CVW CleanTech Inc.
(Previously Titanium Corporation Inc.)

Financial Statements
Years Ended December 31, 2023 and December 31, 2022

Independent auditor's report

To the Shareholders of CVW CleanTech Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CVW CleanTech Inc. (the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's financial statements comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of loss and comprehensive loss for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit 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 financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in

PricewaterhouseCoopers LLP
Suncor Energy Centre, 111 5th Avenue South West, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T.: +1 403 509 7500, F.: +1 403 781 1825, Fax to mail: ca_calgary_main_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Initial recognition of option grants and the amount of stock-based compensation expense to be recognized *Refer to note 3 – Material accounting policies and note 8 – Equity-based compensation to the financial statements.* For the year ended December 31, 2023, the Company recognized $1.57 million of stock-based compensation expense related to options that were granted in June 2023 and September 2022. The stock-based compensation expense for options with market and non-market performance criteria is based upon the estimated fair value of those instruments at the time of grant using Monte Carlo simulations. The significant assumption used by management in the Monte Carlo simulation for the options granted in June 2023 was the expected volatility rate. The options require either market or non-market performance criteria (together the specific performance criteria) to be met in order to vest. Where an option grant includes non-market performance criteria as a vesting condition, the number of options expected to vest each year is considered at each reporting date to determine the stock-based compensation expense for the year. Significant judgment is used to determine the likelihood the specific performance criteria will be achieved. We considered this a key audit matter due to (i) the judgment made by management in determining both the initial fair value of the options granted during the year and the stock-based compensation expense for the year; (ii) a high degree of auditor	Our approach to addressing the matter included the following procedures, among others: • With the assistance of professionals with specialized skill and knowledge in the field of valuation, developed an independent point estimate of the initial fair value of the options granted in June 2023 based on data and assumptions used by management as well as tested the underlying data and significant assumptions used in developing the independent point estimate. • Compared the independent point estimate to management's estimate to evaluate the reasonableness of management's estimate. • Tested how management determined the stock-based compensation expense for the year related to the options granted in June 2023 and September 2022, which included the following: – For non-market performance criteria, evaluated the reasonableness of the number of options expected to vest each year, which is based on the determination of the likelihood that the non-market performance criteria will be achieved, by considering (i) the information obtained from discussions with executives and corroborating that information to supporting documents; (ii) the Board of Directors approved budgets; and (iii) historic funding achieved.

judgment and subjectivity in performing procedures; and (iii) the audit effort which involved the use of professionals with specialized skill and knowledge in the field of valuation.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 financial statements

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

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 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 Kory Wickenhauser.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
April 18, 2024

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Statements of Financial Position

Expressed in Canadian dollars

	Notes	As at December 31, 2023 $	As at December 31, 2022 $
Assets			
Current assets			
Cash and cash equivalents		6,003,340	6,958,336
Prepaid expenses and other assets		54,572	30,348
Accounts receivable	4	216,803	73,347
Total current assets		6,274,715	7,062,031
Long-term assets			
Property, plant and equipment	5	16,107	6,635
Total assets		6,290,822	7,068,666
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		673,716	326,856
Current portion of lease liabilities	6	1,596	-
Total current liabilities		675,312	326,856
Non-current liabilities			
Lease liabilities	6	3,948	-
Total liabilities		679,260	326,856
Equity			
Share capital	7	86,079,458	83,739,554
Contributed surplus		23,409,252	23,178,065
Deficit		(103,877,148)	(100,175,809)
Total equity		5,611,562	6,741,810
Total liabilities and equity		6,290,822	7,068,666

Commitments	14
Subsequent events	18

Approved by the Board of Directors

(signed) "Darren Morcombe", Director

(signed) "Jennifer Kaufield", Director

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

Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

	Notes	Year ended December 31, 2023 $	Year ended December 31, 2022 $
			(Reclassified - see Note 16)
Expenses			
Compensation and benefits		1,235,572	1,370,299
Professional fees		290,091	275,671
Consulting fees		238,354	109,799
Director fees		217,730	234,251
Investor communication and marketing		188,888	54,473
Office and administration		134,499	172,894
Transfer agent and regulatory fees		115,368	94,819
Engineering and analysis		2,670	81,622
Stock-based compensation		1,569,539	2,109,946
Amortization	5	4,928	-
Operating loss		3,997,639	4,503,774
Interest and other expenses	17	2,481	2,376
Interest income		(298,781)	(101,547)
Net loss and comprehensive loss		(3,701,339)	(4,404,603)
Basic and diluted loss per share	9	(0.03)	(0.04)

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

Statements of Changes in Equity

Expressed in Canadian dollars

	Share capital $	Contributed surplus $	Deficit $	Total equity $
Balance – January 1, 2022	75,641,635	19,247,886	(95,771,206)	(881,685)
Loss for the year ended December 31, 2022	-	-	(4,404,603)	(4,404,603)
Private placements – shares and warrants	6,345,091	-	-	6,345,091
Proceeds allocated to warrants	(4,707,735)	4,707,735	-	-
Stock-based compensation expense	-	2,109,946	-	2,109,946
Stock options exercised	4,266,187	(1,715,586)	-	2,550,601
Conversion of warrants	2,259,761	(742,160)	-	1,517,601
Expiry of warrants	215,946	(215,946)	-	-
Conversion of DSUs	511,138	(511,138)	-	-
Equity issuance costs	(792,469)	297,328	-	(495,141)
Balance – December 31, 2022	83,739,554	23,178,065	(100,175,809)	6,741,810

	Share capital $	Contributed surplus $	Deficit $	Total equity $
Balance – January 1, 2023	83,739,554	23,178,065	(100,175,809)	6,741,810
Loss for the year ended December 31, 2023	-	-	(3,701,339)	(3,701,339)
Stock-based compensation expense	-	1,569,539	-	1,569,539
Stock options exercised	1,328,304	(541,949)	-	786,355
Conversion of warrants	430,499	(215,302)	-	215,197
Conversion of DSUs	476,652	(476,652)	-	-
Conversion of RSUs	104,449	(104,449)	-	-
Balance – December 31, 2023	86,079,458	23,409,252	(103,877,148)	5,611,562

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Statements of Cash Flows

Expressed in Canadian dollars

	Notes	Year ended December 31, 2023 $	Year ended December 31, 2022 $
Operating activities			
Net loss for the year		(3,701,339)	(4,404,603)
Items not affecting cash:			
Stock-based compensation		1,569,539	2,109,946
Amortization	5	4,928	-
Interest on lease liabilities	17	91	-
Total items not affecting cash		1,574,558	2,109,946
Net change in non-cash working capital items			
Prepaid expenses and other assets		(24,224)	(4,303)
Accounts receivable		(143,456)	109,660
Accounts payable and accrued liabilities		346,860	(20,087)
Deferred compensation		-	(1,151,576)
Total net change in non-cash working capital items		179,180	(1,066,306)
Cash used in operating activities		(1,947,601)	(3,360,963)
Investing activities			
Purchase of property, plant and equipment	5	(8,565)	(6,635)
Cash used in investing activities		(8,565)	(6,635)
Financing activities			
Private placements – shares and warrants		-	6,345,091
Stock options exercised	8	786,355	2,550,601
Conversion of warrants	7	215,197	1,517,601
Payment of lease liabilities		(382)	-
Equity issuance costs		-	(495,141)
Cash generated by financing activities		1,001,170	9,918,152
(Decrease) increase in cash and cash equivalents		(954,996)	6,550,554
Cash and cash equivalents – beginning of year		6,958,336	407,782
Cash and cash equivalents – end of year		6,003,340	6,958,336

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

1. Reporting entity and nature of operations

CVW CleanTech Inc. ("CVW CleanTech" or the "Company") is a clean technology innovator, working to develop sustainable technology solutions. On March 21, 2022, Titanium Corporation Inc. amended its articles and changed its name to CVW CleanTech Inc. The Company does not have any subsidiaries. The Company has developed a suite of technologies called Creating Value from Waste™ ("CVW™") that recovers bitumen, solvents, critical minerals, and water from oil sands froth treatment tailings while significantly reducing their emissions and enhancing tailings management.

The Company's principal business office is located at 305, 505 8th Avenue SW, Calgary, Alberta, T2P 1G2, while the registered office is located at Suite 2400, 525 8th Avenue, SW, Calgary, Alberta, T2P 1G1. The Company's common shares are listed on the TSX Venture Exchange under the ticker symbol "CVW".

2. Basis of presentation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). These financial statements were approved by the Board of Directors on April 17, 2024.

These financial statements are presented in Canadian dollars, which is the Company's functional currency. Certain prior year comparative figures have been reclassified to conform to current year presentation.

3. Material accounting policies

a. Measurement basis

These financial statements have been prepared on a historical cost basis, except as discussed in the material accounting policies below.

b. Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS Accounting Standards requires management to make critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. These estimates and judgements are re-evaluated regularly, based upon historical experience and other factors, including expectations of future events, as believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the actual results. Management considers the following areas to be those where critical accounting policies affect the significant estimates and judgements used in the preparation of the Company's financial statements.

i. Government assistance

Agreements for government assistance contain many conditions prior to cash amounts being provided. Some agreements provide a proportion of expenditures to be reimbursed, while others provide funding in advance of expenditures. Estimates about the timing of these expenditures and the dollar value involved are required. In addition, most government assistance contracts allow the funding agency to withhold a portion of funds until certain events occur. Determining the timing of these events, to reach reasonable assurance about the timing and amount to be collected from the funding agency, requires significant judgement.

ii. Stock options

The stock-based compensation expense for options with time-based vesting is based upon the estimated fair value of those instruments at the time of the grant using the Black-Scholes option pricing model. The stock-based compensation expense for options with market and non-market based performance criteria is based upon estimated fair value of those instruments at the time of grant using Monte Carlo simulations.

Measurement inputs to the Black-Scholes model and the Monte Carlo simulations include the share price on measurement date, exercise price, expected volatility, expected life, expected dividends, and the risk-free interest rate. Significant estimates and assumptions are used in determining the expected volatility rate. Changes to the assumptions could have a significant impact on the amounts recognized for equity-based compensation.

Where a stock option grant includes non-market performance criteria as vesting conditions, the number of awards expected to vest is considered at each reporting date. Significant judgement is used to determine the likelihood the specific non-market performance criteria will be achieved.

iii. Warrants

The value attributed to warrants is estimated at the grant date using the Black-Scholes model. Measurement inputs to the Black-Scholes model include the share price on grant date, exercise price, expected volatility, expected life, expected dividends and the risk-free interest rate for the expected life of the warrant. Significant estimates and assumptions are used in determining the expected volatility, and expected life. Changes to the input assumptions could have a significant impact on the value attributed to warrants.

c. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances net of outstanding cheques which have not cleared the bank at year end.

d. Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and to prepare the asset for its intended use. Amortization is recorded on a straight-line basis over the useful life determined for each asset class using the following useful lives:

Computer Hardware – 2 years
Office Equipment – 4 years

Useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

e. Internally generated intangible assets and research and development expenditures

Expenditures on research activities are recognized as an expense in the period in which they are incurred. Development costs are also expensed in the period incurred unless the Company believes these development projects meets generally accepted criteria for capitalization and amortization under IAS 38 Intangible Assets. The six criteria considered before capitalizing development costs include:

a. Ability to demonstrate technical feasibility to complete the asset so that it will be available for use or sale;
b. Demonstrated intention to complete the asset and use or sell it;
c. The ability to use or sell the asset;
d. Ability to demonstrate that the asset will generate probable future economic benefits, including the existence of a market or the usefulness of the asset if it is to be used internally;
e. The Company can access adequate technical, financial and other resources to complete the development for use or sale of the asset; and
f. The Company has the ability to readily measure expenditures attributable to the intangible asset.

f. Government assistance

Government grants and funding assistance are recognized when there is reasonable assurance that the Company will be able to comply with conditions in the respective contribution agreements and when there is reasonable assurance the funds will be received. The amounts are presented net of the associated expenditures.

In the case of government grants and funding contracts that span several years and include numerous milestones, the final holdbacks are recognized when application has been made to obtain the final holdbacks and there is reasonable assurance the amounts will be collected.

g. Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted or substantively enacted income tax rates. The effect of a change in income tax rates on deferred income tax liabilities and assets is recognized in income in the period in which the change is substantively enacted.

Deferred tax assets are recognized to the extent that future taxable income will be available against which temporary differences can be utilized.

h. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, warrants and stock options are recognized as a deduction from shareholders' equity, net of any tax effects.

Warrants are considered financial instruments classified as equity and are measured at fair value upon issuance. On exercise, the cash consideration received by the Company and the associated carrying value of the warrants are recorded as share capital.

i. Equity-based compensation

The Company has several equity-based compensation instruments which include stock options, restricted share units ("RSUs") and deferred share units ("DSUs").

i. Stock options

The fair value of stock options is recognized as stock-based compensation over the vesting period, with a corresponding increase in contributed surplus. On exercise, the cash consideration received by the Company and the contributed surplus are recorded as share capital.

ii. DSUs

As part of the Company's long-term incentives, the Company may issue DSUs per its Equity Incentive Plan ("EIP"). DSU awards vest immediately upon grant and are settled with the issuance of one common share for one DSU when a director's service ceases. The compensation expense for DSUs awarded is based on the fair value at the time the award is granted. The fair value means, at any date, the higher of (i) the weighted average price per share at which the common shares have traded on the TSXV during the last five trading days prior to the relevant date and (ii) the closing price of the common shares on the date prior to the relevant date. The expense is recognized in the Statements of Loss and Comprehensive Loss with a corresponding increase to contributed surplus within shareholders' equity. Upon redemption, the fair value of the award is reclassified from contributed surplus to share capital.

iii. RSUs

As part of the Company's long-term incentives for officers and other key employees, the Company may issue RSUs per its EIP. The RSU plan provides participants with the opportunity to acquire RSUs to participate in the long-term success of the Company. The vesting schedule for RSU awards is specified by the Board of Directors on the grant date. Once the award is vested, the RSU can be settled, at the option of the holder, with the issuance of one common share in exchange for one RSU. The compensation expense for RSUs awarded is based on the fair value of the award at the time of grant and amortized over the specified vesting period. The fair value means, at any date, the higher of (i) the weighted average price per share at which the common shares have traded on the TSXV during the last five trading days prior to the relevant date and (ii) the closing price of the common shares on the date prior to the relevant date. The expense is recognized in the Statements of Loss and Comprehensive Loss with a corresponding increase to contributed surplus, within shareholders' equity. Upon redemption, the fair value of the award is reclassified from contributed surplus to share capital.

j. Financial instruments

The Company's financial assets include cash and cash equivalents and accounts receivable. Financial liabilities include accounts payable and accrued liabilities.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

i. 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 (loss) income, or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of financial instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

ii. Measurement

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the Statements of Loss and Comprehensive 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 Statements of Loss and Comprehensive Loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive (loss) income.

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

iii. Impairment of financial assets at amortized cost

Financial assets at amortized cost
Financial assets are measured at amortized cost and are assessed at each reporting date using an expected credit loss model ("ECL") to determine whether the financial asset is impaired. The Company applies the simplified approach to providing for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable. A combination of historical and forward-looking information is used to determine the appropriate loss allowance provisions. ECLs are a probability-weighted estimate of all possible default events over the expected life of the financial asset which is based on credit quality since initial recognition of the financial asset.

Non-financial assets
Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units" or "CGUs"). Recoverable amount is the higher of an asset's fair value less costs to dispose and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Financial liabilities
The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities and deferred compensation. Such financial liabilities are classified as other liabilities and are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

k. Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of common shares outstanding, for the effects of all potentially dilutive common shares. The Company's potentially dilutive common shares comprise outstanding equity-based awards and warrants. The number of common shares included with respect to equity awards and warrants are computed using the treasury stock method.

l. Changes in accounting policy and new accounting pronouncements

i. Changes in accounting policy – statement presentation

According to IAS 1 – Disclosure of accounting policies, an entity must present an analysis of expenses recognized in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant. Prior to January 1, 2023, the Company elected to present its operating expenses by function. Effective January 1, 2023, operating expenses have been presented within the Statements of Loss and Comprehensive Loss by nature. This change was implemented to provide more relevant information regarding the Company's operations during each reporting period.

The comparatives for the year ended December 31, 2022 have been presented in the Statements of Loss and Comprehensive Loss by nature. A reconciliation between the two presentation methods has been provided in Note 16 for both the comparative period and current year values.

ii. New accounting pronouncements

The following revisions to IFRS Accounting Standards will apply to CVW CleanTech's financial disclosures commencing with the year ending December 31, 2024.

IAS 1 – Classification of liabilities
The amendments clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2024. The Company is currently assessing the impact of this amendment.

4. Accounts receivable

Accounts receivable includes $204,825 (December 31, 2022 - $73,347) of government holdbacks receivable from program grants. Additional government holdbacks have been recognized in the year as the related project has been completed, the Company believes it has met the conditions in the funding agreement, and there is reasonable assurance the funds will be received.

Expressed in Canadian Dollars

5. Property, plant and equipment

	Company Owned Assets		Right-of-Use Assets	
	Computer Hardware $	Office Equipment $	Office Premises $	Total $
Cost – January 1, 2022	-	-	-	-
Additions	6,635	-	-	6,635
Disposals	-	-	-	-
Cost – December 31, 2022	6,635	-	-	6,635
Additions	3,209	5,356	5,835	14,400
Disposals	-	-		-
Cost- December 31, 2023	9,844	5,356	5,835	21,035
Accumulated amortization – January 1, 2022	-	-	-	-
Amortization	-	-	-	-
Accumulated amortization – December 31, 2022	-	-	-	-
Amortization	4,429	207	292	4,928
Accumulated amortization – December 31, 2023	4,429	207	292	4,928
Net book value – December 31, 2022	6,635	-	-	6,635
Net book value – December 31, 2023	5,415	5,149	5,543	16,107

6. Lease liabilities

The Company currently has a leased office space.

	December 31, 2023 $	December 31, 2022 $
No later than one year	1,720	-
Later than one year and no later than three years	4,776	-
Total minimum lease payments	6,496	-
Less: Interest portion at an interest rate of 10% (2022: N/A)	952	-
Total lease liabilities	5,544	-
Less: current portion	1,596	-
Long-term portion	3,948	-

7. Share capital

	December 31, 2023		December 31, 2022	
	Common shares	Amount $	Common shares	Amount $
Balance, beginning of year	122,798,563	83,739,554	88,480,791	75,641,635
Private placements	-	-	26,166,664	6,345,091
Proceeds allocated to warrants	-	-	-	(4,707,735)
Stock options exercised	1,227,500	1,328,304	4,023,334	4,266,187
Conversion of warrants	717,500	430,499	3,146,500	2,259,761
Conversion of DSUs	648,072	476,652	283,002	215,946
Conversion of RSUs	200,000	104,449	698,272	511,138
Equity issue costs	-	-	-	(792,469)
Balance, end of year	125,591,635	86,079,458	122,798,563	83,739,554

Expressed in Canadian Dollars

On January 12, 2022, CVW CleanTech completed a private placement of equity units. Each unit consisted of one half warrant and one common share. A value of $3,783,154 was attributed to the 12,500,000 warrants ("January 2022 investor warrants"). The January 2022 investor warrants have an exercise price of $0.30 per share and a term to expiry of four years. Legal, regulatory, and financing costs were incurred totaling $719,948 relating to this transaction. This amount includes the fair value of the broker warrants and is included as equity issue costs in the table above.

In conjunction with this private placement, 1,500,000 warrants were issued to brokers for their assistance ("broker warrants"). The fair value attributed to these warrants, which are included as part of equity issue costs, was $297,323. These broker warrants were exercised in December 2022.

On October 19, 2022, CVW CleanTech completed a private placement of equity units. Each unit consisted of one warrant and one common share. A value of $924,581 was attributed to the 1,166,664 warrants ("October 2022 investor warrants"). The October 2022 investor warrants have an exercise price of $1.80 per warrant and a term to expiry of four years. Legal, regulatory and financing costs were incurred totaling $72,522 relating to this transaction, which are included as equity issue costs in the table above.

In May 2019, the Company issued 3,044,742 warrants ("2019 investor warrants") exercisable at $1.40 per common share. The term for the 2019 investor warrants expired in May 2022. During the life of these warrants, 521,500 were converted to common shares and 2,523,242 expired without conversion.

During the year, the Company issued an additional 2,793,072 shares as a result of the exercise of stock options and warrants, and the redemption of DSUs and RSUs. These transactions are disclosed further within this note and in Note 8.

Warrants

	December 31, 2023		December 31, 2022	
	Number of Warrants	Amount $	Number of Warrants	Amount $
Balance, beginning of year	12,541,664	4,873,227	3,044,742	610,330
Investor warrants issued	-	-	13,666,664	4,707,735
Broker warrants issued	-	-	1,500,000	297,323
Conversion of warrants	(717,500)	(215,302)	(3,146,500)	(742,161)
Expiry of warrants	-	-	(2,523,242)	-
Balance, end of year	11,824,164	4,657,925	12,541,664	4,873,227

During the year the Company issued no additional warrants (December 31, 2022 - 13,666,664 warrants issued to investors and 1,500,000 warrants issued to brokers). During the year, 717,500 warrants were exercised for proceeds of $215,197 (December 31, 2022 - 3,146,500 warrants exercised for proceeds of $1,517,601).

The fair values attributed to the warrants issued were determined using the Black-Scholes option pricing model, with the following inputs:

Expressed in Canadian Dollars

	October 19, 2022 Investor warrants	January 12, 2022 Investor warrants	Broker warrants	2019 Investor warrants
Risk free interest rate	3.58%	1.36%	1.01%	1.57%
Term to expiry	4 years	4 years	1 year	3 years
Expected life	4.0	4.0	1.0	3.0
Expected volatility	100%	100%	100%	75%
Fair value per warrant	$0.79	$0.30	$0.19	$0.20

8. Equity-based compensation

The Company uses its EIP to encourage ownership of common shares and to align the interest of its directors, officers, employees, and consultants with the longer-term interest of Company shareholders. The EIP is designed to advance the Company's interests by providing additional incentives for plan participants and to retain and attract valued directors, officers, employees, and consultants. The Company grants equity-based awards at the discretion of the Board of Directors.

The EIP is a "rolling" equity plan that includes stock options, DSUs and RSUs. The number of common shares issuable under all such plans at any time is limited to 10% (rolling) of the issued and outstanding common shares of the Company in the aggregate. The EIP was implemented on September 12, 2023 and is subject to annual approval by the Company's shareholders. All prior awards were continued under the EIP.

The total common shares issuable under the Company's EIP is calculated as follows:

	December 31, 2023	December 31, 2022
Equity award pool (10% of common shares outstanding)	12,559,164	12,279,856
Less awards outstanding:		
Stock options	(8,032,500)	(8,335,000)
DSUs	(370,739)	(1,018,811)
RSUs	(741,248)	(941,248)
Available pool	3,414,677	1,984,797

At December 31, 2023, an additional 3,414,677 equity instruments could be granted in the form of either stock options, DSUs and/or RSUs. At December 31, 2022, an additional 1,984,797 equity instruments could be granted. This includes a maximum of 1,437,160 DSUs, 1,514,723 RSUs or 1,984,797 stock options.

Stock options

	December 31, 2023		December 31, 2022	
	Number of stock options	Weighted average exercise price $	Number of stock options	Weighted average exercise price $
Balance, beginning of year	8,335,000	1.03	3,205,000	0.89
Granted	1,150,000	0.93	9,500,000	0.91
Exercised	(1,227,500)	0.64	(4,023,334)	0.63
Cancelled	-	-	(146,666)	0.86
Expired	(225,000)	0.92	(200,000)	1.37
Balance, end of year	8,032,500	1.07	8,335,000	1.03

Expressed in Canadian Dollars

In January 2022, 4.5 million stock options were granted to directors and officers of the Company with an exercise price of $0.46. These stock options required either a market or non-market based performance condition to be met in order to vest. The market price condition, for the underlying share price to trade at or above $1.25 for 90 consecutive days, was achieved in June 2022. As a result, the full amount of stock-based compensation expense of $1.44 million was recognized by June 30, 2022. At the grant date, the initial estimate for the vesting period was 30 months.

During September 2022, the Company appointed a new Chief Executive Officer. A component of their compensation plan included the grant of 5.0 million stock options. These stock options were granted in two tranches, with 2.4 million granted at an exercise price of $1.27 and 2.6 million granted at an exercise price of $1.35. Both tranches have five year expiry terms. These stock options will vest after a minimum of 18 months and after attaining certain non-market based performance or market-based conditions. The stock-based compensation expense relating to the September 2022 option grants is being recognized over periods ranging from 27 to 44 months, based on management's estimate of the date that the non-market performance criteria will be satisfied.

On June 19, 2023, 1.15 million stock options were granted to officers of the Company with an exercise price of $0.93 and a term of five years to expiry. These stock options will vest after a minimum of 18 months and after attaining certain non-market based performance or market-based conditions. The stock-based compensation expense relating to the June 2023 option grants is being recognized over periods ranging from 18 to 36 months, based on management's estimate of the date that the non-market performance criteria will be satisfied.

The fair value of the stock options granted during 2022 and 2023 were calculated using the Monte Carlo simulation methodology. The inputs to the model were:

Option grant date	**January 18, 2022**	**September 14, 2022**	**September 20, 2022**	**June 19, 2023**
Risk free interest rate	1.36%	3.39%	3.39%	3.75%
Term to expiry	5 years	5 years	5 years	5 years
Expected life	5.0	5.0	5.0	5.0
Expected volatility	100%	100%	100%	81%
Number of stock options	4,500,000	2,400,000	2,600,000	1,150,000
Fair value per option	$0.32	$0.88	$0.94	$0.54

The following table summarizes the stock options outstanding as at December 31, 2023:

Range of exercise price	**Number of stock options outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**	**Number of stock options exercisable**	**Weighted average remining contractual life (years)**	**Weighted average exercise price $**
$0.46 - $0.69	1,882,500	2.35	0.52	1,882,500	2.35	0.52
$0.70 - $0.93	1,150,000	4.47	0.93	-	N/A	N/A
$0.94 to $1.35	5,000,000	3.71	1.31	-	N/A	N/A
Total	8,032,500	3.50	1.07	1,882,500	2.35	0.52

Expressed in Canadian Dollars

Deferred share units

	December 31, 2023		December 31, 2022	
	Number of DSUs	Weighted average share price at time of grant $	Number of DSUs	Weighted average share price at time of grant $
Balance, beginning of year	1,018,811	0.75	1,769,616	0.75
Converted	(648,072)	0.74	(283,002)	0.76
Cancelled	-	-	(467,803)	0.75
Balance, end of year	370,739	0.77	1,018,811	0.75

During the year the Company granted nil (December 31, 2022 – nil) DSUs.

Restricted share units

	December 31, 2023		December 31, 2022	
	Number of RSUs	Weighted average share price at time of grant $	Number of RSUs	Weighted average share price at time of grant $
Balance, beginning of year	941,248	0.76	1,639,520	0.75
Converted	(200,000)	0.52	(698,272)	0.73
Balance, end of year	741,248	0.82	941,248	0.76

During the year the Company granted nil (December 31, 2022 – nil) RSUs.

9. Basic and diluted loss per share

	Year ended December 31, 2023	Year ended December 31, 2022
Net loss	$3,701,339	$4,404,603
Weighted average number common shares outstanding	124,283,778	116,196,283
Basic and diluted loss per share	$0.03	$0.04

The effect of all outstanding stock options, DSUs, and RSUs has not been included in the calculation of diluted weighted average number of shares outstanding as the effect would be anti-dilutive.

Expressed in Canadian Dollars

10. Income taxes

The tax recovery on the Company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the entity as follows:

	December 31, 2023 $	December 31, 2022 $
Net loss before income taxes	(3,701,339)	(4,404,603)
Tax recovery calculated at applicable statutory rates applicable to loss 23%	(851,308)	(1,013,059)
Change in temporary differences for which no deferred income tax asset was recognized	489,560	525,469
Stock-based compensation expense not deductible for tax purposes	360,994	485,288
Other expenses not deductible for tax purposes	754	2,302
Income tax expense or recovery	-	-

The components of the unrecognized deferred tax asset are as follows:

	December 31, 2023 $	December 31, 2022 $
Capital assets (tangible and intangible)	-	826,000
SR&ED expenditures	4,554,000	4,554,000
Deferred financing costs	73,000	99,000
Capital and non-capital losses	9,581,000	9,874,000
Balance, end of year	14,208,000	15,353,000
Deferred tax asset not recognized	(14,208,000)	(15,353,000)
Net deferred tax asset	-	-

Deferred income tax assets are recognized for loss carry-forwards and other deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. Based on this test, the Company did not recognize deferred income tax assets of $14,208,000 (December 31, 2022 – $15,353,000) in respect of tax losses and other deductible temporary differences amounting to $61,773,000 (December 31, 2022– $66,750,000) that can be carried forward and used to reduce future taxable income.

The Company has $41,651,000 (December 31, 2022 - $42,925,000) in non-capital losses available to offset future taxable income. The amounts expire between 2026 and 2043. The gross amount of non-refundable investment tax credits available to offset taxable income at December 31, 2023 is $19,800,000 (December 31, 2022 - $19,800,000). These amounts expire between 2024 and 2039.

11. Segment information

The Company has one reporting segment engaged in the commercialization of its proprietary CVW™ technology for the recovery of bitumen, solvent, critical minerals, and water from oil sands froth treatment tailings. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. All the Company's activities and assets are located in Canada.

Expressed in Canadian Dollars

12. Related party transactions

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. Compensation to corporate insider and directors of the Company for the year ended December 31, 2023 and 2022 are indicated below:

Corporate insiders

	Year ended December 31, 2023 $	Year ended December 31, 2022 $
Compensation and benefits	1,235,572	1,370,299
Consulting fees	115,000	86,250
Stock-based compensation	1,569,539	824,005
Total	2,920,111	2,280,554

Board of Directors

	Year ended December 31, 2023 $	Year ended December 31, 2022 $
Director fees	217,730	234,251
Stock-based compensation	-	1,285,941
Total	217,730	1,520,192

Accounts payable and accrued liabilities as at December 31, 2023 included $69,510 payable to corporate insiders and directors (December 31, 2022 - $43,970) in respect of the transactions identified above.

Under the terms of a consulting agreement, a company controlled by the Company’s former Chief Executive Officer will continue to provide services to the Company at an annual fee of $115,000 per annum. The contract is in place until February 2025.

One member of the Board of Directors is a partner in a law firm which provides legal services to the Company. Legal fees charged by this law firm during the year ended December 31, 2023 were $127,878 (December 31, 2022 - $256,371). Of the $256,371 charged during the year ended December 31, 2022, $132,025 was captured on the Statements of Financial Position as part of share issue costs, and the remainder was classified within professional fees.

13. Financial instruments and financial risk factors

The Company has for accounting purposes, designated its cash and cash equivalents and accounts receivable as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities for accounting purposes.

As of December 31, 2023 and December 31, 2022, the Company estimates that both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent because of the short-term nature of the assets and liabilities.

a. *Financial risk*

The Company's activities expose it to a variety of financial, credit, liquidity, and market risks, including interest rate and foreign exchange rate risks.

Financial risk management is carried out by the Company's management team with guidance from the Audit Committee and the Board of Directors. The Board of Directors also provides guidance for enterprise risk management.

b. *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, recovery of project costs, along with related holdbacks and receivables. Cash and cash equivalents are held with Canadian financial institutions with credit rating no lower than As. Management believes that the credit risk concentration with respect to cash is minimal. The recovery of project costs and related holdbacks receivable is dependent on the Company meeting milestone obligations under contribution agreements. Management believes that credit risk associated with funding commitments from government grant programs is low due to project governance, credit quality of participants, reporting requirements to achieve milestones and a strong history of collection.

c. *Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due by monitoring actual and projected cash flows. The Board of Directors reviews and approves the operating plan as well as material transactions outside the ordinary course of business. This oversight process is also supplemented by a continuous and detailed cash forecasting process. The Company is dependent on raising funds through the issuance of shares, loan facilities, government grants and/or attracting partners to undertake further development and commercialization of its technology. As at December 31, 2023, the Company had an aggregate cash balance of $6,003,340 to settle current liabilities of $675,312 (December 31, 2022 - Cash $6,958,336; liabilities $326,856). Most of the Company's financial liabilities have contractual terms of 30 days or less.

d. *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

i. *Interest rate risk*
The Company's current policy is to invest excess cash in interest bearing cash accounts, bankers' acceptances and guaranteed investment certificates issued by Canadian banks with credit ratings of As or higher. The Company periodically monitors its investments and the creditworthiness of the banks it holds investments in.

ii. *Foreign currency risk*
The Company's reporting and functional currency is the Canadian dollar, and most purchases are transacted in Canadian dollars. The Company does not hold any significant balances in foreign currencies which may give rise to exposure to foreign exchange risk. Any impact from fluctuations in foreign exchange rates would be minimal and therefore the Company does not hedge its foreign exchange risk.

Expressed in Canadian Dollars

14. Commitments

As of December 31, 2023, the Company is committed to the following future payments:

	Less than 1 year $	1 – 2 Years $	3 - 5 Years $
Total commitments	125,914	31,531	-

15. Capital management

The Company considers its equity as its capital. At December 31, 2023, the Company had total equity of $5,611,562 (December 31, 2022 – $6,741,810). The Company does not have any bank debt or externally imposed capital requirements. The Company's capital management objectives are to manage its cash and cash equivalents prudently; to minimize expenditures to ensure funds are available to continue to advance the commercialization of CVW™ projects; and to access available funding for commercialization. The Company reviews its capital management approach on an ongoing basis and believes that its current approach, given the relative size and stage of the Company, is appropriate.

16. Presentation of expenses

Presentation of comparative year Statements of Loss and Comprehensive Loss

The Company's operating expenses are presented by nature within the Statements of Loss and Comprehensive Loss for the year ended December 31, 2023. Prior to January 1, 2023, the Company presented its operating expenses by function. The tables below shows how the amounts are classified to conform to the current year presentation.

	General and administrative expenses(1) $								Research and development expenses(1) $				Other(1) $	Total Expenses(2) $
	Compensation and benefits	Director fees	Stock-based compensation	Consulting and professional fees	Rent, insurance and office	Travel	Investor relations and regulatory	Total	Projects and related expenditures	Compensation and benefits	Stock-based compensation	Total	Other (income)	Total Expenses
Compensation and benefits	595,569	-	-	9,538	2,508	-	-	607,615	-	762,684	-	762,684	-	1,370,299
Professional fees	-	-	-	251,024	-	-	-	251,024	24,647	-	-	24,647	-	275,671
Consulting fees	-	-	-	109,799	-	-	-	109,799	-	-	-	-	-	109,799
Director fees	-	234,251	-	-	-	-	-	234,251	-	-	-	-	-	234,251
Investor communications and marketing	-	-	-	-	8,220	17,767	17,888	43,875	10,598	-	-	10,598	-	54,473
Office and administration	-	32,497	-	-	125,193	-	-	157,690	12,831	-	-	12,831	2,373	172,894
Transfer agent and regulatory fees	-	-	-	-	-	-	94,819	94,819	-	-	-	-	-	94,819
Engineering and analysis	-	-	-	-	-	-	-	-	81,622	-	-	81,622	-	81,622
Stock-based compensation	-	-	1,974,526	-	-	-	-	1,974,526	-	-	135,420	135,420	-	2,109,946
Interest and other expenses	-	-	-	-	2,673	-	-	2,673	(297)	-	-	(297)	-	2,376
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	(101,547)	(101,547)
Amount as previously reported in 2022	595,569	266,748	1,974,526	370,361	138,594	17,767	112,707	3,476,272	129,401	762,684	135,420	1,027,505	(99,174)	4,404,603

1) Expenses categorized by function as previously presented in the Statements of Loss and Comprehensive Loss for the year ended December 31, 2022.
2) Expenses categorized by nature for the comparative year of the Statements of Loss and Comprehensive Loss.

Presentation of current year Statements of Loss and Comprehensive Loss

The table below presents how the Company's Statements of Loss and Comprehensive Loss for the year ended December 31, 2023 would have been presented prior to the change in classification.

Expressed in Canadian Dollars

General and administrative expenses	Year ended December 31, 2023 $	Year ended December 31, 2022 $
Compensation and benefits	717,455	595,569
Director fees	217,730	266,748
Stock-based compensation	1,569,539	1,974,526
Consulting and professional fees	528,192	370,361
Rent, insurance and office	176,072	138,594
Travel	80,295	17,767
Investor relations and regulatory	176,581	112,707
Amortization	4,928	-
	3,470,792	3,476,272
Research and development expenses		
Compensation and benefits	510,679	762,684
Projects and related expenditures	18,352	129,401
Stock-based compensation	-	135,420
R&D expenses, net of government grants	529,031	1,027,505
Operating expenses	3,999,823	4,503,777
Interest income	(298,484)	(99,174)
Net loss and comprehensive loss	3,701,339	4,404,603

17. Interest and other expenses

	Year ended December 31, 2023 $	Year ended December 31, 2022 $
Bank charges	2,390	2,376
Interest on lease liabilities	91	-
Total	2,481	2,376

18. Subsequent events

Subsequent to the year-ended December 31, 2023 the Company granted 1,399,692 stock options and 1,047,747 RSUs to its employees. Subsequent to the year-ended December 31, 2023, 33,660 stock options and 21,141 RSUs vested, and 250,000 options were forfeited and cancelled. The RSUs which vested were settled in cash.