Management's Discussion and Analysis

For the three months and years ended December 31, 2021 and 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION AND DESCRIPTION OF THE COMPANY

April 28, 2022 - 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"), (formerly Raise Production Inc. ("Raise")) is a review of the operations, current financial position and condition for the years ended December 31, 2021 and 2020 and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2021 and 2020 (the "Annual Financial Statements").

The Annual Financial Statements of Cleantek have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. 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 28, 2022.

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 and fully integrated 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. Cleantek prioritizes people and the environment through our high-performance safety focused culture and our experienced technical professionals are committed to providing environmentally friendly cost-effective solutions to our clients.

Cleantek provides technology-based solutions for an increasingly demanding water treatment and disposal sector along with location lighting to provide safe working conditions for 24-hour operations. Cleantek provides its technology and services in some of the most active areas in Canada and the United States. Our environmental, safety and operational performance have enabled us to establish and maintain a blue-chip client base, including many exploration and production companies in North America.

As the market continues its shift towards environmental, social and governance ("ESG") response initiatives, Cleantek intends to leverage its technology to capture additional market share through organic growth of its ZeroE wastewater treatment and vaporization service offering, along with a forecasted strong utilization of our sustainable lighting rental solutions.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Canadian $000's, except per share amounts and percentages)	Three months December 31 2021	2020	% Change	Year ended December 31 2021	2020	% Change
Revenue	2,372	1,777	33	8,819	7,607	16
Gross profit	1,126	646	74	4,577	3,365	36
Gross profit %	47	36	31	52	44	17
Net loss	(4,747)	(9,232)	49	(5,955)	(22,376)	73
Net loss per share - basic and diluted ($)	$(0.22)	$(3.05)	93	$(0.32)	$(15.28)	98
EBITDA[1]	(4,482)	(871)	(415)	(3,360)	(8,350)	60
Adjusted EBITDA[1]	339	(803)	142	1,283	(901)	242
Capital expenditures	253	532	(52)	562	2,156	(74)
Total assets	17,156	13,637	26	17,156	13,637	26
Working capital surplus (deficiency)[1]	535	(16,805)	103	535	(16,805)	103
Non-current debt[1,2]	7,875	1,170	573	7,875	1,170	573
Total non-current liabilities	7,932	1,937	309	7,932	1,937	309

(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, impairment/impairment reversals of non-financial assets, research expense/ recoveries and unusual items not representative of ongoing business performance. 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. 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.

(2) Total non-current debt includes the non-current portions of long-term debt and lease liabilities.

2021 Highlights

As the world takes steps to recover from the impact of COVID-19, including the global economic slowdown and the global oversupply of crude oil, WTI oil and NYMEX gas prices have substantially improved over the course of 2021 and into 2022. These improved prices have driven an increase in drilling and production activity across North America, the primary market for Cleantek's business lines. Cleantek is currently seeing the benefits of this uptick in drilling and production activity with higher equipment utilization driving an increase in revenue and gross profit.

The highlight of 2021 for the Company was the completion of a reverse takeover of Raise (the "RTO"), a TSXV listed company, on October 29, 2021, pursuant to the terms of the arrangement agreement dated July 12, 2021 (the "Arrangement Agreement") between Cleantek and Raise. This resulted in the amalgamated public company continuing under the name Cleantek Industries Inc. (TSXV: CTEK), which began trading on the TSXV on November 10, 2021.

Pursuant to the Arrangement Agreement, all of the outstanding class "A" common shares of Cleantek ("Class "A" Shares") were acquired by Raise, in exchange for approximately 1,007,395,375 Common Shares valued at approximately $0.03 per Common Share. Immediately following the completion of the RTO, all outstanding Common Shares were consolidated on the basis of one post-consolidation Common Share for every 58.3 pre-consolidation Common Share, such that, after completion of the consolidation the prior Raise shareholders held an aggregate of approximately 15% of the post-consolidation Common Shares with former holders of the Class "A" Shares holding the remaining approximately 85%.

In conjunction with the RTO, the Company also completed a private placement of 5,716,123 subscription receipts ("Subscription Receipts") of the Company for gross proceeds of $10,003, plus an additional 428,571 Subscription Receipts issued in settlement of $750 of interest owing on the OKR Financial Term Loan (as defined herein) for total gross proceeds of $10,753 (the "Private Placement").

Each Subscription Receipt was exchanged into one unit of Cleantek ("Unit") upon closing of the RTO. Each Unit was comprised of one Common Share and one half Common Share purchase warrant (each whole warrant, a "Financing Warrant"). Each Financing Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $2.25 at any time up to 36 months from the closing of the RTO.

The Company also completed a new term loan and revolving facility on September 24, 2021, and drew $7,500 on October 29, 2021, from a non-revolving term facility (the "Non-Revolving Term Facility") and has access to a revolving line of credit up to $2,500 (the "Revolving Line of Credit", and together with the Non-Revolving Term Facility, the "Credit Facilities"), that as of the date hereof remains undrawn.

Funds from the Private Placement and the Non-Revolving Term Facility were used to repay the Roynat Capital Term Facility, Bank of Montreal Revolving Debt Facility, the OKR Financial Term Loan, the Term Credit Facility, Shareholder Promissory Note (all as defined herein) and the Fall 2021 Convertible Debentures (as defined herein). In conjunction with the RTO, the principal amounts outstanding under the January 2020 Convertible Debentures (as defined herein) and February 2021 Convertible Debentures (as defined herein), and interest designated to be paid in kind, were converted into Common Shares at a conversion rate of $1.20 per Common Share.

OUTLOOK

Cleantek continues to grow its business and improve its financial performance through the execution of its strategy, including maximizing revenue and profits through its existing and expanding fleet of sustainable lighting solutions and wastewater treatment assets. This, combined with the expansion of our ZeroE System portfolio of waste energy powered, wastewater treatment and vaporization infrastructure projects throughout North America and globally, we expect will lead to an increase in revenue and corresponding profitability.

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

- taking advantage of increased oil and gas drilling and production activity in North America to maximize utilization rates of its current fleet of sustainable lighting solutions and mobile ZeroE wastewater treatment assets;
- expanding and growing the Company's fleet of sustainable lighting solutions and mobile ZeroE wastewater treatment assets to satisfy increased demand in the oil and gas, midstream, mining, industrial and construction markets;
- leveraging Cleantek's technology to capture additional market share through organic growth of the ZeroE wastewater treatment and vaporization services; and
- expanding and diversifying Cleantek's geographic focus and customer base including exploring opportunities outside of the North American market.

The Company is uniquely positioned with the prospect to capture expansion in both ZeroE wastewater vaporization and sustainable lighting markets. We expect that wastewater and vaporization opportunities in the oil and gas, municipal grey water, and industrial wastewater industries and a growing awareness regarding the disadvantages of downhole injection will continue to increase the demand for Cleantek's ZeroE products.

RESULTS OF OPERATIONS

Revenue

(Canadian $000's)	Three months ended December 31 2021	2020	% Change	Year ended December 31 2021	2020	% Change
Sustainable lighting solutions	2,127	1,593	34	7,895	6,872	15
ZeroE dehydration	245	184	33	924	735	26
Total revenue	2,372	1,777	33	8,819	7,607	16

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 fourth quarter of 2021 increased $595, or 33%, compared to the fourth quarter of 2020. In 2021, total revenue increased $1,212, or 16%, compared to the prior year. General equipment utilization improved throughout 2021, compared to 2020, due to the continued recovery of market fundamentals in the energy sustainability sector, primarily in the back half of 2021. As a result, the Company's sustainable lighting solutions rental rates started to improve in the latter half of 2021 and rental equipment utilization, especially on the HALO products, also improved. ZeroE dehydration revenue increased 33% in the fourth quarter of 2021 and 26% for the full year, compared to same periods in the prior year, primarily due to increased mobile ZeroE dehydration revenue from the continued recovery of the market combined with a full year of production facility dehydration revenue. Cleantek's operations in last nine months of 2020 and the first half of 2021 were subject to the impacts of COVID-19 and a global oversupply of oil that caused a decline in the commodity prices and drilling activities.

Direct operating expenses

(Canadian $000's)	Three months ended December 31 2021	2020	% Change	Year ended December 31 2021	2020	% Change
Direct operating expenses	1,246	1,131	(10)	4,242	4,242	-

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 $1,246 for the fourth quarter of 2021, which increased compared to $1,131 for the same period in 2020. Direct operating expenses were unchanged at $4,242 in 2021 and 2020. Direct operating expenses increased in the fourth quarter compared with the same period in 2020 primarily as a result of increased equipment utilization. The direct operating expenses in the fourth quarter of 2020 were subject to cost cutting initiatives by Cleantek, combined with low equipment utilization in response to the impacts of COVID-19 and the global oversupply of oil. The direct operating expenses for 2021 were unchanged from 2020 as the cost cutting initiatives in 2020 were offset by increased equipment utilization in 2021 leading to improved gross profit.

Gross profit

(Canadian $000's, except percentage)	Three months ended December 31 2021	2020	% Change	Year ended December 31 2021	2020	% Change
Gross profit	1,126	646	74	4,577	3,365	36
% of revenue	47	36	31	52	44	17

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 profit increased to 47% in the fourth quarter of 2021 from 36% in the same period in 2020. Cleantek's gross profit increased to 52% in 2021 from 44% in 2020. General equipment utilization improved in the fourth quarter of 2021 compared to the same period in 2020 primarily due to stronger commodity prices and an increase in drilling activities. The activities in the fourth quarter of 2020 were subject to the impacts of COVID-19 and a global oversupply of oil which caused a decline in commodity prices and drilling activity. Improved gross profit for full 2021 compared to 2020 is due to the improved equipment rental utilization combined with cost cutting measures taken by Cleantek in response to the impact of COVID-19.

General and administrative expenses

(Canadian $000's)	Three months ended December 31 2021	2020	% Change	Year ended December 31 2021	2020	% Change
General and administrative expenses	996	1,380	28	3,587	4,291	16

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 fourth quarter of 2021 decreased to $996 compared to $1,380 for the same period in 2020. In 2021, Cleantek's general and administrative expenses decreased to $3,587 compared to $4,291 in 2020. Decreased general and administrative expenses in the fourth quarter of 2021 and for the full year of 2021, compared to same periods in 2020, are due to cost cutting measures taken by Cleantek in response to the impact of COVID-19 partially offset by increased Company activity.

Depreciation and amortization

(Canadian $000's)	Three months ended December 31 2021	2020	% Change	Year ended December 31 2021	2020	% Change
Total depreciation and amortization	622	1,222	49	2,534	3,180	20

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 in the fourth quarter of 2021 of $622 decreased from the $1,222 in the same period in 2020. In 2021, depreciation and amortization expense decreased to $2,534 as compared to $3,180 in the same period in 2020. Depreciation and amortization were calculated on a lower asset base following the March 2020 impairment of long-lived assets. In addition, during the latter part of 2021, several rental assets were fully amortized, which also further reduced depreciation expense for during the fourth quarter of 2021.

Research expense (recovery)

(Canadian $000's)	Three months ended December 31 2021	2020	% Change	Year ended December 31 2021	2020	% Change
Research expense (recovery)	(167)	-	-	(868)	(1,811)	(52)

Research expense includes specific research and development costs expensed in net income (loss), including research and development expenditure not meeting intangible asset or property and equipment recognition criteria. Research recovery includes government grants and other subsidies including the Canadian government's Scientific Research and Experimental Development Tax Incentive Program ("SRED") recognized in net income (loss).

Research recovery in the fourth quarter of 2021 was $167 compared to $nil in the same period in 2020. In 2021, research recovery decreased to $868 compared to $1,811 in 2020. The recovery in the fourth quarter of 2021 relates to timing of SRED claims filed since ZeroE technology had been deployed. For 2021, research recovery is lower than 2020 as the SRED refunds received in 2020 were higher and included 2017 and 2018 SRED claims. In 2021, research and development is ongoing for the ZeroE technology, however, spend is at a slower rate given the positive progress achieved to date.

Share-based payments expense

(Canadian $000's)	Three months ended December 31 2021	2020	% Change	Year ended December 31 2021	2020	% Change
Stock options	902	15	(5,913)	1,425	94	(1,416)
Common Shares issued as part of directors' compensation	-	-	-	-	1	100
Escrowed Common Shares at acquisition in exchange for employment services	-	53	100	-	1,133	100
Total share-based payments expense	902	68	(1,226)	1,425	1,228	(16)

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

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

The Company may issue Common Shares from time to time to service providers, vendors or consultants in exchange for services rendered to the Company, as determined by the Board.

Common Shares issued as part of a business combination in which the vendors earn those Common Shares over a subsequent service period are not accounted for as part of the consideration transferred in the business combination, but as equity-settled share-based compensation. Common Shares were issued to vendors party to the acquisition of a 100% interest in Apollo Energy Services Corp. in 2019 for an aggregate purchase price of $5,900, the consideration of which was paid entirely through the issuance of Common Shares and placed in escrow (the "Apollo Energy Acquisition Escrowed Shares") as part of executive employment agreements with two vendors transitioning to positions with Cleantek.

The share-based payments expense in the fourth quarter of 2021 increased to $902 compared to $68 for the same period in 2020 due the granting of new Options to officers, employees and directors of the Company in March 2021, May 2021 and November 2021. On January 1, 2021, the Company terminated

and cancelled all 58,750 of the previously granted and outstanding Options and in March 2021 and May 2021, the Company granted 1,350,000 and 150,000 Options to officers, employees and directors of the Company at an exercise price of $1.20 per Common Share. In November 2021, the Company granted an additional 1,202,500 Options to officers, employees and directors of the Company at an exercise price of $1.40 per Common Share.

The share-based payments expense in 2021 increased to $1,425 compared to $1,228 for 2020 due to the new Option grants in 2021 and the resulting share-based payment expense, as described above, partially offset by share-based payments expense recognized in 2020 relating to the Apollo Energy Acquisition Escrowed Shares.

Impairment expense (reversal)

	Three months ended December 31		%	Year ended December 31		%
(Canadian $000's)	2021	2020	Change	2021	2020	Change
Impairment of non-financial assets						
Impairment of property and equipment	(3,130)	-	-	(3,130)	4,465	170
Impairment of intangible assets	105	-	-	105	2,504	96
Impairment of right-of-use assets	(144)	-	-	(144)	1,063	114
Total impairment of non-financial assets	(3,169)	-	-	(3,169)	8,032	139
Impairment of financial assets						
Impairment of accounts receivable	(2)	214	101	(2)	214	101
Total impairment of financial assets	(2)	214	101	(2)	214	101
Total impairment expense	(3,171)	214	1,582	(3,171)	8,246	138

Impairment of non-financial assets

Cleantek reviews the carrying amount of its long-lived assets and cash generating units for indications of impairment:

- when facts and circumstances suggest that the carrying amount may exceed its recoverable amount; and
- at the end of each reporting period.

For the purposes of impairment testing, property and equipment, intangible assets and right of use assets ("ROU") are allocated to the Company's cash generating units ("CGU") being the Rentals CGU and Facility dehydration CGU.

Indications of impairment reversal at December 31, 2021 – Rentals CGU

At December 31, 2021, the Company identified indicators of impairment reversal at the Rentals CGU. The steady recovery from the COVID-19 pandemic and increase in commodity prices have led to higher activity in the oil and gas sector both in Canada and the United States and globally. Current and forecasted increases in rental unit utilization rates and day rates were favorable indicators of impairment reversal. Accordingly, the Company performed an impairment test on its non-financial assets within its Rentals CGU at December 31, 2021.

As a result of the impairment tests completed for the Rentals CGU, the Company recognized an impairment reversal of $4,544 of non-financial assets:

- $4,400 impairment reversal of property and equipment; and
- $144 impairment reversal of ROU assets intangible assets.

The estimated recoverable amount of $11,762 for the Company's Rentals CGU was determined based on the expected value in use by calculating the present value of management's best estimates of future cash flows based on the current use and present condition of the assets. Cash flows used are based on future sales revenues and expected maintenance and operating costs. A discount rate of 23% was applied to these estimated cash flows. The recoverable amount and total impairment reversal of non-financial assets recognized in the period are sensitive to a change in the following assumptions and estimates:

- forecasted revenue growth increase of 1% will result in a $616 increase of impairment reversal; and
- discount rate increase of 1% will result in a $496 decrease of impairment reversal.

Indications of impairment at December 31, 2021 – Facility dehydration CGU

The ZeroE dehydration facility unit was placed into service at the end of 2020 and is a prototype unit for the Company and is the only unit included in the Facility dehydration CGU. At December 31, 2021, the Company identified indicators of impairment at the Facilities dehydration CGU due to additional capital costs incurred for asset modifications and higher operating costs associated with the initial design of the ZeroE dehydration facility unit. The Company continues to update the design and implement improvements to the prototype unit which provides valuable insight learnings which will be applied to future builds of ZeroE dehydration facilities. As a result of higher costs, the Company performed an impairment test on its non-financial assets within its Facility dehydration CGU at December 31, 2021.

As a result of the impairment tests completed for the Facilities dehydration CGU, the Company recognized an impairment of $1,375 of non-financial assets:

- $1,270 impairment expense of property and equipment; and
- $105 impairment expense of intangible assets.

The estimated recoverable amount of $271 for the Company's Facility dehydration CGU was determined based on the expected value in use by calculating the present value of management's best estimates of future cash flows based on the current use and present condition of the assets. Cash flows used are based on future revenues and expected maintenance and operating costs. A discount rate of 23% was applied to these estimated cash flows. The recoverable amount and total impairment of non-financial assets recognized in the period are sensitive to a change in the following assumptions and estimates:

- forecasted revenue growth increase of 1% will result in a $12 decrease of impairment; and
- discount rate increase of 1% will result in a $12 increase of impairment

Indications of impairment at December 31, 2020 and March 31, 2020 – Rentals CGU

At December 31, 2020, there were no indicators of impairment or reversal of impairment related to the Company's property and equipment, intangible assets and right of use assets and therefore an impairment test was not required to be performed.

At March 31, 2020, the Company identified the impacts of COVID-19, the global economic slowdown and the global oversupply of crude oil and resulting decline in commodity prices factoring into significant uncertainty for Cleantek's oil and gas customers as indicators of impairment. Accordingly, the Company performed an impairment test on its non-financial assets within its Rentals CGU at March 31, 2020.

The Company completed impairment tests for the Rentals CGU and recognized $8,032 total impairment expense of non-financial assets:

- $4,465 impairment expense of property and equipment;
- $2,504 impairment expense of intangible assets; and

- $1,063 impairment expense of ROU assets intangible assets.

The estimated recoverable amount of $11,000 for the Company's Rentals CGU and total impairment of non-financial assets recognized in the period are sensitive to a change in the following assumptions and estimates:

- forecasted revenue growth increase of 1% will result in a $487 decrease of impairment; and
- discount rate increase of 1% will result in a $570 increase of impairment.
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Impairment of financial assets

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses ("ECLs"). The calculation reflects the probability-weighted outcome, the time value of money and reasonable supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

During the year ended December 31, 2021, the Company recognized a recovery of $2 on our accounts receivables (2020 - $214 impairment) as an impairment provision of $15 was partially offset with a recovery of $13 for previously impaired accounts receivables based on actual amounts collected.

Finance costs, net

	Three months ended December 31		%	Year ended December 31		%
(Canadian $000's)	2021	2020	Change	2021	2020	Change
Finance costs, net	(240)	6,828	104	889	10,535	92

Finance costs, net consist primarily of the interest expense recognized on bank debt, long-term debt and convertible notes, the interest component of lease liability payments, debt renewal and other lending fees, loss on the fair value adjustment of derivative convertible note liabilities, loss on conversion of convertible note liabilities, accretion of the decommissioning offset by interest income.

Cleantek recognized finance costs, net of $(240) in the fourth quarter of 2021 compared to $6,828 in the same period in 2020. Cleantek recognized finance costs, net of $889 in 2021 compared to $10,535 for 2020. The finance costs, net recovery in the fourth quarter of 2021 is primarily due to interest expense recoveries on negotiated debt settlements as part of the completion of the RTO and concurrent $10,003 Private Placement. The decreased finance costs, net in 2021 compared to 2020 are due to significantly lower debt levels in 2021 following the conversion of accounts payable, debt and convertible notes into equity in December 2020.

Other (income) expenses

	Three months ended December 31		%	Year ended December 31		%
(Canadian $000's)	2021	2020	Change	2021	2020	Change
Listing expense	5,061	-	-	5,061	-	-
Transaction costs	2,194	-	-	2,194	-	-
Gain on interest free loan	(508)	-		(508)	-	
(Gain) loss on disposal of long-lived assets	(18)	(114)	84	(130)	(201)	35
Foreign exchange (gain) loss	2	(31)	(107)	30	(38)	(180)
Other expenses	317	-	-	317	-	-

In October 2021, the Company completed an RTO of Raise, a TSXV listed company to form an amalgamated company continuing under the name of Cleantek. The acquisition of Raise did not meet the definition of a business acquisition for accounting purposes under IFRS. Therefore, the value of the Common Shares issued less the fair value of net assets acquired was recorded as a public company listing expense. Costs directly associated with the RTO were recorded as transaction costs. See *note 4 Acquisitions* of the Annual Financial Statements for further details.

The Company entered into an agreement with one of its vendors to convert the outstanding accounts payable balance of $1,045 to an unsecured promissory note (the "Vendor Promissory Note") that (i) is non-interest bearing; (ii) is 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. Subsequent to the RTO the Company reclassified the Vendor Promissory Note from current to long-term and fair valued the debt using the effective interest rate method resulting in the gain on the interest free Promissory Note. The vendor has also waived the change of control event resulting from the RTO and subsequent to the RTO. See *note 10 Debt and Credit Facilities* of the Annual Financial Statements for further details.

In 2021, the Company recognized (gains) losses on dispositions of long-lived assets compared to similar amounts of dispositions in the same periods in 2020.

Foreign exchange (gain) loss arises from exchange differences resulting from the translation of foreign denominated working capital as well as realized (gain) loss on the settlement of foreign denominated working capital. The foreign exchange losses recognized in 2021 are due to the weakened Canadian dollar in the current year.

Other expenses primarily relate to the write off of a shareholder loan balance and costs associated with a transaction that was contemplated prior to the completion of the RTO, but was ultimately unsuccessful.

Income taxes

	Three months ended December 31		%	Year ended December 31		%
(Canadian $000's)	2021	2020	Change	2021	2020	Change
Current tax expense (recovery)	(117)	9	1,400	(117)	9	1,400
Deferred tax expense (recovery)	-	302	100	(711)	302	335
Total tax expense (recovery)	(117)	311	138	(828)	311	366

Income taxes consist of current and deferred income taxes.

The Company recognized deferred tax recovery of $117 for the fourth quarter of 2021 and $711 for 2021, respectively. The Company recognized an income tax expense of $311 during the fourth quarter of 2020.

The Company did not incur current taxes in 2021 due to the Company's tax loss position. Due to the Company's significant unrecognized deferred tax assets, no deferred tax expense is recognized in 2021 or 2020 due to the valuation allowance taken against unrecognized tax. 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

	Three months ended December 31		%	Year ended December 31		%
(Canadian $000's)	2021	2020	Change	2021	2020	Change
Net loss for the period	(4,747)	(9,232)	49	(5,955)	(22,376)	(73

The net loss for the fourth quarter of 2021 decreased to $(4,747) compared to $(9,232) for the fourth quarter of 2020. The decreased net loss in the fourth quarter of 2021 was mainly due to lower finance costs in servicing the Company's decreased debt levels, an impairment reversal in the fourth quarter of 2021, which was partially offset by the listing expense and transaction costs incurred in the fourth quarter of 2021, which have been explained in detail above.

In 2021, the net loss decreased to $(5,955) compared to $(22,376) for 2020. The decreased net loss in was due to the impairment reversal in 2021 versus an impairment expense in 2020 as a result of the impact of COVID-19 on 2020 operations, lower finance costs in servicing the Company's decreased debt, partially offset by the listing expense and transaction costs incurred in the fourth quarter of 2021, all of which have been explained in the detail above.

EBITDA and Adjusted EBITDA

	Three months ended December 31		%	Year ended December 31		%
(Canadian $000's)	2021	2020	Change	2021	2020	Change
EBITDA[(1)]	(4,482)	(871)	(415)	(3,360)	(8,350)	60
Adjusted EBITDA[(1)]	339	(803)	142	1,283	(901)	242

(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, impairment/impairment reversals of non-financial assets, research expense/ recoveries and unusual items not representative of ongoing business performance. EBITDA and adjusted EBITDA are non-IFRS measures as defined under "Non-IFRS Measurement".

Cleantek's EBITDA of $(4,482) in the fourth quarter of 2021 decreased from EBITDA of $(871) in the fourth quarter of 2020 primarily due to the listing expense and transaction costs, which were partially offset by an impairment recovery and higher revenue in 2021 driven by stronger equipment utilization and improved gross margins, which have been explained in detail above.

Cleantek's EBITDA of $(3,360) in 2021 improved from EBITDA of $(8,350) in 2020 mainly due to the significant impairment expense recognized in 2020, which were partially offset by higher research recovery in 2020. In addition, the favorable impairment reversal in 2021 was partially offset by the listing expense and transaction costs in connection with the RTO.

Cleantek's adjusted EBITDA of $340 in the fourth quarter of 2021 improved from the adjusted EBITDA of $(803) in the fourth quarter of 2020 primarily due to improved revenue in the current year driven by stronger equipment utilization and improved gross margins.

Cleantek's adjusted EBITDA of $1,284 in 2021 increased from the adjusted EBITDA of $(901) in 2020 mainly due to improved EBITDA in 2021 as well as lower research recovery, which have been explained in detail above.

CAPITAL EXPENDITURES

	Three months ended December 31		%	Year ended December 31		%
(Canadian $000's)	2021	2020	Change	2021	2020	Change
Additions to property and equipment	182	22	727	396	1,646	(76)

Additions to intangible assets	71	510	(86)	166	510	(67)
Total capital expenditures	253	532	(52)	562	2,156	(74)

Capital expenditures include additions to property and equipment and intangible assets.

In 2021, Cleantek had capital expenditures that included upgrades to the ZeroE dehydration facility unit, capital spares for the mobile ZeroE dehydration rental units, capital spares for the HALO™ crown-mounted lighting system units, upgrades to the vehicle fleet and office equipment.

In 2020, Cleantek limited material capital expenditures to the construction of its commercial ZeroE dehydration facility produced water dehydration technology that was constructed throughout 2020 and deployed to location in September of 2020.

SUPPLEMENTAL QUARTERLY INFORMATION

The table below summarizes Cleantek's quarterly financial and operational highlights for the three months ended December 31, 2021, as well as the previous seven quarters:

(Canadian $000's, except per share amounts and percentages)	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Revenue	2,372	2,045	1,945	2,457	1,777	1,296	1,275	3,259
Gross profit	1,126	1,100	922	1,429	646	471	414	1,834
Gross profit %	47	54	47	58	36	36	32	56
Net loss	(4,747)	(397)	(627)	(184)	(9,232)	(1,352)	(2,286)	(9,506)
Net loss per share - basic and diluted ($)	$(0.22)	$(0.02)	$(0.04)	$(0.01)	$(3.05)	$(1.43)	$(2.43)	$(10.18)
EBITDA[(1)]	(4,482)	(25)	472	675	(448)	359	(660)	(7,178)
Adjusted EBITDA[(1)]	339	158	(39)	825	(166)	(456)	(329)	687
Total assets	17,156	13,393	12,997	13,956	13,637	14,342	14,619	16,572
Working capital Surplus (defict)[(1)]	535	(16,319)	(16,272)	(16,358)	(16,805)	(17,957)	(16,953)	(16,002)
Non-current debt[(1)]	7,875	1,124	1,193	1,250	1,170	15,492	15,162	14,522
Total non-current liabilities	7,932	1,180	1,465	1,611	1,937	15,901	15,571	14,931

(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. Revenue was negatively affected by reduced activity due to COVID-19 impacts starting in the second quarter of 2020 and into the fourth quarter of 2021.

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

- increase in net loss in the first quarter of 2020 due to impairment of assets upon conversion to IFRS;
- increase in net loss in the fourth quarter of 2020 due higher debt servicing costs; and
- increase in net loss in the fourth quarter of 2021 due to listing expense and transaction costs associated with the RTO partially offset by an impairment reversal of assets due to improvements in the market fundamentals as activity increased while COVID-19 impacts decreased.

Working capital was in a large deficit until the fourth quarter of 2021 due to the debt position of the Company prior to the RTO and Private Placement, combined with all debt being classified as current prior to the RTO. Please see "Debt and Credit Facilities" for further details.

SUPPLEMENTAL ANNUAL INFORMATION

The table below summarizes Cleantek's annual financial and operational highlights for the year ended December 31, 2021, as well as the previous two years:

(Canadian $000's, except per share amounts and percentages)	Year ended December 31		
	2021	2020	2019
Revenue	8,819	7,607	12,327
Gross profit	4,577	3,365	7,224
Gross profit %	52	44	59
Net loss	(5,955)	(22,376)	(24,294)
Net loss per share - basic and diluted ($)	$(0.32)	$(15.28)	$(26.21)
EBITDA(1)	(3,360)	(7,927)	(15,273)
Adjusted EBITDA(1)	1,283	(264)	1,430
Capital expenditures	562	2,156	3,331
Total assets	17,156	13,637	23,873
Working capital surplus (deficit)(1)	535	(16,805)	(16,886)
Non-current debt(1)	7,875	1,170	13,478
Total non-current liabilities	7,932	1,937	13,887

(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, 2021 and 2020.

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, convertible notes, 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.

In 2021, the Company strengthened our capital structure through the refinancing of our existing debt though the use of funds from the Private Placement and the Non-Revolving Term Facility. These funds were used to repay the Roynat Capital Term Facility, Bank of Montreal Revolving Debt Facility, the OKR Financial Term Loan, the Company's Term Credit Facility, Shareholder Promissory Note and the Fall 2021 Convertible Debentures (all defined herein). In conjunction with the RTO, the principal amounts outstanding under the January 2020 and February 2021 Convertible Debentures (as defined herein, and a portion of interest designated to be paid in kind, were converted into Common Shares at a conversion rate of $1.20 per Common Share.

The Company has access to the Revolving Line of Credit of up to $2,500 and as of December 31, 2021, and as of the report date, no amounts had been drawn or is outstanding on the Revolving Line of Credit.

The capital structure of Cleantek consists of the following:

(Canadian $000's)	December 31 2021	December 31 2020
Current assets	4,771	2,173
Current liabilities	(4,236)	(18,978)
Working capital surplus (deficit)[1]	535	(16,805)
Long-term debt – non-current	(7,444)	(694)
Lease liabilities – non-current	(431)	(476)
Shareholders' (equity) deficit	(4,988)	7,278
	(12,328)	(10,697)

(1) *This item is not defined and has no standardized meaning under IFRS. Please see the Non-IFRS Measurements section of this MD&A for further discussion of this item, and where applicable, reconciliations to measures calculated in accordance with IFRS.*

Debt and credit facilities

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

(Canadian $000's)	December 31 2021	December 31 2020
Short-term debt		
Bank debt	-	-
Long-term debt		
Credit facilities	7,305	9,339
Loans payable	657	3,009
Promissory notes	527	300
	8,489	12,648
Current portion of long-term debt		
Credit facilities	(1,025)	(9,339)
Loans payable	(7)	(2,315)
Promissory notes	(13)	(300)
	(1,045)	(11,954)
Non-current portion of long-term debt		
Credit facilities	6,280	-
Loans payable	650	694
Promissory notes	514	-
	7,444	694

Credit facilities

(Canadian $000's)	December 31 2021	December 31 2020
Credit facilities		
Canadian Private Debt Term Facility	7,500	-
Roynat Capital Term Facility	-	2,996
Bank of Montreal Revolving Debt Facility	-	6,343
Deferred financing costs	(195)	-
	7,305	9,339
Current portion of credit facilities	(1,025)	(9,339)
Non-current portion of credit facilities	6,280	-

Debt outstanding as of December 31, 2021:

Canadian Private Debt Term Facility

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

i. the Non-Revolving Term Facility in a maximum principal amount of $7,500, in a single loan advance; and
ii. the Revolving Line of Credit up to $2,500, in one or more loan advances.

The Credit Facilities are for an initial term of 24 months, which may be extended for an additional 12 month period at the request of the Company with consent by the lender. On October 29, 2021, the full $7,500 Non-Revolving Term Facility was drawn and remained outstanding as at December 31, 2021. As of the date hereof, no amounts had been drawn or is outstanding on the Revolving Line of Credit. Please see "Financial Risk Management" for additional disclosures on liquidity matters.

The Non-Revolving Term Facility is subject to monthly scheduled repayments as follows: (i) interest only payments in the first 4 months; (ii) $83 plus interest in months 5 to 8; (iii) $108 plus interest in months 9 to 12; (iv) $133 plus interest in months 13 to 16; (v) $158 plus interest in months 17 to 20; (vi) $183 plus interest in months 21 to 24; and (vii) the remaining balance on the Non-Revolving Term Facility at the termination date.

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

At December 31, 2021, the Company was in compliance with all debt covenants.

Debt outstanding as of December 31, 2020:

Roynat Capital Term Facility

The Company had a term facility with Roynat Capital ("Roynat Term Facility") which was initially repayable over a five-year term with the original maturity date of July 15, 2020. The loan was secured by a general security agreement covering all of the tangible and intangible assets of the Company, assignment of insurance proceeds for loss payable, along with personal guarantees of certain shareholders of the Company in the aggregate amount of $1,000. The Roynat Term Facility was subject to certain financial covenants in respect of working capital, debt servicing and maximum debt ratios

On December 4, 2020, the Company signed a forbearance agreement with its lender with an outstanding principal amount owing at December 31, 2020 of $2,915 as a result of non-compliance with its covenants under the Roynat Term Facility. Under the forbearance agreement, the Company was required to make interest-only payments. The forbearance agreement was extended to January 15, 2022 or the earlier on the occurrence of an event or default.

In accordance with the forbearance agreement, the Company was required to commence and complete a refinancing, equity raise or other strategic transaction on terms acceptable to the lender for proceeds of not less than $500 by January 31, 2021 and February 28, 2021, respectively, however, the Company only raised $380 through a convertible debenture issue in February 2021 and $165 through a share subscription on March 1, 2021.

The lender did not waive previous and forecasted breaches of the Roynat Term Facility and forbearance agreements, however, on July 21, 2021, the Company has agreed extensions to the previous forbearance agreements with its lender, until the earlier of the occurrence of an event of default or January 15, 2022.

Interest was charged at the Canadian variable bankers' acceptance rate plus 7.5% per annum (2020 – 7.5%). The variable component of the rate averaged 6.17% in 2021 (2020 – 2.45%).

On October 29, 2021, the Company settled its obligations owing in full and no further obligations exist under the Roynat Capital Term Facility at December 31, 2021, and the Roynat Term Facility was subsequently terminated. Repayment was funded with proceeds received from the Private Placement and funds drawn from the Non-Revolving Term Facility.

Bank of Montreal Revolving Debt Facility

The Company had a demand revolving debt facility of $7,000 with the Bank of Montreal ("Bank of Montreal Revolving Debt Facility"), which allowed the Company to make draws for the purpose of capital expenditures only. Each individual draw was amortized over a 48-month lending period, with an initial interest-only period of 6 months which draws down on the available credit on the Bank of Montreal Revolving Debt Facility. Upon settlement of an individual draw, the Company could redraw on that credit becoming available in accordance with the Bank of Montreal Revolving Debt Facility. Although each individual draw was subject to a 48-month lending period, the lender has the ability to demand full repayment at anytime, at their sole discretion. The interest rate is based on the bank's prime rate plus 1.25% and calculated monthly in arrears and payable monthly. The Bank of Montreal Revolving Debt Facility was subject to certain financial covenants and secured by the assets of the Company.

On December 14, 2020, the Company signed a forbearance agreement with the Bank of Montreal Revolving Debt Facility lender, with an outstanding principal amount owing at December 31, 2020 of $6,343 as a result of non-compliance with its covenants. Under the terms of the forbearance agreement, the Company's monthly blended payments were reduced to $50 per month with the remaining balance due on April 15, 2021. The amounts owing under this forbearance agreement were subject to an increased rate of interest beginning on December 1, 2020 to the lenders prime rate plus 3% per annum. In April 2021 and August 2021, the Company agreed further amendments and extensions to its forbearance agreement until October 31, 2021.

On October 29, 2021, the Company settled its obligations owing in full and no further obligations exist under the Bank of Montreal Revolving Debt Facility, which was subsequently terminated. Repayment was funded with proceeds received from the Private Placement and funds drawn from the Non-Revolving Term Facility.

Loans payable

(Canadian $000's)	December 31 2021	December 31 2020
Loans payable		
Shareholder Loan	-	325
OKR Financial Term Loan	-	1,460
Term Credit Facility	-	500

Custome Loan	650	687
Term loan payable – Other	7	37
	657	3,009
Current portion of loans payable	(7)	(2,315)
Non-current portion of loans payable	650	694

Loans payable – Shareholder Loan

In 2019, a shareholder advanced $325 to the Company as a 90 day term loan (the "Shareholder Loan"). Subject to mutual agreement, the Shareholder Loan may be converted to debenture notes. Following an initial period in 2019 where the Company incurred interest at 20% per annum, the Shareholder Loan bears interest at 3% per annum.

In 2021, the Shareholder Loan payable was offset against the shareholder loan receivable, resulting in $nil Shareholder Loan payable balance outstanding at December 31, 2021.

OKR Financial Term Loan

On June 28, 2019, the Company executed a term loan agreement with a lender ("OKR Financial Term Loan") to provide short term financing against Cleantek's fiscal 2017 and 2018 SRED claims. The lender funded $1,000 on July 2, 2019, and $460 on August 6, 2019 against the total estimated claim of approximately $2,000. Interest on the OKR Financial Term Loan is calculated at 2.15% per month, compounded monthly. The equivalent annual interest rate is 29.08%. The loan was due on or before the earlier of, three business days after the Company receives its SRED claims for the 2017 tax year or June 28, 2020. The Company has the right at any time during the term of the OKR Financial Term Loan to prepay all or any portion of the OKR Financial Term Loan without penalty. The lender has registered a security interest in the pending SRED claim and both parties have also executed a general security agreement which provides the lender with additional security on the Company's other assets, which ranked second in priority behind Cleantek's senior lender credit facilities.

In March 2020, and June 2020, the Company received refunds of $1,044 and $1,214 for the fiscal 2017 and 2018 SRED claims, respectively.

The Company reached an agreement with the lender to extend the maturity of the OKR Financial Term Loan to April 30, 2021, at the same interest rate of 2.15% per month. In August 2021, the Company executed another amendment to the OKR Financial Term Loan which extended the maturity date to November 15, 2021 and revised the interest rate and form of repayment.

On October 29, 2021, the Company settled its principal obligation owing in full under the OKR Financial Term Loan. In conjunction with the Private Placement, an additional 428,571 Units were issued at $1.75 upon the conversion of $750 interest owing on OKR Financial Term Loan to OKR Financial. No further obligations exist under the OKR Financial Term Loan, which was subsequently terminated. Repayment was funded with proceeds received from the Private Placement and funds drawn from the Non-Revolving Term Facility.

Term Credit Facility

On October 22, 2019, the Company executed a term credit agreement with a lender to provide short term financing ("Term Credit Facility"). The Term Credit Facility was secured by a first position security interest over all accounts receivables of Cleantek. The Term Credit Facility accrued interest at 12% per annum, which could have been increased by 2% per annum if a default occurred. This Term Credit Facility was due for repayment on or before April 30, 2020. The Term Credit Facility provided the option to convert all or a portion of the outstanding balance into Common Shares, at the rate of $5.50 per Common Share.

On October 29, 2021, the Company settled its obligations owing in full and no further obligations exist under the Term Credit Facility, which was subsequently terminated. Repayment was funded with proceeds received from the Private Placement and funds drawn from the Non-Revolving Term Facility.

Customer Term Loan

In April 2018, Cleantek signed a ZeroE™ management agreement with a private, 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, the 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 Loan at inception under IFRS 16 Leases and made an assessment that it is an operating lease as the Customer Loan does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset. Cleantek recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

During the year ended December 31, 2021, $151 (2020 - $19) of rental income was invoiced to the customer and recognized as dehydration facility revenue in net loss, $92 (2020 - $3) interest expense was recognized on the outstanding Customer Loan and included in finances costs, net in net loss and $59 (2020 - $16) of the rental income invoiced to the customer was applied to the outstanding Customer Loan, including $37 (2020 - $13) to the principal balance.

Promissory notes

(Canadian $000's)	December 31 2021	December 31 2020
Promissory note		
Shareholder Promissory Note	-	300
Vendor Promissory Note	527	-
	527	300
Current portion of promissory notes	(13)	(300)
Non-current portion of promissory notes	514	-

Shareholder Promissory Note

On November 1, 2017, a $300 promissory note was executed between the Company and a minority shareholder ("Shareholder Promissory Note") to replace the $300 principal balance of the December 31, 2015 promissory note ("Original Note") that became due on the November 1, 2017 maturity date. The Shareholder Promissory Note matured on November 1, 2019 and bore interest at 8.5% per annum. All terms of the Shareholder Promissory Note remained the same as the Original Note, except for interest

owing, which was pre-paid upon execution rather than monthly throughout the term of the Shareholder Promissory Note.

On November 19, 2021, the Company settled its obligations owing in full and no further obligations exist under the Shareholder Promissory Note. Repayment was funded with proceeds received from the Private Placement and funds drawn from the Non-Revolving Term Facility.

Vendor Promissory Note

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

The Vendor has waived the change of control event resulting from the RTO and subsequent to the RTO, the Company has remedied our position pursuant to the terms of the Vendor Promissory Note and was in compliance of all terms as at December 31, 2021. As a result, the Company reclassified the amounts from current to long-term and fair valued the debt using the effective interest rate method. A gain of $508 recorded as a result of application of IFRS 9 as the Vendor Promissory Note bears an interest rate of zero. The fair value and resulting gain were based on the present value of future payments discounted at an interest rate of 9%.

Convertible notes

Cleantek's convertible notes are comprised of the following:

(Canadian $000's)	December 31 2020	December 31 2019
Convertible Debentures – Liability portion		
Convertible debentures	-	647
Total convertible notes – Liability portion	-	647
Current portion of convertible notes		
Convertible debentures	-	(647)
	-	(647)
Non-current portion of convertible notes		
Convertible debentures	-	-
	-	(647)

January 2020 Convertible Debentures, due on demand

(Canadian $000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – January 2020 Convertible Debentures				
January 1, 2020	109,091	600	-	600
Accrued interest	-	47	-	47
At December 31, 2020	109,091	647	-	647
Conversion of the January 2020 Convertible Debentures to Common Shares	(109,091)	(647)	-	(647)
At December 31, 2021	-	-	-	-

In January 2020, the Company obtained financing through secured subordinated convertible debentures, for total proceeds of $600 (the "January 2020 Convertible Debentures"). The January 2020 Convertible Debentures had an annual interest rate of 20% per annum, payable as 8% in Class "A" Shares and 12% in cash. The January 2020 Convertible Debentures were convertible into Class "A" Shares at $5.50 per Class "A" Share and were due on demand.

In conjunction with the RTO, the $600 outstanding principal of the January 2020 Convertible Debentures was converted to 500,000 Common Shares at $1.20 per Common Share. Accrued interest of $65 was settled in cash and $90 settled in Common Shares.

February 2021 Convertible Debentures, due on demand – Related parties

(Canadian $000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – February 2021 Convertible Debentures				
At January 1, 2021	-	-	-	-
Issuance of February 2021 Convertible Debentures	380	380	-	380
Conversion of the February 2021 Convertible Debentures to Common Shares	(380)	(380)	-	(380)
At December 31, 2021	-	-	-	-

In February 2021, the Company obtained financing through the issuance of 380 secured subordinated convertible debentures to existing shareholders of the Company holding significant influence, including the Company's largest shareholder, for total proceeds of $380, representing a subscription price of $1,000 per debenture, due on demand by the holder (the "February 2021 Convertible Debentures"). The February 2021 Convertible Debentures had an annual interest rate of 12% per annum, calculated quarterly on the basis of a 365 day year, payable in cash on the maturity date. Each February 2021 Convertible Debenture was convertible into 833.33 units of the Company, each unit consisting of one Class "A" Share and one warrant to purchase a Class "A" Share at $1.20 per Class "A" Share by September 30, 2023 (each a "Prior Warrant").

In conjunction with the RTO, the outstanding principal of $380 of the February 2021 Convertible Debentures was converted into Common Shares at $1.20 per Common Share and the accrued interest was settled in cash. All Prior Warrants were exchanged for warrants to purchase Common Shares ("New Warrants", and together with the Financing Warrants, the "Warrants") on substantially the same terms and conditions as the Prior Warrants.

Fall 2021 Convertible Debentures issue and conversion – Related parties

(Canadian $000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – February 2021 Convertible Debentures				
At January 1, 2021	-	-	-	-
September 2021 Issuance of Fall 2021 Convertible Debentures	350	350	-	350
October 2021 Issuance of Fall 2021 Convertible Debentures	100	100	-	100
Conversion of the Fall 2021 Convertible Debentures to Common Shares	(450)	(450)	-	(450)
At December 31, 2021	-	-	-	-

In September 2021, the Company issued secured, subordinated convertible debentures for gross proceeds of $350 (the "Fall 2021 Convertible Debentures"). The Fall 2021 Convertible Debentures had a monthly interest rate of 5% and were convertible into Class "A" Shares at $1.20 per Class "A" Share and were due on October 31, 2021. In October 2021, the Company issued a further $100 of the Fall 2021 Convertible Debentures for total gross proceeds of $450.

In conjunction with the RTO, the outstanding principal of $450 of the Fall 2021 Convertible Debentures, plus accrued interest was settled in cash.

May 2018 Convertible Debentures – Converted in December 2020

(Canadian $000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Derivative convertible debentures – May 2018 Convertible Debentures				
At January 1, 2020	727,727	6,060	-	6,060
Loss on fair value adjustment of liability	-	1,745	-	1,745
Conversion of the May 2018 Convertible Debentures to Class "A" Shares	(727,727)	(7,805)	-	(7,805)
At December 31, 2020	-	-	-	-

In May 2018, the Company entered into an unsecured convertible debenture financing for gross proceeds of $4,000, maturing in 2025 (the "May 2018 Convertible Debentures"). The May 2018 Convertible Debentures were convertible at $5.50 per Class "A" Share, subject to adjustment in certain circumstances. The conversion price may be adjusted so that the amount of Class "A" Shares issued upon conversion will provide the lender with a minimum internal rate of return of 30%. The coupon rate was 5% (the coupon rate increased to 7% if the Company elected to pay the interest in kind); and an additional cash coupon of 5% per annum was payable from February 1, 2019, to July 31, 2019 which was further increased to 10% per annum from August 1, 2019.

In December 2020, pursuant to an agreement with the holders of the May 2018 Convertible Debentures, the Company converted the $8,449 outstanding principal and accrued interest balances on the May 2018 Convertible Debentures into Class "A" Shares at $0.10 per Class "A" Share. Accordingly, the Company issued 84,493,040 Class "A" Shares to settle the $7,805 May 2018 Convertible Debentures liability and $644 accrued cash interest up to the date of conversion in full. In connection with the RTO, all the Class "A" Shares were exchanged for Common Shares.

November 2018 Convertible Debentures - Converted in December 2020

(Canadian $000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – November 2018 Convertible Debentures				
At January 1, 2020	363,636	1,714	285	1,999
In-kind interest	-	155	-	155
Amortization of transaction costs	-	66	-	66
Accretion of discount	-	29	-	29
Conversion of the November 2018 Convertible Debentures to Class "A" Shares	(363,636)	(1,964)	(285)	(2,249)
At December 31, 2020	-	-	-	-

On November 2, 2018, the Company issued unsecured subordinated convertible debentures for gross proceeds of $2,000 to an investor, maturing in 2025 (the "November 2018 Convertible Debentures"). The net aggregate proceeds were $1,900, after brokerage fees of $100. The broker used a portion of these fees to purchase $55 of the November 2018 Convertible Debentures. The November 2018 Convertible Debentures were convertible at $5.50 per Class "A" Share and the coupon rate was 5% (the coupon rate increased to 7% if the Company elected to pay the interest in kind).

In December 2020, pursuant to an agreement with the holder of the November 2018 Convertible Debentures revising the terms of conversion inducing earlier conversion, the Company converted the November 2018 Convertible Debentures and accrued interest up to the date of conversion into 23,185,182 Class "A" Shares at $0.10 per Class "A" Share. In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares.

As a result, a loss of $1,964 from the early conversion of the November 2018 Convertible Debentures was recorded and included in finance costs in net loss.

The combined impact to share capital from the early conversion of the November 2018 Convertible Debentures is $4,213, which is the sum of the $1,964 carrying amount of the November 2018 Convertible Debentures liability portion, the $285 transfer from the equity portion and the $1,964 loss recorded from the early conversion of the November 2018 Convertible Debentures.

Early Convertible Debentures – Converted in December 2020

(Canadian $000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – Early Convertible Debentures				
At January 1, 2020	225,892	1,996	163	2,159
Amortization of transaction costs	-	85	-	85
Accretion of discount	-	86	-	86
Unpaid interest added to debenture balance	-	477	-	477
Conversion of the Early Convertible Debentures to Class "A" Shares	(225,892)	(2,644)	(163)	(2,807)
At December 31, 2020	-	-	-	-

In 2018 and 2019, the Company entered into unsecured convertible debenture financing arrangements with various investors for gross proceeds of $450 and $1,809, respectively, maturing between January 2021 and September 2022 (the "Early Convertible Debentures"). The Early Convertible Debentures were convertible at $10 per Class "A" Share and interest at 20% per annum. Interest was payable in cash on outstanding Early Convertible Debentures amounting to $1,200, in Class "A" Shares on outstanding Early Convertible Debentures amounting to $430 and 50% in cash and 50% in Class "A" Shares on outstanding Early Convertible Debentures amounting to $629.

In December 2020, pursuant to the debenture agreement in respect of the Early Convertible Debentures as well as a modification, amendment, compromise or arrangement of rights agreement with the majority holder of the Early Convertible Debentures, holders of these Early Convertible Debentures holding not less than 50% of these Early Convertible Debentures, agreed to amend the terms of conversion inducing earlier conversion of the Early Convertible Debentures and accrued interest up to the date of conversion at the option of the Company, at a reduced conversion price of $0.10 per Class "A" Share. Following this agreement, the Company exercised its right to convert the Early Convertible Debentures and accrued interest up to the date of conversion into 27,355,182 Class "A" Shares. In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares.

As a result, the Company recognized a $2,236 loss on the inducement to convert the Early Convertible Debentures. Accordingly, the Company issued 27,355,182 Class "A" Shares to settle the $4,403 Early Convertible Debentures liability component and $477 accrued interest in full. As a result, a loss of $2,236 from the early conversion of the Early Convertible Debentures was recorded and included in finance costs in net loss. In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares.

The combined impact to share capital from the early conversion is $5,043 which is the sum of the $2,644 carrying amount of the Early Convertible Debentures liability portion, the $163 transfer from the equity portion and the $2,236 loss recorded from the early conversion of the Early Convertible Debentures.

2019 Promissory Notes

(Canadian $000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures - 2019 Promissory Notes				
At December 31, 2019	240,000	1,309	72	1,381
Unpaid interest added to debenture balance	-	147	-	147
Accretion of discount	-	11	-	11
Conversion of the 2019 Promissory Notes to Class "A" Shares	(240,000)	(1,467)	(72)	(1,539)
At December 31, 2020	-	-	-	-

The 2019 Promissory Notes holders could convert the principal sum into Class "A" Shares at a conversion price of $5.50 per Class "A" Share. The 2019 Promissory Notes, maturing between December 2019 and June 2020, bore interest at 10% to 20% per annum, and were payable in cash or Class "A" Shares in kind. The 2019 Promissory Notes were subordinated to the credit facilities and were not secured.

In December 2020, pursuant to agreements with the holders of the remaining 2019 Promissory Notes revising the terms of conversion inducing earlier conversion, the Company converted these 2019 Promissory Notes and accrued interest up to the date of conversion into 14,671,135 Class "A" Shares at $0.10 per Class "A" Share. In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares.

As a result, a loss of $1,296 from the early conversion of the 2019 Promissory Notes was recorded and included in finance costs in net loss in 2020. The combined impact in 2020 to share capital from the early conversion is $2,835 which is the sum of the $1,467 carrying amount of the 2019 Promissory Notes liability portion, the $72 transfer from the equity portion and the $1,296 loss recorded from the early conversion of the 2019 Promissory Notes.

Share capital

Cleantek had the following outstanding Common Shares and equity instruments at December 31, 2021, and 2020:

	December 31 2021	December 31 2020[(1)]
Common Shares[(1)]	27,645,380	16,846,000
Options[(1)]	2,702,500	58,750
Warrants	3,101,098	-
Total outstanding securities	33,448,978	16,904,750

(1) Number of Common Shares and Options reflect the August 27, 2021 twelve-for-one Common Share consolidation. Prior period amounts have been retroactively adjusted to reflect the Common Share consolidation.

As at the date of this MD&A, the Company had 27,645,380 Common Shares outstanding.

Shares issued on closing of RTO

On October 29, 2021, Cleantek completed the RTO with Raise to form the amalgamated public company, continuing as Cleantek Industries Inc. Pursuant to the Arrangement Agreement, all of the outstanding Class "A" Shares were acquired by Raise, in exchange for approximately 1,007,395,375 Common Shares valued at approximately $0.03 per Common Share. Immediately following the completion of the RTO, all outstanding Common Shares were consolidated on the basis of one post-consolidation Common Share for every 58.3 pre-consolidation Common Share, such that, after completion of the consolidation the former Raise shareholder held an aggregate of approximately 15% of the post-consolidation Common Shares with former shareholders of Cleantek holding the remaining approximately 85%.

The Private Placement

In conjunction with the RTO, Cleantek completed the Private Placement for aggregate gross proceeds of $10,003 with a syndicate of investment dealers for a brokered Private Placement offering of Subscription Receipts at a price of $1.75 per Subscription Receipt. The Private Placement closed on August 31, 2021 and the proceeds were released from escrow upon completion of the RTO on October 29, 2021.

Share issuance costs of $1,399 were incurred as a result of the Private Placement and RTO and was recorded as a reduction to share capital.

Share consolidation

On August 27, 2021, the Company completed a twelve-for-one share consolidation of all the issued and outstanding Class "A" Shares (the "Consolidation"). Prior to the Consolidation, a total of 207,355,736 Class "A" Shares were issued and outstanding and after the Consolidation, the Company had 17,279,645 issued and outstanding Class "A" Shares. All share and per share data presented in the Annual Financial Statements, including Options outstanding, has been retroactively adjusted to reflect the Consolidation, unless otherwise noted. In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares.

Other share issuances

On March 1, 2021, the Company completed a Common Share subscription of 137,162 Class "A" Shares at $1.20 per Class "A" Share for gross proceeds of $165. Each Class "A" Share was bundled with a Prior Warrant, which entitled the holder thereof to purchase one Class "A" Share at an exercise price of $1.20 at any time up to March 1, 2023. In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares and all Prior Warrants have been exchanged for New Warrants, on substantially the same terms and conditions as the Prior Warrants.

Issuances in kind

In 2021, the Company issued a total of 87,500 Common Shares at a price of $1.60 and an additional 205,014 Common Shares at a price of $1.75 as severance payments to former Cleantek and Raise employees.

In 2020, the Company issued 3,713 Class "A" Shares in exchange for settling $37 interest expense owing by the Company related to loans payable. In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares.

Share conversions and Transfer from equity portion of convertible notes

In 2021, several share conversions occurred for a combined impact of $2,275 on share capital:

- Interest of $750 owing on the OKR Financial Term Loan was settled through the issuance of 428,571 Subscription Receipts;
- Pursuant to agreements with certain creditors of the Company, the Company issued 57,142 and 296,340 Common Shares at a price of $1.75 and 1.20 per Common Share, respectively, to settle a total of $455 of accounts payable and liabilities.
- Conversion of January 2020 Convertible Debentures: 500,000 Common Shares to settle the principal portion of $600 January 2020 Convertible Debentures liability and 75,346 Common Shares for accrued interest of $90;
- Conversion of February 2021 Convertible Debentures: 316,668 Common Shares to settle the principal portion of $380 February 2021 Convertible Debentures liability.

In December 2020, pursuant to agreements with certain convertible note holders, lenders and creditors of the Company, the Company issued 190,688,173 Class "A" Shares at $0.10 per Class "A" Share to convert the following with a combined impact of $24,638 on share capital:

- Conversion of related party loans payable: 36,087,300 Class "A" Shares to settle $3,354 outstanding principal and $255 accrued interest in full;
- Conversion of May 2018 Convertible Debentures: 84,493,040 Class "A" Shares to settle the $7,805 May 2018 Convertible Debentures liability and $644 accrued cash interest in full;
- Early conversion of November 2018 Convertible Debentures: 23,185,082 Class "A" Shares issued to convert the November 2018 Convertible Debentures and accrued interest up to the date of conversion. The combined impact to share capital from the early conversion was $4,213, which is the sum of the $1,964 carrying amount of the November 2018 Convertible Debentures liability portion, the $285 transfer from the equity portion and the $1,964 loss recorded from the early conversion of the November 2018 Convertible Debentures;
- Early conversion of the Early Convertible Debentures: 27,355,182 Class "A" Shares issued to convert the Early Convertible Debentures and accrued interest up to the date of conversion. The combined impact to share capital from the early conversion was $5,043, which is the sum of the $2,644 carrying amount of the Early Convertible Debentures liability portion, the $163 transfer from the equity portion and the $2,236 loss recorded from the early conversion of the Early Convertible Debentures;
- Early conversion of the 2019 Promissory Notes: 14,671,135 Class "A" Shares issued to settle the 2019 Promissory Notes and accrued interest up to the date of conversion. The combined impact to share capital from the early conversion was $2,835, which is the sum of the $1,467 carrying amount of the 2019 Promissory Notes liability portion, the $72 transfer from the equity portion and the $1,296 loss recorded from the early conversion of the 2019 Promissory Notes; and
- Conversion of accounts payable: 4,896,434 Class "A" Shares to settle $490 accounts payable.

In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares.

OFF-BALANCE SHEET ARRANGEMENTS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Cleantek was established for the purposes of contributing to a greener economy through the reduction of burning fossil fuels and increased water recycling, through waste heat water treatment and vaporization technology, operating and developing sustainable infrastructure, and fulfilling the Company's ESG values.

The Company 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 access to capital may become restricted or repayment could be required

Cleantek's business plan is subject to the availability of additional financing for future costs of operations or expansion that might not be available or may not be available on favourable terms. If Cleantek's cash flow from operations is not sufficient to fund its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements on terms acceptable to Cleantek or at all. 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.

Even if Cleantek is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to 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.

The ongoing impacts of the COVID-19 pandemic may adversely affect Cleantek's business, operations and financial results

Given the global spread of the COVID-19 pandemic, Cleantek's financial and operating performance could be materially adversely affected by any disruptions or suspensions of Cleantek's operations. Among other things, such disruptions or suspensions may result from operational changes by Cleantek's customers in response to the COVID-19 pandemic, directives and protocols introduced by governments and public health officials in the jurisdictions where Cleantek operates. Slowdowns or stoppages in the performance of work due to labour shortages caused by mandatory quarantine orders or employees becoming infected with COVID-19, supply chain disruptions and the inability of counterparties to fulfill their contractual obligations on a timely basis or at all. The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity, transmission rate and resurgence of the COVID-19 virus or strain variations thereof, the timing, extent and effectiveness of containment actions, including the availability and effectiveness of vaccines, approvals thereof and the speed of vaccine distribution, the speed and extent to which normal economic and operating conditions resume worldwide, and the impact of these and other factors on Cleantek's stakeholders, including the Company's customers, vendors and employees. The situation is changing rapidly, and future impacts may materialize that are not yet known. There are no comparable recent events that provide guidance as to the effect the continued spread of the COVID-19 pandemic may have, and, as a result, the ultimate impact of the COVID-19 pandemic on Cleantek's business, financial condition, results of operations and cash flows is highly uncertain and subject to change.

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, including the COVID-19 pandemic, 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.

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 changes in accounting standards

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to Cleantek's business, including but not limited to revenue recognition, impairment of assets, leases, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change Cleantek's reported financial performance or financial condition in accordance with generally accepted accounting principles.

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 RISK MANAGMENT

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.

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, 2021, the 5 largest customers accounted for 30% of the Company's accounts receivable (December 31, 2020 – 40%) and the 5 largest customers accounted for 33% of its revenue for the year ended December 31, 2021 (2020 - 29%).

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The calculation reflects the probability-weighted outcome, the time value of money and reasonable supportable

information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 2021	December 31 2020
Current (0 to 30 days from invoice date)	1,676	1,322
31 to 60 days past due	123	32
61 to 90 days past due	56	12
Over 90 days past due	89	73
Trade receivables and other	1,944	1,439
Provision for doubtful accounts	(13)	(41)
Total accounts receivable	1,931	1,398

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

(Canadian $000's)	December 31 2021	December 31 2020
At beginning of year	41	169
Increase in provision	-	86
Removal of confirmed uncollectable amounts	(26)	-
Write-off provision, net of recoveries	(2)	(214)
At end of year	13	41

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 $1,871 at December 31, 2021, which represents its maximum credit exposure on these assets (December 31, 2020 - $597). 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 mitigates this risk through efforts to maintain the support of its lenders and through the issuance of additional capital. In fiscal 2020, the demand for the Company's services and products had been significantly impacted by COVID-19 and the deterioration in commodity pricing which increased the Company's exposure to liquidity risk. Throughout 2021, there has been an economic recovery of commodity prices, which has improved the demand for the Company's product and services in the latter half of the year. In addition, in 2021 the Company refinanced its existing debt and significantly reduced our overall cost of borrowings.

The expected timing of cash outflows relating to financial liabilities at December 31,2021 are outlined under "Commitments and Contingencies".

The Company anticipates being able to satisfy its liabilities and obligations as they come due, however it will continue to require the support of its lender with respect to the renewal of its Credit Facilities which mature on October 29, 2023.

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, 2021, the Company is exposed to interest rate risk with respect to the Non-Revolving Term Facility. For the year ended December 31, 2021, a 1% change to interest rate would have resulted in $13 impact on net income (loss) (2020 – $95).

The interest rate on Cleantek's long-term debt loans payable and promissory notes and convertible notes 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.

At December 31, 2021 and 2020, a 1% change in the value of the U.S. dollar would have the following impact on net loss and other comprehensive loss:

(Canadian $000's)	December 31 2021	December 31 2020
Impact to net loss	3	2
Impact to other comprehensive loss	26	27

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.

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.

Recent accounting pronouncements issued

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Annual Financial Statements include:

I. International Accounting Standard 1 "Presentation of Financial Statements", ("IAS 1") has been amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The Amendment to IAS 1 is effective for years beginning on or after January 1, 2023.

II. International Accounting Standard 1 "Presentation of Financial Statements", ("IAS 1") has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023.

Cleantek intends to adopt these standards and interpretations when they become effective and is currently assessing the impact of these amendments.

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 Basis of Presentation* of the Annual Financial Statements.

RELATED PARTY TRANSACTIONS

Key management compensation

Key management comprises the executive officers and the directors of the Company.

In addition to their salaries, the Company also provides non-cash benefits to executive officers. Executive officers also participate in the Company's Option Plan.
Directors of the Company participate in the Option Plan and may receive directors' compensation in the form of issued Common Shares.

Key management compensation comprises:

	Year ended December 31	
(Canadian $000's)	2021	2020
Salaries and benefits	1,106	502
Share-based compensation (equity-settled)		
Options	955	101
Common Shares issued for directors' compensation	-	1
Escrowed Common Shares	-	901
Transaction cost		
Board compensation	55	-
Total	2,116	1,505

Other related party transactions

The following related party transactions are in the normal course of operations and have been valued at the exchange amount:

During the year ended December 31, 2021, the Company incurred legal fees of $nil (2020 - $82) from a law firm in which a former director of the Company is a partner. At December 31, 2021, $68 was owing to this firm and included in accounts payables and accrued liabilities (December 31, 2020 - $1,117).

During the year ended December 31, 2021, the Company made payments of $nil (2020 - $nil) to Cerberus Equity Group Ltd. ("Cerberus") under a property lease agreement which matured on July 31, 2019. The Company vacated the premises and Cerberus filed a statement of claim. Please see "Commitment and Contingencies" for further details.

Other balances

The Company has the following amounts receivable from or owing to related parties:

(Canadian $000's)	December 31 2021	December 31 2020
Long-term receivables[1]		
Loans receivable		
Loans to shareholders and former executives[1]	115	540
Accounts payables and accrued liabilities		
Law firm related to the Company through a director	68	1,117
Long-term debt[1]		
Loans payable		
Shareholder Loan	-	325
Promissory notes		
Shareholder Promissory Note	-	300
Vendor Promissory Note	527	-
	527	625

(1) Includes current and non-current portion.

In addition to the above amounts, in February, September and October 2021, the Company issued a total of $850 secured subordinated convertible debentures to existing shareholders of the Company holding significant influence, including the Company's largest shareholder as disclosed in "Consolidated Liquidity and Capital Resources". In conjunction with the RTO, the convertible debentures were converted into Common Shares and accrued interest was settled in cash and Common Shares.

The Company has the related party commitments and contingencies as disclosed in "Commitments and Contingencies".

COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The expected timing of cash outflows relating to financial liabilities, lease liabilities and other commitments at December 31, 2021 are outlined in the table below:

(Canadian $000's)	Carrying amount[1]	Contractual outflows[2] < 1 year	2 to 3 years	4 to 5 years	Thereafter	Total[1]
Financial liabilities						
Accounts payable and accrued liabilities	2,825	2,825	-	-	-	2,825
Long-term debt						
Credit facilities[3]	7,500	1,729	6,959	-	-	8,688
Loans payable	657	137	275	275	374	1,061
Promissory notes	527	65	120	120	725	1,030
	11,509	4,756	7,354	395	1,099	13,604
Lease liabilities and other commitments						
Lease liabilities	797	420	410	44	-	874
Other property lease commitments[4]	-	215	239	-	-	454
	797	635	649	44	-	1,328

(1) Includes the current and non-current portions.
(2) Amounts include principal and interest portions.
(3) Carrying amount excludes deferred financing charges of $195.
(4) Includes leased property utility, operating cost and property tax commitments.

Related party guarantee

The Company has provided a corporate guarantee of $270 at December 31, 2021 and 2020 to a lender related to a loan issued to Cerberus (the "Cerberus Guarantee"), a company related through a shareholder.

The Cerberus Guarantee arose when Cerberus arranged financing (the "Cerberus Financing") to: (i) purchase a building, which the Company had leased under a property lease agreement (the "Building Lease"), and (ii) equipment that the Company purchased. The Cerberus Guarantee will be in place until the Cerberus Financing is repaid. If Cerberus fails to repay its debt to the lender, the lender is entitled to seek repayment from the Company. The Building Lease expired on July 30, 2019.

In 2019, the lender commenced actions against Cerberus, including taking ownership of the building. In addition, the lender commenced action to enforce the Cerberus Guarantee by the Company. The Company has filed a statement of defense and has not accrued a provision for this claim.

In April 2022, the building was sold by the lender and proceeds were applied against the outstanding balance of the Cerberus Financing. In addition, there is an insurance claim outstanding on the building that will further reduce the balance owing on the Cerberus Financing. However, there is an estimated shortfall on the balance owing under the Cerberus Financing of approximately $100 after the sale of the building and insurance proceeds that the lender will be seeking reimbursement for from Cerberus and/or the Company. The Company has filed a statement of defense and has not accrued a provision for this claim.

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.

Patent litigation

In 2021, a United States competitor in the lighting rental business sued the Company for patent infringement. Management is defending the patent litigation claim vigorously and believes the claim is without merit.

Litigation and claims involving a related party

In 2020, a former executive of the Company and shareholder filed a claim against the Company for approximately $478 related to term loans provided (the "Disputed Loans"), accrued interest thereon and damages. At December 31, 2021, the principal balance of the Disputed Loans payable by the Company has been netted against the long-term receivables balance of $325 (December 31, 2020 - $325). The Company has filed a statement of defense and counter claim and believes this claim is without merit. In addition, the remaining long-term receivable balance of $115 due from the former executive of the Company and shareholder has been written off to other expense, as recovery of the amounts remain uncertain at this time.

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, impairment/impairment reversals, loss or gain on disposal of assets as well as unusual items not representative of ongoing business performance.

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		%	Year ended December 31		%
(Canadian $000's)	2021	2020	Change	2021	2020	Change
Net loss	(4,747)	(9,232)	49	(5,955)	(22,376)	73
Tax expense (recovery)	(117)	311	138	(828)	311	366
Depreciation and amortization	622	1,222	49	2,534	3,180	20
Finance costs, net	(240)	6,828	104	889	10,535	92
EBITDA	(4,482)	(871)	(415)	(3,360)	(8,350)	60
Research expense (recovery)	(167)	-	-	(868)	(1,811)	(52)
Share-based compensation	902	68	(1,226)	1,425	1,228	(16)
Impairment expense/(reversal) of non-financial assets	(3,169)	-	-	(3,169)	8,032	139

Listing expense	5,061	-	-	5,061	-	-
Transaction costs	2,194	-	-	2,194	-	-
Adjusted EBITDA	339	(803)	142	1,283	(901)	242

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 $000's)	December 31 2021	December 31 2020
Current assets	4,771	2,173
Current liabilities	(4,236)	(18,978)
Working capital surplus (deficit)	535	(16,805)

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 $000's)	December 31 2021	December 31 2020
Long-term debt – non-current portion	7,444	694
Lease liabilities – non-current portion	431	476
Non-current debt	7,875	1,170

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:

- taking advantage of increased oil and gas drilling and production activity in North America to maximize utilization rates of its current fleet of sustainable lighting solutions and mobile ZeroE wastewater treatment assets;
- the expected economic recovery from COVID-19;
- expanding and growing the Company's fleet of sustainable lighting solutions and mobile ZeroE wastewater treatment assets to satisfy increased demand in the oil and gas, midstream, mining, industrial and construction markets;
- leveraging Cleantek's technology to capture additional market share through organic growth of the ZeroE wastewater treatment and vaporization services;

- expanding and diversifying Cleantek's geographic focus and customer base including exploring opportunities outside of the North American market; and
- the Company may issue additional debt, issue new shares and adjust capital and operating expenditures to manage its current and projected debt levels.

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 3200, 500 – 4th Avenue SW, Calgary, Alberta, Canada T2P 2V6 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.sedar.com.