Management's Discussion and Analysis

For the years ended December 31, 2022 and 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION AND DESCRIPTION OF THE COMPANY

April 28, 2023 - 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, 2022 and 2021 and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021 ("Annual Financial Statements"). All amounts are in thousands of Canadian dollars unless otherwise indicated.

The Annual Financial Statements of Cleantek have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. 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, 2023.

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 and best practices, 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.

GOING CONCERN

The Annual Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

In 2021, a competitor providing lighting solutions in North America initiated legal proceedings against the Company alleging patent infringement by Cleantek on a small fraction of the Company's installed HALO™ lighting units in the United States. The Company has fully responded to the asserted claim and filed a counterclaim, which was expected to go to trial in October 2022. Legal costs incurred in 2022 for the patent litigation totaled $3,430, which significantly impacted the Company's cash flows from operating activities and liquidity. At December 31, 2022, the Company had net current liabilities of $8,348, including $8,573 of longer-term debt maturing on October 31, 2023, and incurred a net loss of $3,587 for the year ended December 31, 2022 .

On November 21, 2022 The Company reached a settlement regarding the patent infringement with the competitor, with both parties vacating their lawsuits.

However, as a result of legal costs incurred from the patent litigation, Cleantek required the support of its Canadian private debt lender in the near term to manage current cash flow restrictions caused by the patent litigation to allow time for the Company to generate sufficient cash flows to fund its operations. On October 1, 2022 the Company signed an amending agreement the Canadian private debt lender related to its Non-Revolving Term Facility that eliminated the requirement to make principal repayments from October through March 2023 to assist the Company in operational cash flow management. The Company will continue to require the support of the Canadian private debt lender as the Company seeks to find an alternate lender or obtains an extension of the maturity of the Credit Facilities, which mature on October 31, 2023. There is no certainty that the Company will be successful in obtaining credit facilities with alternate lenders or an extension of the maturity date with the existing Canadian private debt lender. The Company is budgeting that it will not have sufficient cash available to enable repayment of the Credit Facilities upon maturity on October 31, 2023.

Due to facts and circumstances noted above, there are material uncertainties that exist that may cast significant doubt with respect to the Company's ability to continue as a going concern. These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. These adjustments could be material.

HIGHLIGHTS FOR THE FOURTH QUARTER 2022

- Cleantek generated revenue of $3,483 for Q4 2022, an increase of $1,111 or 47%, from Q4 2021. On a year-to-date basis, Cleantek generated revenues of $13,146 for the year ended 2022, an increase of $4,327 or 49%, from 2021. The increased revenue in 2022 is primarily 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 $2,248 or 65% of revenue for Q4 2022 and $7,822 or 59% of revenue for the year ended 2022 was inline with target and improved when compared with gross profits of $1,126 and 47% of revenue for Q4 2021 and $4,577 and 52% of revenue for 2021;
- Cleantek's Adjusted EBITDA was $1,155 for Q4 2022, an increase of $461 when compared to Q4 2021 primarily due to the increased revenue;

- On a year-to-date basis Adjusted EBITDA was $4,703, more than double the $1,939 in 2021 primarily due to the $4,327 increase in revenue;
- On November 21, 2022, the Company reached a settlement agreement on the patent litigation which has eliminated patent litigation spending going forward. Legal costs incurred in 2022 for the patent litigation totaled $3,430. Details can be found in the *Litigation and Claims* section within this MD&A;
- Mobile ZeroE deployment peaked at 17 units operating in Q4 2022 when compared to just 10 units at the peak of 2021. A large redeployment to the United States market has helped generate consistent utilization due to the United States market not being impacted by the typical Canadian spring break up. Of the 17 units deployed in Q4 2022, 11 units were deployed in the United States compared to just three in 2021;
- The Company fabricated and deployed an additional 20 HALO lighting systems over the balance of 2022; and,
- As at December 31, 2022 the Company had drawn $1,815 on its revolving debt facility with a remaining $494 available to be drawn; combined with $724 cash on hand, Cleantek had $1,218 of available liquidity.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Canadian $000's, except per share amounts and percentages)	Three months ended December 31 2022	2021	Change	Years ended December 31 2022	2021	Change
Revenue	3,483	2,372	1,111	13,146	8,819	4,327
Gross profit	2,248	1,126	1,122	7,822	4,577	3,245
Gross profit %	65	47	18%	59	52	7%
Net loss	(388)	(4,747)	4,359	(3,587)	(5,955)	2,368
Net loss per share - basic and diluted ($)	$(0.01)	$(0.22)	$0.21	$(0.13)	$(0.32)	$0.19
EBITDA[1]	612	(4,482)	5,094	802	(3,360)	4,162
Adjusted EBITDA[1]	1,155	694	461	4,703	1,939	2,764
Capital expenditures	819	253	566	2,856	562	2,294

As at:	December 31, 2022	December 31, 2021	Change
Total assets	15,917	17,156	(1,239)
Working capital surplus/(deficit)[1]	(8,348)	535	(8,883)
Non-current debt[1,2]	2,121	7,875	5,754
Total non-current liabilities	2,167	7,932	5,765

(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 such as patent litigation expense. 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'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,
- focusing on growth, generating positive return for shareholders and improving financial position now that the patent litigation related to the HALO™ lighting systems in the United States is behind it; and,
- evaluating new technology, products and services to increase our offering to our current client base.

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.

RESULTS OF OPERATIONS

Revenue

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2022	2021	Change	2022	2021	Change
Sustainable lighting solutions	3,149	2,127	1,022	11,746	7,895	3,851
ZeroE dehydration	333	245	88	1,400	924	476
Total revenue	3,482	2,372	1,110	13,146	8,819	4,327

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

Revenue for the three months and year ended December 31, 2022, increased to $3,482 and $13,146, respectively, compared to $2,372 and $8,819 for the same periods 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 improved commodity prices and a resulting increase in drilling activities and rental rates. As a result, the Company's sustainable lighting solutions rental rates started to improve in the latter half of 2021 and throughout 2022 and equipment utilization, especially on the HALO products also improved substantially. ZeroE dehydration revenue increased to $333 and $1,400 for the three months and year ended December 31, 2022, compared to same periods in 2021, 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 half 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

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2022	2021	Change	2022	2021	Change
Direct operating expenses	1,235	1,246	11	5,324	4,242	(1,082)
% of revenue	35	53	(18)%	41	48	(7)%

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 $1,235, or 35% of revenue, and $5,324, or 41% of revenue, for the three months and year ended December 31, 2022, respectively, compared to $1,246, or 53% of revenue, and $4,242, or 48% of revenue, for the same periods in 2021. Direct operating expenses decreased by $11 and 18% as a percentage of revenue for the three months ended December 31, 2022 when compared to the same period in 2021 due in large part to a $259 US federal wage subsidy received during the quarter. Direct operating expenses increased $1,082 in 2022 primarily as a result of increased equipment utilization and resulting revenue partially offset by the receipt of the US federal wage subsidy.

Gross profit

	Three months ended December 31			Year ended December 31		
(Canadian $000's, except percentage)	2022	2021	Change	2022	2021	Change
Gross profit	2,248	1,126	1,122	7,822	4,577	3,245
% of revenue	65	47	18%	59	52	7%

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 65% and 59% for the three months and year ended December 31, 2022, compared to 47% and 52%, respectively, for the same periods in 2021. Increased gross margin in 2022 is directly related to the increased revenue combined with lower direct operating costs as a percentage of revenue as described above.

General and administrative expenses

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2022	2021	Change	2022	2021	Change
General and administrative expenses	1,510	996	(514)	7,117	3,587	(3,530)

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

General and administrative expenses for the three months and year ended December 31, 2022, increased to $1,510 and $7,117 , respectively, compared to $996 and $3,587 for the same periods in 2021. Increased General and administrative expenses in 2022 were due to increased professional fees primarily related to $445 and $3,430 in legal expenses incurred on the patent litigation in Q4 2022 and the year ended December 31, 2022, respectively, combined with higher fees associated with being a publicly traded company. On November 21, 2022 The Company reached a settlement regarding the patent infringement with the competitor, with both parties vacating their lawsuits and no further patent litigation spend will be incurred. See *note 16 Direct Operating Expenses and General and Administrative Expenses* of the Annual Financial Statements for further details on general and administrative expense.

Depreciation and amortization

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2022	2021	Change	2022	2021	Change
Total depreciation and amortization	633	622	(11)	3,160	2,534	(626)

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

Depreciation and amortization expense for the three months and year ended December 31, 2022, increased to $633 and $3,160, respectively, compared with $622 and $2,534 for the same periods in 2021. Depreciation expense increased in the current year due to the impairment reversal booked at the end of 2021, which resulted in a higher depreciable asset base.

Research expense (recovery)

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2022	2021	Change	2022	2021	Change
Research expense (recovery)	-	(167)	(167)	-	(868)	(868)

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 expense (recovery) was nil for the three months and year ended December 31, 2022, compared to research recovery of $167 and $868 for the same periods in 2021. In 2021, research recovery relates to SRED refunds received in 2021 relating to fiscal 2019. In 2022, research and development costs for the ZeroE technology were recovered and credited against the intangible assets where the original costs were recorded.

Share-based payments expense

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2022	2021	Change	2022	2021	Change
Total share-based payments expense	98	902	804	471	1,425	954

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

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

The share-based payments expense in the three months and year ended December 31, 2022, decreased to $98 and $471, respectively, compared to $902 and $1,425 for the same periods 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. The March and May 2021 Options fully vested upon closing of the RTO, with the remainder of any unrecognized expensed being fully recognized in the fourth quarter of 2021.

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. During the three months and year ended December 31, 2022, no new Options were granted.

Finance costs, net

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2022	2021	Change	2022	2021	Change
Finance costs, net	367	(240)	(607)	1,229	889	(340)

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

Cleantek recognized finance costs, net of $367 and $1,229 for three months and year ended December 31, 2022, respectively, compared to $(240) and $889 for the same periods in 2021. The increased finance costs, net in 2022 compared to 2021 are due to rising interest rates on the floating rate debt and higher debt balances due to the draw on the revolving debt facility in 2022 due to the patent litigation spend combined with a net recovery in the fourth quarter of 2021 due to interest expense recoveries on negotiated debt settlements as part of the completion of the RTO and concurrent private placement.

Other (income) expenses

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2022	2021	Change	2022	2021	Change
Listing expense	-	5,061	5,061	-	5,061	5,061
Transaction costs	-	2,194	2,194	-	2,194	2,194
Impairment reversal	-	(3,171)	(3,171)	-	(3,171)	(3,171)
Gain on debt deferral	-	(508)	(508)	-	(508)	(508)
(Gain) on disposal of property and equipment	(87)	(18)	69	(235)	(130)	105
Foreign exchange (gain) loss	114	2	(112)	(333)	30	363

In 2022, the Company recognized gains on dispositions of long-lived assets that were no longer needed in the normal course of operations.

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 gains recognized in 2022 are due to the weakening of the Canadian dollar in 2022 and resulting impact on the US dollar denominated accounts receivables and cash balances.

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.

As at December 31, 2022, management determined no indicators of impairment existed for the Company's Rentals and Facility Dehydration CGUs. At December 31, 2021, the Company identified indicators of impairment reversal at the Rentals CGU and impairment expense at the Facilities dehydration CGU. In the Rentals CGU the recovery in 2021 from the COVID-19 pandemic combined with current and forecasted increases in rental unit utilization rates and day rates were favorable indicators of impairment reversal. In the Facilities dehydration CGU the Company identified indicators of impairment due to additional capital costs incurred for asset modifications and higher operating costs associated with the initial design of the ZeroE dehydration facility unit. 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. As a result of the impairment tests completed for the Facilities dehydration CGU, the Company recognized an impairment of $1,375.

In 2021 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 9 Debt and Credit Facilities* of the Annual Financial Statements for further details.

Income taxes

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2022	2021	Change	2022	2021	Change
Current tax expense (recovery)	-	(117)	(117)	-	(117)	(117)
Deferred tax expense (recovery)	-	-	-	-	(711)	(711)
Total tax expense (recovery)	-	(117)	(117)	-	(828)	(828)

Income taxes consist of current and deferred income taxes.

The Company did not recognize any deferred tax expense or recovery for the three months and year ended December 31, 2022 and recognized a $117 and $828 tax recovery for the three months and year ended December 31, 2021, respectively.

The Company did not incur current taxes in 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 as a valuation allowance was 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)	2022	2021	Change	2022	2021	Change

Net loss for the period	388	4,747	4,359	3,587	5,955	2,368

The net loss for the three months and year ended December 31, 2022, decreased to $388 and $3,587, respectively, compared to $4,747 and $5,955 for the same periods in 2021. The lower net loss in 2022 was primarily due to no listing expenses or transaction costs in the current year partially offset by the increased general and administrative expense, which have been explained in detail above.

EBITDA and Adjusted EBITDA

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2022	2021	Change	2022	2021	Change
EBITDA(1)	612	(4,482)	5,094	801	(3,360)	4,161
Adjusted EBITDA(1)	1,155	694	462	4,703	1,939	2,763

(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 assets, research expense/recoveries and unusual items not representative of ongoing business performance such as patent litigation expense, listing expense and transaction costs. EBITDA and adjusted EBITDA are non-IFRS measures as defined under "Non-IFRS Measurement".

Cleantek's EBITDA of $612 and $801 for the three months and year ended December 31, 2022, respectively, increased compared to $(4,482) and $(3,360) for the same periods in 2021. The increase in EBITDA was mainly due to higher revenue and gross margins in 2022, driven by stronger equipment utilization and improved rental prices, combined with the absence listing expense and transaction costs associated with the RTO in 2021 partially offset by higher general and administrative expenses, which have been explained in detail above and an impairment reversal in 2021.

Cleantek's adjusted EBITDA of $1,155 and $4,703 for the three months and year ended December 31, 2022, respectively, increased compared to $694 and $1,939 for the same periods in 2021, primarily due to the same reasons described above combined with an adjustment for patent litigation expense related to the matter that has been settled.

CAPITAL EXPENDITURES

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2022	2021	Change	2022	2021	Change
Additions to property and equipment	784	182	602	2,730	396	2,334
Additions to intangible assets	35	71	(36)	126	166	(40)
Total capital expenditures	819	253	566	2,856	562	2,294

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 connectors for the mobile ZeroE dehydration rental units, upgrades to the operations field staff vehicle fleet and office equipment.

SUPPLEMENTAL QUARTERLY INFORMATION

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

(Canadian $000's, except per share amounts and percentages)	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Revenue	3,483	3,391	3,125	3,147	2,372	2,045	1,945	2,457
Gross profit	2,248	2,031	1,706	1,837	1,126	1,100	922	1,429
Gross profit %	65	60	55	58	47	54	47	58
Net loss	(388)	(1,023)	(1,443)	(734)	(4,747)	(397)	(627)	(184)
Net loss per share - basic and diluted ($)	$(0.01)	$(0.04)	$(0.05)	$(0.03)	$(0.22)	$(0.02)	$(0.04)	$(0.01)
EBITDA(1)	612	(24)	(241)	454	(4,482)	(25)	472	675
Adjusted EBITDA(1)	1,155	1,552	831	1,160	694	389	24	832
Total assets	15,917	15,852	15,075	15,358	17,156	13,393	12,997	13,956
Working capital Surplus (deficiency)(1)	(8,348)	(1,083)	(57)	153	535	(16,319)	(16,272)	(16,358)
Non-current debt(1)	2,121	9,102	8,124	7,383	7,875	1,124	1,193	1,250
Total non-current liabilities	2,167	9,159	8,181	7,440	7,932	1,180	1,465	1,611

(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 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 2021 due to listing expense and transaction costs associated with the RTO, partially offset by an impairment reversal on rental assets due to improvements in the market fundamentals as oil and gas activity increased and COVID-19 impacts decreased.
- Increase in net loss in the second and third quarters of 2022 due to higher general and administrative expense primarily related to the legal spend on the patent litigation. The increased general and administrative expense also contributed to the draw on the Revolving Debt Facility and resulting additional non-current debt borrowings.
- Increase in working capital deficiency in the fourth quarter of 2022 due to there being less than twelve months remaining on the term of the current credit facility.

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. Working capital moved back into a large deficit in the fourth quarter of 2022 due to there being less than twelve months remaining on the credit facility term and all associated debt being classified as current and the Annual Financial Statements for further details on these events.

SUPPLEMENTAL ANNUAL INFORMATION

The table below summarizes Cleantek's annual financial and operational highlights for the year ended December 31, 2022, as well as the previous two years:

(Canadian $000's, except per share amounts and percentages)	Years ended December 31 2022	2021	2020
Revenue	13,146	8,819	7,607
Gross profit	7,822	4,577	3,365
Gross profit %	59	52	44

Net loss	(3,587)	(5,955)	(22,376)
Net loss per share - basic and diluted ($)	$(0.13)	$(0.32)	$(15.28)
EBITDA(1)	801	(3,360)	(7,927)
Adjusted EBITDA(1)	4,703	1,939	(264)
Capital expenditures	2,856	562	2,156
Total assets	15,917	17,156	13,637
Working capital surplus (deficit)(1)	(8,348)	535	(16,805)
Non-current debt(1)	2,121	7,875	1,170
Total non-current liabilities	2,167	7,932	1,937

(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, 2022 and December 31, 2021. Please also refer to *Going Concern* within this MD&A for additional information regarding the financial position of Cleantek.

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

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

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

The capital structure of Cleantek consists of the following:

(Canadian $000's)	December 31, 2022	December 31, 2021
Current assets	3,774	4,771
Current liabilities[1]	12,122	4,236
Working capital surplus (deficit)	(8,348)	535
Long-term debt – non-current	1,853	7,444
Lease liabilities – non-current	268	431
Shareholders' equity	1,628	4,988
	12,097	12,328

(1) Current liabilities include all amounts related to outstanding credit facility as there are less than twelve months remaining on the current term.

Debt and credit facilities

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

(Canadian $000's)	December 31, 2022	December 31, 2021
Long-term debt		
Credit Facilities	8,573	7,305
Loans payable	1,689	657
Promissory notes	509	527
	10,771	8,489
Current portion of long-term debt		
Credit Facilities	(8,573)	(1,025)
Loans payable	(330)	(7)

Promissory notes	(15)	(13)
	(8,918)	(1,045)
Non-current portion of long-term debt		
Credit Facilities	-	6,280
Loans payable	1,359	650
Promissory notes	494	514
	1,853	7,444

(1) Credit Facilities include all amounts related to outstanding credit facility as there are less than twelve months remaining on the current term.

Credit facilities

(Canadian $000's)	**December 31, 2022**	**December 31, 2021**
Term Facilities		
Canadian Private Debt – Credit Facilities	8,661	7,500
Deferred financing costs	(88)	(195)
	8,573	7,305
Current portion of Credit Facilities	(8,573)	(1,025)
Non-current portion of Credit Facilities	-	6,280

(1) Current liabilities include all amounts related to outstanding credit facility as there are less than twelve months remaining on the current term.

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 ("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, maturing on October 31, 2023, which may be extended for an additional 12 month period at the request of the Company with consent by the lender. On December 31, 2022, $6,846 of the Non-Revolving Term Facility amount was drawn and outstanding (December 31, 2021 - $7,500). As of December 31, 2022, $1,815 has been drawn on the Revolving Debt Facility (December 31, 2021 - nil). The availability limit calculated on the Revolving Debt Facility at December 31, 2022 was $2,308, which provides an additional $494 available to be drawn, which combined with cash on hand of $724, provides for $1,218 of liquidity for the Company. The Company will continue to require the support of its lender in obtaining its extension on the credit facilities, which mature on October 31, 2023, to maintain its liquidity position. As noted in financial statement note 24, the Company was involved in patent litigation which significantly impacted its liquidity.

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 and Revolving Debt Facility on October 31, 2023.

Effective October 1, 2022, Cleantek signed an amending agreement which included a principal holiday for three months on its Non-Revolving Term Facility beginning October 2022 and through to the end of December 2022. Per the terms of this amending agreement, an additional three month principal holiday for the months of January to March 2023 inclusive were granted by the Canadian private debt provider.

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, transactions costs related to the Private Placement and RTO and certain non-recuring expenses such as patent litigation expenses.

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

Loans payable

(Canadian $000's)	**December 31, 2022**	**December 31, 2021**
Loans payable		
Customer Term Loan	574	650
Term loan payable – Vehicles	1,115	7
	1,689	657
Current portion of loans payable	(330)	(7)
Non-current portion of loans payable	1,359	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 agreement at inception under IFRS 16 Lease and made an assessment that it is an operating lease as the Customer agreement does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset. Cleantek recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

During the year ended December 31, 2022, $144 (2021 - $151) of rental income was invoiced to the customer and recognized as dehydration facility revenue in net loss, $48 (2021 - $92) interest expense was recognized on the outstanding Customer Loan and included in finances costs, net in net loss and $96 (2021 - $59) of the rental income invoiced to the customer was applied to the outstanding Customer Loan, including $75 (2021 - $37) to the principal balance.

Term Loans Payable – Vehicles

Throughout 2022, Cleantek entered into a series of loan agreements with two lenders for the purchase of new vehicles for field operations staff to use in servicing our rental equipment. The loans have terms ranging from 36 to 48 months and interest rates ranging from 4.79% to 8.99% per annum.

Promissory notes

(Canadian $000's)	Carrying value	Face value
Promissory notes		
At December 31, 2021	527	1,030
Principal payments	(65)	(50)
Accretion	47	-
At December 31, 2022	509	980
Current portion of promissory notes	(15)	(60)
Non-current portion of promissory notes	494	920

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 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%.

OFF-BALANCE SHEET ARRANGEMENTS

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

SHARE CAPITAL

Cleantek had the following outstanding Common Shares and equity instruments at December 31, 2022, and 2021:

	December 31 2022	December 31 2021
Common Shares	27,645,380	27,645,380
Options	1,853,000	2,702,500
Warrants	3,101,098	3,101,098
Total outstanding securities	32,599,478	33,448,978

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.

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.

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

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

Cleantek's industry is intensely competitive.

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

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

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

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 MANAGEMENT

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: market risk, credit risk, and liquidity risk. The Corporation's overall risk management program and prudent business practices seek to minimize any potential adverse effects on the Corporation's financial performance. The MD&A should be read in conjunction with the Annual Financial Statements.

Market risk

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

Interest rate risk

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

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

At December 31, 2022, the Company is exposed to interest rate risk with respect to the Credit Facilities (note 9). For the year ended December 31, 2022, a 1% change to interest rate would have resulted in $88 impact on net income (loss) (2021 – $13).

The interest rate on Cleantek's long-term debt loans payable and promissory notes (note 9) 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 2022**	**December 31 2021**
Impact to net loss	-	3
Impact to other comprehensive loss	34	26

Commodity price risk

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

Credit risk

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

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

At December 31, 2022, the 5 largest customers accounted for 30% of the Company's accounts receivable (December 31, 2021 – 30%) and the 5 largest customers accounted for 27% of its revenue for the year ended December 31, 2022 (2021 - 33%).

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 2022	December 31 2021
Current (0 to 30 days from invoice date)	2,297	1,676
31 to 60 days past due	175	123
61 to 90 days past due	23	56
Over 90 days past due	28	89
Trade receivables and other	2,523	1,944
Provision for doubtful accounts	(14)	(13)
Total accounts receivable	2,509	1,931

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

(Canadian $000's)	December 31 2022	December 31 2021
At beginning of year	13	41
Impact of foreign exchange rates	1	-
Removal of confirmed uncollectable amounts	-	(26)
Write-off provision, net of recoveries (note 19)	-	(2)
At end of year	14	13

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 $724 at December 31, 2022, which represents its maximum credit exposure on these assets (December 31, 2021 - $1,871). 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 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, 2022 are outlined in the *Note 24 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. See the Going Concern section within this MDA.

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

Various amendments to existing standards and new accounting requirements have been released that are effective January 1, 2023. The Company does not anticipate the new requirements to have a material impact on the financial statements.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

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

A summary of Cleantek's critical accounting estimates, judgments and assumptions can be found in *note 2* to the Annual Financial Statements for the year ended December 31, 2022. There have been no significant changes to the use of estimates, judgements or assumptions since December 31, 2022.

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)	2022	2021
Salaries and benefits	937	1,106
Share-based compensation (equity-settled)		
Options	75	955
Board compensation	181	55
Total	1,193	2,116

Other balances

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

(Canadian $000's)	December 31 2022	December 31 2021
Long-term receivables[(1)]		
Loans receivable		
Loans to shareholders and former executives[(1)]	-	115

(1) Includes current and non-current portion.

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 at December 31, 2022 are outlined in the table below:

	Carrying amount(1)	Contractual outflows(2),(3)				
(Canadian $000's)		< 1 year	2 to 3 years	4 to 5 years	Thereafter	Total(1)
Financial liabilities						
Accounts payable and accrued liabilities	2,921	2,921	-	-	-	2,921
Long-term debt						
Credit facilities(3)	8,573	8,662	-	-	-	8,662
Loans payable	1,689	522	980	409	195	2,106
Promissory notes	509	60	120	120	665	965
	13,692	12,165	1,100	529	860	14,654
Lease liabilities and other commitments						
Lease liabilities	551	302	278	-	-	580
Other property lease commitments(4)	-	264	-	-	-	264
Other operating commitments	-	281	43	32	-	356
	551	847	321	32	-	1,200

(1) Includes the current and non-current portions.
(2) Amounts include principal and interest portions, except for the Credit facilities.
(3) Credit facilites mature on October 31, 2023. Carrying amounts exclude deferred financing charges of $88 and do not include interest as it is at a variable rate.
(4) Includes leased property utility, operating cost and property tax commitments.

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.

On November 21, 2022, Cleantek announced an agreement to resolve all ongoing and pending litigation matters relating to alleged infringement of intellectual property rights in the rig lighting segment of the Company's operations. The Parties have cross-licensed their respective patent portfolios covering crown-mounted lighting systems, including (i) C&M's U.S. Patent Nos. 10,711,961, 10,473,282, 10,883,684, 10,900,626, 10,976,016 and 11,300,260 and Cleantek's U.S. Patent Nos. 11,111,761 and 11,391,121. The details of the agreement are confidential and will not impair the Company's operations in any way.

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 (note 9 and 10). The Company has filed a statement of defense and counter claim and believes this claim is without merit. In addition, in 2021 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 as well as unusual items not representative of ongoing business performance such as patent litigation expense.

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

	Three months ended December 31		Years ended December 31	
(Canadian $000's)	2022	2021	2022	2021
Net loss	(388)	(4,747)	(3,587)	(5,955)
Tax recovery	-	(117)	-	(828)
Depreciation and amortization	633	622	3,160	2,534
Finance costs, net	367	(240)	1,229	889
EBITDA	612	(4,482)	802	(3,360)
Research recovery	-	(167)	-	(868)
Share-based compensation	98	902	471	1,425
Patent litigation expense	445	355	3,430	656
Impairment reversal	-	(3,169)	-	(3,169)
Listing expense	-	5,061	-	5,061
Transaction costs	-	2,194	-	2,194
Adjusted EBITDA	1,155	694	4,703	1,939

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, 2022	December 31, 2021
Current assets	3,774	4,771
Current liabilities	12,122	4,236
Working capital surplus (deficit)	(8,348)	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)	December 31, 2022	December 31, 2021
Long-term debt – non-current portion	1,853	7,444
Lease liabilities – non-current portion	268	431
Non-current debt	2,121	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,
- focusing on growth, generating positive return for shareholders and improving financial position now that the patent litigation related to the HALO™ lighting systems in the United States is behind it; and,
- evaluating new technology, products and services to increase our offering to our current client base.

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.