Cleantek Industries Inc.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2024 and 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION AND DESCRIPTION OF THE COMPANY

November 14, 2024 - The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for Cleantek Industries Inc. ("Cleantek" or the "Company" which includes references to "we", "our", "us", "its"), is a review of the operations, current financial position and condition for the three and nine months ended September 30, 2024 ("Q3 2024") and September 30, 2023 ("Q3 2023") and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 ("Interim Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2024 and 2023 ("Annual Financial Statements"). All amounts are in thousands of Canadian dollars unless otherwise indicated.

The condensed consolidated interim financial statements of Cleantek have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. This MD&A and the unaudited condensed consolidated interim financial statements of Cleantek have been prepared by management and approved by the board of directors (the "Board") as of November 14, 2024.

Cleantek, headquartered in Calgary, Alberta, is an innovative provider of patented, clean technology solutions focused on reducing both cost and carbon intensity in the wastewater management and industrial lighting sectors across North America. Cleantek is a publicly traded company listed on the TSX Venture Exchange (the "TSXV") under the trading symbol CTEK.

READER ADVISORIES

This MD&A contains forward-looking statements and introduces financial measures which are not defined under IFRS aimed at helping the reader in making comparisons to metrics similarly disclosed by industry peers. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-IFRS Measurements" and "Forward-Looking Information" included at the end of this MD&A.

COMPANY OVERVIEW AND STRATEGY

Cleantek is an environmental technology-based company that provides specialized wastewater treatment and disposal equipment along with turnkey sustainable lighting rental solutions. Cleantek leverages its patented technology and industry expertise to provide equipment to service a diverse range of clientele in the mining, construction and energy sectors.

Cleantek's near term strategy is to continue to optimize its internal efficiencies, pursue asset utilization and position itself for growth through innovation and strategic partnerships.

The company has chosen to increase its focus on international expansion and has made significant progress in laying the groundwork for future growth. Several promising international markets have emerged in 2024 and Cleantek will look to capitalize on its position as an innovation leader and patent holder in these key markets.

Critical to Cleantek's success is its practitioner centric innovation model. Exhaustive customer engagement and objective alignment promotes efficient concept commercialization and shorten development times. Cleantek continues to focus on innovation to meet the evolving needs of sustainable-minded customer.

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.

At September 30, 2024, the Company had net current liabilities of $5,468 compared to net current assets of $2,567 and generated net loss of $(211) and $(201) for the three and nine months ended September 30, 2024, respectively. At September 30, 2024 the Company was in breach of the fixed charge coverage ratio on the bank operating line but a covenant tolerance letter was obtained. The bank operating line is payable on demand. The BDC term loan fixed charge coverage ratio begins on December 31, 2024. While the Company is currently in compliance with all revised debt covenants there is potential to have a covenant breach in the next twelve months and there is no guarantee the Company will be able to negotiate covenant relief, if required, or repay the bank operating line or BDC term loan if called upon.

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.

HIGHLIGHTS FOR THE THIRD QUARTER 2024

- Cleantek generated revenue of $2,779 for Q3 2024, a decrease of $809 or 23%, from Q3 2023. The decreased revenue in 2024 is primarily due to lower activity levels and resulting lower utilization of the fleet;
- Cleantek's gross profit was $1,729 or 62% of revenue for Q3 2024 compared with gross profit of $2,284 and 64% of revenue for Q3 2023;
- Cleantek's net loss of $211 for Q3 2024 was a $456 lower than the $245 of net income for Q3 2023; and,
- Cleantek's Adjusted EBITDA[(1)] was $972 for Q3 2024 compared to $1,258 for Q3 2023 due primarily to the decreased revenue.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Canadian $000's, except per share amounts and percentages)	Three months ended September 30			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
Revenue	2,779	3,588	(809)	8,860	10,802	(1,941)
Gross profit	1,729	2,284	(555)	5,386	6,669	(1,283)
Gross profit %	62	64	(2)%	61	62	(1)%
Net (loss) income	(211)	245	(456)	(201)	(262)	61
Net (loss) income per share - basic and diluted ($)	$(0.01)	$0.01	$(0.02)	$(0.01)	$(0.01)	$0.00
EBITDA[(1)]	553	1,193	(640)	2,268	2,557	(289)
Adjusted EBITDA[(1)]	972	1,258	(286)	2,441	3,492	(1,051)
Capital expenditures	114	356	(242)	345	802	(457)

As at:	September 30, 2024	December 31, 2023	Change
Total assets	12,907	15,263	(2,356)
Working capital deficit[1]	(2,901)	(2,942)	41
Non-current debt[1]	7,120	8,470	1,350
Total non-current liabilities	7,166	8,516	1,350

(1) Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's ability to generate cashflow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization. Adjusted EBITDA is measured as EBITDA adjusted for share-based compensation and unusual items not representative of ongoing business performance such as litigation expenses and settlements, executive severance and the impact of unrealized foreign exchange gains and losses. Working capital (or also referred to as net current assets/liabilities) for Cleantek is calculated as current assets less current liabilities per the statement of financial position. Non-current debt includes the non-current portion of long-term debt and lease liabilities per the Non-Current Liabilities on the statement of financial position. These items are not defined and have no standardized meaning under IFRS. Presenting these items from period to period provides management and investors with the ability to evaluate earnings trends more readily in comparison with prior periods' results. Please see the Non-IFRS Measurements section of this MD&A for further discussion of these items, and where applicable, reconciliations to measures calculated in accordance with IFRS.

EXPANSION AND OUTLOOK

Cleantek's strategy focuses on delivering innovative and cost-effective solutions that reduce the carbon intensity as well as the capital and operating costs of industrial operations.

The Company's near-term strategy will continue to focus on:

- maximizing utilization rates of its current fleet of sustainable lighting solutions and wastewater treatment assets;
- expanding and growing the Company's fleet of wastewater treatment assets to satisfy increased demand in the oil and gas, midstream, mining, industrial and construction markets;
- continuing to focus on expansion into international markets through the sale and rental of sustainable lighting solutions and wastewater units;
- evaluating new technology partnerships in an effort to diversify product offerings and customer groups.

The Company is uniquely positioned to capture expansion in both wastewater evaporation and sustainable lighting markets. Cleantek expects that wastewater and evaporation opportunities in the oil and gas, municipal grey water and industrial wastewater industries.

- International Expansion - Expanding on the Company's success with the recent HALO™ sales, Cleantek completed a proof-of-concept trial with a larger international customer with its HALO™ line and is exploring several promising opportunities diversifying Cleantek's geographic focus and customer base. This expansion includes exploring opportunities for rental and/or product sales in both the lighting and waster water divisions.
- SecureTek - Cleantek's line of remote security services, being offered as a stand-alone system or integrated with our sustainable lighting products, continues to drive higher utilization of existing assets and create an exciting new recurring revenue stream for the Company. Utilizing our existing infrastructure, SecureTek is an accretive service offering and a great opportunity to expand our reach into the construction, mining, storage, agriculture, and other commercial markets, with minimal new capital investment.
- EcoSteam - The new waste-gas powered, wastewater treatment and dehydration system, or "EcoSteam". The first system was completed in September 2024 and, based on market demand, Cleantek will look to offer twenty five units to the market by Q2 25. Operational feedback to date has been excellent with the units exceeding anticipated productivity goals.

- **DZeroE Iterative Development -** To meet the growing demand for produced water evaporation, the "DZeroE" waste heat water evaporation technology that has been traditionally deployed in drilling rig applications is being retrofitted for use in production facilities. This low investment pivot will augment unit utilization and provide a less seasonal market opportunity. The DZeroE has also garnered interest in international markets and will be a primary focus for the company in late 2024 and into 2025.

RESULTS OF OPERATIONS

Despite lower than anticipated activity levels Cleantek has been able to maintain stable gross margin percentages through its continued employment of lean operating measures. The efficiency centric approach has prompted the re-organization of its operations structure and promoted a flatter, more accountable organization.

Revenue

	Three months ended September 30			Nine months ended September 30		
(Canadian $000's)	2024	2023	Change	2024	2023	Change
Sustainable lighting solutions	2,600	3,169	(569)	7,614	9,599	(1,983)
ZeroE dehydration	179	294	(115)	811	1,036	(227)
HALO sales	-	125	(125)	435	167	268
Total revenue	2,779	3,588	(809)	8,860	10,802	(1,942)
Fleet Utilization percentage	31%	43%	(12)%	33%	46%	(13)%

Cleantek's revenue is generated primarily from the rental and service of sustainable lighting solutions, including solar hybrid lighting towers and HALO lighting systems and ZeroE dehydration units, including mobile ZeroE dehydration units and a ZeroE production facility unit, based on fixed or agreed upon service contracts with its customers in the upstream and midstream segments of the energy industry as well as the commercial construction industry in western Canada and the United States.

Revenue for the three and nine months ended September 30, 2024, decreased to $2,779 and $8,860 , respectively, compared to $3,588 and $10,802 for the same periods in 2023. Revenue for the three and nine month periods decreased primarily due to lower utilization of assets, especially in the HALO lighting systems. ZeorE dehydration revenue decreased in both the three and nine month periods primarily due to lower utilization of the portable drilling rig ZeroE units. Decreased revenue for nine months ended 2024 was partially offset by the sale of multiple HALO lighting systems in the first quarter of 2024, demonstrating the Company's commitment to near-term strategy in expanding equipment sales.

Direct operating expenses

	Three months ended September 30			Nine months ended September 30		
(Canadian $000's)	2024	2023	Change	2024	2023	Change
Direct operating expenses	1,050	1,304	254	3,474	4,133	659
% of revenue	38%	36%	2%	39%	38%	1%

Direct operating expenses are 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.

Direct operating expenses were $1,050 and $3,474, or 38% and 39% of revenue, for the three and nine months ended September 30, 2024, respectively, compared with $1,304 and $4,133 , or 36% and 38% of revenue, for the same periods in 2023. Direct operating expenses decreased primarily as a result of the decreased revenue and fleet utilization. Direct operating expenses as a percentage of revenue have increased 2% for the three months ended September 30, 2024 due to the 23% decrease in revenue in the same period. Direct operating expenses as a percentage of revenue have increased by 1% for the nine months ended September 30, 2024 due to the 18% decrease in revenue being largely offset by decreased variable costs combined with the lower direct costs associated with the HALO sales revenue.

Gross profit

(Canadian $000's, except percentage)	Three months ended September 30 2024	2023	Change	Nine months ended September 30 2024	2023	Change
Gross profit	1,729	2,284	(555)	5,386	6,669	(1,283)
% of revenue	62%	64%	(2)%	61%	62%	(1)%

Management considers gross profit a key metric in analyzing operational efficiency and performance and the Company's ability to generate cash flow. Cleantek's gross profit is measured as revenue less direct operating expenses.

Cleantek's gross margin was 62% and 61%, respectively, for the three and nine months ended September 30, 2024, compared to 64% and 62% for the same periods in 2023. Decreased gross margins in 2024 are directly related to the increased direct operating expenses as a percentage of revenue explained above.

General and administrative expenses

(Canadian $000's)	Three months ended September 30 2024	2023	Change	Nine months ended September 30 2024	2023	Change
General and administrative expenses	723	1,159	436	2,959	3,635	676

General and administrative expenses consist of salaries and wages and related benefit costs, professional and consulting fees and other general and administrative expenses.

General and administrative expenses for the three and nine months ended September 30, 2024 decreased to $723 and $2,959, respectively, compared to $1,159 and $3,635 for the same periods in 2023. Decreased general and administrative expenses were primarily due to decreased professional fees due to the completion of significant legal matters at the end of 2023 and lower salaries and wages. See *note 9 Direct Operating Expenses and General and Administrative Expenses* of the Interim Financial Statements for further details on general and administrative expenses.

Depreciation and amortization

(Canadian $000's)	Three months ended September 30 2024	2023	Change	Nine months ended September 30 2024	2023	Change
Depreciation and amortization	530	556	26	1,700	1,651	(49)

Depreciation is recognized on property and equipment and right-of-use assets. Amortization is recognized on the intangible assets including patents.

Depreciation and amortization expense for the three and nine months ended September 30, 2024 were $530 and $1,700, respectively, compared with the $556 and $1,651 in the same periods in 2023. Depreciation expense increased in 2024 due to the larger fleet size.

Share-based compensation expense

(Canadian $000's)	Three months ended September 30 2024	2023	Change	Nine months ended September 30 2024	2023	Change

Share-based compensation expense	22	37	14	71	442	370

Cleantek has equity-settled incentive programs and payment plans for the granting of additional Common Shares.

The Company has established a long-term incentive plan (the "Omnibus Plan") whereby the Company may grant stock options ("Options"), restricted share units ("RSUs"), performance share units or deferred share units ("DSUs") 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 share-based compensation expense for the three and nine months ended September 30, 2024, of $22 and $71, respectively, compared to $37 and $442 for the same periods in 2023, decreased due to the second quarter of 2023 including the cancelation of previously granted Options to officers, employees and directors of the Company with the remainder of any unrecognized expense being fully recognized during this period. See *note 7, Share-Based Payments* of the Interim Financial Statements for further details on share-based compensation.

Finance costs

(Canadian $000's)	Three months ended September 30 2024	2023	Change	Nine months ended September 30 2024	2023	Change
Finance costs	234	392	158	733	1,168	435

Finance costs consist primarily of the interest expense recognized on bank debt, long-term debt, the interest component of lease liability payments, debt renewal and other lending fees, accretion of the decommissioning offset by interest income.

Cleantek recognized finance costs of $234 and $733 for the three and nine months ended September 30, 2024, respectively, compared to $392 and $1,168 in the same periods in 2023. The decreased finance costs are the result of lower interest rate debt on the completion of the refinancing with BDC and RBC in December of 2023.

Other (income) expenses

(Canadian $000's)	Three months ended September 30 2024	2023	Change	Nine months ended September 30 2024	2023	Change
(Gain) loss on disposal of long-lived assets	33	-	(33)	(2)	(44)	(42)
Foreign exchange (gain) loss	125	(102)	(227)	(171)	108	279
Other expense (income)	273	(3)	(276)	261	(29)	(290)

In 2024 and 2023, the Company recognized gains and losses on dispositions of long-lived assets that were not being used in the normal course of operations.

Foreign exchange (gain) loss arises from exchange differences resulting from the translation of foreign denominated financial instruments as well as realized (gain) loss on the settlement of foreign denominated financial instruments. The foreign exchange gains recognized in 2024 are due to the weakening of the Canadian dollar in 2024 and resulting impact on the US dollar denominated accounts receivables and cash balances.

Other expense (income) is primarily related to the executive severance associated with the CEO change in July 2024 partially offset by sub rental income of unused office space.

Income taxes

	Three months ended	Nine months ended

(Canadian $000's)	September 30 2024	2023	Change	September 30 2024	2023	Change
Current tax expense (recovery)	-	-	-	36	-	(36)
Deferred tax expense (recovery)	-	-	-	-	-	-
Total tax expense (recovery)	-	-	-	36	-	(36)

Income taxes consist of current and deferred income taxes.

The Company did not recognize any deferred tax expense or recovery for the first quarter of 2024 or 2023.

The Company did incur current taxes in the first quarter of 2024 due to the Company's US operations and tax limitations on using prior year tax losses to offset only 80% of 2023 income. Due to the Company's significant unrecognized deferred tax assets, no deferred tax expense is recognized in 2024 due to the unrecognized tax assets. Deferred tax assets are recognized only to the extent that it is probable that the assets can be recovered through deductions available against future taxable income.

Net (loss) income

(Canadian $000's)	Three months ended September 30 2024	2023	Change	Nine months ended September 30 2024	2023	Change
Net (loss) income for the period	(211)	245	(456)	(201)	(262)	61

Net loss of $211 for the three months ended September 30, 2024, was a decrease of $456 from the net income of $245 for the same period in 2023 mainly due to the 23% decrease in revenue combined with a foreign exchange loss partially offset by the decreased general and administrative and finance costs all explained above. Net loss of $(201) for the nine months ended September 30, 2024 was a $61 improvement from the net loss of $(262) in the same period in 2023. The improvements in 2024 were mainly due to the lower finance costs combined with the foreign exchange gains partially offset by 18% decrease in revenue, which have been explained in detail above.

EBITDA and Adjusted EBITDA

(Canadian $000's)	Three months ended September 30 2024	2023	Change	Nine months ended September 30 2024	2023	Change
EBITDA[1]	553	1,193	(640)	2,268	2,557	(289)
Adjusted EBITDA[1]	972	1,258	(286)	2,441	3,492	(1,051)

(1) These items are not defined and have no standardized meaning under IFRS. Please see the Non-IFRS Measurements section of this MD&A for further discussion of these items, and where applicable, reconciliations to measures calculated in accordance with IFRS.

Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's ability to generate cashflow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization. Adjusted EBITDA is measured as EBITDA adjusted for share-based compensation unusual items not representative of ongoing business performance such as litigation expense and settlements, executive severance and impact of unrealized foreign exchange gains and losses. EBITDA and adjusted EBITDA are non-IFRS measures as defined under "Non-IFRS Measurement".

Cleantek's EBITDA of $553 and $2,268 for the three and nine months ended September 30, 2024, respectively, decreased from EBITDA of $1,193 and $2,557 in the same periods in 2023 mainly due to the changes in net (loss) income, which have been explained in detail above.

Cleantek's adjusted EBITDA was $972 and $2,441 in the three and nine months ended September 30, 2024, respectively, compared with the adjusted EBITDA of $1,258 and $3,492 in the same periods in 2023. Movements for adjusted EBITDA were due to the same reasons described above.

CAPITAL EXPENDITURES

(Canadian $000's)	Three months ended September 30 2024	2023	Change	Three months ended September 30 2024	2023	Change
Additions to property and equipment	114	356	(242)	345	795	(450)
Additions to intangible assets	-	-	-	-	7	(7)
Total capital expenditures	114	356	(243)	345	802	(457)

In 2024, Cleantek had capital expenditures that included the new EcoSteam evaporation units and additions to the HALO™ crown-mounted lighting system fleet.

SUPPLEMENTAL QUARTERLY INFORMATION

The table below summarizes Cleantek's quarterly financial and operational highlights for the three months ended September 30, 2024 as well as the previous seven quarters:

(Canadian $000's, except per share amounts and percentages)	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4
Revenue	2,779	2,411	3,670	3,188	3,588	3,397	3,817	3,483
Gross profit	1,729	1,285	2,372	1,716	2,284	2,084	2,301	2,232
Gross profit %	62	53	65	54	64	61	60	65
Net income (loss)	(211)	(511)	522	(1,562)	245	(687)	180	(388)
Net income (loss) per share - basic and diluted ($)	$(0.01)	$(0.02)	$0.02	$(0.06)	$0.01	$(0.02)	$0.01	$(0.01)
EBITDA[(1)]	553	310	1,405	(373)	1,193	252	1,112	612
Adjusted EBITDA[(1)]	972	259	1,210	559	1,258	903	1,331	1,273
Total assets	12,907	13,410	14,379	15,263	15,675	15,810	16,601	15,917
Working capital deficit[(1)]	(2,901)	(3,184)	(2,739)	(2,942)	(7,982)	(8,196)	(8,043)	(8,348)
Non-current debt[(1)]	7,120	7,381	7,758	8,470	2,053	2,205	2,304	2,121
Total non-current liabilities	7,166	7,427	7,804	8,516	2,099	2,251	2,350	2,167

(1) These items are not defined and have no standardized meaning under IFRS. Please see the Non-IFRS Measurements section of this MD&A for further discussion of these items, and where applicable, reconciliations to measures calculated in accordance with IFRS.

Reported revenue, net loss, EBITDA, adjusted EBITDA are generally higher in the first and fourth quarters due to higher activity in the oil and gas sector.

Net loss attributable to shareholders has also been impacted by the following variations and events:

- Improved net income (loss) in first and second quarters of 2024 reflect the decreased financing costs associated with fixed lower interest rate debt refinanced with BDC as the end of 2023 combined with lower professional fees in general and administration offset with decreased revenue.
- Increase in net loss in the fourth quarter of 2023 due to increased general and administrative expense and other expense due to related litigation expense and settlement combined with the lower revenue.
- Increase in net loss in the second and third quarters of 2022 due to higher general and administrative expense primarily related to the legal spend on the patent litigation. The increased general and administrative expense also contributed to the draw on the Revolving Debt Facility and resulting additional non-current debt borrowings.

- Increase in working capital deficiency in the fourth quarter of 2022 due to there being less than twelve months remaining on the current credit facility at that time.
- Improved working capital deficiency in the fourth quarter of 2023 reflects the new BDC term loan and long term financing completed during this this quarter.

Working capital was in a large deficit starting in the fourth quarter of 2022 due to there being less than twelve months remaining on the credit facility and all associated debt being classified as current until the new long term financing was completed in the fourth quarter of 2023. See the Annual Financial Statements for further details on these events.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

The following discussion relates to the consolidated position of liquidity and capital of Cleantek as at September 30, 2024 and December 31, 2023

The Company's strategy is to carry a capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

Cleantek considers its capital structure to include working capital, long-term debt, lease liabilities and shareholders' equity.

To maintain or adjust the capital structure, the Company may issue additional debt, issue new shares and adjust capital and operating expenditures to manage its current and projected debt levels.

The capital structure of Cleantek consists of the following:

(Canadian $000's)	September 30 2024	December 31 2023
Current assets	2,567	3,404
Current liabilities	5,468	6,346
Working capital deficit	(2,901)	(2,942)
Long-term debt – non-current	6,829	7,806
Lease liabilities – non-current	291	664
Shareholders' equity	273	401
	10,294	11,813

Debt and credit facilities

Cleantek's debt and credit facilities are comprised of the following:

(Canadian $000's)	September 30 2024	December 31 2023
Revolving Current Debt		
Bank Operating Line	1,417	1,880
Long-term debt		
BDC term loan	6,644	6,926
BDC manufacturing financing facility	-	-
Loans payable	979	1,299
Promissory notes	482	494
	8,105	8,719
Current portion of long-term debt		
BDC Term Loan	996	555
Loans payable	263	343
Promissory notes	17	15
	1,276	913

Non-current portion of long-term debt		
BDC Term Loan	5,648	6,371
Loans payable	716	956
Promissory notes	465	479
	6,829	7,806

Credit facilities

(Canadian $000's)	September 30 2024	December 31 2023
BDC Term Loan		
BDC term loan	6,886	7,200
Deferred financing costs	(242)	(274)
	6,644	6,926
Current portion of BDC term loan	(996)	(555)
Non-current portion of BDC term loan	5,648	6,371

Bank Operating Line

On December 21, 2023, the Company entered into a revolving operating line with HSBC Bank Canada (HSBC), now Royal Bank of Canada (RBC), which provides for a revolving debt facility up to a maximum amount of $2,500. The amount available on a month-to-month balance is based on a percentage of accounts receivable and is determined at each month end. At September 30, 2024 the Company had access to $1,688 (December 31, 2023 - $1,881) of the operating line. The operating line carries an interest rate of prime plus 1% and is secured against the Company's accounts receivable. The operating line is payable on demand. The operating line is subject to covenants of: (i) maintaining a Funded Debt to Adjusted EBITDA on a trailing 12 months ratio to not exceed more than 3 to 1 at any given time and (ii) a Fixed Charge Coverage ratio that must be above 1.1 to 1 at all times. At September 30, 2024 the Company was in breach of the fixed charge coverage ratio but a covenant tolerance letter was obtained and the Company was in compliance with the revised covenants. Funded debt includes the Bank Operating line, long term debt and lease liabilities less cash on hand, the promissory note and customer term loan. Adjusted EBITDA is defined as net earnings excluding interest expense, provisions for income taxes, non-cash items including depreciation and amortization and non-cash unrealized foreign exchange gains/losses, and certain non-recuring expenses such as litigation expenses and settlement and executive severance. Fixed Charge Coverage ratio is calculated by taking Adjusted EBITDA and dividing it by Debt Service costs which include current portions of long-term debt, term loans and lease liabilities plus finance costs for the last twelve months.

BDC Term Loan

On December 21, 2023, the Company entered into a term loan agreement with the Business Development Bank of Canada (BDC) which provides for a $7,200 non-revolving term loan, in a single loan advance ("BDC Term Loan"). The term loan initially matured on May 20, 2030, and included an initial 6-month interest only period after which time a blended monthly payment of $127 for principal and interest began. A loan amendment was signed on September 24, 2024, which provided the Company with two additional months of interest only after which time the blended monthly payments of $127 for principal and interest would resume extending the loan maturity to July 10, 2030. The loan carries a three-year fixed interest rate of 8.20% per annum, after three years the interest rate will be renegotiated. The term loan is subject to a covenant of a Fixed Charge Coverage ratio that must be above 1.1 to 1 at all times beginning on December 31, 2024. The Term Loan is secured by the fixed assets of the Company and its subsidiaries. The Fixed Charge Coverage is calculated the same as for the Bank Operating Line above.

BDC Manufacturing Financing Facility

On July 25, 2024, the Company entered into a manufacturing financing facility with BDC which provides for up to $4,000 of financing for the manufacture or purchase of additional rental equipment. Disbursements under the manufacturing financing facility will be made based on 125% of approved invoices submitted to BDC up to the lapsing date of July 25, 2026, at which time any undistributed portion of the loan will be cancelled. The manufacturing financing facility will carry floating rate interest at BDC 's floating base rate, which is currently 8.05%, plus an additional 0.45%. Loan will be repayable as interest only until July 28, 2025, and then interest plus principal payments of $55.6 starting on August 28, 2025, and maturing on June 28, 2031. The manufacturing financing facility is subject to a covenant of a Fixed Charge Coverage ratio that must be above 1.1 to 1 at all times beginning on December 31, 2024. The build loan is secured by the fixed assets of the Company and its subsidiaries. The Fixed Charge Coverage is calculated the same as for the BDC Term Loan and Bank Operating Line above. As at September 30, 2024 no disbursements under the manufacturing financing facility had been made and loan balance was nil.

Loans payable

(Canadian $000's)	September 30 2024	December 31 2023
Loans payable		
Customer Term Loan	518	529
Term loan payable – Vehicles	461	770
	979	1,299
Current portion of loans payable	263	343
Non-current portion of loans payable	716	956

Customer Term loan

During the three and nine months ended September 30, 2024, nil and $42, respectively, (2023 - $40 and $150) 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, 2024, nil and $25, respectively, (2023 - $13 and $83) was recognized as interest expense on the outstanding Customer Loan and included in finance costs, and nil and $17, (2023 - $28 and $67) 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 nil and $11 for the three and nine months ended September 30, 2024, respectively (2023 - $27 and $44).

Promissory notes

(Canadian $000's)	September 30, 2024	December 31, 2023
Promissory notes		
Vendor Promissory Note	482	494
	482	494
Current portion of promissory notes	17	15
Non-current portion of promissory notes	465	479

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any special purpose entities nor is it a party to any material off-balance sheet arrangements.

SHARE CAPITAL

Cleantek had the following outstanding Common Shares and equity instruments at September 30, 2024, and December 31, 2023:

	September 30 2024	December 31 2023
Common Shares	29,260,377	27,762,044
Stock Options	987,500	-
RSUs	708,335	1,278,336
DSUs	300,000	450,000
Warrants	3,601,098	3,101,098
Total outstanding securities	34,857,310	32,591,478

As of the date of this MD&A, Cleantek had 29,260,377 Common Shares outstanding.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Cleantek places great emphasis on providing a safe and secure working environment for all employees, contractors and consultants, and recognizes the importance of operating in a sustainable manner. The Company has a strong commitment to safety and sustainability in its business operations and the identification, elimination or control of workplace hazards; promotion and provision of a work environment in which individuals are treated with respect, provided with equal opportunity and is free of all forms of and abusive and harassing conduct; and ethical business conduct and legal compliance. Cleantek's executive team places the highest priority on the health and safety of its staff and third parties at its sites, as well as the preservation of the environment. The Company's corporate culture is built around supporting these priorities, as reflected in its well-established practices and policies. Cleantek's high safety standards include active monitoring of all field workers, performing environmental, health and safety ("EHS") audits and using third parties and implementing safety processes from employee training in compliance with operational processes and procedures to emergency preparedness. By extension, the Company incorporates its EHS standards into its subcontractor selection process to ensure that its commitment to high EHS standards is shared by its subcontractors and stakeholders.

The Board also maintains a focus on safety and sustainability working with management to fulfill its oversight responsibilities relating to operating in a safe, environmentally and socially responsible (sustainable) manner and ensuring the integrity of policies and practices with respect to: workforce and public safety in Company activities and at its operating sites; and sustainability in Company activities with respect to people (wellbeing), planet (environmental) and prosperity (community and innovation) considerations ensuring that there are appropriate processes in place to facilitate identification of various safety and sustainability risks that may arise from the Company's operations and related mitigation and possible resulting consequential risks to the Company, its subsidiaries and directors, officers and employees; assessing whether the Company's safety and sustainability policies are effective, properly implemented and comply with applicable legislation and industry standards; reviewing corporate safety and sustainability activities and performance; reviewing the Company's method of communicating (internally and externally) safety and sustainability policies, practises and procedures; reviewing and assessing the sufficiency of resources to the Company's safety and sustainability program; ensuring that appropriate reporting procedures are established relating to safety and sustainability matters by management to the Board.

RISK ASSESSMENT

There are a number of risks facing Cleantek. Some of the risks are common to all businesses while others are specific to a sector.

Many of these risks are outside of the Company's control. The risks and uncertainties described below are not the only risks that the Company faces. Additional risks and uncertainties, including those of which management is not currently aware of or which are currently deemed immaterial, may adversely affect the Company. Any of these factors, either alone or taken together, could have a material adverse effect on the Company and could change whether any forward-looking statements are ultimately realized.

These risks cannot be eliminated, however, Cleantek's management is committed to proactively monitoring, and where possible, mitigating risk. Issues affecting, or with the potential to affect, the Company's assets, operations and/or reputation, are generally of a strategic nature or are emerging issues that can be identified early and then managed, but occasionally include unforeseen issues that arise unexpectedly and must be managed on an urgent basis. Cleantek takes a proactive approach to the identification and management of issues that may affect the Company's assets, operations and/or reputation and has established consistent and clear policies, procedures, guidelines and responsibilities for issue identification, management and mitigation.

FINANCIAL RISKS

Cleantek defines financial risk as the risk of loss or lost opportunity resulting from financial management and market conditions that could have a positive or negative impact on the Company's cash flows in the normal course of business. These risks are: credit risk, liquidity risk, and market risk. The Corporation's overall risk management program and prudent business practices seek to minimize any potential adverse effects on the Corporation's financial performance. The MD&A should be read in conjunction with the Annual Financial Statements.

ACCOUNTING STANDARDS, CHANGES AND PRONOUNCEMENTS

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

A summary of significant accounting policies can be found in *note 3 Significant Accounting Policies* of the Annual Financial Statements.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of financial statements requires management to make certain judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

A summary of Cleantek's critical accounting estimates, judgments and assumptions can be found in *note 2* to the Annual Financial Statements for the year ended December 31, 2023. There have been no significant changes to the use of estimates, judgements or assumptions since December 31, 2023.

COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The expected timing of cash outflows relating to financial liabilities at September 30, 2024 are outlined in the table below:

	Carrying amount(1)	Contractual outflows(2)(3)				
(Canadian $000's)		< 1 year	2 to 3 years	4 to 5 years	Thereafter	Total(1)
Financial liabilities						
Accounts payable and accrued liabilities	2,245	2,245	-	-	-	2,245

Bank operating line(5)	1,417	1,417	-	-	-	1,417
Long-term debt						
Term loan(3)	6,644	1,364	3,047	3,047	1,269	8,727
Loans payable	979	451	443	265	-	1,159
Promissory notes	482	60	120	120	575	875
	11,767	5,537	3,610	3,432	1,844	14,423
Lease liabilities and other commitments						
Lease liabilities	821	568	288	-	-	856
Other property lease commitments(4)	-	143	139	-	-	282
Other operating and capital commitments	-	62	58	58	-	178
	821	773	485	58	-	1,316

(1) Includes the current and non-current portions.
(2) Amounts include principal and interest portions, except for the Bank Operating Line.
(3) Carrying amount excludes deferred financing charges of $242. Amounts are based on Term loan balances including principal and interest based on the three year fixed rate assuming rate is mainitianed for the duration of the loan.
(4) Includes leased property utility, operating cost and property tax commitments.
(5) Operating line is interest only and both the loan balance and the rate are variable. The Bank Operating line is a demand loan and is considered current as a result.

Litigation and claims

The Company is involved in litigation and claims arising in the normal course of operations. Management is of the opinion that pending litigation will not have a material impact on the Company's financial position or results of operations.

RELATED PARTY BALANCES AND TRANSACTIONS

Executive loan facility agreement

As part of the private placement completed on September 5, 2024 for total proceeds of $150 an executive loan facility agreement was completed, for a total loan amount of $50, between the Company and current President and Chief Executive Officer where the loan proceeds were used to participate in the private placement. The executive loan bears floating rate interest at the Canada Revenue Agency prescribed interest rate, currently at 5%, and will be adjusted quarterly. The principal amount outstanding together with any and all interest accrued shall be paid in full no later than December 31, 2025. As such the full loan amount has been classified as current and is included in accounts receivable.

NON-IFRS MEASUREMENTS

Cleantek uses certain financial measures referred to in this MD&A to quantify its results that are not prescribed by IFRS. The following terms: "EBITDA", "adjusted EBITDA", "working capital" and "non-current debt" are not recognized measures under IFRS and may not be comparable to that reported by other companies. Cleantek believes that, in addition to measures prepared in accordance with IFRS, the non-IFRS measurements provide useful information to evaluate the Company's performance and ability to generate cash, profitability and meet financial commitments.

These non-IFRS measures ae intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

EBITDA and Adjusted EBITDA

Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's ability to generate cash flow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization as differences in accounting treatments may distort our core business results. Adjusted EBITDA is measured as EBITDA adjusted for certain non-cash items, including share-based compensation, impact of unrealized foreign exchange gains and losses as well as unusual items not representative of ongoing business performance such as litigation expense and settlements and executive severance.

The following table provides a reconciliation of the non-IFRS measures, EBITDA and adjusted EBITDA, to the applicable IFRS measurements for Cleantek:

	Three months ended September 30		Nine months ended September 30	
(Canadian $000's)	2024	2023	2024	2023
Net income (loss)	(211)	245	(201)	(262)
Tax expense	-	-	36	-
Depreciation and amortization	530	556	1,700	1,651
Finance costs	234	392	733	1,168
EBITDA	553	1,193	2,268	2,557
Share-based compensation	22	37	71	442
Litigation expense/Severance	273	131	273	388
Unrealized FX (gain) loss	125	(103)	(171)	106
Adjusted EBITDA	972	1,258	2,441	3,492

Working capital

Working capital (or also referred to as net current assets/liabilities) for Cleantek is calculated as current assets less current liabilities per the statement of financial position. The following table provides a reconciliation of working capital, a non-IFRS measure to the applicable IFRS measurements for the Company:

(Canadian $000s)	September 30 2024	December 31 2023
Current assets	2,567	3,404
Current liabilities	5,468	6,346
Working capital deficit	(2,901)	(2,942)

Non-current debt

Management considers non-current debt in analyzing the Company's capital structure. Cleantek's capital structure consists of working capital, non-current debt and shareholders' equity. Non-current debt measures the long-term borrowings of the Company. Non-current debt for Cleantek is calculated as the non-current portions of long-term debt and lease liabilities. The following table provides a reconciliation of non-current debt, a non-IFRS measure to the applicable IFRS measurements for the Company:

(Canadian $000s)	September 30 2024	December 31 2023
Long-term debt – non-current portion	6,829	7,806
Lease liabilities – non-current portion	291	664
Non-current debt	7,120	8,470

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking statements and forward-looking information (collectively "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as: "anticipates", "believes", "continues", "estimates", "could", "expects", "intends", "may", "objective", "ongoing", "plans", "will", "projects", "should", or similar expressions suggesting future outcomes or events. In particular, this MD&A contains forward-looking statements relating, but not limited to:

- maximizing utilization rates of its current fleet of sustainable lighting solutions and wastewater treatment assets;
- expanding and growing the Company's fleet of wastewater treatment assets to satisfy increased demand in the oil and gas, midstream, mining, industrial and construction markets;
- continuing to focus on expansion into international markets through the sale and rental of sustainable lighting solutions and wastewater units;
- evaluating new technology partnerships in an effort to diversify product offerings and customer groups.

Such statements are based on assumptions of future events and actual results could vary from these assumptions. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of Cleantek. These include, but are not limited to, risks associated with renewable energy sources, such as market competition, volatility of prices, currency fluctuations, environmental risk, and competition from other producers and ability to access sufficient capital from internal and external sources.

Although management believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. As such, readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements contained in this MD&A are made as of the date hereof for the purposes of providing the readers with Cleantek's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Furthermore, the Company undertakes no obligation to update or revise these forward-looking statements or information as a result of new information or future events, other than as required by applicable securities laws. However, in the event that subsequent events are reasonably likely to cause actual results to differ materially from forward-looking statements previously disclosed by the Company for a period that is not yet complete, Cleantek will provide disclosure on such events and the anticipated impact of such events.

ADDITIONAL INFORMATION

Additional information regarding Cleantek and its business and operations can be obtained by contacting the Company at Cleantek Industries Inc., Suite 1210, 520 – 5th Avenue SW, Calgary, Alberta, Canada T2P 3R7 or by e-mail at info@cleantekinc.com. Additional information related to Cleantek is available on www.cleantekinc.com and on the Company's SEDAR profile at www.sedarplus.ca.