



## CLEANTEK INDUSTRIES INC. ANNOUNCES Q2 2022 RESULTS AND APPOINTMENT OF CHIEF OPERATING OFFICER

Calgary, Alberta – August 18, 2022 – Cleantek Industries Inc. (TSXV: CTEK) ("**Cleantek**" or the "**Company**") (formerly Raise Production Inc. ("Raise")) is pleased to announce that it has released its financial results for the three and six months ended June 30, 2022 and 2021. Selected financial and operation information is outlined below and should be read in conjunction with Cleantek's unaudited condensed consolidated interim financial statements and management's discussion and analysis ("MD&A") for the three and six months ended June 30, 2022 and 2021, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Cleantek 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".

### Highlights for the Second Quarter 2022

- Cleantek generated revenue of \$3.1 million for Q2 2022, an increase of \$1.2 million or 61%, from Q2 2021 and consistent with Q1 2022 despite a seasonal decline in drilling activity in Canada. On a year-to-date basis, Cleantek generated revenues of \$6.3 million in the first half of 2022, an increase of \$1.9 million or 42%, from the first half of 2021. The increased revenue in 2022 is due to a ramp up in rental activity and increased rental prices in both sustainable lighting solutions and ZeroE dehydration;
- Cleantek's gross profit of \$1.7 million or 55% for Q2 2022 and \$3.5 million or 56% of revenue for the first half of 2022 was inline with target and improved when compared with gross profits of \$0.9 million and 47% for Q2 2021 and \$2.4 million and 53% for first half of 2021;
- Cleantek's EBITDA was \$(0.2) million for Q2 2022, a decrease of \$0.7 million when compared to Q2 2021, as the increased revenue was more than offset by \$0.9 million of expenses associated with the ongoing patent litigation in the current quarter. On a year-to-date basis, EBITDA was \$0.2 million, a decrease of \$0.9 million from the same period in 2021 as the increased revenue was more than offset by \$1.5 million of expenses associated with the ongoing patent litigation in the current year. Details on the ongoing patent litigation can be found in the *Litigation and claims* section below and the August 15, 2022 Company press release;
- mobile ZeroE deployment in the US has increased over 300% to 10 units operating in Q2 2022 when compared to the three units in Q1 2022, and the Company continues to forecast full deployment of the fleet of 35 units before the end of 2022;
- the Company fabricated and deployed an additional six new HALO lighting systems into the US and continues to forecast the deployment of eight additional HALO lighting systems over the balance of 2022 for a total of 20 new units fabricated and deployed in 2022; and,
- as at June 30, 2022 the Company had drawn \$1.1 million on its revolving debt facility and had \$0.9 million cash on hand for a net debt balance of \$0.2 million and had available liquidity of approximately \$1.9 million.

### Outlook

Cleantek's strategy focuses on delivering innovative and cost-effective solutions that reduce the carbon intensity as well as the capital and operating costs of industrial operations. By focusing on expanding the market awareness and adoption of its sustainable lighting solutions and wastewater treatment assets, Cleantek expects to experience increased utilization of these high-margin product lines in the near-term. This, combined with the expansion of our ZeroE System portfolio of waste energy powered, wastewater treatment and vaporization units across industrial and infrastructure projects



throughout North America and globally, is expected to lead to a sustainable increase in revenue and corresponding profitability as the Company's asset base grows over time.

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;
- expanding and diversifying Cleantek's geographic focus and customer base including exploring opportunities outside of the North American market; and,
- vigorously defending its patent portfolio especially related to its ongoing patent litigation related to the HALO™ lighting systems in the United States.

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

#### **Appointment of Chief Operating Officer**

The Company is pleased to announce the promotion of Jay McNeil to Chief Operating Officer ("COO"), effective August 18th, 2022.

Mr. McNeil joined Cleantek in October 2021 as Vice President of Sales, where he has led the sales team and has been instrumental in Cleantek's increased revenues. Prior to his time at Cleantek, Mr. McNeil held senior roles at Secure, Tervita, and Trinidad Drilling with an emphasis on leadership and strategic business transformation.

As COO, a newly created role at Cleantek, Mr. McNeil will report to CEO Matt Gowanlock and will take over leadership of the operations team while continuing to lead the sales team.

Mr. Gowanlock commented, "I would like to congratulate Jay for his well-deserved promotion to COO of Cleantek. Jay is a proven transformational leader with deep experience in sales, operations, and strategic growth. As a seasoned executive who relies on analytics to drive execution, I am confident Jay will continue to be a tremendous asset as we manage our growth, scale our operations, and execute our strategic plan. I am delighted to welcome Jay to this new role as COO."

#### **Operational Update**

Cleantek's second quarter 2022 revenue was \$3.1 million, and was \$6.2 million for the six months ended June 30, 2022, and the Company's revenue forecast remains on pace to increase by greater than 40% in 2022 from \$8.8 million in 2021.

"Cleantek had a very strong start to the 2022 calendar year and we are on track to meet or exceed our 2022 revenue targets" said Matt Gowanlock, President and CEO. "We are very encouraged by consistent revenue in Q2, 2022 versus Q1, 2022 despite the seasonal decline in activity in Canada in the second quarter. These results illustrate our strategy to diversify operations from Canada into the United States is working."



Third quarter 2022 financial results will be released on November 17, 2022 after the quarterly review and approval by the Board of Directors.

## Results of Operations

(Canadian \$000's, except per share amounts and percentages)	Three months ended June 30			Six months ended June 30		
	2022	2021	Change	2022	2021	Change
Revenue	3,125	1,945	1,180	6,272	4,402	1,870
Gross profit	1,706	922	784	3,543	2,351	1,192
Gross profit %	55	47	7%	56	53	3%
Net loss	(1,443)	(627)	(816)	(2,177)	(811)	(1,366)
Net loss per share - basic and diluted (\$)	\$(0.05)	\$(0.04)	\$(0.02)	\$(0.08)	\$(0.05)	\$(0.03)
EBITDA <sup>(1)</sup>	(241)	472	(713)	213	1,147	(934)
Adjusted EBITDA <sup>(1)</sup>	(94)	(39)	(55)	508	786	(278)
Capital expenditures	429	98	331	726	277	449

  

As at:	June 30, December 31,		Change
	2022	2021	
Total assets	15,075	17,156	(2,081)
Working capital surplus/(deficit) <sup>(1)</sup>	(57)	535	(592)
Non-current debt <sup>(1,2)</sup>	8,124	7,875	(249)
Total non-current liabilities	8,181	7,932	(249)

(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 "Non-IFRS Measurements" 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.

## 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 with respect to the HALO™ lighting systems in the United States is without merit.

### Patent litigation

In 2021, a competitor providing lighting solutions in North America filed two claims in the United States. The first claim related to the display of issued patent information on Cleantek's marketing materials. This claim was dismissed in its entirety on June 27, 2022 after Cleantek's motion to dismiss was successful.

The second claim is underway and relates to alleged patent infringement by Cleantek on a small portion of the Company's installed HALO™ lighting units in the United States. The Company has fully responded to the claim and filed a counterclaim, which is expected to go to trial in October 2022. The Company received a newly issued patent in July 2022 from the United States Patent and Trademark Office for the entirety of a patent continuation filed in April 2021 which covers the mounting of lights to the crown of a drilling rig for the purpose of site lighting. The Company believes this newly issued patent materially strengthens its position in the associated litigation and is well-positioned to prevail in this process.

Cleantek has expended over \$2.2 million to date, of which \$1.5 million was expended in 2022, in defending its position with respect to the patent litigation matter. With trial date set for October 2022, the Company believes that the majority of its patent litigation spend will be completed shortly after the trial date.

### Subsequent events



Cleantek, through its counsel, filed a Complaint for Patent Infringement and Request For Preliminary Injunction against the same competitor, referenced above in the “Litigation and claims” section, in the U.S. District Court for the Western District of Texas on August 12, 2022. This request alleges significant infringement of Cleantek’s patent and if successful, the competitor would be prevented from mobilizing units for new contracts in the United States. The Company expects that a ruling on the preliminary injunction would likely be handed down in the next six months.

### About Cleantek

Cleantek is a clean energy technology company focused on ESG accretive technology solutions with operations across North America. Cleantek has developed and commercialized its patented wastewater dehydration technology, the ZeroE, which it rents to its customers for use at gas processing facilities and on drilling rigs focused on hydro-sustainability. Cleantek’s ZeroE technology separates wastewater into (i) clean water which is evaporated and returned to the natural hydrological cycle and (ii) concentrated brine which is disposed of using traditional means. The ZeroE technology is powered by the waste heat generated from the engine exhaust of gas plants and drilling rigs. Complimenting Cleantek’s ZeroE technology is the suit of low carbon LED lighting systems containing our patented Solar Hybrid lighting systems and HALO Crown mounted lighting systems.

### NON-IFRS MEASUREMENTS

Cleantek uses certain financial measures 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 are 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:

<i>(Canadian \$000's)</i>	Three months ended		Six months ended	
	2022	2021	2022	2021
Net loss	(1,443)	(627)	(2,177)	(811)
Tax expense (recovery)	-	(89)	-	(495)
Depreciation and amortization	928	712	1,852	1,499
Finance costs, net	274	476	538	954
EBITDA	(241)	472	213	1,147
Research expense (recovery)	-	(688)	-	(688)
Share-based compensation	147	177	295	327
Adjusted EBITDA	(94)	(39)	508	786

#### *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)	June 30 2022	December 31 2021
Current assets	3,736	4,771
Current liabilities	3,793	4,236
Working capital surplus (deficit)	(57)	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 \$000's)	June 30 2022	December 31 2021
Long-term debt – non-current portion	7,746	7,444
Lease liabilities – non-current portion	378	431
Non-current debt	8,124	7,875

#### **Forward-Looking Statements**

This news release contains certain "forward looking statements" including, for example, statements relating to expected revenue growth and corresponding increased in profitability, expected decrease or normalizing of repairs and maintenance costs, potential expansion outside North America, expansion of Cleantek's fleet of sustainable lighting solutions and mobile ZeroE wastewater treatment assets, the expected deployment of Cleantek's assets, available liquidity and expected approval of the board of directors of the Cleantek's third quarter 2022 interim financials. Such forward-looking statements involve risks and uncertainties, both known and unknown. The results or events depicted in these forward-looking statements may differ materially from actual results or events. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding and are implicit in, among other things: receipt of regulatory approvals, the state of the capital markets, the impact of the COVID-19 pandemic, the ability of the Corporation to successfully manage the risks inherent in pursuing business opportunities in the oilfield services industry and outside the North American market, and the ability of the Corporation to obtain qualified staff, equipment and services in a timely and cost efficient manner to develop its business. Any forward-looking statement reflects information available to Cleantek as of the date of this news release and, except as may be required by applicable securities laws, Cleantek disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise.

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