



CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Condensed Interim Financial Statements

June 30, 2022 and December 31, 2021

(Unaudited)

Note to reader

In accordance with National Instrument 51-102 Continuous Disclosure Obligations, part 4, subsection 4.3(3)(a) released by the Canadian Securities Administrators, CVW CleanTech Inc. (Previously Titanium Corporation Inc.) discloses that the Company's independent auditor has not reviewed the unaudited condensed interim financial statements for the three and six months ended June 30, 2022.

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Condensed Interim Statements of Financial Position

As at June 30, 2022 and December 31, 2021

(expressed in Canadian dollars)

	June 30, 2022 \$	December 31, 2021 \$
Assets		
Current assets		
Cash and cash equivalents	4,891,112	407,782
Prepaid expenses and other assets	61,815	26,045
Accounts receivable	121,940	183,007
Total assets	5,074,867	616,834
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	376,484	346,943
Deferred compensation (Note 5)	-	1,151,576
Total liabilities	376,484	1,498,519
Shareholders' equity		
Share capital (Note 4)	80,285,523	75,641,635
Contributed surplus	22,848,089	19,247,886
Deficit	(98,435,229)	(95,771,206)
Total shareholders' equity (deficit)	4,698,383	(881,685)
Total liabilities and shareholders' equity	5,074,867	616,834

Approved by the Board of Directors

(signed) "Darren Morcombe", Director

(signed) "John Kowal", Director

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Condensed Interim Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2022 and 2021

(expressed in Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2022 \$	2021 \$	2022 \$	2021 \$
Expenses and losses				
General and administrative (Note 8)	1,546,712	668,255	2,190,717	1,041,289
Research and development (Note 8)	291,824	51,969	487,060	592,762
Operating loss	1,838,536	720,224	2,677,777	1,634,051
Other income	(10,583)	(1,863)	(13,754)	(3,518)
Net loss and comprehensive loss	(1,827,953)	(718,361)	(2,664,023)	(1,630,533)
Basic and diluted loss per share (Note 6)	(\$0.02)	(\$0.01)	(\$0.02)	(\$0.02)

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Condensed Interim Statements of Changes in Shareholders' Equity (Deficit)

For the six months ended June 30, 2022 and 2021

(expressed in Canadian dollars)

	Share capital	Contributed surplus	Deficit	Shareholders' equity (deficit)
	\$	\$	\$	\$
Balance – January 1, 2022	75,641,635	19,247,886	95,771,206	(881,685)
Loss for the period	-	-	2,664,023	(2,664,023)
Private placement – shares and warrants	4,945,890	-	-	4,945,890
Proceeds allocated to warrants	(3,783,154)	3,783,154	-	-
Stock options granted	-	1,458,624	-	1,458,624
Stock options exercised	1,968,067	(773,467)	-	1,194,600
Conversion of warrants	1,512,437	(444,837)	-	1,067,600
Expiry of warrants	504,648	(504,468)	-	-
Conversion of DSU's	215,946	(215,946)	-	-
Equity issuance costs	(719,946)	297,323	-	(422,623)
Balance – June 30, 2022	80,285,523	22,848,089	98,435,229	4,698,383
	\$	\$	\$	\$
Balance – January 1, 2021	75,686,611	19,147,030	93,499,329	1,334,312
Loss for the period	-	-	1,630,532	(1,630,532)
Equity-based compensation	-	76,971	-	76,971
Balance – June 30, 2021	75,686,611	19,224,001	95,129,861	(219,249)

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Condensed Interim Statements of Cash Flow

For the three and six month periods ended June 30, 2022 and 2021

(expressed in Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash (used in) provided by:				
Operating activities				
Net loss for the period	(1,827,953)	(718,361)	(2,664,023)	(1,630,533)
Items not affecting cash:				
Amortization	-	450	-	899
Unrealized foreign exchange loss	-	-	-	-
Stock based compensation	1,334,348	30,705	1,458,624	76,971
	<u>1,334,348</u>	<u>31,155</u>	<u>1,458,624</u>	<u>77,870</u>
Net change in non-cash working capital items				
Prepaid expenses and other assets	(40,852)	19,153	(35,770)	(33,151)
Accounts receivable	(10,562)	34,631	61,067	-
Accounts payable and accrued liabilities	5,781	372,061	29,541	273,445
Deferred compensation	-	127,750	(1,151,576)	227,125
	<u>(45,633)</u>	<u>553,595</u>	<u>(1,096,738)</u>	<u>467,419</u>
Cash used in operating activities	<u>(539,238)</u>	<u>(133,611)</u>	<u>(2,302,137)</u>	<u>(1,085,244)</u>
Financing activities				
Private placement - shares and warrants	-	-	4,945,890	-
Stock options exercised	695,500	-	1,194,600	-
Conversion of warrants	728,100	-	1,067,600	-
Issuance costs	(21,360)	-	(422,623)	-
Cash generated by financing activities	<u>1,402,240</u>	<u>-</u>	<u>6,785,467</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	<u>863,002</u>	<u>(133,611)</u>	<u>4,483,330</u>	<u>(1,085,244)</u>
Cash and cash equivalents, beginning of period	<u>4,028,110</u>	<u>1,704,261</u>	<u>407,782</u>	<u>2,655,894</u>
Cash and cash equivalents, end of period	<u>4,891,112</u>	<u>1,570,650</u>	<u>4,891,112</u>	<u>1,570,650</u>

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2022 and 2021

1. Reporting entity and nature of operations

CVW CleanTech Inc. ("CVW CleanTech" or "the Company") is a clean technology innovator that has developed a suite of technologies to serve the mining sector of the oil sands industry. Creating Value from Waste™ ("CVW™") technologies will extract valuable products from oil sands waste, the froth waste treatment tailings, by recovering bitumen, solvents and critical minerals. By recovering this bitumen, otherwise lost in tailings waste, along with naphtha-based solvents, methane emissions from tailings ponds can be significantly reduced.

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's principal business office is located at 800, 736 8th Avenue SW, Calgary, Alberta, T2P 1H4, 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

These unaudited interim condensed financial statements present CVW CleanTech's financial results and financial position under International Financial Reporting Standards ("IFRS") as at and for the three and six month periods ended June 30, 2022, including the 2021 comparative periods. The financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

These unaudited interim condensed financial statements have been prepared following the same IFRS accounting policies and methods of computation as disclosed in the annual audited financial statements for the year ended December 31, 2021. Certain information and disclosures normally required to be included in the notes to the annual audited financial statements have been condensed, omitted or have been disclosed on an annual basis only. Accordingly, these financial statements should be read in conjunction with the annual audited financial statements and the notes thereto for the year ended December 31, 2021. The Company's unaudited interim condensed financial statements are prepared on a historical cost basis, except for certain equity instruments and financial assets, which have been measured at fair value. The Corporation's unaudited interim condensed financial are expressed in Canadian dollars, unless otherwise stated.

These financial statements were authorized for issue by the Company's Board of Directors on August 25, 2022.

3. Government assistance

Accounts receivable include \$73,347 of holdbacks from NRCan Clean Growth program grants, (December 31, 2021 - \$73,347). These holdbacks have been recognized as all funding has been received under this contract, the project completion date is approaching, the Company believes it has met the conditions in the respective funding agreement and there is reasonable assurance the funds will be received.

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2022 and 2021

4. Share capital

There are an unlimited number of common shares without par value authorized for issuance. The movement in share capital balances are noted below:

	Six months ended June 30, 2022		Year ended December 31, 2021	
	Common shares	Amount \$	Common shares	Amount \$
Balance, beginning of period	88,480,791	75,641,635	88,480,791	75,686,611
Equity units issued	25,000,000	4,945,890	-	-
Allocation to investor warrants	-	(3,783,154)	-	-
Options exercised	1,223,334	1,968,067	-	-
Conversion of warrants	1,646,500	1,512,437	-	-
Expiry of warrants	-	504,648	-	-
DSU's converted	283,002	215,946	-	-
Equity issue costs	-	(719,946)	-	(44,976)
Balance, end of period	116,633,627	80,285,523	88,480,791	75,641,635

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 ("2022 investor warrants") as described further in the 'Warrants' section of this note. Legal, regulatory and financing costs were incurred totaling \$698,589 relating to this transaction, which are included as equity issue costs in the table above.

Warrants

The movement in balance of warrants are noted below:

	Six months ended June 30, 2022		Year ended December 31, 2021	
	Warrants	Amount \$	Warrants	Amount \$
Balance, beginning of period	3,044,742	610,330	3,044,742	610,330
Investor warrants issued	12,500,000	3,783,154	-	-
Broker warrants issued	1,500,000	297,323	-	-
Conversion of warrants	(1,646,500)	(444,837)	-	-
Expiry of warrants	(2,523,242)	(504,648)	-	-
Balance, end of period	12,875,000	3,741,322	3,044,742	610,330

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2022 and 2021

4. Share capital (continued from previous page)

In connection with the January 12, 2022 private placement, the Company issued 12,500,000 warrants, with an exercise price of \$0.30 per share. These warrants have a term to expiry of four years. In conjunction with this private placement, warrants were issued to brokers for their assistance ('broker warrants'). The fair value attributed to these warrants, as part of equity issue costs, was \$297,323.

In May 2019, the Company issued 3,044,742 warrants ("2019 investor warrants") exercisable at \$1.40 per common share. During the quarter ended June 30, 2022, 521,500 of the 2019 investor warrants were converted to common shares, and 2,523,242 expired without conversion.

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

	<u>2022</u> <u>Investor warrants</u>	<u>Broker</u> <u>warrants</u>	<u>2019</u> <u>Investor warrants</u>
Risk free interest rate	1.36%	1.01%	1.57%
Term to expiry	4 years	1 year	3 years
Expected life	4.0	1.0	3.0
Expected volatility	100%	100%	75%
Fair value per warrant	<u>\$0.30</u>	<u>\$0.19</u>	<u>\$0.20</u>

5. Equity-based compensation

The Company has equity plans for its directors, officers, employees and consultants to encourage ownership of common shares and align with the longer-term interest of Company shareholders. The equity plans are 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 associated stock based compensation expenses are recognized as components of general and administrative and research and development expenses. The Company adopted "rolling" equity-based plans that include 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 plans are subject to annual approval by the Company's shareholders.

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2022 and 2021

5. Equity-based compensation (continued from previous page)

A summary of the equity plans is as follows:

	As at June 30, 2022	As at December 31, 2021
Equity Award Pool (10% of common shares outstanding)	11,663,363	8,848,079
Less Awards Outstanding:		
Stock Options	(6,335,000)	(3,205,000)
DSUs	(1,486,614)	(1,769,616)
RSUs	(1,639,520)	(1,639,520)
Available Pool	<u>2,402,229</u>	<u>2,233,943</u>

The available pool at June 30, 2022 would permit a combination of stock options, DSU's or RSU's to be granted, up to a combined maximum total of 2,402,229 additional instruments. The available pool at December 31, 2021 would permit 2,233,943 stock options to be granted, but no additional RSU's and no DSU's.

Commencing in 2019, the Company no longer had additional room in its equity incentive plans to issue new instruments to directors and management of the Company. As a result, amounts for directors' fees and variable compensation (management) were accrued as a liability and recorded on the balance sheet as "deferred compensation liability". Prior to 2019, these amounts would have been settled with issuance of RSU's or DSU's, as appropriate for the individual involved. The amount of \$1,151,576 owing at December 31, 2021 was repaid in cash concurrent with the completion of the January 2022 private placement.

Stock options

The movement in balance of stock options are noted below:

	Six months ended June 30, 2022		Year ended December 31, 2021	
	Stock options	Weighted average price \$	Stock options	Weighted average price \$
Balance, beginning of year	3,205,000	\$0.89	4,755,000	\$0.73
Granted	4,500,000	\$0.46	-	-
Exercised	(1,223,334)	\$0.98	-	-
Cancelled	(146,666)	\$0.87	-	-
Expired	-	-	(1,550,000)	\$0.41
Balance, end of period	<u>6,335,000</u>	<u>\$0.57</u>	<u>3,205,000</u>	<u>\$0.89</u>

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2022 and 2021

5. Equity-based compensation (continued from previous page)

On January 18, 2022, 4,500,000 options were granted to directors and officers of the Company with an exercise price of \$0.46. To vest, these options had several performance based or market priced based conditions 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 remaining unamortized stock based compensation expense was recognized in full. Previously, the stock based compensation expense was to be amortized over a 30 month period.

The fair value of these options was calculated using the Black Scholes option pricing model, considering the probability of the vesting terms being met, by using a Monte Carlo simulation. The inputs to the fair value modelling were:

	Stock options granted January 18, 2022
Risk free interest rate	1.36%
Term to expiry	5 years
Expected life	5.0
Expected volatility	100%
Fair value per option	<u>\$0.32</u>

The following table summarizes the options outstanding as at June 30, 2022:

<u>Range of exercise price</u>	<u>Number of stock options</u>	<u>Weighted average remaining contractual life years</u>	<u>Weighted average exercise price \$</u>	<u>Number of options exercisable</u>	<u>Weighted average exercise price \$</u>
\$0.00 - \$0.99	6,035,000	3.74	0.53	6,010,000	0.53
\$1.00 to \$1.50	300,000	0.41	1.29	300,000	1.29
Total	<u>6,335,000</u>	<u>3.58</u>	<u>\$0.57</u>	<u>6,310,000</u>	<u>\$0.57</u>

Deferred share units

	<u>Six months ended June 30, 2022</u>	<u>Year ended December 31, 2021</u>
	<u>Weighted average price \$</u>	<u>Weighted average price \$</u>
	<u>DSU's</u>	<u>DSU's</u>
Balance, beginning of year	1,769,616	1,769,616
Converted	<u>(283,002)</u>	<u>-</u>
Balance, end of period	<u>1,486,614</u>	<u>1,769,616</u>
	<u>0.75</u>	<u>0.75</u>
	<u>\$0.75</u>	<u>\$0.75</u>

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2022 and 2021

5. Equity-based compensation (continued from previous page)

Restricted share units

There were no changes in the balance of restricted share units between January 1 and June 30, 2022. The 1,639,520 outstanding RSU's were granted at a weighted average price of \$0.75.

6. Basic and diluted loss per share

	Three months ended June 30		Six months ended June 30	
	2022 \$	2021 \$	2022 \$	2021 \$
Net loss	1,827,953	718,361	2,664,023	1,630,533
Weighted average number common shares outstanding	115,333,938	88,480,791	112,977,322	88,480,791
Basic and diluted loss per share	<u>\$0.02</u>	<u>\$0.01</u>	<u>\$0.02</u>	<u>\$0.02</u>

The effect of outstanding stock options, DSU's and RSU's has not been included in the calculation of diluted weighted average number of shares outstanding, as the effect would be anti-dilutive.

7. Segmented information

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

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2022 and 2021

8. Expenses by nature

General and administrative expenses consist of the following:

	Three months ended June 30		Six months ended June 30	
	2022 \$	2021 \$	2022 \$	2021 \$
Amortization	-	450	-	899
Compensation and benefits	60,600	204,702	396,162	355,672
Consulting and professional fees	127,609	209,111	166,491	268,768
Deferred compensation – directors	-	102,750	-	177,125
Deferred compensation – management	-	12,500	-	25,000
Directors’ fees	69,356	-	140,469	-
Investor relations and regulatory	42,769	80,804	93,328	91,917
Rent, insurance and office	32,623	39,604	69,320	73,255
Stock based compensation – directors	1,181,616	10,461	1,285,568	21,273
Stock based compensation – management	31,639	7,873	37,637	27,178
Travel	500	-	1,742	202
General and administrative expenses	1,546,712	668,255	2,190,717	1,041,289

Research and development expenses consist of the following:

	Three months ended June 30		Six months ended June 30	
	2022 \$	2021 \$	2022 \$	2021 \$
Compensation and benefits	148,411	184,392	292,794	349,616
Deferred compensation	-	12,500	-	25,000
Projects, rent and other	22,320	91,128	58,846	1,586,672
Stock based compensation	121,093	12,370	135,420	28,521
Government funding and cost recoveries	-	(248,422)	-	(1,397,047)
Research and development expenses, net	291,824	51,969	487,060	592,062

9. 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, along with the deferred compensation liability, are classified for accounting purposes as other financial liabilities.

CVW CleanTech Inc.

(Previously Titanium Corporation Inc.)

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2022 and 2021

9. Financial instruments and financial risk factors (continued from previous page)

As of June 30, 2022 and December 31, 2021, 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 and related holdbacks and receivables. Cash and cash equivalents are held with Canadian banks which are reviewed by management. Management believes that the credit risk concentration with respect to cash deposits with banks is minimal. The recovery of project costs is dependent on the Company meeting milestone obligations under contribution agreements. Management believes that credit risk associated with funding commitments from provincial and federal government funding agencies is low due to project governance, credit quality of participants, reporting requirements to achieve milestones and the fact that all previous contributions were collected in full.

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 cash and cash equivalents 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 any material transactions outside the ordinary course of business. This oversight process is also supplemented by a regular 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 June 30, 2022, the Company had an aggregate cash balance of \$4,891,112 (December 31, 2021 - \$407,782) to settle current liabilities of \$376,484 (December 31, 2021 - \$346,943). Most of the Company's financial liabilities have contractual terms of 30 days or less.

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(Previously Titanium Corporation Inc.)

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2022 and 2021

9. Financial instruments and financial risk factors (continued from previous page)

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 Schedule I Canadian banks. 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 that provides exposure to foreign exchange risk. As at the present time, any impact from fluctuations in foreign exchange rates would be minimal, the Company does not hedge its foreign exchange risk.

10. Capital management

The Company considers its shareholders' equity as its capital. At June 30, 2022, the Company's shareholders' equity was \$4,698,383 (December 31, 2021 – deficit - \$881,685). 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 the expenditures on general and administrative costs to ensure funds are available to continue to advance the commercialization of CVW™ projects; and to access available government funding for research and development and commercialization. Management 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.