

Northstar Announces \$14.0 Million Royalty Transaction With Cvw Cleantech

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Highlights

- \$14.0 million in a secured convertible debenture, convertible into royalties on two future Northstar facilities
- Rapidly accelerates Northstar's future growth plan
- Adds future financing optionality for Northstar assets
- Adds a reputable long-term financing partner
- Virtual investor webinar Thursday, August 8, 2024 at 6:00am PT - see link here

VANCOUVER, BC and CALGARY AB, Aug. 7, 2024 /CNW/ - Northstar Clean Technologies Inc. (TSXV: ROOF) (OTCQB: ROOOF) ("Northstar") is pleased to announce effective today it has entered into a definitive agreement with [CVW CleanTech Inc.](#) (TSXV: CVW) (OTCQX: CVWFF) ("CVW CleanTech"), pursuant to which CVW CleanTech will provide Northstar with \$14.0 million in funding (the "Transaction") through a five-year 10.0% second secured convertible debenture (the "Royalty Debenture") convertible into revenue royalties on two Northstar facilities.

Experience the full interactive Multichannel News Release here:

<https://www.multivu.com/players/English/9270551-northstar-announces-royalty-transaction-cvw-cleantech-fund-expans>

The Transaction will be separated into two funding tranches from CVW CleanTech to Northstar:

- \$1.5 million has been advanced (the "Initial Debenture") by CVW CleanTech for a five-year 10% unsecured debenture issued by Northstar that is convertible into a royalty agreement applicable to the next Northstar operating facility after the Calgary facility ("Empower Calgary").
- An additional \$12.5 million, subject to certain conditions precedent, including CVW CleanTech completing an equity financing (the "CVW CleanTech Financing") prior to September 30, 2024, and Business Development Bank entering into a Subordination Agreement with Northstar and CVW and regulatory approvals, at which time the Initial Debenture will be replaced by the Royalty Debenture in the amount of \$14.0 million (less the accrued and unpaid interest on the Initial Debenture). Upon the achievement of certain production milestones, the Royalty Debenture will convert the full principal of the Royalty Debenture into two, equal royalty interests in the next two of Northstar's planned asphalt shingle reprocessing facilities ("Empower 3" and "Empower 4") after Empower Calgary. The royalty interests and their respective royalty rates would be subject to adjustment for capitalized or accrued and unpaid interest, if any.

Mr. Aidan Mills, President & CEO and Director of Northstar, stated, "The proposed Transaction with CVW CleanTech will be transformational for Northstar. Firstly, the closing of the \$14.0 million in funding will rapidly accelerate the development of our next two facilities and reduce Northstar's requirement for near term equity capital raising to fund our growth. Secondly, the Transaction will add considerable financing optionality to the Northstar development program, offering Northstar the option, but not the obligation, to work with CVW CleanTech to add royalty financing to future facilities. Finally, the Transaction will add a reputable and sophisticated long-term partner in CVW CleanTech who has both technical expertise and support from the highly successful entrepreneurs that make up its leadership team."

Mr. Akshay Dubey, CEO and Director of CVW CleanTech, stated, "As part of our commitment to create shareholder value, we are excited to launch our diversification strategy to create a leading clean tech royalty

platform by announcing our first cleantech royalty transaction and partner with Northstar Clean Technologies. We believe Northstar is one of the most exciting companies in the cleantech space in Canada that has developed a proprietary technology to reprocess shingles destined for landfills to produce commodities the world needs which is strongly aligned with our values of creating value from waste. Through extensive technical, legal and commercial due diligence, it was clear to us that Aidan and his team have significantly de-risked their technology through diligent piloting and are only a few quarters away from commercialization at their first commercial facility in Calgary. We are excited to support Northstar and its management team to accelerate their future growth to implement this technology across North America."

Strategic Rationale to Northstar

- Immediate funding of Northstar development program for Empower 3 and Empower 4
- Increased flexibility managing working capital for Empower Calgary and Northstar development costs
- Deal structured without equity dilution or warrants issued
- Long-term, five-year investment by CVW CleanTech, convertible into royalties on operating facilities
- Adds future financing optionality for Northstar assets:
 - For Empower 5 onwards, royalty financing can be added to the funding structure if desired by both parties but not obligated under the terms of the transaction
 - Deployable alongside debt partners through intercreditor arrangements
 - Has the potential to reduce equity requirement for asset level development
- Adds a new strategic investment partner for Northstar

Key Transaction Terms

- Structure: secured royalty debenture convertible into gross revenue royalties
- Principal amount: Approximately \$14 million
- Maturity: five years
- Coupon rate: 10.0% annual coupon rate, which may be capitalized at Northstar's option during the first three years of the term of the debenture
- Conversion to royalty: 50% of the principal balance will automatically convert into a revenue royalty on Empower 3 and the remaining balance will automatically convert into a revenue royalty on Empower 4 upon each facility reaching commercial production and financial thresholds. The principal balance (including accrued and unpaid interest) will convert into a revenue royalty at a conversion at a ratio of 1.7143% royalty interest for each \$1 million converted, resulting in a 12.0% revenue royalty on each of Empower 3 and Empower 4, assuming no capitalization of semi-annual coupons
- If either or both of Empower 3 and Empower 4 do not meet production thresholds during the conversion period of the Royalty Debenture, then the balance may, at CVW CleanTech's option, be converted into a royalty on Empower 2 and intercreditor arrangements have been made with the Company's senior lender to facilitate such a conversion
- Minimum fixed charge coverage ratio: payment of any royalties will be subject to a minimum fixed charge coverage ratio on any underlying facility with a royalty, which will cause royalty payments to be deferred and paid later when the ratio can be maintained
- Security: second lien security positions on the existing assets of Northstar, Empower Environmental Solutions Calgary Ltd., Empower Environmental Solutions Ltd. and the future assets of Empower 3 and Empower 4
- ROFR: CVW CleanTech receives a ROFR for royalty funding on 5 facilities entering royalty transactions after Empower 4. CVW CleanTech receives a ROFO for any additional plants entering royalty transaction after the first 5 facilities.
- Royalty Repurchase Right: If Northstar enters into a change of control transaction with a purchaser involved in the collection of waste shingles and/or use of asphalt oil in their manufactured products, Northstar will have the right to purchase 100% of the royalty on each facility for a purchase price equal to the greater of : (i) the amount that represents a 30% internal rate of return in favour of the royalty owner until the 5th anniversary of the commencement of the royalty agreement, thereafter decreasing daily in a linear fashion to a 20% internal rate of return in favour of the royalty owner by the 10th anniversary; and (ii) a multiple of 2.0 times the dollar value of the Royalty Debenture that was converted into the royalty agreement interest. A similar repurchase right formula applies to any outstanding balance under the Royalty Debenture at the time of a change of control transaction.

Use of Proceeds

For working capital requirements and other general corporate purposes, expected to include business development to support future site selection and facility build-out.

Advisors

Fort Capital Securities Ltd. is acting as financial advisor to the Company on the Transaction and is to be paid a cash commission equal to 6.0% on gross proceeds received by the Company. Clark Wilson LLP is acting as legal counsel to the Company on the Transaction. Osler, Hoskin & Harcourt LLP is acting as legal counsel to CVW CleanTech on the Transaction.

Approvals

Closing of the Transaction is subject to regulatory approval, including that of the TSX Venture Exchange (the "TSXV"). All securities issued in connection with the Transaction will be issued in reliance on prospectus exemptions.

Closing

Closing of the Transaction is expected to occur around the middle of September 2024 but not later than September 30.

Investor Webinar

To discuss the Transaction, the Company will host a virtual investor webcast and corporate update to the investment community on Thursday, August 8, 2024, at 06:00 PST / 09:00 EST. Details are provided below.

Title: Northstar Clean Technologies Corporate Update: CVW Transaction

Date: Thursday, August 8, 2024

Time: 06:00 PST / 09:00 EST

Registration: https://us06web.zoom.us/webinar/register/6017204711239/WN_ig0K7vcHQyGEXvYLiunaUA

Approximately two hours after the Q&A session has ended, an archived version of the webcast will be available via the webcast URL above.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any state in which such offer, solicitation or sale would be unlawful. The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended (the "1933 Act") and may not be offered or sold to, or for the account or benefit of, persons in the United States or "U.S. persons" (as such term is defined in Regulation S under the 1933 Act) absent registration or an applicable exemption from the registration requirements of the 1933 Act any application state securities laws.

About CVW Cleantech

CVW CleanTech's vision is to invest in innovative technologies which provide returns linked to commodities and which operate in a sustainable manner that helps accelerate the world's transition to net zero. CVW CleanTech is in the process of building a portfolio of royalty-based cash flow streams by partnering with clean technology innovators in the commodity space. CVW CleanTech is the 100% owner of its proprietary technology, Creating Value from Waste™ ("CVW™"), which is designed to recover bitumen, solvents, critical minerals, and water from oil sands froth treatment tailings, which would reduce tailings pond fugitive methane emissions, volatile organic compounds ("VOCs"), and enhance tailings management.

About Northstar

Northstar Clean Technologies Inc. is a Canadian clean technology company focused on the sustainable recovery and reprocessing of asphalt shingles. Northstar has developed a proprietary design process for taking discarded asphalt shingles, otherwise destined for already over-crowded landfills, and extracting the

liquid asphalt for use in new hot mix asphalt, shingle manufacturing and asphalt flat roof systems, and aggregate and fiber for use in construction products and other industrial applications. Focused on the circular economy, Northstar plans to reprocess used or defective asphalt shingle waste back into its three primary components for reuse/resale at its first commercial scale up facility in Calgary, Alberta. As an emerging innovator in sustainable processing, Northstar's mission is to be the leader in the recovery and reprocessing of asphalt shingles in North America, extracting the recovered components from asphalt shingles that would otherwise be sent to landfill.

For further information about Northstar, please visit www.northstarcleantech.com.

On Behalf of the Board of Directors,
Aidan Mills
President & CEO, Director

Cautionary Statement on Forward-Looking Information

This press release may contain forward-looking information within the meaning of applicable securities legislation, which forward-looking information reflects the Company's current expectations regarding future events. Forward-looking statements are often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions. Forward-looking statements in this press release include statements concerning: CVW CleanTech closing the CVW CleanTech Financing; the closing of the Transaction; TSXV approval of the Transaction; the use of proceeds of the Transaction; the anticipated transformative impacts to Northstar as described herein; the expected transformative nature of the Transaction; the acceleration of business development that is anticipated from the Transaction; expansion plans; and the anticipated reduction in dependence on future capital raising activities. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements, including: risks related to factors beyond the control of the Company; inability of CVW CleanTech to close the CVW CleanTech Financing; inability to close the Transaction for any reason; and the risks and uncertainties which are more fully described under the heading "Risk Factors" in the Company's annual and quarterly management's discussion and analysis and other filings with the Canadian securities regulatory authorities under the Company's profile on SEDAR+. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. The Company does not undertake any obligation to update such forward-looking information whether because of new information, future events or otherwise, except as expressly required by applicable law. Northstar Investor Relations Inquiries: Kin Communications, Phone: 604 684 6730, Email: ROOF@kincommunications.com

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