



Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023

Cleantek Industries Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (Unaudited)

As at

<i>(Canadian \$000's)</i>	Note	September 30 2023	December 31 2022
ASSETS			
Current Assets			
Cash and cash equivalents		549	724
Accounts receivable		3,018	2,509
Prepays		143	304
Other assets		58	237
Total Current Assets		3,768	3,774
Non-Current Assets			
Property and equipment	3	10,496	11,139
Intangible assets	4	442	521
Right-of-use assets		969	483
Total Non-Current Assets		11,907	12,143
Total Assets		15,675	15,917
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		2,471	2,921
Current portion of long-term debt	5	8,873	8,918
Current portion of lease liabilities		406	283
Total Current Liabilities		11,750	12,122
Non-Current Liabilities			
Long-term debt	5	1,541	1,853
Lease liabilities		512	268
Provisions		46	46
Total Non-Current Liabilities		2,099	2,167
Total Liabilities		13,849	14,289
Shareholders' Equity (Deficit)			
Share capital	6	68,466	68,466
Contributed surplus		3,437	2,995
Accumulated other comprehensive income		(66)	(84)
Accumulated deficit		(70,011)	(69,749)
Total Shareholders' Equity		1,826	1,628
Total Liabilities and Shareholders' Equity		15,675	15,917
Going concern	2b		
Commitments and contingencies	13		

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

Cleantek Industries Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME (LOSS)

(Unaudited)

For the periods

<i>(Canadian \$000's, except per share amounts)</i>	Note	Three months ended September 30		Nine months ended September 30	
		2023	2022	2023	2022
Revenue	8	3,588	3,389	10,802	9,649
Direct operating expenses	9	1,304	1,360	4,133	4,089
Gross profit		2,284	2,029	6,669	5,560
Other Expenses					
General and administrative	9	1,144	2,391	3,666	5,607
Depreciation and amortization	3,4	556	675	1,651	2,527
Research expense (recovery)		15	-	(31)	-
Share-based compensation	7	37	76	442	371
Finance costs, net	10	392	324	1,168	862
(Gain) on disposal of long-lived assets		-	-	(44)	(148)
Foreign exchange (gain) loss		(102)	(412)	108	(445)
Other income		(3)	(2)	(29)	(14)
		2,039	3,052	6,931	8,760
Income (Loss) Before Income Taxes		245	(1,023)	(262)	(3,200)
Income Tax (Recovery) Expense					
Current		-	-	-	-
Deferred		-	-	-	-
		-	-	-	-
Net Income (Loss)		245	(1,023)	(262)	(3,200)
Net Income (Loss) per Share (\$)					
Basic and diluted	11	\$0.01	\$(0.04)	\$(0.01)	\$(0.12)

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

Cleantek Industries Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

For the periods

<i>(Canadian \$000's)</i>	Note	Three months ended September 30		Nine months ended September 30	
		2023	2022	2023	2022
Net Income (Loss) Gain		245	(1,023)	(262)	(3,200)
Other Comprehensive Income					
Foreign currency translation (loss) gain		(72)	(295)	18	(300)
Total Comprehensive Income (Loss) Gain		173	(1,318)	(244)	(3,500)

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

Cleantek Industries Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY) (Unaudited)

<i>(Canadian \$000's)</i>	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
At January 1, 2022		68,466	2,524	160	(66,162)	4,988
Net loss for the period		-	-	-	(3,200)	(3,200)
Share-based compensation expense	7	-	371	-	-	371
Foreign currency translation (loss)		-	-	(300)	-	(300)
At September 30, 2022		68,466	2,895	(140)	(69,362)	1,859
At January 1, 2023		68,466	2,995	(84)	(69,749)	1,628
Net loss for the period		-	-	-	(262)	(262)
Share-based compensation expense	7	-	442	-	-	442
Foreign currency translation gain		-	-	18	-	18
At September 30, 2023		68,466	3,437	(66)	(70,011)	1,826

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

Cleantek Industries Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (Unaudited)

For the periods

<i>(Canadian \$000's)</i>	Note	Three months ended September 30		Nine months ended September 30	
		2023	2022	2023	2022
Cash (used in)/provided by:					
Operating Activities					
Net Income (Loss)		245	(1,023)	(262)	(3,200)
Adjustments for:					
Depreciation and amortization	3,4	556	675	1,651	2,527
Share-based compensation expense	7	37	76	442	371
Finance costs	10	392	324	1,168	862
(Gain) on disposal of long-lived assets		-	-	(44)	(148)
Unrealized (gain) loss on foreign exchange		(102)	(445)	108	(445)
Changes in non-cash working capital	12	51	257	(697)	(650)
Net Cash Flow From (Used in) Operating Activities		1,179	(136)	2,366	(683)
Investing Activities					
Additions to property and equipment	3	(356)	(1,266)	(795)	(1,946)
Additions to intangible assets	4	-	(44)	(7)	(90)
Proceeds from research credits	4	-	-	33	-
Proceeds on disposal of long-lived assets		-	-	28	100
Net Cash Flow Used in Investing Activities		(356)	(1,310)	(741)	(1,936)
Financing Activities					
Proceeds from long-term debt, net of revolving debt repayments		(12)	1,822	673	3,056
Repayment of long-term debt	5	(464)	(370)	(1,050)	(804)
Repayments of lease liabilities		(99)	(62)	(371)	(175)
Payments of cash interest		(355)	(277)	(1,051)	(731)
Net Cash Flow Used in Financing Activities		(930)	1,113	(1,799)	1,346
Increase (decrease) in cash and cash equivalents		(107)	(333)	(174)	(1,273)
Effect of foreign exchange on cash and cash equivalents		-	13	(1)	18
Cash and cash equivalents, beginning of period		656	936	724	1,871
Cash and Cash Equivalents, End of Period		549	616	549	616

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2023

(All amounts in Canadian \$000's, except as indicated)

1. REPORTING ENTITY

Cleantek Industries Inc. ("Cleantek" or the "Company") is a public company trading on the TSX Venture Exchange ("TSXV") under the symbol CTEK. The Company was incorporated under the Business Corporations Act (Alberta) on December 23, 1993, as oilfield service company that focuses its efforts on the production service sector, utilizing its proprietary products to enhance and increase ultimate production in both conventional and unconventional horizontal oil and gas wells.

Cleantek's primary business is the manufacturing and rental of equipment to the oil and gas and construction industries in Western Canada and the United States.

On January 1, 2022 Apollo Energy Services Corp. and Horizon Oilfield Manufacturing Inc. were amalgamated into Cleantek.

The Company has the following subsidiary, incorporated and/or formed, each owned 100%, and consolidated in these financial statements:

<u>Name of subsidiary</u>	<u>Jurisdiction of incorporation/formation</u>
Apollo Lighting Solutions Inc.	Delaware, U.S.A.

The Company's principal place of business is located at Suite 3200, 500 – 4th Avenue SW, Calgary, Alberta, T2P 2V6.

2. BASIS OF PREPARATION AND GOING CONCERN

a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, and following the same accounting policies and methods of computation as the annual consolidated financial statements for the year ended December 31, 2022. These unaudited condensed consolidated interim financial statements are condensed as they do not include all of the information required by International Financial Reporting Standards ("IFRS") for annual financial statements and therefore should be read in conjunction with the Company's audited annual consolidated financial statements at December 31, 2022 which are available on SEDAR at www.sedarplus.ca.

These unaudited condensed consolidated interim financial statements have been approved by the Board of Directors on November 16th, 2023.

b) Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

In 2021, a competitor providing lighting solutions in North America initiated legal proceedings against the Company alleging patent infringement by Cleantek on a small fraction of the Company's installed HALO™ lighting units in the United States. The Company fully responded to the asserted claim and filed a counterclaim, which was expected to go to trial in October 2022. Legal costs incurred in 2022 for the patent litigation totaled \$3,430, which significantly impacted the Company's cash flows from operating activities and liquidity. At September 30, 2023, the Company had net current liabilities of \$7,982, including

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2023

(All amounts in Canadian \$000's, except as indicated)

\$8,615 of long-term debt maturing on September 24, 2024 and generated net income (loss) of \$245 and (\$262) for the three months and nine ended September 30, 2023, respectively.

On November 21, 2022 The Company reached a settlement regarding the patent infringement with the competitor, with both parties vacating their lawsuits.

However, as a result of legal costs incurred in 2022 from the patent litigation, Cleantek required the support of its Canadian private debt lender in the near term to manage current cash flow restrictions caused by the patent litigation spend to allow time for the Company to generate sufficient cash flows to fund its operations. On October 1, 2022 the Company signed an amending agreement the Canadian private debt lender related to its Non-Revolving Term Facility that eliminated the requirement to make principal repayments from October through March 2023 to assist the Company in operational cash flow management. On September 26, 2023 the Company signed a twelve-month extension with their current Canadian private debt lender extending the term to September 24, 2024 and included a \$500 increase in the Revolving Line of Credit from \$2,500 to \$3,000 giving the Company additional liquidity. The Company will continue to require the support of the Canadian private debt lender as the Company seeks to find an alternate lender or obtains a further extension of the maturity of the Credit Facilities, which now mature on September 24, 2024. There is no certainty that the Company will be successful in obtaining credit facilities with alternate lenders or obtaining an further extension of the maturity date with the existing Canadian private debt lender. The Company is budgeting that it will not have sufficient cash available to enable repayment of the Credit Facilities upon maturity on September 24, 2024.

Due to facts and circumstances noted above, there are material uncertainties that exist that may cast significant doubt with respect to the Company's ability to continue as a going concern. These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. These adjustments could be material.

c) Basis of measurement and functional and presentation currency

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis.

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company. Its wholly owned subsidiary, Apollo Lighting Services has a US dollar functional currency.

d) Use of estimates, judgements and assumptions

The preparation of these unaudited condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and judgments are based on management's best understanding of current events and actions that Cleantek may undertake in the future. Actual results may differ from these estimates and judgments. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and for any future years affected.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2023

(All amounts in Canadian \$000's, except as indicated)

There have been no significant changes to the use of estimates, judgements or assumptions since December 31, 2022, as detailed in note 2(d) of the annual consolidated financial statements for the years ended December 31, 2022 and 2021.

3. PROPERTY AND EQUIPMENT

<i>(Canadian \$000's)</i>	Assets under construction	Rental equipment	Automotive	Office equipment	Total
Cost					
At December 31, 2022	110	31,087	1,383	486	33,066
Additions	510	312	-	23	845
Dispositions	-	(154)	-	-	(154)
Transfers from assets under construction to rental equipment	(308)	308	-	-	-
Impact of foreign exchange	-	(3)	(2)	-	(5)
At September 30, 2023	312	31,550	1,381	509	33,752
Accumulated depreciation and impairment					
At December 31, 2022	-	21,316	133	478	21,927
Depreciation	-	1,333	125	8	1,466
Dispositions	-	(137)	-	-	(137)
Impact of foreign exchange	-	-	-	-	-
At September 30, 2023	-	22,512	258	486	23,256
Carrying amount					
At December 31, 2022	110	9,771	1,250	8	11,139
At September 30, 2023	312	9,038	1,123	23	10,496

As at September 30, 2023, management determined no indicators of impairment existed for the Company's Rentals and Facility Dehydration CGUs

4. INTANGIBLE ASSETS

<i>(Canadian \$000's)</i>	Patents	ZeroE development	Total
Cost			
At December 31, 2022	2,141	2,373	4,514
Government Grant	-	(33)	(33)
Additions	-	7	7
At September 30, 2023	2,141	2,347	4,488
Accumulated amortization and impairment			
At December 31, 2022	2,044	1,949	3,993
Amortization	9	44	53
At September 30, 2023	2,053	1,993	4,046
Carrying amount			
At December 31, 2022	97	424	521
At September 30, 2023	88	354	442

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2023

(All amounts in Canadian \$000's, except as indicated)

5. DEBT AND CREDIT FACILITIES

Debt and credit facilities are comprised of the following:

	September 30	December 31
<i>(Canadian \$000's)</i>	2023	2022
Long-term debt		
Credit Facilities	8,514	8,573
Loans payable	1,397	1,689
Promissory notes	503	509
	<u>10,414</u>	<u>10,771</u>
Current portion of long-term debt		
Credit Facilities	8,514	8,573
Loans payable	344	330
Promissory notes	15	15
	<u>8,873</u>	<u>8,918</u>
Non-current portion of long-term debt		
Credit Facilities	-	-
Loans payable	1,053	1,359
Promissory notes	488	494
	<u>1,541</u>	<u>1,853</u>

Credit Facilities

	September 30	December 31
<i>(Canadian \$000's)</i>	2023	2022
Term Facilities		
Canadian Private Debt – Credit Facilities	8,615	8,661
Deferred financing costs	(101)	(88)
	<u>8,514</u>	<u>8,573</u>
Current portion of Credit Facilities	8,514	8,573
Non-current portion of Credit Facilities	-	-

Canadian Private Debt Term Facility

On September 24, 2021, the Company entered into a senior-secured credit agreement with a Canadian private debt asset manager, which provides for:

- i. the non-revolving term facility in a maximum principal amount of \$7,500, in a single loan advance (“Non-Revolving Term Facility”); and
- ii. a revolving line of credit up to \$3,000 in one or more loan advances (the “Revolving Line of Credit”, and together with the Non-Revolving Term Facility, the “Credit Facilities”).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2023

(All amounts in Canadian \$000's, except as indicated)

The Credit Facilities were for an initial term of 24 months with an additional 12 month extension completed on September 26, 2023 for a total of 36 months and now matures on September 24, 2024. On September 30, 2023, \$6,127 of the Non-Revolving Term Facility amount was drawn and outstanding (December 31, 2022 - \$6,846). As of September 30, 2023, \$2,488 has been drawn on the Revolving Debt Facility (December 31, 2022 – \$1,815). The availability limit calculated on the Revolving Debt Facility at September, 2023 was \$3,000, which provides an additional \$512 available to be drawn, which combined with cash on hand of \$549, provides for \$1,061 of liquidity for the Company. The Company will continue to require the support of its lender in obtaining its extension on the credit facilities, which mature on September 24, 2024, to maintain its liquidity position. Please refer to note 2(b) for future details.

The Non-Revolving Term Facility is subject to monthly scheduled repayments as follows: (i) interest only payments in the first 4 months; (ii) \$83 plus interest in months 5 to 8; (iii) \$108 plus interest in months 9 to 11; (iv) interest only in months 12 to 17; (v) \$120 plus interest in months 18 to 36; and (vii) the remaining balance on the Non-Revolving Term Facility and Revolving Debt Facility on September 24, 2024. The credit agreement was amended on May 10, 2023 and extended on September 26, 2023 and those terms have been reflected above.

The Credit Facilities bear interest equal to the greater of 9% per annum and a Canadian bank's prime rate plus 6.55%, payable on the last day of each calendar month. The Credit Facilities are secured by the assets of the Company and its subsidiaries. The Credit Facilities are subject to monthly financial covenants of: (i) maintaining a tangible net worth of at least \$1,000; and (ii) an interest coverage ratio of no less than 2:1. Tangible net worth is determined by taking total assets less the book value of all liabilities, excluding any subordinated debt, prepaid expenses, intangible assets and related party receivables. Interest coverage ratio is determined by taking EBITDA over total interest expense of funded debt on a rolling 6-month basis. EBITDA is defined as net earnings excluding interest expense, provisions for income taxes, non-cash items including depreciation and amortization and non-cash impairment charges, transactions costs related to the Private Placement and RTO and certain non-recurring expenses.

At September 30, 2023, the Company was in compliance with all debt covenants.

Loans payable

	September 30 2023	December 31 2022
<i>(Canadian \$000's)</i>		
Loans payable		
Customer Term Loan	529	574
Term loan payable – Other	868	1,115
	1,397	1,689
Current portion of loans payable	(344)	(330)
Non-current portion of loans payable	1,053	1,359

Customer Term Loan

In April 2018, Cleantek signed a ZeroE™ management agreement with an upstream oil and gas customer to manufacture, deliver and install a dehydrator ZeroE™ rental unit for the customer for a period of nine years (the "ZeroE™ Management Agreement"). In November 2020, this ZeroE™ Management Agreement was amended and restated to include a financing arrangement and to supersede and replace the earlier agreement in its entirety. In November 2020, a \$700 loan (the "Customer Loan") was advanced by the customer to Cleantek pursuant to the ZeroE™ Management Agreement and upon full installation and commissioning of this unit.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2023

(All amounts in Canadian \$000's, except as indicated)

Under the terms of the ZeroE™ Management Agreement, the Customer Loan bears interest at a rate of 13.5% per annum, in arrears, compounded annually; 85% of monthly rental income invoiced by Cleantek to the customer will be applied to and be set off against the Customer Loan and accrued interest payable until such time as the Customer Loan has been fully repaid; is for a term of 9 years from installation of the unit; and as collateral security for the payment and performance of Cleantek's obligations under the ZeroE™ Management Agreement, the rental unit, as well as the Company's ZeroE™ technology is subject to a lien.

Cleantek evaluated the classification of the Customer Loan at inception under IFRS 16 Lease and made an assessment that it is an operating lease as the Customer Loan does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset. Cleantek recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

During the three and nine months ended September 30, 2023, \$40 and \$150, respectively (2022 - \$14 and \$144) of rental income was invoiced to the customer for dehydration facility services. Of the amounts invoiced, for the three and nine months ended September 30, 2023, \$13 and \$83 (2022 - \$7 and \$48) was recognized as interest expense on the outstanding Customer Loan and included in finance costs, and \$28 and \$67, (2022 - \$7 and \$96) was recognized as rental income. Of the amounts invoiced and recognized as rental income, a portion was applied to the outstanding Customer Loan as principal repayments of \$27 and \$44 for the three and nine months ended September 30, 2023, respectively (2022 - \$5 and \$74).

Promissory note

<i>(Canadian \$000's)</i>	Carrying value	Face value
At December 31, 2022	509	965
Principal payments	(40)	(25)
Accretion	34	-
At September 30, 2023	503	940
Current portion of promissory notes	(15)	(60)
Non-current portion of promissory notes	488	880

Vendor Promissory Note

In January 2021, the Company entered into an agreement with one of its vendors to convert outstanding accounts payable balance of \$1,045 to an unsecured promissory note (the "Vendor Promissory Note"). The Vendor Promissory Note is (i) non-interest bearing; (ii) repayable at \$5 per month; and (iii) the Vendor Promissory Note matures on the earlier of a change of control, a liquidity event or on such earlier date as the Company has the financial liquidity to pay the principal amount.

The Company reclassified the amounts from current to long-term and fair valued the debt using the effective interest rate method. A gain of \$508 was recorded in December 2021 as a result of application of IFRS 9 as the Vendor Promissory Note bears an interest rate of zero. The fair value and resulting gain were based on the present value of future payments discounted at an interest rate of 9%.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2023

(All amounts in Canadian \$000's, except as indicated)

6. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue:

- An unlimited number of common shares; and
- An unlimited number of preferred shares

b) Issued share capital

(Canadian \$000's, except
number of shares 000's)

	Number of Shares	Amount
At December 31, 2022 and September 30, 2023	27,645	68,466

7. SHARE-BASED PAYMENTS

a) Share-based incentive programs and payment plans

The Company has the following equity-settled share-based compensation and payments:

Stock option plan

The Company has established a stock option plan whereby the Company may grant stock options from time to time to employees, officers, directors, service providers and consultants of the Company to recognize the contributions made by individuals to the Company's growth and furnish an incentive to the future success and prosperity of the Company.

The aggregate number of the shares issuable under the terms of the plan shall not exceed 10% of the outstanding common shares at the date of grant. The exercise price of the stock options is determined by the Board of Directors. The stock options vest evenly over a period of three years and are exercisable for a period of five years from the grant date to purchase one common share for each stock option held.

During the quarter ended June 30, 2023 the Board of Directors cancelled all outstanding options that had been issued resulting in the remaining balance of the options being expensed.

Share warrants

In certain instances, warrants will be issued in conjunction with share issuances, referred to as a Subscription Unit. Each Subscription Unit entitles the equity holder to one share and one or one-half common share purchase warrant. The warrant allows the holder to purchase an additional one or one-half share at a stipulated exercise price for a period of 24 or 36 months. Warrants vest immediately on issuance.

Restricted share unit plan

During 2022 The Company updated its equity based compensation plan including updating the terms of Restricted Share Units (RSU's) and Deferred Share Units (DSU's). Terms and vesting periods of RSU's and DSU's are determined by the board at the time of the grant.

On the vesting date, the RSU's and DSU's are redeemed and the Company issues one common share for each vesting RSU or DSU held by the employee or member of the board.

The fair value of the RSU and DSU is recognized over the vesting period and is based on the value at the date of grant.

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(All amounts in Canadian \$000's, except as indicated)

During the three and nine months ended September 30, 2023 nil and 1,395,000 RSU's, respectively, were granted to select members of management. The RSU's vest equally over a 3 year period from the grant dates and the fair value is based on the share price on the date the RSU's were granted.

During the three and nine months ended September 30, 2023, nil and 450,000 DSU's, respectively, were granted to members of the board and vested immediately. The shares will be issued to the board members upon retirement. The fair value is based on the share price on the date the DSU's were granted.

Common shares issued in exchange for services rendered

The Company may issue Cleantek common shares from time to time to service providers, vendors or consultants in exchange for services rendered to the Company, as determined by the Board of Directors.

b) Stock options

The following table provides a summary of the Company's stock options:

	September 30, 2023		December 31, 2022	
	Number of	Weighted	Number of	Weighted
<i>(Canadian \$, except number of stock options)</i>	stock	average	stock	average
	options	exercise	options	exercise
		price		price
Outstanding at beginning of period	1,630,000	\$1.29	2,702,500	\$1.29
Exercised	-	-	(350,000)	\$1.20
Cancelled	(1,630,000)	\$(1.29)	-	-
Expired	-	-	(362,500)	\$1.20
Forfeited	-	-	(360,000)	\$1.30
Outstanding at end of period	-	-	1,630,000	\$1.32
Weighted average remaining life				3.6 years
Exercisable at end of period	-	-	602,500	\$1.24

c) Share warrants

The following table provides a summary of the Company's share warrants:

	September 30, 2023		December 31, 2022	
	Number of	Weighted	Number of	Weighted
<i>(Canadian \$, except number of share warrants)</i>	share	average	share	average
	warrants	exercise	warrants	exercise
		price		price
Outstanding at beginning of period	3,101,098	\$1.75	3,101,098	\$1.75
Granted	-	-	-	-
Outstanding at end of period	3,101,098	\$1.75	3,101,098	\$1.75
Weighted average remaining life		1.1 years		1.8 years
Exercisable at end of period	3,101,098	\$1.75	3,101,098	\$1.75

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2023

(All amounts in Canadian \$000's, except as indicated)

d) Restricted Share Units

The following table provides a summary of the Company's Restricted Share Units:

<i>(Canadian \$, except number of restricted share units)</i>	September 30, 2023 Weighted Number of Restricted Share Units	September 30, 2023 Weighted average exercise price	December 31, 2022 Weighted Number of Restricted Share Units	December 31, 2022 Weighted average exercise price
Outstanding at beginning of period	-	-	-	-
Granted	1,395,000	\$0.17	-	-
Outstanding at end of period	1,395,000	\$0.17	-	-

The estimated fair value of the Restricted Share Units granted during the period was calculated using the following assumptions:

	For the period ended September 30 2023
Share price on grant date	\$0.17
Exercise price	\$0.17
Weighted average fair value per restricted share unit	\$0.17
Expected life of RSU's (years)	2.5

e) Deferred Share Units

The following table provides a summary of the Company's Deferred Share Units:

<i>(Canadian \$, except number of deferred share units)</i>	September 30, 2023 Weighted Number of Deferred Share Units	September 30, 2023 Weighted average exercise price	December 31, 2022 Weighted Number of Deferred Share Units	December 31, 2022 Weighted average exercise price
Outstanding at beginning of period	-	-	-	-
Granted	450,000	\$0.14	-	-
Outstanding at end of period	450,000	\$0.14	-	-

The estimated fair value of the Deferred Share Units granted during the period was calculated using the following assumptions:

	For the period ended September 30 2023
Share price on grant date	\$0.14
Exercise price	\$0.14
Weighted average fair value per deferred share unit	\$0.14

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2023

(All amounts in Canadian \$000's, except as indicated)

f) Share-based compensation expense

Cleantek recorded the following equity-settled share-based payments as share-based compensation in net loss:

<i>(Canadian \$000's)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Stock options	-	76	298	371
Restricted share units	37	-	81	-
Deferred share units	-	-	63	-
Total share-based compensation expense	37	76	442	371

8. REVENUE

<i>(Canadian \$000's)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Sustainable lighting solutions	3,169	3,021	9,599	8,583
ZeroE dehydration	294	368	1,036	1,066
HALO Sales	125	-	167	-
Total revenue	3,588	3,389	10,802	9,649

Consisting of:

Canadian operations	1,662	1,318	4,764	4,338
U.S. operations	1,926	2,073	6,038	5,311

9. DIRECT OPERATING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

The Company classifies net income (loss) using the function of expense method, which presents expenses according to their function, such as direct operating expenses, and general and administrative expenses. This method is more closely aligned to the Company business structure and provides more relevant information.

Direct operating expenses or the cost of services and goods sold is comprised of direct operating costs, including salaries and wages and other labour costs; repairs and maintenance of equipment; transportation and mobilization costs of equipment to and from customers; and other direct operating expenses.

General and administrative expenses consist of salaries and wages, which includes labour and related benefits costs including bonuses and other related payroll benefits; professional fees, which include fees for consulting, legal, audit and tax services; and other general and administrative expenses.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2023

(All amounts in Canadian \$000's, except as indicated)

The following tables provide additional information on the nature of the expenses:

<i>(Canadian \$000's)</i>	Three months ended		Nine months ended	
	2023	2022	2023	2022
Direct operating expenses				
Salaries and wages	699	648	2,339	1,725
Repairs and maintenance	81	127	430	522
Transportation and mobilization	260	290	629	867
Cost of HALO sales	47	-	47	-
Other direct costs	217	295	688	975
Total direct operating expenses	1,304	1,360	4,133	4,089

<i>(Canadian \$000's)</i>	Three months ended		Nine months ended	
	2023	2022	2023	2022
General and administrative expenses				
Salaries and wages	525	468	1,702	1,483
Professional fees	402	1,682	1,164	3,591
Other general and administrative costs	217	241	800	533
Total general and administrative expenses	1,144	2,391	3,666	5,607

10. FINANCE COSTS

<i>(Canadian \$000's)</i>	Three months ended		Nine months ended	
	2023	2022	2023	2022
Interest expense on long-term debt ⁽¹⁾	374	311	1,112	818
Interest on lease liabilities	18	13	56	44
Total finance costs, net	392	324	1,168	862

(1) Includes interest expense on long-term debt, accretion of discount on promissory notes and amortization of deferred financing costs.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2023

(All amounts in Canadian \$000's, except as indicated)

11. EARNINGS (LOSS) PER SHARE AMOUNTS

Basic and diluted loss per share for the period have been calculated on the basis of the weighted average number of common shares outstanding as follows:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
<i>(Canadian \$000's, except common shares in number And earnings (loss) per share in \$)</i>				
Net Income (loss) attributable to shareholders	245	(1,175)	(262)	(3,352)
Weighted average common shares outstanding				
Basic	27,645,380	27,645,380	27,645,380	27,645,380
Diluted	32,591,478	-	-	-
Income (loss) per share – basic and diluted	\$ 0.01	\$ (0.04)	\$ (0.01)	\$ (0.12)

For the nine months ended September 30, 2023 and the three and nine months ended September 30, 2022, the Company excluded the effect of stock options, restricted share units and other convertible instruments, as the Company had a net loss during this period and their effect would have been anti-dilutive.

12. SUPPLEMENTARY CASH FLOW INFORMATION

The following table reconciles the net changes in non-cash working capital, excluding the non-cash working capital acquired on acquisitions, from the statement of financial position to the statements of cash flows:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
<i>(Canadian \$000's)</i>				
Net changes in non-cash working capital:				
Accounts receivable	(247)	(251)	(510)	(622)
Prepays and other assets	125	51	333	521
Accounts payable and provisions	173	457	(520)	(549)
	51	257	(697)	(650)
Related to:				
Operating activities	51	257	(697)	(650)

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2023

(All amounts in Canadian \$000's, except as indicated)

13. COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The expected timing of cash outflows relating to financial liabilities, lease liabilities and other commitments at September 30, 2023 are outlined in the table below:

<i>(Canadian \$000's)</i>	Carrying amount ⁽¹⁾	Contractual outflows ⁽²⁾⁽³⁾				Total ⁽¹⁾
		< 1 year	2 to 3 years	4 to 5 years	Thereafter	
Financial liabilities						
Accounts payable and accrued liabilities	2,471	2,471	-	-	-	2,471
Long-term debt						
Credit facilities ⁽³⁾	8,514	9,800	-	-	-	9,800
Loans payable	1,397	522	796	304	92	1,714
Promissory notes	503	60	120	120	630	930
	12,885	12,853	916	424	722	14,915
Lease liabilities and other commitments						
Lease liabilities	918	456	488	53	-	997
Other property lease commitments ⁽⁴⁾	-	248	-	-	-	248
Other operating and capital commitments	-	112	32	32	-	176
	918	816	520	85	-	1,421

(1) Includes the current and non-current portions.

(2) Amounts include principal and interest portions

(3) Credit facilities mature on September 24, 2024. Carrying amount excludes deferred financing charges of \$101 and includes interest at 13.75%

(4) Includes leased property utility, operating cost and property tax commitments.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.



Corporate Information

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Matt Gowanlock
President & CEO

Orson Ross
Chief Financial Officer

BOARD OF DIRECTORS

Richard McHardy
Chairman

Al Stark

Paul Colucci

Reg Greenslade

Phillip Knoll

Chris Lewis

INVESTOR RELATIONS INFORMATION

Matt Gowanlock
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Orson Ross
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Calgary, Alberta