b>	23,174	1,756,729
Jun 2024	-	1,397,914	144,531	(140,625)	102,678	-	<b>1,504,498</b>	3,906	1,500,592
<b>Dec 31, 2024</b>	2,990,931	3,980,025	923,519	(905,072)	743,011	(321,823)	<b>7,410,591</b>	1,129,708	6,280,883
Dec 2022	1,081,794	-	98,879	(104,879)	171,428	(1,247,222)	-	-	-
Feb 2023	546,978	-	53,778	(57,111)	74,094	(89,393)	<b>528,346</b>	528,346	-
Dec 2023	1,588,967	-	242,307	(242,307)	229,895	(326,060)	<b>1,492,802</b>	1,492,802	-
Feb 2024	908,451	-	135,486	(135,486)	96,737	(132,826)	<b>872,362</b>	-	872,362
May 2024	1,779,903	-	245,500	(122,750)	243,621	-	<b>2,146,274</b>	145,924	2,000,350
Jun 2024	1,504,498	-	281,250	(281,250)	238,177	-	<b>1,742,675</b>	3,906	1,738,769
<b>Dec 31, 2025</b>	7,410,591	-	1,057,200	(943,783)	1,053,952	(1,795,501)	<b>6,782,459</b>	2,170,978	4,611,481

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December 2022 convertible debentures comparative information has been reclassified (see Note 2).

During the year ended December 31, 2025, the Company issued 8,480,000 common shares and 2,640,000 warrants (during the year ended December 31, 2024 – 1,855,000 common shares and 340,000 warrants) resulting from conversions of \$1,960,000 in convertible debentures, including:

Type	Issue Date	Maturity Date	Conversion Price	Principal Converted	Common shares issue	Warrants issued
Type 1	Dec 2022	Dec 2025	\$0.25/unit	\$ 1,220,000	4,880,000	2,440,000
Type 1	Feb 2023	Feb 2026	\$0.25/unit	100,000	400,000	200,000
Type 2	Dec 2023	Dec 2026	\$0.20/share	440,000	2,200,000	-
Type 2	Feb 2024	Feb 2027	\$0.20/share	200,000	1,000,000	-
Type 1	May 2024	May 2027	\$0.29/unit	-	-	-
Type 2	Jun 2024	Jun 2027	\$0.25/share	-	-	-
				<b>\$ 1,960,000</b>	<b>8,480,000</b>	<b>2,640,000</b>

Prior to December 31, 2025, the Company and the holders of certain tranches of convertible debentures agreed to settle a total of \$281,625 of interest owing through the issuance of common shares, subject to customary closing conditions, including the approval of the TSX Venture exchange. Subsequent to year-end, following receipt of TSX Venture Exchange approval, the Company issued 1,112,959 common shares in satisfaction of these interest amounts.

Subsequent to the end of the year, on February 28, 2026 the Company entered into agreements to extend the maturity date of \$525,000 in convertible debentures (the "February 2023 Tranche") from the original maturity date of February 28, 2026 to February 28, 2027, with all terms associated with the February 2023 Tranche remaining unchanged. Under the February 2023 Tranche, the Company originally raised \$625,000, \$100,000 of which were converted. Pursuant to prior conversions of the February 2023 Tranche, 200,000 common share purchase warrants are currently outstanding (the "Warrants"). In connection with the extension of the February 2023 Tranche, the Company also extended the expiry date of the Warrants to February 28, 2027. The Company also issued 118,750 common shares to satisfy the interest owing at February 28, 2026 of \$23,750 related to the February 2023 Tranche. Of the total shares, 12,500 common shares were issued to related parties (Note 24).

### 11. 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. The Company elected to forego the September 2025 and March 2026 semi-annual interest payments, and both amounts were added to the principal balance.

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 13.64% per facility resulting from a conversion of \$15,898,050 in principal.

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The proceeds are being 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. 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 in nature and quantum of future revenues related to the Royalty Debenture, the fair value of the instrument is influenced by progress toward completion of future facilities relative to original timelines, together with other evolving valuation inputs that may offset the impact of schedule changes.

During the year ended December 31, 2025, a fair value remeasurement charge of \$1,478,050 was recognized, and no further adjustment was recorded in the period. The following table presents the change in Royalty Debenture balance:

<b>As at December 31</b>	<b>2025</b>	<b>2024</b>
Balance, beginning of year	\$ 14,420,000	\$ -
Fair value at issuance	-	14,000,000
Increase in fair value	1,478,050	420,000
<b>Balance, end of year</b>	<b>\$ 15,898,050</b>	<b>\$ 14,420,000</b>

### 12. 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:

<b>As at December 31</b>	<b>2025</b>	<b>2024</b>
Common shares, beginning of year	130,875,408	126,710,381
Private placement	11,926,664	-
PSUs and RSUs settled (Notes 14, 18)	1,819,025	1,656,527
Conversion of convertible debentures (Note 10)	8,480,000	1,855,000
Exercise of warrants (Note 14)	2,060,028	653,500
Exercise of options (Note 14)	174,420	-
<b>Common shares, end of year</b>	<b>155,335,545</b>	<b>130,875,408</b>

On July 28, 2025, the Company completed a non-brokered private placement of 11,926,664 units at a price of \$0.30 per unit for gross proceeds of \$3,577,999. Each unit consists of one common share and one common share purchase warrant, with each warrant exercisable to acquire one additional common share at \$0.45 until July 25, 2028. The Company applied the residual method and allocated \$Nil of the proceeds to the share purchase warrants. In connection with this private placement, the Company incurred \$310,182 in finders' fees and share issuance costs and issued 597,787 broker warrants with a fair value of \$141,258, which are exercisable to acquire one common share at \$0.30 until July 23, 2028 (Note 14).

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### 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 represented 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 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, and a take or pay offtake agreement for the sale of asphalt oil and aggregate from the Empower facilities to the TAMKO facilities. As part of the MOU, TAMKO agreed to an exclusivity period beginning July 31, 2023 and ending the date that is three years following the acceptance by ERA of certain milestones with ERA. The exclusivity period may be extended based on criteria set out in the MOU. Effective May 24, 2024, the MOU was revised to increase the number of U.S. processing facilities contemplated under the agreement from three to four and to extend the exclusivity period from three years to four years.

In addition, TAMKO agreed 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 10).

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 was classified as a contract liability with the residual amount of \$5,631,271, net of transaction costs of \$71,456 classified as equity. The contract liability is recognized in profit or loss on a straight-line basis over its useful life. Amortization commenced in 2025 following the achievement of ERA Milestone 3. During the year, the initial three-year amortization period was extended by an additional two years, as a change in estimate, to align with the exclusivity period as defined in the MOU. For the year ended December 31, 2025, the Company recognized amortization of \$92,608.

### 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

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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
<b>Outstanding, December 31, 2023</b>	<b>7,437,326</b>	<b>\$ 0.330</b>
Granted	3,196,002	0.220
Expired	(425,000)	0.210
Forfeited	(364,285)	0.230
<b>Outstanding, December 31, 2024</b>	<b>9,844,043</b>	<b>\$ 0.210</b>
Granted	2,437,760	0.335
Exercised	(174,420)	0.215
<b>Outstanding, December 31, 2025</b>	<b>12,107,383</b>	<b>\$ 0.238</b>

On July 9, 2025, the Company granted a total of 2,422,760 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 25% every six months following the grant date. The fair value of the stock options was determined using Black-Scholes option pricing model assuming volatility of 99%, \$0.34 per share, expected life of five years, risk-free rate of 2.92%, and no expected forfeitures or dividends.

On September 18, 2025, the Company granted a total of 15,000 stock options to an employee under its annual incentive compensation program. The options have an exercise price of \$0.335, a term of five years, and vest 25% every six months following the grant date. The fair value of the stock options was determined using Black-Scholes option pricing model assuming volatility of 98%, \$0.34 per share, expected life of five years, risk-free rate of 2.74%, and no expected forfeitures or dividends.

Share-based compensation recognized for options vested during the year ended December 31, 2025 was \$635,183 (December 31, 2024 - \$350,125).

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Outstanding and exercisable stock options as at December 31, 2025:

Expiry Date	Exercise Price	Number of Options	
		Outstanding	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	25,000
January 8, 2029	\$ 0.210	250,000	187,500
February 20, 2029	\$ 0.210	11,000	8,250
September 19, 2029	\$ 0.215	2,450,582	1,225,291
November 25, 2029	\$ 0.280	310,000	155,000
July 9, 2030	\$ 0.335	2,422,760	-
September 18, 2030	\$ 0.335	15,000	-
<b>Total Outstanding</b>		<b>12,107,383</b>	<b>8,224,082</b>

The estimated remaining life of the stock options at December 31, 2025 was 2.26 years.

Subsequent to the end of the year, 387,200 stock options were exercised, and 3,028,786 stock options expired.

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

Expiry Date	Exercise Price	Number of Options	
		Outstanding	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	-
<b>Total Outstanding</b>		<b>9,844,043</b>	<b>6,463,354</b>

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

Years ended December 31	2025	2024
Expected volatility	99%	126%
Risk-free interest rate	2.92%	2.82%
Expected life	5 years	5 years
Dividend yield	-	-
Forfeiture rate	-	-
Range of exercise prices	\$0.335	\$0.21 - \$0.28
Range of share prices on date of grant	\$0.335	\$0.135 - \$0.28
Estimated fair value per option	\$0.21	\$0.17

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

### Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Outstanding, December 31, 2023</b>	<b>36,305,975</b>	<b>\$ 0.249</b>
Issued	17,316,250	\$ 0.329
Expired	(653,500)	\$ 0.273
<b>Outstanding, December 31, 2024</b>	<b>52,968,725</b>	<b>\$ 0.275</b>
Issued	15,414,451	\$ 0.426
Exercised	(2,060,028)	\$ 0.200
Expired	(2,937,200)	\$ 0.350
<b>Outstanding, December 31, 2025</b>	<b>63,385,948</b>	<b>\$ 0.311</b>

The estimated remaining life of the warrants at December 31, 2025 is 1.2 years (December 31, 2024 - 1.8 years).

Outstanding and exercisable warrants:

Expiry Date	Exercise Price	December 31, 2025	December 31, 2024
December 15, 2025	\$ 0.350	-	497,200
February 28, 2026	\$ 0.350	224,000	24,000
April 19, 2026	\$ 0.200	16,347,158	18,407,186
July 13, 2026 <sup>(1)</sup>	\$ 0.279	5,002,517	5,002,517
July 13, 2026 <sup>(1)</sup>	\$ 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
July 23, 2028	\$ 0.300	597,787	-
July 25, 2028	\$ 0.450	11,926,664	-
December 5, 2028	\$ 0.395	250,000	-
<b>Outstanding and exercisable</b>		<b>63,385,948</b>	<b>52,968,725</b>

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

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During the year ended December 31, 2025, the Company issued 2,640,000 warrants for conversions of convertible debentures (Note 10). The Company issued 2,060,028 common shares resulting from warrants and broker warrants exercised (Note 12).

In connection with the December 2025 unsecured debentures (Note 9), 250,000 non-transferable warrants were issued, which are exercisable to purchase on additional common share at \$0.395 per share until December 5, 2028.

In connection with the July 2025 private placement (Note 12), the Company issued 597,787 broker warrants with a fair value of \$141,258, which are exercisable to acquire one common share at \$0.30 until July 23, 2028.

Subsequent to the end of the year, 450,000 warrants were issued (Note 24), 4,413,178 warrants were exercised, and 11,933,980 warrants expired. In connection with the extension of the February 2023 Tranche, the Company also extended the expiry date of the 224,000 Warrants to February 28, 2027 (Notes 10, 24).

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

Years ended December 31	2025	2024
Expected volatility	93%	121%
Risk-free interest rate	2.83%	3.91%
Expected life	3 years	3 years
Dividend yield	-	-
Range of exercise prices	\$0.30	\$0.30 - \$0.35
Range of share prices on date of issuance	\$0.37	\$0.12 - \$0.22
Estimated fair value per warrant	\$0.14	\$0.13

### 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 December 31, 2025, up to 13,700,000 of the issued and outstanding common shares could be issued under the 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 vesting date by the performance factor achieved during the performance period. The fair value is determined using the stock price at the date of grant.

Issued RSUs and PSUs outstanding at December 31, 2025:

	Vesting Date	Issued	Cash-settled	Equity-settled
2024 RSUs	September 19, 2026	347,676	-	347,676
2024 RSUs	November 25, 2026	155,000	-	155,000
2025 RSUs	July 9, 2026	268,611	-	268,611
2025 RSUs	July 9, 2027	268,611	-	268,611
2025 PSUs	July 9, 2026	598,694	-	598,694
2025 PSUs	July 9, 2027	598,694	-	598,694
<b>Total RSUs and PSUs</b>		<b>2,237,286</b>	<b>-</b>	<b>2,237,286</b>

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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
<b>Total RSUs and PSUs</b>		<b>2,464,081</b>	<b>142,381</b>	<b>2,321,700</b>

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

On July 9, 2025, the Company granted a total of 537,222 equity-settled RSUs and 1,197,388 equity-settled PSUs to certain directors, officers, and employees. The RSUs and PSUs vest 50% each year following the award date.

During the year ended December 31, 2025, certain cash-settled PSUs vested. A total of \$12,821 was settled in cash (December 31, 2024 - \$74,607) with the remaining \$38,294 recognized as equity-based compensation payable at the end of the year (December 31, 2024 - \$51,882).

Certain equity-settled PSUs and RSUs vested during the year ended December 31, 2025. A total of 1,819,025 common shares were issued to employees upon vesting (December 31, 2024 - 1,656,527).

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, \$63,281 of which were paid out during the year ended December 31, 2025, and \$185,000 paid during the year ended December 31, 2024. As at December 31, 2025, a total of \$222,318 of the bonuses payable net of forfeitures remain accrued and presented within current accounts payable and accrued liabilities (December 31, 2024 - \$190,399).

During the year ended December 31, 2025, total compensation recognized for the vested RSUs and PSUs was \$480,720, of which \$95,200 is presented as wages and benefits, and the remaining \$385,520 is presented as share-based compensation in the consolidated statement of loss and comprehensive loss (December 31, 2024 - \$662,538, of which \$375,399 is presented as wages and benefits, and \$287,139 is presented as share-based compensation).

### 15. REVENUE

Revenue at Empower Calgary is generated primarily from tipping fees charged for the collection of post-consumer asphalt shingles and manufacturing shingle tear-offs delivered to the facility. For the year ended December 31, 2025, revenues were comprised mainly of tipping fees, plus early-stage recovered asphalt sales. Revenue is recognized when the related shingle collection services are provided, in accordance with IFRS 15 *Revenue from Contracts with Customers*.

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As commercial operations have not yet commenced, the Company does not expect to generate material revenue from the sale of recovered asphalt, aggregate, fibre or related products until ramp up to commercial operations is achieved.

### 16. PRE-COMMERCIAL OPERATING COSTS

Prior to the commencement of commercial production at Empower Calgary, certain facility-level operating costs, including labour, rent, utilities, insurance, site services, maintenance and other operating expenditures, are expensed as incurred. These costs relate to early operational readiness activities and ongoing facility operation prior to achieving design based commercial production levels. As these costs do not meet the criteria for capitalization under IAS 2 *Inventories*, they are presented within operating expenses. These pre-commercial operating costs are expected to transition to cost of sales once following ramp up of operations.

### 17. GENERAL & ADMINISTRATIVE EXPENSES

Years ended December 31	2025	2024
Wages, benefits and director fees (Note 16)	\$ 2,974,519	\$ 2,437,213
Professional fees	957,271	595,139
Consulting fees	690,442	90,985
Advertising, marketing and investor relations	582,171	529,950
Travel	120,795	156,349
Transfer agent and regulatory fees	110,697	37,794
IT and communications	246,222	86,377
Office and administration	27,045	46,695
	\$ 5,709,162	\$ 3,980,502

### 18. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) As at December 31, 2025, accounts payable and accrued liabilities include \$1,009,312 (December 31, 2024 - \$350,837) owing to key management personnel related to annual performance bonuses, salary deferrals and expense reimbursements. 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:

Years ended December 31	2025	2024
Wages, benefits and director fees	\$ 1,508,333	\$ 2,101,246
Share-based compensation	695,402	466,117
	\$ 2,203,735	\$ 2,567,363

- (c) During the year ended December 31, 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 year ended December 31, 2025, the Company issued 1,483,708 (December 31, 2024 - 1,088,591) common shares to key management personnel for equity-settled RSUs and PSUs - 644,617 and 839,091 common shares, respectively (December 31, 2024 - 249,499 and 839,092 common shares for equity-settled RSUs and PSUs, respectively).

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- (e) Subsequent to the end of the year, the Company entered into unsecured promissory note agreements totaling \$400,000 with certain related parties. The notes bear interest at 9% per annum, includes a 2% repayment premium, and are repayable no later than May 29, 2027 (Note 24).

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

Years ended December 31	2025	2024
Changes in non-cash working capital items:		
GST receivables	\$ 339,594	\$ (321,858)
Receivables	(30,701)	(71,736)
Inventories	(104,885)	-
Prepays	159,245	(165,747)
Accounts payable and accrued liabilities	(1,207,648)	2,109,928
Transaction costs	-	986,239
	(844,395)	2,536,826
Changes in non-cash working capital relating to:		
Operating	1,073,163	597,472
Investing	(1,810,558)	1,939,354
Financing	(107,000)	-
	\$ (844,395)	\$ 2,536,826

Significant non-cash transactions during the year ended December 31, 2025 includes \$782,119 of accounts payable and accrued liabilities related to property, plant and equipment (2024 - \$2,610,063).

### 20. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Capital management

The Company is exposed to liquidity risk arising from its obligation to meet financial liabilities as they come due. As at December 31, 2025, the Company had a working capital deficiency of \$6,546,505 and a shareholders' deficit of \$9,151,098, which indicates a reliance on continued access to external financing and the ongoing support of its shareholders and creditors until Empower Calgary attains steady state operations and positive cash flows. The Company's ability to discharge its obligations in the normal course of operations is dependent upon securing additional funding, generating positive operating cash flows, or restructuring the timing of certain liabilities. Management monitors cash flows on an ongoing basis and evaluates financing alternatives to ensure that sufficient liquidity is maintained to meet operational and contractual requirements. 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.

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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 December 31, 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 December 31, 2025, the Company had a working capital deficiency of \$6,546,505 (December 31, 2024 – working capital surplus of \$3,763,913). 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 because interest rates are fixed.

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 December 31, 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 \$17,276 (December 31, 2024 – \$17,056). The Company does not hedge its risk from changes in foreign currency exchange rates as exposure is minimal at this time.

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### Fair value measurements recognized on the consolidated statement of financial position

The financial instruments recognized on the consolidated statement of financial position are comprised of cash and cash equivalents, receivables, accounts payable and accrued liabilities, equity-based compensation payable, loans payable, convertible debentures, and royalty debenture.

The carrying values of cash, receivables, accounts payable and accrued liabilities, equity-based compensation payable 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 following fair values are based on Level 3 inputs to fair value measurement:

As at December 31	2025		2024	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Recurring measurements:				
Financial liabilities				
Convertible debentures	\$ 6,782,459	\$ 7,661,391	\$ 7,410,591	\$ 7,410,591
Royalty debenture	\$ 15,898,050	\$ 15,898,050	\$ 14,420,000	\$ 14,420,000

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 fair value of the convertible debentures are based on Level 3 inputs and determined based on the best available information at the measurement date, incorporating observable market data and adjustments for current market conditions such as prevailing interest rates, credit spreads, and equity price levels.

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.

During the year ended December 31, 2025 and 2024 there have been no transfers of amounts between Level 1, Level 2, and Level 3 of the fair value hierarchy.

## 21. 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.

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### 22. 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 December 31, 2025:

	2026	2027	2028	2029	2030	Thereafter	Total
Northstar <sup>(i)</sup>	\$ 31,284	\$ 31,284	\$ 31,284	\$ 31,284	\$ 2,607	\$ -	\$ 127,743
Empower Calgary <sup>(ii)</sup>	133,000	133,000	133,000	133,000	133,000	1,064,000	1,729,000
Empower Delta <sup>(iii)</sup>	267,408	267,408	267,408	267,408	267,408	2,674,075	4,011,115
	<b>\$ 431,692</b>	<b>\$ 431,692</b>	<b>\$ 431,692</b>	<b>\$ 431,692</b>	<b>\$ 403,015</b>	<b>\$ 3,738,075</b>	<b>\$ 5,867,858</b>

- (i) Estimated 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) Estimated 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) Estimated 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.

### 23. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2025	2024
Loss before tax	\$ (14,751,864)	\$ (9,822,925)
Expected income tax (recovery)	(3,983,003)	(2,652,190)
Permanent differences and other	674,082	267,148
Adjustment to prior year provision versus statutory tax returns and expiry of non-capital losses	247,041	363,812
Share issuance costs	(83,750)	-
Change in unrecognized deductible temporary differences	3,145,630	1,531,125
<b>Total income tax recovery</b>	<b>\$ -</b>	<b>\$ (490,105)</b>

The total income tax recovery comprises of the following:

	2025	2024
Income tax credit expense (recovery)	\$ -	\$ -
Deferred tax expense (recovery)	-	(490,105)
<b>Total income tax recovery</b>	<b>\$ -</b>	<b>\$ (490,105)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2025	2024
Deferred tax assets (liabilities)		
Non-capital losses	\$ 626,000	\$ 1,003,000
Lease liability	3,839,000	2,170,000
Right-of-use assets	(3,916,000)	(2,360,000)
Convertible debentures	(473,000)	(737,000)
Property and equipment	(19,000)	(19,000)
Loans payable	(57,000)	(57,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2025	Expiry Date Range	2024	Expiry Date Range
Temporary differences				
Right-of-use assets, net investment in sublease, and lease liabilities	\$ 684,601	No expiry date	\$ 162,024	No expiry date
Property and equipment	3,999,959	No expiry date	3,553,582	No expiry date
Share issuance and finance costs	1,280,301	2046 to 2049	1,518,523	2045 to 2048
Accrued liabilities	-	No expiry date	1,000,000	No expiry date
Royalty debenture	1,898,050	No expiry date	420,000	No expiry date
Lease prepayment	933,333	No expiry date	-	No expiry date
Non-capital losses	33,033,192	2031 to 2045	22,142,444	2031 to 2044

Tax attributes are subject to review, and potential adjustment, by tax authorities.

### 24. SUBSEQUENT EVENTS

On January 28, 2026, the Company completed the second tranche of a non-brokered financing for gross proceeds of \$1,000,000, consisting of 200 units. Each unit comprises a \$5,000 unsecured debenture and 2,500 detachable non-transferable warrants with an exercise price of \$0.35 per warrant and a 36-month term. The debentures bear interest at 9% per annum, payable semi-annually, and interest may be settled in cash or in common shares at a deemed price equal to the ten-day VWAP prior to the interest payment date. The debentures are unsecured (Note 9). On February 28, 2026, a former holder of Feb 2023 Tranche debentures who had previously agreed to convert their remaining \$100,000 of principal under the Feb 2023 convertible debenture Tranche into this debenture, agreed to convert such debenture back to a convertible debenture on the same terms as remaining for the Feb 2023 Tranche. The economic effect of this transaction is that the total outstanding principal of this debenture is \$900,000. Additionally, 50,000 warrants previously issued pursuant to the debenture were forfeited and surrendered.

Effective February 28, 2026 the Company entered into agreements to extend the maturity date of \$525,000 in February 2023 Tranche of convertible debentures from the original maturity date of February 28, 2026 to February 28, 2027, with all terms associated with the February 2023 Tranche remaining unchanged. Under the February 2023 Tranche, the Company originally raised \$625,000, \$100,000 of which were converted. Pursuant to prior conversions of the February 2023 Tranche, 200,000 common share purchase warrants are currently outstanding (the "Warrants"). In connection with the extension of the February 2023 Tranche, the Company

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the years ended December 31, 2025 and 2024

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also extended the expiry date of the Warrants to February 28, 2027. The Company also issued 118,750 common shares to satisfy the interest owing at February 28, 2026 of \$23,750 related to the February 2023 Tranche. Of the total shares, 12,500 common shares were issued to related parties (Note 10).

Between February 26, 2026 and March 26, 2026, the Company entered into unsecured promissory note agreements totalling \$400,000 with certain related parties. The notes bear interest at 9% per annum, include a 2% repayment premium, and are repayable no later than May 29, 2027 (Notes 9, 18).

On March 31, 2026, the Company closed the first tranche of a US\$10,000,000 (\$13,617,000) non-brokered private placement of unsecured convertible debentures, for gross proceeds of US\$9,000,000 (Tranche 1). The remaining US\$1,000,000 closed on April 2, 2026. The debentures bear interest at 8% per annum, payable semi-annually in cash commencing June 30, 2026, with the Company having the option, subject to TSX Venture Exchange approval, to satisfy interest by issuing Common Shares at the 30-day volume weighted average trading price converted to US dollars at the 30-day average Bank of Canada exchange rate immediately preceding interest payment date. The principal is convertible at the holder's option at any time during the 5-year term at US\$0.20 (\$0.27) per Common Share. The convertible debentures and any common shares issuable upon conversion of the principal are subject to statutory hold period expiring on July 31, 2026. The Company has the right to force conversion if its share price exceeds \$0.75 for 90 consecutive trading days. In connection with the Tranche 1, the Company paid finder's fees, satisfied through the issuance of approximately 4.1 million common shares at a price of \$0.20 per common share, subject to statutory hold period.