Management's Discussion and Analysis

For the three months ended March 31, 2022 and 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION AND DESCRIPTION OF THE COMPANY

May 26, 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 three months ended March 31, 2022 ("Q1 2022") and March 31, 2021 ("Q1 2021") and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2022 ("Interim Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2021 and 2020 ("Annual Financial Statements").

The condensed consolidated interim financial statements of Cleantek have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with 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 unaudited condensed consolidated interim financial statements of Cleantek have been prepared by management and approved by the board of directors (the "Board") as of May 26, 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.

On October 29, 2021 Cleantek completed a reverse takeover of Raise (the "RTO"), a TSXV listed company, pursuant to the terms of the arrangement agreement dated July 12, 2021 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.

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.

HIGHLIGHTS FOR THE FIRST QUARTER 2022

- Cleantek generated revenue of $3.1 million for Q1 2022, an increase of $0.7 million or 28%, from Q1 2021 and an increase of $0.8 million or 33% from Q4 2021. The increased revenue in Q1 2022 is due to the continued ramp up in rental activity in both sustainable lighting solutions and ZeroE dehydration;
- Cleantek's gross profit of $1.8 million or 58% of revenue was inline with target despite higher than anticipated labor costs, including overtime and third party subcontracting as a result of increased activity and a lean labor force. Repair and maintenance costs related to the set up and install of the rental fleet were also higher than expected in the current quarter, but the Company expects these associated costs to decrease or normalize over the remainder of the year;
- mobile ZeroE deployment has increased to 15 units, with over half of deployed systems in the US, and the Company continues to forecast full utilization on the fleet of 35 units before the end of 2022;
- Cleantek is currently deploying its first ever mobile ZeroE technology into the Permian basin, with two units contracted with one of the major oil and gas companies;
- in Q1 2022 the Company fabricated and deployed an additional six new HALO lighting systems into the US and continues to forecast the deployment of 14 additional HALO lighting systems over the balance of 2022 for a total of 20 new units fabricated and deployed in 2022; and,
- as at March 31, 2022 the Company had over $3.0 million of liquidity, including cash on hand and access to a revolving line of credit for up to $2.5 million, that to date remains undrawn.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Canadian $000's, except per share amounts and percentages)	Three months ended March 31 2022	2021	Change
Revenue	3,147	2,457	690
Gross profit	1,837	1,429	408
Gross profit %	58	58	-%
Net loss	(734)	(184)	(550)
Net loss per share - basic and diluted ($)	$(0.03)	$(0.01)	$(0.02)
EBITDA[1]	454	675	(221)
Adjusted EBITDA[1]	602	825	(223)
Capital expenditures	297	179	118
As at:	**March 31, 2022**	**December 31, 2021**	**Change**
Total assets	15,358	17,156	(1,798)
Working capital surplus[1]	153	535	(382)
Non-current debt[1,2]	7,383	7,875	492
Total non-current liabilities	7,440	7,932	492

(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.*

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

	Three months ended March 31		
(Canadian $000's)	2022	2021	Change
Sustainable lighting solutions	2,780	2,111	669
ZeroE dehydration	367	346	21
Total revenue	3,147	2,457	690

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 first quarter of 2022 increased to $3,147 compared to $2,457 for the same period in 2021. General equipment utilization improved in 2022 compared to 2021 due to the recovery of market fundamentals in the energy sustainability sector as a result of strong commodity prices and an increase in drilling activities. As a result, the Company's sustainable lighting solutions rental rates started to improve in the later half of 2021 and into the first quarter of 2022 and equipment utilization, especially on the HALO products. ZeroE dehydration revenue increased $21 in the first quarter of 2022, compared to same period in the prior year, primarily due to increased mobile ZeroE dehydration revenue from the recovery in the market fundamentals and the expansion into the US market. Cleantek's operations in the first quarter of 2021 were subject to the impacts of COVID-19 and a global oversupply of oil that caused a decline in commodity prices and drilling activity.

Direct operating expenses

(Canadian $000's)	Three months ended March 31 2022	2021	Change
Direct operating expenses	1,310	1,028	282
% of revenue	42%	42%	-%

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 $1,310 for the first quarter of 2022, which increased compared to $1,028 for the same period in 2021. Direct operating expenses increased in the first quarter of 2022 compared with the same period in 2021 primarily as a result of increased equipment utilization. The direct operating expenses in the first quarter of 2022 were 42% of revenue, which was the same percentage of revenue in the same period in the prior year.

Gross profit

(Canadian $000's, except percentage)	Three months ended March 31 2022	2021	Change
Gross profit	1,837	1,429	408
% of revenue	58%	58%	-%

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

Cleantek's gross margin was unchanged at 58% in the first quarter of 2022 compared to the same period in 2021. General equipment utilization improved in the first quarter of 2022 compared to the same period in 2021 but gross margin did not increase primarily due to increased salaries and wages resulting from some overtime related to the increased operational activity, third party sub-contracting costs due to a lean labor force combined with increased repairs and maintenance for consumables related to the set up and install on deployment of rental fleet.

General and administrative expenses

(Canadian $000's)	Three months ended March 31 2022	2021	Change
General and administrative expenses	1,279	636	(643)

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 first quarter of 2022 increased to $1,279 compared to $636 for the same period in 2021. Increased General and administrative expenses in the first quarter of 2022 were due to increased professional fees primarily related to legal costs incurred for the patent litigation combined with higher fees associated with being a publicly traded company. See *note 9 Direct Operating Expenses and General and Administrative Expenses* of the Interim Financial Statements for further details on general and administrative expenses and *Commitments and Contingencies* within this MD&A for additional details on the patent litigation.

Depreciation and amortization

(Canadian $000's)	Three months ended March 31 2022	2021	Change
Total depreciation and amortization	924	787	(137)

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 first quarter of 2022 increased to $924 compared with the $787 in the same period in 2021. Depreciation expense increased in the current quarter due to the impairment reversal booked in the fourth quarter of 2021, which resulted in a higher depreciable asset base.

Share-based payments expense

(Canadian $000's)	Three months ended March 31 2022	2021	Change
Total share-based payments expense	148	150	2

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.

The share-based payments expense in the first quarter of 2022 were relatively unchanged at $148 compared to $150 for the same period in 2021, due to the granting of new Options to officers, employees and directors of the Company in March 2021, May 2021 and November 2021. 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.

Finance costs, net

(Canadian $000's)	Three months ended March 31 2022	2021	Change
Finance costs, net	264	478	214

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 $264 in the first quarter of 2022 compared to $478 in the same period in 2021. The decreased finance costs, net in 2022 compared to 2021 are due to significantly lower debt levels in 2022 following the completion of the RTO and concurrent private placement in the fourth quarter of 2021.

Other (income) expenses

(Canadian $000's)	Three months ended March 31 2022	2021	Change
(Gain) loss on disposal of long-lived assets	(127)	6	133
Foreign exchange (gain) loss	83	(38)	(121)

In 2022, the Company recognized gains on dispositions of long-lived assets that were not being used in the normal course of operations that had no net book value.

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 2022 are due to the weakened Canadian dollar in the current year.

Income taxes

(Canadian $000's)	Three months ended March 31 2022	2021	Change
Current tax expense (recovery)	-	-	-
Deferred tax expense (recovery)	-	(406)	(406)
Total tax expense (recovery)	-	(406)	(406)

Income taxes consist of current and deferred income taxes.

The Company did not recognize any deferred tax expense or recovery for the first quarter of 2022 and a $406 deferred tax recovery for the first quarter of 2021.

The Company did not incur current taxes in the first quarter of 2022 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 2022 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

(Canadian $000's)	Three months ended March 31 2022	2021	Change
Net loss for the period	(734)	(184)	(550)

The net loss for the first quarter of 2022 increased to $734 compared to $184 for the first quarter of 2021. The higher net loss in 2022 was mainly due to the increased general and administrative expense and increased depreciation expenses partially offset by lower finance costs, net and a gain on asset sales and a deferred tax recover in 2021, which have been explained in detail above.

EBITDA and Adjusted EBITDA

(Canadian $000's)	Three months ended March 31 2022	2021	Change
EBITDA(1)	454	675	(221)
Adjusted EBITDA(1)	602	825	(223)

(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 $454 in the first quarter of 2022 decreased from EBITDA of $675 in the first quarter of 2021 mainly due to a higher general and administrative expenses, which was partially offset by higher revenue in 2022 driven by stronger equipment utilization and improved rental prices, which have been explained in detail above.

Cleantek's adjusted EBITDA of $602 in the first quarter of 2022 decreased from the adjusted EBITDA of $825 in the first quarter of 2022 primarily due to the same reasons described above.

CAPITAL EXPENDITURES

(Canadian $000's)	Three months ended March 31 2022	2021	Change
Additions to property and equipment	274	137	137
Additions to intangible assets	23	42	(19)
Total capital expenditures	297	179	118

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

In 2022, Cleantek had capital expenditures that included new additions to the HALO™ crown-mounted lighting system fleet, capital spares for the mobile ZeroE dehydration rental units, capital spares for the, upgrades to the vehicle fleet and office equipment.

SUPPLEMENTAL QUARTERLY INFORMATION

The table below summarizes Cleantek's quarterly financial and operational highlights for the three months ended March 31, 2022 as well as the previous seven quarters:

(Canadian $000's, except per share amounts and percentages)	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2
Revenue	3,147	2,372	2,045	1,945	2,457	1,777	1,296	1,275
Gross profit	1,837	1,126	1,100	922	1,429	646	471	414
Gross profit %	58	47	54	47	58	36	36	32
Net loss	(734)	(4,747)	(397)	(627)	(184)	(9,232)	(1,352)	(2,286)
Net loss per share - basic and diluted ($)	$(0.03)	$(0.22)	$(0.02)	$(0.04)	$(0.01)	$(3.05)	$(1.43)	$(2.43)
EBITDA(1)	454	(4,482)	(25)	472	675	(448)	359	(660)
Adjusted EBITDA(1)	602	339	158	(39)	825	(166)	(456)	(329)
Total assets	15,358	17,156	13,393	12,997	13,956	13,637	14,342	14,619
Working capital Surplus (deficiency)(1)	153	535	(16,319)	(16,272)	(16,358)	(16,805)	(17,957)	(16,953)
Non-current debt(1)	7,383	7,875	1,124	1,193	1,250	1,170	15,492	15,162
Total non-current liabilities	7,440	7,932	1,180	1,465	1,611	1,937	15,901	15,571

(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 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 on non-financial assets due to improvements in the market fundamentals as activity increased and 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 the Annual Financial Statements for further details on these events.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

The following discussion relates to the consolidated position of liquidity and capital of Cleantek as at March 31, 2022 and December 31, 2021.

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

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

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

The capital structure of Cleantek consists of the following:

(Canadian $000's)	March 31 2022	December 31 2021
Current assets	3,624	4,771
Current liabilities	(3,471)	(4,236)

Working capital surplus or net current liabilities	153	535
Long-term debt – non-current	(7,009)	(7,444)
Lease liabilities – non-current	(374)	(431)
Shareholders' deficit	(4,447)	(4,988)
	(11,677)	(12,328)

Debt and credit facilities

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

(Canadian $000's)	March 31 2022	December 31 2021
Long-term debt		
Credit facilities	7,249	7,305
Loans payable	627	657
Promissory notes	514	527
	8,390	8,489
Current portion of long-term debt		
Credit facilities	(1,364)	(1,025)
Loans payable	(3)	(7)
Promissory notes	(14)	(13)
	(1,381)	(1,045)
Non-current portion of long-term debt		
Credit facilities	5,885	6,280
Loans payable	624	650
Promissory notes	500	514
	7,009	7,444

Credit facilities

(Canadian $000's)	March 31 2022	December 31 2021
Credit facilities		
Canadian Private Debt Term Facility	7,417	7,500
Deferred financing costs	(168)	(195)
	7,249	7,305
Current portion of credit facilities	(1,364)	(1,025)
Non-current portion of credit facilities	5,885	6,280

Canadian Private Debt Term Facility

The Company has a senior-secured credit agreement with a Canadian private debt asset manager, which provides for:

i. the non-revolving term facility in a maximum principal amount of $7,500, in a single loan advance ("Non-Revolving Term Facility"); and
ii. a revolving line of credit up to $2,500 in one or more loan advances (the "Revolving Line of Credit", and together with the Non-Revolving Term Facility, the "Credit Facilities").

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 March 31, 2022, $7,417 of the Non-Revolving Term Facility amount was drawn and outstanding (December 2021 - $7,500). As of the date hereof, no amounts had been drawn or is outstanding on the Revolving Line of Credit.

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 March 31, 2022, the Company was in compliance with all debt covenants.

Loans payable

(Canadian $000's)	March 31 2022	December 31 2021
Loans payable		
Customer Term Loan	624	650
Term loan payable – Other	3	7
	627	657
Current portion of loans payable	(3)	(7)
Non-current portion of loans payable	624	650

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, this ZeroE™ Management Agreement was amended and restated to include a financing arrangement and to supersede and replace the earlier agreement in its entirety. In November 2020, a $700 loan (the "Customer Loan") was advanced by the customer to Cleantek pursuant to the ZeroE™ Management Agreement and upon full installation and commissioning of this unit.

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

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

During the three months ended March 31, 2022, $45 (2021 - $36) of rental income was invoiced to the customer and recognized as dehydration facility revenue in net loss, $14 (2021 - $28) interest expense was recognized on the outstanding Customer Loan and included in finances costs, net in net loss and $31 (2021 - $8) of the rental income invoiced to the customer was applied to the outstanding Customer Loan, including $24 (2021 - $3) to the principal balance.

Promissory notes

(Canadian $000's)	Carrying value	Face value
Promissory notes		
At December 31, 2021	527	1,030
Principal payments	(25)	(25)
Accretion	12	-
At March 31, 2021	514	1,005
Current portion of promissory notes	(14)	(55)
Non-current portion of promissory notes	500	950

Vendor Promissory Note

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARES

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

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.

FINANCIAL RISKS

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

ACCOUNTING STANDARDS, CHANGES AND PRONOUNCEMENTS

Cleantek's condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards as issued by the IASB. These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's Annual Financial Statements for the year ended December 31, 2021. There were no new or amended accounting standards or interpretations issued during the three months ended March 31, 2022 that are expected to have a material impact on our Interim Financial Statements.

A summary of significant accounting policies can be found in *note 2* to the Annual Financial Statements for the for the year ended December 31, 2021.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

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

A summary of Cleantek's critical accounting estimates, judgments and assumptions can be found in *note 2* to the Annual Financial Statements for the year ended December 31, 2021. There have been no significant changes to the use of estimates, judgements or assumptions since December 31, 2021.

COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The expected timing of cash outflows relating to financial liabilities at March 31, 2022 are outlined in the table below:

	Carrying amount(1)	Contractual outflows(2)				
(Canadian $000's)		< 1 year	2 to 3 years	4 to 5 years	Thereafter	Total(1)
Financial liabilities						
Accounts payable and accrued liabilities	1,747	1,747	-	-	-	1,747
Long-term debt						
Credit facilities(3)	7,417	2,060	6,390	-	-	8,450
Loans payable	627	139	275	275	275	964
Promissory notes	514	65	120	120	700	1,005
	10,305	4,011	6,785	395	975	12,166
Lease liabilities and other commitments						
Lease liabilities	717	389	327	29	38	783
Other property lease commitments(4)	-	218	256	-	-	474
	717	607	583	29	38	1,257

(1) Includes the current and non-current portions.
(2) Amounts include principal and interest portions.
(3) Carrying amount excludes deferred financing charges of $168.
(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.

This 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. See *Subsequent Events* for further updates on the Cerberus Guarantee.

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.

SUBSEQUENT EVENTS

Related party guarantee

As discussed in *Commitments and Contingencies*, the Cerberus Guarantee, which was provided by the Company to the lender, has been settled as of May 2, 2022. Proceeds from the sale of the property covered by the Cerberus Guarantee and insurance proceeds on the property were applied against the outstanding balance of the Cerberus Financing. The shortfall of $15 was subsequently paid to the lender on May 3, 2022. Upon reaching the settlement with the lender, this matter is now resolved.

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 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:

(Canadian $000's)	Three months ended March 31 2022	2021
Net loss	(734)	(184)
Tax expense (recovery)	-	(406)
Depreciation and amortization	924	787
Finance costs, net	264	478
EBITDA	454	675
Share-based compensation	148	150
Adjusted EBITDA	602	825

Working capital

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

(Canadian $000s)	March 31 2022	December 31 2021
Current assets	3,624	4,771
Current liabilities	3,471	4,236
Working capital surplus	153	535

Non-current debt

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

(Canadian $000s)	March 31 2022	December 31 2021
Long-term debt – non-current portion	7,009	7,444
Lease liabilities – non-current portion	374	431
Non-current debt	7,383	7,875

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;

- 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.