Management's Discussion and Analysis

For the years ended December 31, 2024 and 2023

TSXV: CTEK
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MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION AND DESCRIPTION OF THE COMPANY

April 10, 2025 - 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 years ended December 31, 2024 and 2023 and should be read in conjunction with the Company's 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 Annual Financial Statements of Cleantek have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS). This MD&A and the Annual Financial Statements of Cleantek have been prepared by management and approved by the board of directors (the "Board") as of April 10, 2025.

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 portfolio of 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. Cleantek shipped and installed two new HaloSE units into the international market in 2024 and has a number of international market opportunities it will look to capitalize on in 2025.

HIGHLIGHTS FOR THE FOURTH QUARTER 2024

- Cleantek generated revenue of $2,927 for Q4 2024, a decrease of $260 or 8%, from Q4 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 $1,835 or 63% of revenue for Q4 2024 compared with gross profit of $1,716 and 54% of revenue for Q4 2023 due to decreased salaries and wages and transportation and mobilization costs;

- Cleantek's net income of $1,466 for Q4 2024 was $3,028 higher than the net loss of $(1,562) for Q4 2023; and,
- Cleantek's Adjusted EBITDA[1] was $1,762 for Q4 2024 an increase of $1,204 compared to $558 for Q4 2023 due primarily to the increased net income.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Canadian $000's, except per share amounts and percentages)	Three months ended December 31			Years ended December 31		
	2024	2023	Change	2024	2023	Change
Revenue	2,927	3,187	(260)	11,787	13,989	(2,202)
Gross profit	1,835	1,716	119	7,220	8,385	(1,165)
Gross profit %	63	54	9%	61	60	1%
Net (loss) income	1,466	(1,562)	3,028	1,263	(1,823)	3,086
Net (loss) income per share - basic ($)	$0.05	$(0.06)	$0.11	$0.04	$(0.07)	$0.11
Net (loss) income per share - diluted ($)	$0.05	$(0.06)	$0.11	$0.04	$(0.07)	$0.11
EBITDA[1]	2,298	(372)	2,670	4,564	2,185	2,379
Adjusted EBITDA[1]	1,762	558	1,204	4,201	4,050	151
Capital expenditures	400	356	44	745	1,117	(372)

As at:	December 31, 2024	December 31, 2023	Change
Total assets	13,641	15,263	(1,622)
Working capital deficit[1]	(1,939)	(2,942)	1,003
Non-current debt[1]	7,085	8,470	1,385
Total non-current liabilities	7,085	8,516	1,431

(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;
- evaluate acquisition and merger opportunities to augment growth and market diversification.

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.
- EcoSteam - New in 2024 the waste-gas powered, wastewater treatment and dehydration system, or "EcoSteam" was introduced. The first system was completed in late 2024 and deployed shortly afterward. The Company has enjoyed 100% utilization on its new units and based on market demand, Cleantek will look to offer twenty-five units to the market by late Q2 25. Operational feedback continues to be 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.
- 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.

RESULTS OF OPERATIONS

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 December 31			Years ended December 31		
(Canadian $000's)	2024	2023	Change	2024	2023	Change
Sustainable lighting solutions	2,722	2,840	(118)	10,337	12,439	(2,102)
ZeroE dehydration	180	349	(169)	991	1,383	(392)
HALO sales	25	-	25	459	167	292
Total revenue	2,927	3,189	(262)	11,787	13,989	(2,202)
Fleet Utilization percentage	32%	40%	(8)%	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 months and year ended December 31, 2024, decreased to $2,927 and $11,787 , respectively, compared to $3,189 and $13,989 for the same periods in 2023. Revenue for the three months and year ended periods decreased primarily due to Lower total activity levels, primarily in the U.S. market. Decreased revenue for year 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

(Canadian $000's)	Three months ended December 31 2024	2023	Change	Years ended December 31 2024	2023	Change
Direct operating expenses	1,092	1,471	379	4,567	5,604	1,037
% of revenue	37%	46%	9%	39%	40%	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 $1,092 and $4,567 , or 37% and 39% of revenue, for the three months and year ended December 31, 2024, respectively, compared with $1,471 and $5,604 , or 46% and 40% of revenue, for the same periods in 2023. Direct operating expenses decreased $379, and 9% of revenue, for the three months ended December 31, 2024 primarily as a result of the decreased revenue and fleet utilization as revenue also decreased by 8% in the same period. Direct operating expenses for the year ended December 31, 2024 decreased by $1,037, and 1% of revenue, as the 16% decrease in revenue and resulting decreased variable costs combined with the lower direct costs associated with the HALO sales revenue in early 2024.

Gross profit

(Canadian $000's, except percentage)	Three months ended December 31 2024	2023	Change	Years ended December 31 2024	2023	Change
Gross profit	1,835	1,716	119	7,220	8,385	(1,165)
% of revenue	63%	54%	9%	61%	60%	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 63% and 61%, respectively, for the three months and year ended December 31, 2024, compared to 54% and 60% for the same periods in 2023. Increased gross margins in 2024 are directly related to the decreased direct operating expenses as a percentage of revenue explained above.

General and administrative expenses

(Canadian $000's)	Three months ended December 31 2024	2023	Change	Years ended December 31 2024	2023	Change
General and administrative expenses	791	1,318	527	3,750	4,953	1,203

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 months and year ended December 31, 2024 decreased to $791 and $3,750 , respectively, compared to $1,318 and $4,953 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 14 Direct Operating Expenses and General and Administrative Expenses* of the Financial Statements for further details on general and administrative expenses.

Depreciation and amortization

(Canadian $000's)	Three months ended December 31 2024	2023	Change	Years ended December 31 2024	2023	Change
Depreciation and amortization	566	582	18	2,265	2,233	(32)

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 months and year ended December 31, 2024 were $566 and $2,265, respectively, compared with the $582 and $2,233 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 December 31 2024	2023	Change	Years ended December 31 2024	2023	Change
Share-based compensation expense	34	37	3	106	479	373

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 months and year ended December 31, 2024, of $34 and $106, respectively, compared to $37 and $479 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 12, Share-Based Payments* of the Financial Statements for further details on share-based compensation.

Finance costs

(Canadian $000's)	Three months ended December 31 2024	2023	Change	Years ended December 31 2024	2023	Change
Finance costs	192	603	411	926	1,771	845

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 $192 and $926 for the three months and year ended December 31, 2024, respectively, compared to $603 and $1,771 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) and expense items:

(Canadian $000's)	Three months ended December 31 2024	2023	Change	Years ended December 31 2024	2023	Change
(Gain) on debt forgiveness	(518)	-	518	(518)	-	518
(Gain) loss on disposal of long-lived assets	(30)	-	30	(30)	(44)	(14)
Foreign exchange (gain) loss	(563)	183	746	(734)	291	1,025
Other expense (income)	(178)	550	728	82	521	439

On December 6, 2024 Cleantek signed a mutual release with an upstream oil and gas customer to forgive the outstanding loan balance associated with its PZeroE unit. As part of the agreement Cleantek has removed the unit from the customer's site. This release included a full release of repayment of any amounts outstanding under the loan agreement and any interest accrued thereon. As a result of the mutual release Cleantek recognized a $518 gain on debt forgiveness.

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 insurance proceeds received in the fourth quarter of 2024 related to a hail storm in Texas offset by the executive severance associated with the CEO change in July 2024 partially combined with sublease rental income of unused office space.

Income taxes

(Canadian $000's)	Three months ended December 31 2024	2023	Change	Years ended December 31 2024	2023	Change
Current tax expense (recovery)	74	4	(70)	110	4	(106)
Deferred tax expense (recovery)	-	-	-	-	-	-
Total tax expense (recovery)	74	4	(70)	110	4	(106)

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 2024 and 2023 due to the Company's US operations and tax limitations on using prior year tax losses to offset only 80% of taxable 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 December 31 2024	2023	Change	Years ended December 31 2024	2023	Change
Net (loss) income for the period	1,466	(1,562)	3,028	1,263	(1,823)	3,086

Net income of $1,466 for the three months ended December 31, 2024, was an increase of $3,028 from the net loss of $1,562 for the same period in 2023 as the 16% decrease in revenue was more than offset with a foreign exchange gain, gain on debt forgiveness, other income and decreased general and administrative and finance costs all explained above. Net income of $1,263 for the year ended December 31, 2024 was a $3,086 improvement from the net loss of $1,823 in the same period in 2023. The improvements in 2024 were mainly due to the same reasons as the three-month improvement, which have been explained in detail above.

EBITDA and Adjusted EBITDA

(Canadian $000's)	Three months ended December 31 2024	Three months ended December 31 2023	Change	Years ended December 31 2024	Years ended December 31 2023	Change
EBITDA(1)	2,298	(372)	2,670	4,564	2,185	2,379
Adjusted EBITDA(1)	1,762	558	1,204	4,201	4,050	151

(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 and 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 $2,298 and $4,564 for the three months and year ended December 31, 2024, respectively, increased from EBITDA of $(372) and $2,185 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 $1,762 and $4,201 in the three months and year ended December 31, 2024, respectively, compared with the adjusted EBITDA of $558 and $4,050 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 December 31 2024	Three months ended December 31 2023	Change	Years ended December 31 2024	Years ended December 31 2023	Change
Additions to property and equipment	400	356	44	745	1,110	(365)
Additions to intangible assets	-	-	-	-	7	(7)
Total capital expenditures	400	356	43	745	1,117	(372)

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 December 31, 2024 as well as the previous seven quarters:

(Canadian $000's, except per share amounts and percentages)	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1
Revenue	2,927	2,779	2,411	3,670	3,188	3,588	3,397	3,817

Gross profit	1,835	1,729	1,285	2,372	1,716	2,284	2,084	2,301
Gross profit %	63	62	53	65	54	64	61	60
Net income (loss)	1,466	(211)	(511)	522	(1,562)	245	(687)	180
Net income (loss) per share - basic and diluted ($)	$0.05	$(0.01)	$(0.02)	$0.02	$(0.06)	$0.01	$(0.02)	$0.01
EBITDA(1)	2,298	553	310	1,405	(373)	1,193	252	1,112
Adjusted EBITDA(1)	1,762	972	259	1,210	559	1,258	903	1,331
Total assets	13,641	12,907	13,410	14,379	15,263	15,675	15,810	16,601
Working capital deficit (1)	(1,939)	(2,901)	(3,184)	(2,739)	(2,942)	(7,982)	(8,196)	(8,043)
Non-current debt(1)	7,085	7,120	7,381	7,758	8,470	2,053	2,205	2,304
Total non-current liabilities	7,085	7,166	7,427	7,804	8,516	2,099	2,251	2,350

(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 income (loss), EBITDA, adjusted EBITDA are generally higher in the first and fourth quarters due to higher activity in the oil and gas sector.

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

- Strong net income in the fourth quarter of 2024 reflects the decreased general and administrative and financing expenses for the year combined with a large gain on debt forgiveness, foreign exchange gain and insurance proceeds all earned in the further quarter.
- 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.
- 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.

SUPPLEMENTAL ANNUAL INFORMATION

The table below summarizes Cleantek's annual financial and operational highlights for the year ended December 31, 2023, as well as the previous two years:

(Canadian $000's, except per share amounts and percentages)	Years ended December 31 2024	2023	2022
Revenue	11,787	13,989	13,116
Gross profit	7,220	8,385	7,792
Gross profit %	61	60	59
Net income (loss)	1,263	(1,823)	(3,587)
Net income (loss) per share - basic ($)	$0.04	$(0.07)	$(0.13)
Net income (loss) per share - diluted ($)	$0.04	$(0.07)	$(0.13)
EBITDA(1)	4,564	2,185	801

Adjusted EBITDA[(1)]	4,201	4,050	4,370
Capital expenditures	745	1,117	2,856
Total assets	13,641	15,263	15,917
Working capital deficit[(1)]	(1,939)	(2,942)	(8,343)
Non-current debt[(1)]	7,085	8,470	2,121
Total non-current liabilities	7,085	8,516	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.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

The following discussion relates to the consolidated position of liquidity and capital of Cleantek as at December 31, 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)	December 31 2024	December 31 2023
Current assets	3,228	3,404
Current liabilities	5,167	6,346
Working capital deficit	(1,939)	(2,942)
Long-term debt – non-current	(6,534)	(7,806)
Lease liabilities – non-current	(551)	(664)
Shareholders' equity	(1,389)	(401)
	(10,413)	(11,813)

Debt and credit facilities

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

(Canadian $000's)	December 31 2024	December 31 2023
Revolving Current Debt		
Bank Operating Line	1,486	1,880
Long-term debt		
BDC loans	6,940	6,926
Loans payable	406	1,299
Promissory notes	478	494
	7,824	8,719
Current portion of long-term debt		
BDC loans	1,002	555
Loans payable	270	343
Promissory notes	18	15
	1,290	913

Non-current portion of long-term debt		
BDC loans	5,938	6,371
Loans payable	136	956
Promissory notes	460	479
	6,534	7,806

BDC Loans

(Canadian $000's)	December 31 2024	December 31 2023
BDC Loans		
BDC term loan	6,806	7,200
BDC manufacturing financing facility	365	-
Deferred financing costs	(231)	(274)
	6,940	6,926
Current portion of BDC loans	(1,002)	(555)
Non-current portion of BDC loans	5,938	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 December 31, 2024 the Company had access to $1,862 (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 the following covenants: (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 December 31, 2024 the Company was in compliance with all 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 income 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 matures 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 for October and November 2024 and in December 2024 the blended monthly payments of $127 for principal and interest resumed 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 up to $4,000 of financing for the manufacture or purchase of additional rental equipment. Disbursements under the manufacturing financing facility are 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 at December 31, 2024 was 7.55%, plus an additional 0.45%. Loan will be repayable as interest only until July 28, 2025, and then interest plus principal payments starting on August 28, 2025. 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 December 31, 2024 $365 of disbursements under the manufacturing financing facility had been made and the loan matures on June 28, 2031.

Loans payable

(Canadian $000's)	December 31 2024	December 31 2023
Loans payable		
Customer Term Loan	-	529
Term loan payable – Vehicles	406	770
	406	1,299
Current portion of loans payable	270	343
Non-current portion of loans payable	136	956

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.

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 agreement at inception under IFRS 16 and made an assessment that it is an operating lease as the Customer agreement 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 year ended December 31, 2024, $42, (2023 - $175) of rental income was invoiced to the customer for dehydration facility services. Of the amounts invoiced, for the year ended December 31, 2024, $25, (2023 - $104) was recognized as interest expense on the outstanding Customer Loan and included in finance costs, and $17, (2023 - $71) 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 $11 (2023 - $44).

On December 6, 2024 Cleantek signed a mutual release with the upstream oil and gas customer to terminate the ZeroE agreement and remove the ZeroE unit from the customer's site. This release included a full release of repayment of any amounts outstanding under the loan agreement and any interest accrued thereon. As a result of the mutual release Cleantek recognized a $518 gain on debt forgiveness.

Term Loans Payable – Vehicles

Cleantek entered into a series of loan agreements with two lenders for the purchase of new vehicles for field operations staff to use in servicing our rental equipment. The loans have terms ranging from 36 to 48 months and interest rates ranging from 4.79% to 8.99% per annum and are secured by the vehicles purchased.

Promissory notes

(Canadian $000's)	December 31, 2024	December 31, 2023
Promissory notes		
Vendor Promissory Note	478	494
	478	494
Current portion of promissory notes	18	15
Non-current portion of promissory notes	460	479

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.

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 December 31, 2024, and December 31, 2023:

	December 31 2024	December 31 2023
Common Shares	29,260,377	27,762,044
Stock Options	987,500	-
RSUs	619,170	1,278,336
DSUs	300,000	450,000
Warrants	500,00	3,101,098
Total outstanding securities	31,667,047	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.

Business risks related to Cleantek

Cleantek's RBC bank operating line is a demand loan and could be demanded upon

Cleantek's RBC operating line is a demand loan secured by the Company's accounts receivable balance. While it is unlikely the operating line would be demanded on unless there was a sustained pattern of non-compliance with the facility terms, such as a breach in covenants, failure to deliver reporting, etc., other material events could also lead to this outcome. If RBC demanded on payment of the operating line Cleantek would have 90 days to collect on the outstanding receivables and pay off the loan balance or seek alternative financing. There can be no assurance that additional debt or equity financing will be available to meet these requirements on terms acceptable to Cleantek should this happen. Cleantek's inability to raise capital could impede its growth and could materially adversely affect the business, financial condition, results of operations and cash flows of Cleantek.

Business Development Risks

In implementing its strategy, Cleantek may pursue new business or growth opportunities. There is no assurance that Cleantek will be successful in executing those opportunities. Cleantek may have difficulty executing its strategy because of, among other things, increased competition, difficulty entering new markets or geographies, difficulties in introducing new products, the ability to attract qualified personnel, barriers to entry into geographic markets, and changes in regulatory requirements.

Any difficulty in retaining, replacing or adding personnel could adversely affect Cleantek's business

Cleantek may not be able to find enough skilled and/or unskilled labour to meet its needs, and this could limit growth. Shortages of qualified personnel have occurred in the past during periods of high demand. The demand for qualified oilfield services personnel generally increases with stronger demand for oilfield services. Increased demand typically leads to higher wages that may or may not be reflected in any increases in service rates. Other factors can also affect Cleantek's ability to find enough employees to meet its needs. The nature of Cleantek's work requires skilled employees who can perform physically demanding work. Volatility in the oilfield services industry and the demanding nature of the work, however, may prompt employees to pursue other kinds of jobs that offer a more desirable work environment and wages competitive to Cleantek's. Cleantek's success depends on its ability to continue to employ and retain skilled technical personnel and qualified oilfield personnel. If Cleantek is unable to do so, it could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Cleantek's industry is intensely competitive

Each of the markets in which Cleantek participates is highly competitive. To be successful, a service provider must provide services that meet the specific needs of oil and natural gas exploration and production companies at competitive prices. The principal competitive factors in the markets in which Cleantek operates are price, product and service quality and availability, technical knowledge, environmentally friendly equipment, experience and reputation for safety. Cleantek competes with large national and multi-national oilfield service companies that have extensive financial and other resources. These companies offer a wide range of well stimulation services and technologies in all geographic regions in which Cleantek operates. In addition, Cleantek competes with several regional competitors. As a result of competition, Cleantek may suffer from a significant reduction in revenue or be unable to pursue additional business opportunities.

The loss of key customers could cause Cleantek's revenue to decline substantially

Cleantek has a number of key customers that, in aggregate, generate a significant portion of Cleantek's revenue. There can be no assurance that Cleantek's relationship with these customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, would have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

US Legislative and Regulatory Policies

Possible legislative and regulatory changes announced by the Government of the United States may have an adverse effect on Cleantek and its financial condition. In particular, there is uncertainty regarding US tariffs and support for existing treaty and trade relationships, including with Canada. Implementation by the US government of new legislative or regulatory policies and possible responses by the Government of Canada could impose additional costs on Cleantek, decrease US demand for Cleantek's customers products, or otherwise negatively impact Cleantek, which may have a material adverse effect on Cleantek's business, financial condition and operations. In addition, this uncertainty may adversely impact: (i) the ability of companies to transact business with companies such as Cleantek; (ii) Cleantek's profitability; (iii) regulation affecting the Canadian oil and gas industry; (iv) global stock markets (including the TSXV); and (v) general global economic conditions. All of these factors are outside of Cleantek's control, but may nonetheless lead Cleantek to adjust its strategy in order to compete effectively in global markets.

Cleantek's operations are subject to hazards inherent in the oil and natural gas industry

Cleantek's operations are subject to hazards inherent in the oil and natural gas industry, such as equipment defects, malfunction and failures, operator error and natural disasters which can result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These hazards could expose Cleantek to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, contamination of drinking water and other environmental damages. Cleantek continuously monitors its activities for quality control and safety, and although Cleantek maintains insurance coverage that it believes to be adequate and customary in the industry, such insurance may not be adequate to cover potential liabilities and may not be available in the future at rates that Cleantek considers reasonable and commercially justifiable. The occurrence of a significant event that Cleantek is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Cleantek is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities

Cleantek is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating to the protection of employees and the environment, including laws and regulations governing occupational health and safety standards, air emissions, chemical usage, water discharges, waste management and plant and wildlife protection. Cleantek incurs, and expects to continue to incur, significant capital, managerial and operating costs to comply with such health, safety and environmental laws and regulations. Violation of these laws and regulations could lead to loss of accreditation, damage to Cleantek's social license to operate, loss of access to markets and substantial fines and penalties which could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Cleantek uses and generates hazardous substances and wastes in its operations. Since Cleantek provides services to companies producing oil and natural gas, it may also become subject to claims relating to the release of such substances into the environment. Some environmental laws and regulations provide for joint and several strict liability related to spills and releases of hazardous substances for damages to the environment and natural resources or threats to public health and safety. Strict liability can render a potentially responsible party liable for damages irrespective of negligence or fault. Accordingly, Cleantek could become subject to potential material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require Cleantek to incur costs or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations.

Failure to maintain Cleantek's safety standards and record could lead to a decline in the demand for services

Standards for the prevention of incidents in the oilfield services industry are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. In order to ensure compliance, Cleantek has developed and implemented safety and training programs which it believes meet or exceed the applicable standards. A key factor considered by customers in retaining oilfield service providers is safety. Deterioration of Cleantek's safety performance could result in a decline in the demand for Cleantek's services and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Cleantek may be subject to certain reputational risks as a result of increased online scrutiny.

As a result of the widespread usage, speed and global reach of social media and other internet resources used to generate, publish and discuss user-generated content, companies today are at risk of losing control over how they are perceived in the marketplace. Damage to Cleantek's reputation may result from the actual or perceived occurrence of any number of events related to Cleantek's operational or ESG performance and could include negative publicity with respect to Cleantek's handling of environmental matters and social issues. While Cleantek is committed to protecting its image and reputation, it does not have direct control over how others perceive it. Reputation loss may lead to decreased shareholder confidence and impediments to Cleantek's ability to conduct its operations, with the potential to adversely affect Cleantek's business, financial condition, results of operations and cash flows.

Failure to continuously improve operating equipment could negatively affect Cleantek's results of operations

The ability of Cleantek to meet its customers' performance and cost expectations will depend upon continuous improvements in operating equipment. There can be no assurance that Cleantek will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by Cleantek to do so could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

There can be no assurance that the steps Cleantek takes to protect its intellectual property rights will prevent misappropriation or infringement

The success and ability of Cleantek to compete depends on the proprietary technology of Cleantek, proprietary technology of third parties that has been, or is required to be, licensed by Cleantek and the ability of Cleantek and such third parties to prevent others from copying such proprietary technology. Cleantek currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licences and patents to protect its proprietary technology. Cleantek also relies on third parties from whom licences have been received to protect their proprietary technology. Cleantek may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether Cleantek is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of Cleantek or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to Cleantek. Furthermore, others may develop technology that is similar or superior to the technology of Cleantek or such third parties or design technology in such a way as to bypass the patents owned by Cleantek and/or such third parties.

Despite the efforts of Cleantek or such third parties, the intellectual property rights, particularly existing or future patents, of Cleantek or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps Cleantek or such third parties may take to protect their intellectual property rights and other rights to such proprietary technology that is central to Cleantek’s operations will prevent misappropriation or infringement or the termination of licenses from third parties.

Improper access to confidential information could adversely affect Cleantek's business

Cleantek's efforts to protect its confidential information, as well as the confidential information of its customers, may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, lost or damaged data as a result of a natural disaster, data breach, intentional harm done to software by hackers or other factors. If any of these events occur, this information could be accessed or disclosed improperly. Any incidents involving unauthorized access to confidential information could damage Cleantek's reputation and diminish its competitive position. In addition, the affected customers could initiate legal or regulatory action against Cleantek in connection with such incidents, which could cause Cleantek to incur significant expense. Any of these events could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Cleantek's reliance on equipment suppliers and fabricators exposes it to risks relating to the timing of delivery and quality of the equipment

Cleantek's ability to expand its operations may, in part, depend upon timely delivery of new equipment and component parts. Equipment suppliers and fabricators may be unable to meet their planned delivery schedules for a variety of reasons which may include, but are not limited to, skilled labour shortages, the inability to source component parts in a timely manner, complexity of new technology and inadequate financial capacity. Failure of equipment suppliers and fabricators to meet their delivery schedules and to provide high quality working equipment and component parts may have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

The direct and indirect costs of various greenhouse gas regulations, existing and proposed, may adversely affect Cleantek's business, operations and financial results

Future federal legislation, including potential international or bilateral requirements enacted under Canadian law, together with mandatory carbon pricing programs and emission reduction requirements, such as those contemplated by the federal government's Pan-Canadian Framework on Clean Growth and Climate Change and in effect at the federal level under the Greenhouse Gas Pollution Pricing Act, and in Alberta pursuant to the Emissions Management and Climate Resilience Act. Potential further federal or provincial requirements may impose additional costs on Cleantek's operations and require the reduction of emissions or emissions intensity from Cleantek's operations and facilities. Taxes on greenhouse gas emissions and mandatory emissions reduction requirements may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby decreasing the demand for Cleantek's services. The federal carbon levy, mandatory emissions reduction programs and the industry emissions cap in Alberta may also impair Cleantek's ability to provide its services economically and reduce the demand for Cleantek's services. Cleantek is unable to predict the impact of current and pending climate change and emissions reduction legislation on Cleantek and it is possible that such legislation would have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Merger and acquisition activity among Cleantek's clients may constrain demand for Cleantek's services

Merger and acquisition activity amongst oil and natural gas exploration and production companies may constrain demand for Cleantek's services as clients focus on reorganizing their businesses prior to committing funds to exploration and development projects. Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than Cleantek.

The loss of one or more of Cleantek's key employees could have a material adverse effect on Cleantek's business

Cleantek's success depends in large measure on certain key personnel. Many critical responsibilities within Cleantek's business have been assigned to a small number of employees. The loss of their services could disrupt Cleantek's operations. In addition, Cleantek does not maintain "key person" life insurance policies on any of its employees, so Cleantek is not insured against any losses resulting from the death of its key employees. The competition for qualified personnel in the oilfield services industry is intense and there can be no assurance that Cleantek will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Risks relating to labour unions

Union attempts to organize Cleantek's employees could negatively affect Cleantek's business. None of Cleantek's employees will be subject to a collective bargaining agreement as of the date hereof. As Cleantek expands its operations, unions may attempt to organize all or part of its employee base. Responding to such organization attempts may divert the attention and efforts of management and employees and may have a negative financial impact on Cleantek's business. The maintenance of a productive and efficient labour environment and, in the event of unionization of these employees, and the successful negotiation of a collective bargaining agreement, cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts could have a material adverse effect on Cleantek's business, financial condition and results of operations.

A successful reassessment by tax authorities of Cleantek's income (loss) calculations could have a material adverse effect on Cleantek's financial condition and cash flows

Cleantek Industries, Raise and the Company have filed all required income tax returns and believe that they are in full compliance with the provisions of applicable taxation legislation. However, tax authorities having jurisdiction over Cleantek may disagree with how Cleantek calculates its income (loss) for tax purposes or could change administrative practices to Cleantek's detriment. A successful reassessment of Cleantek's income tax filings by a tax authority may have an impact on current and future taxes payable, which could have a material adverse effect on Cleantek's financial condition and cash flows.

Cleantek may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls

Cleantek's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If Cleantek proved unable to deal with this growth, it could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Risks associated with counterparties

Cleantek is party to contracts, transactions and business relationships with various third parties, pursuant to which such third parties have performance, payment and other obligations to it. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, Cleantek's rights and benefits in relation to its contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to it, or otherwise impaired. Cleantek cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favourable as its existing contracts, transactions or business relationships, if at all. Any inability on Cleantek's part to do so could have a material adverse effect on its business and results of operations.

Risks relating to volatility of the market price for Common Shares

The market price of Common Shares could be subject to significant fluctuations which could materially reduce the market price of Common Shares regardless of our operating performance. The factors that could cause significant disruption in the market price of Common Shares may include actual or anticipated changes or fluctuations in Cleantek's operating results, adverse market reaction to any indebtedness it may incur or securities it may issue in the future, litigation or regulatory action, significant acquisitions, business combinations or other strategic actions or capital commitments by or involving Cleantek or its competitors, recruitment or departure of key personnel and investors' general perception and reactions to Cleantek's public disclosure and filings.

In addition, broad market and industry factors may harm the market price of Common Shares. As a result, the market price of Common Shares may fluctuate based upon factors external to Cleantek and that may have little or nothing to do with Cleantek, including expectations of market analysts, positive or negative recommendations or withdrawal of research coverage by analysts, publication of research reports or news stories about Cleantek, its competitors or its industry and changes in general political, economic, industry and market conditions and trends.

Risks relating to future sales of Common Shares

Cleantek cannot predict the size of future issuances of Common Shares or the effect, if any, that future issuances and sales of Common Shares will have on the market price of Common Shares. Sales of substantial amounts of Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for Common Shares.

Risks relating to dividends

Cleantek currently expects to retain all available funds for use in the operation and growth of its business and does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board, subject to compliance with applicable law and any contractual provisions and other agreements for indebtedness it may incur, that restrict or limit its ability to pay dividends, and will depend upon, among other factors, its results of operations, financial condition, earnings, capital requirements and other factors that the Board deems relevant.

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.

Market risk

Market risk is the risk that changes in market conditions, such as interest rates and foreign exchange rates will affect Cleantek's net loss or value of financial instruments.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates.

Cleantek may manage its interest expense using a mix of fixed and variable interest rates on its debt. Changes in interest rates could result in an increase or decrease in the amount the Company pays to service variable interest rate debt.

At December 31, 2024, the Company is exposed to interest rate risk with respect to the Bank Operating Line and the BDC manufacturing financing facility (note 8). For the year ended December 31, 2024, a 1% change to interest rate would have resulted in $85 impact on net income (loss) (2023 – $90).

The interest rate on Cleantek's long-term debt including the BDC term loan, loans payable and promissory notes (note 8) is fixed and is not subject to interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that future cash flows or the fair value of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Company is primarily exposed to foreign currency fluctuations in relation to U.S. dollar denominated working capital balances held in Canada as well as the working capital of its foreign operations. The Company has no significant exposures to foreign currencies other than the U.S. dollar.

Commodity price risk

The Company may be exposed to commodity price risk through its customers as North American oil and gas producers may be exposed to commodity price risk volatility arising from the effect of future commodity price fluctuations.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset will default, resulting in Cleantek incurring a financial loss.

The Company's accounts receivables are predominantly with customers who explore for and develop natural gas and petroleum reserves and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing as well as commercial construction companies. The Company assesses the creditworthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Company views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance.

At December 31, 2024, the 5 largest customers accounted for 35% of the Company's accounts receivable (December 31, 2023 – 34%) and the 5 largest customers accounted for 27% of its revenue for the year ended December 31, 2024 (2023 - 27%).

Payment terms with customers vary by contract; however, standard payment terms are 30 days from invoice date. The Company considers its accounts receivable excluding doubtful accounts to be aged as follows:

(Canadian $000's)	December 31 2024	December 31 2023
Current (0 to 30 days from invoice date)	1,310	1,384
31 to 60 days past due	805	737
61 to 90 days past due	351	326
Over 90 days past due	95	104
Trade receivables and other	2,561	2,551

Provision for doubtful accounts	(51)	(10)
Total accounts receivable	2,510	2,541

The Company's allowance for doubtful accounts provision is as follows:

(Canadian $000's)	December 31 2024	December 31 2023
At beginning of year	10	14
Impact of foreign exchange rates	-	-
Removal of confirmed uncollectable amounts	41	(12)
Write-off provision, net of recoveries	-	8
At end of year	51	10

Based on historical default rates, the Company believes that no additional allowance for doubtful accounts provision is necessary in respect of accounts receivable.

Cleantek held cash and cash equivalents of $271 at December 31, 2024, which represents its maximum credit exposure on these assets (December 31, 2023 - $600). The cash is held with major, high credit-quality financial institution counterparties and management believes credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that Cleantek will be unable to fulfill its obligations associated with financial liabilities on a timely basis or at a reasonable cost. The Company's objective in managing liquidity risk is to maintain sufficient available resources to meet its liquidity requirements at any point.

The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, lease obligations and long-term debt.

Cleantek entered into a bank operating line with RBC in December 2023 that is a demand facility. The demand facility has a borrowing base of up to $2,500 based on 75% to 85% of accounts receivable balance that is aged less than 90 days. As at December 31, 2024, the Company had access to $1,861 on the bank operating line. The Company is projecting to have sufficient liquidity with the bank operating line and cash on hand to fulfill its obligations for at least the next twelve months. A decrease or sustained period of materially reduced demand for Cleantek's services may result in non-compliance with its financial covenants and reduced liquidity. Non-compliance with the financial covenants in our credit facilities could result in debt becoming due and payable on demand. If the amount drawn on the bank operating line is in excess of the calculated borrowing base, the excess amounts drawn would have to be paid immediately to the lender. The Company is also projecting to be compliant with the financial covenants (as detailed in note 8) that are associated with the bank operating line and BDC loans.

The expected timing of cash outflows relating to financial liabilities at December 31,2024 are outlined in the *Note 21 Commitments and Contingencies*.

The Company anticipates being able to satisfy its liabilities and obligations as they come due.

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.

CLEANTEK INDUSTRIES

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, 2024. There have been no significant changes to the use of estimates, judgements or assumptions since December 31, 2024.

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, which was 5% at December 31, 2024, 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 other assets (see Note 4).

COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The expected timing of cash outflows relating to financial liabilities at December 31, 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	2,044	2,044	-	-	-	2,044
Bank operating line[5]	1,486	1,486	-	-	-	1,486
Long-term debt						
Term loans[3]	6,940	1,523	3,413	3,047	889	8,872
Loans payable	406	286	139	-	-	425
Promissory notes	478	60	120	120	560	860
	11,354	5,399	3,672	3,167	1,449	13,687
Lease liabilities and other commitments						
Lease liabilities	898	414	590	-	-	1,004
Other property lease commitments[4]	-	121	116	-	-	237
Other operating and capital commitments	-	46	58	58	-	162
	898	581	764	58	-	1,403

(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 $231. 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.

Litigation and claims involving former executives

During 2023 Cleantek agreed to a settlement with a former executive related to a wrongful dismissal claim and a separate settlement with two former executives over similar wrongful dismissal claims and a disputed loan. A provision of $550 for both of these claims was recorded to other expenses for the year ended December 31, 2023 and both were paid out during the 2024 fiscal year. As of December 31, 2024 no amounts were owing related to either of these settlements.

SUBSEQUENT EVENTS

Tariffs

The recent decision by the U.S. government to levy tariffs on Canadian goods and the retaliatory response from the Canadian government has created considerable economic uncertainty. The Corporation is assessing the direct and indirect impacts to its business of such tariffs, retaliatory tariffs or other trade protectionist measures implemented as this situation develops, and such impacts could be material.

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 December 31		Years ended December 31	
(Canadian $000's)	2024	2023	2024	2023
Net income (loss)	1,466	(1,562)	1,263	(1,823)
Tax expense	74	4	110	4
Depreciation and amortization	566	582	2,265	2,233
Finance costs	192	603	926	1,771

EBITDA	2,298	(372)	4,564	2,185
Share-based compensation	34	37	106	479
Litigation expense	-	162	-	550
Legal Settlements/Severance	-	550	273	550
Unrealized FX (gain) loss	(570)	181	(742)	287
Adjusted EBITDA	1,762	558	4,201	4,050

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)	December 31 2024	December 31 2023
Current assets	3,228	3,404
Current liabilities	5,167	6,346
Working capital deficit	(1,939)	(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)	December 31 2024	December 31 2023
Long-term debt – non-current portion	6,534	7,806
Lease liabilities – non-current portion	551	664
Non-current debt	7,085	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.