cleantek
INDUSTRIES INC.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Management's Responsibility for Financial Statements

The management of Cleantek Industries Inc. is responsible for the preparation and integrity of the accompanying consolidated financial statements and all other information contained in these consolidated financial statements. These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and include amounts that are based on management's informed judgments and estimates where necessary.

The Company maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and accounting records are reliable as a basis for the preparation of the consolidated financial statements.

The Board of Directors, through its Audit Committee, monitors management's financial and accounting policies and practices and the preparation of these consolidated financial statements. The Audit Committee meets periodically with the external auditors and management to review the work of each and the propriety of the discharge of their responsibilities. Specifically, the Audit Committee reviews with management and the external auditors the consolidated financial statements and management's discussion and analysis of the Company prior to submission to the Board of Directors for final approval. The external auditors have full and free access to the Audit Committee to discuss auditing and financial reporting matters.

The shareholders have appointed KPMG LLP as the external auditors of the Company and, in that capacity, they have examined the consolidated financial statements for the years ended December 31, 2022 and 2021. The Auditor's Report to the shareholders is presented herein.

Matt Gowanlock
President & CEO

Orson Ross, CPA, CA
Chief Financial Officer

April 28, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cleantek Industries Inc.

Opinion

We have audited the consolidated financial statements of Cleantek Industries Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021;
- the consolidated statements of net loss for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the financial statements, which indicates that there are upcoming maturities of the Entity's Canadian Private Debt Credit Facilities on October 31, 2023. The Entity's ability to continue as a going concern is dependent upon the Entity receiving the continued support of its Canadian Private Debt Credit Facilities lender as the Entity seeks to find an alternate lender or obtain an extension of the maturity date of the Canadian Private Debt Credit Facilities.

As stated in Note 2(b) in the financial statements, these events or conditions, along with other matters as set forth in Note 2(b) in the financial statements impacting the Entity's ability to address these maturities, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty related to Going Concern" section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of indicators of impairment of the Entity's Rentals and Facility Dehydration cash generating units ("CGUs")

Description of the matter

We draw attention to Note 2, Note 3, Note 6, Note 7 and Note 8 to the financial statements. The carrying amounts of the Entity's non-financial assets including property and equipment, intangible assets and right of use assets are reviewed at each reporting date or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount to determine whether impairment or impairment reversal indicators exist, and impairment or impairment reversal testing is required for a CGU.

Significant judgment is required to assess when impairment indicators exist, and impairment testing is required. The assessment of impairment or impairment reversal indicators is based on management's judgement of whether there are internal and external factors that would indicate that a CGU and specifically the non-financial assets within the CGU, are impaired. These factors include cash flow forecasts based on future revenues and expected maintenance and operating costs, expected industry activity levels, commodity price environment and market capitalization.

As at December 31, 2022, management determined no indicators of impairment or impairment reversal existed for the Entity's Rentals and Facility Dehydration CGUs.

Why the matter is a key audit matter

We identified the assessment of indicators of impairment of the Entity's Rentals and Facility Dehydration CGUs as a key audit matter. Significant auditor judgement was required in evaluating the internal and external factors included in the Entity's indicator of impairment analysis.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We compared the Entity's 2022 actual revenues and cash flows for the Rentals and Facility Dehydration CGUs to the 2022 budgeted revenues and cash flows to assess the Entity's ability to accurately forecast.

We evaluated the Entity's assessment of impairment indicators by:

- comparing the Entity's 2023 budgeted cash flow forecasts for the Rentals and Facility Dehydration CGUs to 2022 historical results considering the impact of changes in conditions and events affecting the Rentals and Facility Dehydration CGUs
- comparing internal and external factors, including expected industry activity levels and commodity price environment analyzed by the Entity to the relevant external market data or internal source documents
- comparing the market capitalization at December 31, 2022 to the carrying amount of the Entity's shareholders' equity at the end of the year.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Jassie Kang.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 28, 2023

Cleantek Industries Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31,

(Canadian $000's)	Note	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents		724	1,871
Accounts receivable	21	2,509	1,931
Prepaids		304	383
Other assets	5	237	586
Total current assets		3,774	4,771
Non-current assets			
Property and equipment	6	11,139	11,279
Intangible assets	7	521	459
Right-of-use assets	8	483	647
Total non-current assets		12,143	12,385
Total assets		15,917	17,156
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	24	2,921	2,825
Current portion of long-term debt	9	8,918	1,045
Current portion of lease liabilities	10	283	366
Total current liabilities		12,122	4,236
Non-current liabilities			
Long-term debt	9	1,853	7,444
Lease liabilities	10	268	431
Provisions	11	46	57
Total non-current liabilities		2,167	7,932
Total liabilities		14,289	12,168
Shareholders' equity (deficit)			
Share capital	12	68,466	68,466
Contributed surplus		2,995	2,524
Accumulated other comprehensive income		(84)	160
Accumulated deficit		(69,749)	(66,162)
Total shareholders' equity (deficit)		1,628	4,988
Total liabilities and shareholders' equity (deficit)		15,917	17,156

Going concern	2
Commitments and contingencies	24

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors

Rick McHardy
Chairman and Director

Paul Colucci
Director

April 28, 2023

Cleantek Industries Inc.

CONSOLIDATED STATEMENTS OF NET LOSS

For the years ended December 31,

(Canadian $000's, except per share amounts)	Note	2022	2021
Revenue	15	13,146	8,819
Direct operating expenses	16	5,324	4,242
Gross profit		7,822	4,577
Other expenses			
General and administrative	16	7,117	3,587
Depreciation and amortization	6,7,8	3,160	2,534
Impairment expense (reversal)	17	-	(3,171)
Research expense (recovery)		-	(868)
Share-based compensation	14	471	1,425
Finance costs, net	18	1,229	889
Listing expense	4	-	5,061
Transaction costs	4	-	2,194
Gain on interest free loan	9	-	(508)
Gain on disposal of long-lived assets	6	(235)	(130)
Foreign exchange (gain) loss		(333)	30
Other expense		-	317
		11,409	11,360
Loss before income taxes		(3,587)	(6,783)
Income tax expense (recovery)			
Current	19	-	(117)
Deferred	19	-	(711)
		-	(828)
Net loss		(3,587)	(5,955)
Loss per share *($)*			
Basic and diluted	20	$(0.13)	$(0.32)

The accompanying notes are an integral part of these consolidated financial statements.

Cleantek Industries Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the years ended December 31,

(Canadian $000's)	Note	2022	2021
Net loss		(3,587)	(5,955)
Other comprehensive gain (loss)			
Foreign currency translation gain (loss)		(244)	19
Total comprehensive loss		(3,831)	(5,936)

The accompanying notes are an integral part of these consolidated financial statements.

Cleantek Industries Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Canadian $000's, except common shares in 000's)	Note	Share capital	Contributed surplus	Accumulated other Comprehensive income (loss)	Accumulated deficit	Total
At January 1, 2021		51,708	1,080	141	(60,207)	(7,278)
Share issuances – in cash prior to RTO	12	165	-	-	-	165
Share conversions prior to RTO	12	355	-	-	-	355
Reverse take over transaction	4	5,214	159	-	-	5,373
Net loss for the period		-	-	-	(5,955)	(5,955)
Share-based compensation expense	14	-	1,425	-	-	1,425
Share and warrant issuance – in cash	12	10,003	-	-	-	10,003
Share issuance – in kind	12	499	(140)	-	-	359
Share issuance costs	12	(1,399)	-	-	-	(1,399)
Share conversions	12	1,921	-	-	-	1,921
Foreign currency translation gain		-	-	19	-	19
At December 31, 2021		68,466	2,524	160	(66,162)	4,988
At January 1, 2022		68,466	2,524	160	(66,162)	4,988
Net loss for the period		-	-	-	(3,587)	(3,587)
Share-based compensation expense	14	-	471	-	-	471
Foreign currency translation loss		-	-	(244)	-	(244)
At December 31, 2022		68,466	2,995	(84)	(69,749)	1,628

The accompanying notes are an integral part of these consolidated financial statements.

Cleantek Industries Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,

(Canadian $000's)	Note	2022	2021
Cash (used in)/provided by:			
Operating activities			
Net loss		(3,587)	(5,955)
Adjustments for:			
Depreciation and amortization	6,7,8	3,160	2,534
Share-based compensation expense	14	471	1,425
Impairment	17	-	(3,171)
Finance costs	18	1,229	889
(Gain) loss on disposal of long-lived assets	6	(235)	(130)
Listing expense	4	-	5,061
Transaction costs, non-cash	4	-	698
Unrealized (gain) loss on foreign exchange		(333)	-
Gain on interest free loan	9	-	(508)
Deferred income tax expense (recovery)	19	-	(711)
Changes in non-cash working capital	23	(52)	(2,901)
Net cash flow from operating activities		653	(2,769)
Investing activities			
Additions to property and equipment	6	(2,698)	(396)
Additions to intangible assets	7	(126)	(166)
Proceeds on disposal of long-lived assets		175	103
Net cash flow used in operating activities		(2,649)	(459)
Financing activities			
Cash acquired on asset acquisition	4	-	51
Proceeds from long-term debt	9	3,024	7,500
Repayment of long-term debt	9	(899)	(10,805)
Proceeds from convertible notes - debentures		-	830
Repayments of convertible notes - debentures		-	(450)
Repayments of lease liabilities	10	(237)	(262)
Payments of cash interest		(1,057)	(1,152)
Shareholder loans repaid		-	20
Proceeds from issuance of share capital	12	-	10,168
Share issue costs	12	-	(1,399)
Net cash flow from (used in) financing activities		831	4,501
Increase (decrease) in cash and cash equivalents		(1,165)	1,273
Effect of foreign exchange on cash and cash equivalents		18	1
Cash and cash equivalents, beginning of year		1,871	597
Cash and cash equivalents, end of year		724	1,871

The accompanying notes are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Cleantek Industries Inc. ("Cleantek" or the "Company") (formerly Raise Production Inc. ("Raise"), is a public company trading on the TSX Venture Exchange ("TSXV") under the symbol CTEK. Raise was incorporated under the Business Corporations Act (Alberta) on December 23, 1993, as oilfield service company that focuses its efforts on the production service sector, utilizing its proprietary products to enhance and increase ultimate production in both conventional and unconventional horizontal oil and gas wells.

On July 12, 2021, Cleantek and Raise entered into an agreement to complete an amalgamation ("Arrangement Agreement"). Although the Arrangement Agreement resulted in Cleantek becoming a wholly owned subsidiary of Raise, it constituted a reverse takeover ("RTO") for accounting purposes as the former Cleantek shareholders own a substantial majority of the Common Shares of the Resulting Issuer. The majority of the members of the board of directors (the "Board") and all members of management of the Resulting Issuer are designees of Cleantek. The reverse takeover was completed on October 29, 2021, in which Raise acquired all the issued and outstanding class "A" shares of Cleantek ("Class "A" Shares") and changed its name to continue as Cleantek Industries Inc. The transaction has been accounted for in the consolidated financial statements as a continuation of the financial statements of Cleantek, together with a deemed issuance of Common Shares to the former shareholders of Raise. The presentation of the comparative year's information is that of Cleantek.

Cleantek's primary business is the rental and service of equipment to the oil and gas and construction industries in Western Canada and the United States.

On January 1, 2022 Apollo Energy Services Corp. and Horizon Oilfield Manufacturing Inc. were amalgamated into Cleantek.

The Company has the following subsidiaries, incorporated and/or formed, each owned 100%, and consolidated in these financial statements:

Name of subsidiary	Jurisdiction of incorporation/formation
Apollo Lighting Solutions Inc.	Delaware, U.S.A.

The Company's principal place of business is located at Suite 3200, 500 – 4th Avenue SW, Calgary, Alberta, T2P 2V6.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been approved by the Board of Directors on April 28, 2023.

b) *Going concern*

These consolidated 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.

c) Basis of measurement and functional and presentation currency

These consolidated financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in *note 3 Significant Accounting Policies*.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its wholly owned subsidiaries, with the exception of Apollo Lighting Services which is a US dollar functional currency.

d) Use of estimates, judgements and assumptions

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and judgments are based on management's best understanding of current events and actions that Cleantek may undertake in the future. Actual results may differ from these estimates and judgments. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and for any future years affected.

Significant estimates, judgements or assumptions used in these consolidated financial statements are outlined below.

Fair value of assets acquired and liabilities assumed in a business combination

The fair value of assets acquired and liabilities assumed in a business combination, including contingent consideration and goodwill, is estimated based on information available at the date of the acquisition. Estimates are used to determine the fair value of the acquired assets and assumed liabilities and include quoted market prices and widely accepted valuation techniques.

Management is also required to exercise judgment in determining whether certain transactions are within the scope of IFRS 3 – Business Combinations or IFRS 2 – Share Based Payments. Judgement is exercised to determine whether the accounting acquiree has meets the definition of a business. In cases where the accounting acquiree is a listed entity is determined not to be a business, IFRS 2 instead of IFRS 3 applies in accounting for the transaction.

Depreciation and amortization

Depreciation of Cleantek's property and equipment and right-of-use assets and amortization of intangibles incorporates estimates of useful lives and residual values. These estimates may change as more knowledge is obtained or as general market conditions change or as technological advancements are made.

Indicators of impairment

Significant judgment is required to assess when impairment indicators exist, and impairment testing is required. The assessment of impairment or impairment reversal indicators is based on management's judgement of whether there are internal and external factors that would indicate that a cash generating unit ("CGU") and specifically the non-financial assets within the CGU, are impaired. These factors include cash flow forecasts based on future revenues and expected maintenance and operating costs, expected industry activity levels, commodity price environment and market capitalization. The determination of a CGU is also based on management's judgement and is an assessment of the smallest group of assets that generate cash inflows independently of other assets.

Impairment of non-financial assets

The carrying amounts of the Cleantek's non-financial assets including property and equipment, intangible assets and right-of-use assets are reviewed at each reporting date or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount to determine whether impairment or impairment reversal indicators exist, and impairment or impairment reversal testing is required for a CGU.

For the purposes of impairment testing, assets are grouped at the lowest levels of integrated assets that generate identifiable cash inflows and that are largely independent of the cash inflows of other assets or groups of assets. These assets are allocated into a CGU. The allocation of assets into a CGU requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures and the way in which management monitors the performance of the assets.

The recoverable amount of a CGU is determined as the greater of fair value less costs of disposal ("FVLCD") or value-in-use ("VIU"). These calculations require the use of estimates applied by management regarding forecasted activity levels, expected future results and discount rates among others. These estimates are subject to change as new information becomes available. Changes in assumptions used in determining the recoverable amount could have a material effect on the carrying value of the related assets and CGU. If the recoverable amount is less than the carrying amount of the asset or CGU, an asset impairment charge is recognized in net earnings, and the asset's carrying amount is reduced to its recoverable amount.

Fair value of equity-settled share-based payments

The Company uses an option pricing model to determine the fair value of equity-settled share-based payments. Inputs to the model are subject to various estimates relating to volatility, interest rates, dividend yields and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax basis. Estimates of Cleantek's future taxable income are considered in assessing the utilization of available tax losses. The calculation of income taxes involves many complex factors including the interpretation of relevant tax legislation and an analysis of the amount of future taxable income.

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from Cleantek's estimate, the ability of Cleantek to realize the deferred tax assets could be impacted.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. Cleantek records a provision for the amount that is expected to be settled, which requires judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Company's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, timing of reversals, and the tax laws in the jurisdictions in which Cleantek operates.

Provisions and contingencies

Cleantek is required to exercise judgment in assessing whether the criterion for recognition of a provision or a contingency has been met. The Company considers whether a present obligation exists as a result of a past event, the probability of loss, and if a reliable estimate can be formulated.

Functional currency

The designation of the functional currency of the Company and each of its subsidiaries is a judgment based on the composition of revenue and costs in the locations in which Cleantek operates.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements include the accounts of Cleantek and its subsidiaries. Subsidiaries are entities over which Cleantek has control. Subsidiaries are consolidated from the date of acquisition of control and continue to be consolidated until the date that there is a loss of control. All intercompany transactions, balances, and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

b) Revenue recognition

Revenue is generated primarily from the rental and service of dehydration units, and lighting towers and lighting systems based on fixed or agreed upon service contracts with the customer. Cleantek's revenue transactions do not contain significant financing components and payments are typically due within 30 days of revenue recognition and do not include provisions for significant post-service delivery obligations. Revenue is considered recognized over time when the rentals and services are provided at the applicable rates as stipulated in the contract. In general, the Company enters into short-term contracts. Revenue is recognized over time as the rentals and services are rendered, based upon agreed daily, weekly or monthly rates, and only if collectability is reasonably assured.

The Company also enters into long-term contracts with certain customers to provide dehydration facility rentals and services. The Company evaluates the classification of its long-term contracts at inception for lease accounting and instances where a lease is identified it makes an assessment if it is an operating or finance lease as the lessor. Cleantek recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

Also see *note 3.i) Leases* in which Cleantek is a lessor below for revenue recognition of the Company's rentals.

c) Government assistance and other grants

Government grants, subsidies and other assistance are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met.

Grants related to assets are recorded as a reduction to the asset's carrying amount and those assets are depreciated over the useful life of the asset.

Government grants related to the recovery of expenses are recorded as a reduction of the eligible expenses in the period in which the eligible expenses were incurred.

Grants in which there are no corresponding assets or expenses are recorded in other income in the period in which the reasonable assurance and conditions of the grants have been met.

d) Finance costs

Finance costs include of the interest expense recognized on debt, the interest component of lease payments, debt renewal and other lending fees, amortization of long-term debt financing costs and accretion expense of provisions.

e) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term highly liquid interest-bearing investments that are readily convertible into cash with a remaining term to maturity of 90 days or less when acquired.

f) Property and equipment

Property and equipment are recorded cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the assets and subsequent expenditures to the extent that they can be measured, and future economic benefit is probable, less any related government assistance, such as research and development tax credits. Repairs and maintenance are expensed as incurred.

Management estimates the useful life and salvage value of property and equipment based on expected utilization and expected life. Residual values, methods of depreciation and useful lives are reviewed annually and if necessary, changes are accounted for prospectively.

Rental equipment, automotive assets and office equipment are depreciated on a straight-line basis over their estimated useful economic lives. The following useful lives are utilized for each determining depreciation:

Asset class	Deprecation Period
Rental equipment	2 – 25 years
Automotive	5 years
Office equipment	2 – 5 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date an asset becomes fully depreciated, is derecognized or is classified as available for sale. Depreciation does not cease when an asset becomes idle. Upon completion, assets under construction are transferred to rental equipment and depreciation begins when those assets become available for use.

The carrying amount of an asset is derecognized when the asset is disposed of or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss from derecognition of the asset is included in the calculation of net income (loss) in the period the item is derecognized. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

g) Intangible assets

The Company's intangible assets consist of development costs, patents, customer relationships and trade names.

Intangible assets are measured at cost less accumulated amortization and impairment losses. Cost includes the purchase price to acquire an asset or costs directly attributable to the internal generation of an asset. Internally generated intangible assets arising from development activities involving a plan or design for new or substantially improved products and processes are capitalized only if the development costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and Cleantek's has the intention and sufficient resources to complete development and use or sell the assets.

Intangible assets acquired as part of a business combination are capitalized separately from goodwill if the asset is separable or arises from contractual or legal rights, and the fair value can be measured reliability on initial recognition. Expenditures on research activities undertaken with the prospect of gaining technical knowledge are expensed as incurred.

Intangible assets are depreciated on a straight-line basis over their estimated useful lives. Intangible assets with an indefinite useful life are not depreciated. The following useful lives are utilized for each intangible asset class:

Intangible asset class	Deprecation Period
Development costs	10 years
Patents	10 – 20 years

h) Leases and right-of-use ("ROU") assets

Cleantek assesses whether a contract is a lease; based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

Leases in which Cleantek is a lessee and ROU assets:

Leases are recognized as a ROU asset and a corresponding lease liability at the date on which the leased asset is available for use by Cleantek. Assets and liabilities arising from a lease are initially measured on a present value basis of the future lease payments are discounted using Cleantek's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net income (loss) over the lease term.

ROU assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

Leases that have a term of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in net income (loss) over the lease term.

Leases in which Cleantek is a lessor:

When Cleantek acts as a lessor, at inception, Cleantek evaluates the classification as either a finance or operating lease.

To classify each lease, Cleantek makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

Cleantek recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

i) Impairment of non-financial assets

The carrying amounts of the Company's assets including property and equipment, intangible assets and right-of-use assets are reviewed at each reporting date or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount to determine whether impairment or impairment reversal indicators exist, and impairment or impairment reversal testing is required for a CGU.

If indicators of impairment exist, the recoverable amount of the CGU is estimated as the greater of the VIU and FVLCD. VIU is estimated as the present value of the future cash flows expected to arise from the continuing use of a CGU or an asset. In determining FVLCD, recent market transactions are considered, if available. In the absence of such transactions, an appropriate valuation model is used.

If the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in net income (loss).

Impairment losses, other than goodwill, recognized in prior periods are assessed at each reporting date for any indicators that the impairment losses may no longer exist or may have decreased. In the event that an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized on the asset in prior periods. The amount of the reversal is recognized in net income (loss).

j) Provisions and contingencies

A provision is recognized if, as a result of a past event, Cleantek has a present obligation, legal or constructive, that can be estimated reliably, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation. Where applicable, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a risk-free rate that reflects the current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as accretion expenses in finance costs.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably, and outflow of cash is less than remote. Contingent assets are not recognized but are disclosed when an inflow of economic benefits is probable.

k) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in net income (loss) except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Taxable income differs from net income (loss) as it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. Cleantek reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized.

l) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares or other equity instruments are recognized as a deduction from equity, net of any income taxes.

m) Equity-settled share-based compensation

Cleantek has equity-settled incentive programs and payment plans for the granting of additional shares. Cleantek follows the fair value method of valuing share-based compensation instruments. Under this method, compensation cost is measured at the fair value on the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of an instrument, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The fair value of each tranche within an award is measured at the date of the grant using the Black-Scholes option pricing model.

Shares issued as part of a business combination in which the vendors earn those shares over a subsequent service period are not accounted for as part of the consideration transferred in the business combination but as equity-settled share-based compensation.

n) Per share amounts

Basic income (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined by adjusting the net income (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive potential common shares which include stock options under the Company’s stock option plan, restricted share units in accordance with certain employment contracts and any other designated instruments as approved and directed by the Board of Directions. The calculation assumes that the proceeds on exercise of these instruments are used to repurchase shares at the average market price during the period. Should the Company have a loss in a period, these instruments would be anti-dilutive and are excluded from the determination of fully diluted loss per share.

o) Financial instruments

Financial instruments are recognized when Cleantek becomes a party to the contractual provisions of the instrument.

The Company classifies its financial instruments into one of the following categories: fair value through profit or loss (“FVTPL”), fair value through other comprehensive income, or at amortized cost. This determination is made at initial recognition based on the Company’s business model and contractual cash flows of the financial asset. All financial instruments are initially recognized at fair value, net of any transaction costs except for financial instruments that are subsequently classified as FVTPL, where transaction costs are expensed as incurred. Subsequent measurement of financial instruments is based on their classification.

The Company classifies its cash and cash equivalents, accounts receivable and long-term receivables as financial assets at amortized cost, and accounts payable and accrued liabilities, long-term debt, the liability portion of convertible notes as financial liabilities at amortized cost. Interest expense is recognized in finance costs in net income (loss).

The Company classifies derivative financial instruments as FVTPL, including the financial derivative liabilities embedded in certain convertible notes.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and Cleantek has transferred substantially all the risks and rewards of ownership.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net income (loss) based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net income (loss).

Fair value measurements

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company's financial instruments are initially recorded at fair value or at amounts that approximate fair value in the financial statements. Financial instruments subsequently revalued at fair value are further categorized using a three-level hierarchy that reflects the significance of the inputs used in determining fair value.

The Company establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Impairment of financial assets

Cleantek recognizes loss allowances for expected credit losses ("ECLs") on its accounts receivable and long-term receivable. Cleantek measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Management uses a provision matrix based upon historical default rates and forward-looking assumptions to calculate expected credit losses and establish a provision for ECLs. The Company's historical bad debt expense has not been significant and is typically limited to specific customer circumstances. Management considers the credit worthiness and past payment history as well as any past due amounts in determining ECLs. Management's assumptions are updated and adjusted at each reporting date.

Offsetting financial assets and liabilities

Financial assets and liabilities are not offset unless Cleantek has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

p) Related party transactions

Related party transactions are accounted for at the exchange amount which is the amount agreed upon between the parties.

q) Foreign currency translation and transactions

For entities whose functional currency is the Canadian dollar, the Company translates foreign denominated monetary assets and liabilities at period-end exchange rates, and foreign denominated non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the period. Gains or losses from changes in exchange rates are recognized in net income (loss) in the period in which they occur. Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

For foreign entities whose functional currency is not the Canadian dollar, the Company translates assets, including goodwill, and liabilities at period-end rates and income and expense accounts at average exchange rates. Adjustments resulting from these translations are reflected in other comprehensive income as foreign currency translation differences.

r) Operating Segments

Cleantek generates revenue primarily from renting lighting and dehydration equipment to the oil and gas and construction industries in Western Canada and the United States. Management has determined that the Company has one reportable segment as the nature of services provided are organized based on the operating results of its business activities.

s) Recent accounting pronouncements

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.

4. ACQUISITIONS

On October 29, 2021, Cleantek completed a reverse takeover of Raise, a TSXV listed company, pursuant to the terms of the Arrangement Agreement dated July 12, 2021 between the Company and Raise. The resulting issuer, being the amalgamated public company, is continuing under the name Cleantek Industries Inc. (TSXV: CTEK), which began trading on the TSXV on November 10, 2021.

In accordance with IFRS, Raise did not meet the definition of a business for accounting purposes. Therefore, the RTO does not constitute a business combination but a capital transaction of Raise in substance with Cleantek being the continuing entity from an accounting perspective. The RTO transaction has been accounted for in the consolidated financial statements as a continuation of the financial statements of Cleantek together with a deemed issuance of Common Shares to the former shareholders of Raise. The comparative year's information is also that of Cleantek.

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

(Canadian $000's)	Raise Production
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	51
Deposits	5
Intangible assets(1)	111
Accounts payables and accrued liabilities	(14)
Fair value of net assets acquired	153
Consideration	
Common Shares issued(2)	5,214
Total consideration	5,214
Listing expense – excess of purchase consideration over the net assets acquired	5,061

(1) Relates to patented technology acquired from Raise. An exclusive license for use of this patented technology has been granted to a distribution partner for a 10-year period. The amount was based on the estimated fair value determined by the present value of expected future cash flows generated from the license.

(2) Raise common shares of 173,707,863 were converted into Cleantek Common Shares on a 58.3:1 basis at a price of $1.75 per share.

Acquisition costs of $2,194 have been excluded from consideration paid and were recognized as part of transaction costs on the consolidated statement of loss for the year ended December 31, 2021.

5. OTHER ASSETS

(Canadian $000's)	December 31 2022	December 31 2021
Other receivables	202	412
Prepaid Assets	10	149
Refundable deposits	25	25
Total other assets	237	586

At December 31, 2022, other receivables included $183 (2021 - $398) for a Scientific Research and Experimental Development Tax Incentive Program ("SRED") claim related to 2020 and 2021 of which, $183 (2021 - $151) was recorded as a reduction of ZeroE dehydration development costs (Note 6) and $nil (2021 - $247) was recorded as a recovery of research expense in the consolidated statement of net loss.

6. PROPERTY AND EQUIPMENT

(Canadian $000's)	Assets under construction	Rental equipment	Automotive	Office equipment	Total
Cost					
At January 1, 2021	5,721	29,853	125	472	36,171
Additions	137	221	31	7	396
Dispositions	(5,721)	(312)	(22)	-	(6,055)
Provision for decommissioning and restoration costs (note 13)	(42)	42	-	-	-
Impact of foreign exchange	-	(8)	-	-	(8)

At December 31, 2021	95	29,796	134	479	30,504
Additions	979	422	1,322	7	2,730
Dispositions	-	(304)	(76)	-	(380)
Transfers from assets under construction to rental equipment	(964)	964	-	-	-
Impact of foreign exchange	-	209	3	-	212
At December 31, 2022	110	31,087	1,383	486	33,066
Accumulated depreciation and impairment					
At January 1, 2021	5,721	19,634	125	472	25,952
Depreciation	-	2,338	-	2	2,340
Dispositions	(5,721)	(224)	9	-	(5,936)
Impairment (note 17)	-	(3,125)	-	(5)	(3,130)
Impact of foreign exchange	-	(1)	-	-	(1)
At December 31, 2021	-	18,622	134	469	19,225
Depreciation	-	2,813	58	9	2,880
Dispositions	-	(170)	(65)	-	(235)
Impact of foreign exchange	-	51	6	-	57
At December 31, 2022	-	21,316	133	478	21,927
Carrying amount					
At December 31, 2021	95	11,174	-	10	11,279
At December 31, 2022	110	9,771	1,250	8	11,139

As at December 31, 2022, management determined no indicators of impairment existed for the Company's Rentals and Facility Dehydration CGUs (2021 – $3,130 impairment reversal in Rentals CGU). Please see Note 17 for additional details on impairment reversals booked in 2021.

For the year ended December 31, 2022, the Company had a $235 gain (2021 – $130 gain) from its disposition of property and equipment.

7. INTANGIBLE ASSETS

(Canadian $000's)	Patents	ZeroE development	Total
Cost			
At January 1, 2021	2,030	2,232	4,262
Additions	111	166	277
Government Grant	-	(151)	(151)
At December 31, 2021	2,141	2,247	4,388
Additions(1)	-	126	126
At December 31, 2022	2,141	2,373	4,514
Accumulated amortization and impairment			
At January 1, 2021	2,030	1,733	3,763
Amortization	2	59	61
Impairment (note 17)	-	105	105
At December 31, 2021	2,032	1,897	3,929
Amortization	12	52	64
At December 31, 2022	2,044	1,949	3,993
Carrying amount			
At December 31, 2021	109	350	459
At December 31, 2022	97	424	521

(1) Relates to patented technology acquired from Raise. An exclusive license for use of this patented technology has been granted to a distribution partner for a 10-year period. The amount was based on the estimated fair value determined by the present value of expected future cash flows generated from the license.

For the year ended December 31, 2022, the Company did not identify an indicator of impairment or impairment reversal (2021 – $105 impairment reversal). Please see Note 17 for additional details on impairment reversals booked in 2021.

8. RIGHT-OF-USE ASSETS

(Canadian $000's)	Properties	Automotive	Total
Cost			
At January 1, 2021	277	664	941
Additions	-	432	432
Dispositions	-	(325)	(325)
Lease modifications	-	(2)	(2)
At December 31, 2021	277	769	1,046
Additions	7	63	70
Dispositions	-	(395)	(395)
Impact of foreign exchange	-	18	18
At December 31, 2022	284	455	739
Accumulated depreciation and impairment			
At January 1, 2021	71	664	735
Depreciation	70	63	133
Dispositions	-	(325)	(325)
Impairment reversal (note 21)	-	(144)	(144)
At December 31, 2021	141	258	399
Depreciation	71	145	216
Dispositions	-	(365)	(365)
Impact of foreign exchange	-	6	6
At December 31, 2022	212	44	256
Carrying amount			
At December 31, 2021	136	511	647
At December 31, 2022	72	411	483

Cleantek's right of use assets include lease contracts for properties, which includes shop space, office space and vehicle leases.

For the year ended December 31, 2022, the Company recorded an impairment reversal of $Nil as there was no indications of additional impairment or reversals (2021 – $144 impairment reversal). Please see Note 17 for additional details on impairment reversals booked in 2021.

9. 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(1)	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) Includes the entire credit facility which is due for repayment in less than 12 months.

Credit facilities

(Canadian $000's)	December 31 2022	December 31 2021
Credit facilities		
Canadian Private Debt Term Facility	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

Debt outstanding as of December 31, 2022:

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 loans 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)	December 31 2022	December 31 2021
Promissory note		
Vendor Promissory Note	509	527
	509	527
Current portion of promissory notes	(15)	(13)
Non-current portion of promissory notes	494	514

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%.

10.LEASE LIABILITIES

(Canadian $000's)	2022	2021
At January 1	797	775
Additions	69	390
Terminations	(92)	(175)
Interest on lease liabilities	53	69
Lease payments	(292)	(262)
Impact of foreign exchange	16	-
At December 31	551	797
Current portion of lease liabilities	(283)	(366)
Non-current portion of lease liabilities	268	431

The Company has lease liabilities for properties and automotive assets. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

For leased automotive assets, these contracts mature from 2022 to 2025, interest rates vary between 2.90% to 8.99% and the contracts are collateralized by general security agreements for the underlying assets.

The Company has the following future commitments associated with its lease liabilities:

(Canadian $000's)	December 31 2022	December 31 2021
Less than 1 year	302	420
2 to 3 years	278	410

4 to 5 years	-	44
More than 5 years	-	-
Total lease payments	580	874
Amounts representing interest over the term of the lease	(29)	(77)
Present value of lease liabilities	551	797

11. PROVISIONS

(Canadian $000's)	Decommissioning and restoration
At December 31, 2020	56
Accretion	1
At December 31, 2021	57
Accretion	-
Change in discount rate	(11)
At December 31, 2022	46

The Company's decommissioning and restoration provision is associated with the Company's ZeroE dehydration production facility long-term rental.

Upon installation of the Company's dehydration units on customer sites, Cleantek recognizes a provision to decommission and remove all equipment and associated infrastructure following the end of the unit's rental term.

At December 31, 2022, Cleantek estimates the net present value of the decommissioning and restoration provision to be $46 based on an estimated total future undiscounted liability of $57, a risk-free rate of return of 3.3% and an inflation rate of 2.0%. The Company estimates that these payments are to be made at the end of the rental period in years 2029 to 2030.

12. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue:

- An unlimited number of common shares; and
- An unlimited number of preferred shares

Issued share capital

(Canadian $000's, except number of shares 000's)	Number of Shares	2022 Amount	Number of Shares[1]	2021 Amount
Common shares				
Opening balance for Cleantek[1]	27,645	68,466	16,846	51,708
Opening balance for Raise	-	-	173,708	32,241
Share issuances – cash for Cleantek[1]	-	-	137	165
Share conversions for Cleantek[1]	-	-	296	355
Issued on amalgamation	-	-	1,007,395	(32,241)
Accounting adjustment on share capital for resulting issuer as a result of RTO (note 4)	-	-	-	5,214
Effect of amalgamation	-	-	(17,280)	-
Share consolidation	-	-	(1,160,844)	-

Share issuances – cash	-	-	5,716	10,003
Share issuances – in kind	-	-	293	499
Share conversions	-	-	1,378	1,921
Share issue costs	-	-	-	(1,399)
At end of year[(1)]	27,645	68,466	27,645	68,466

(1) Number of shares reflect the August 27, 2021 twelve-for-one share consolidation. Prior period amounts have been retroactively adjusted to reflect the share consolidation.

Shares issued on closing of RTO

On October 29, 2021, Cleantek completed the RTO with Raise to form the amalgamated public company, continuing as Cleantek Industries Inc. (note 4). Pursuant to the Arrangement Agreement, all of the outstanding Cleantek Class "A" Shares were acquired by Raise, in exchange for approximately 1,007,395,375 Common Shares valued at approximately $0.03 per Common Share. Immediately following the completion of the RTO, all outstanding Common Shares were consolidated on the basis of one post-consolidation Common Share for every 58.3 pre-consolidation Common Share, such that, after completion of the consolidation the former Raise shareholders held an aggregate of approximately 15% of the post-consolidation Common Shares with former shareholders of Cleantek holding the remaining approximately 85%.

The Private Placement

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

Each Subscription Receipt was exchanged into one unit of Cleantek ("Unit") upon closing of the RTO. Each Unit was comprised of one Common Share and one half warrant. Each warrant entitles the holder thereof to purchase one Common Share at an exercise price of $2.25 at any time up to 36 months from the closing of the RTO (note 16).

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

Share consolidation

On August 27, 2021, the Company completed a twelve-for-one share consolidation of all the issued and outstanding common shares ("the Consolidation"). Prior to the Consolidation, a total of 207,355,736 common shares were issued and outstanding and after the Consolidation the Company has 17,279,645 issued and outstanding common shares. All share and per share data presented in the Company's consolidated financial statements, including share options outstanding, has been retroactively adjusted to reflect the Consolidation, unless otherwise noted

Other share issuances

On March 1, 2021, the Company completed a Common Share subscription of 137,162 Class "A" Shares at $1.20 per Class "A" Share for gross proceeds of $165. Each Class "A" Share was bundled with a Prior Warrant which entitled the holder thereof to purchase one Class "A" Share at an exercise price of $1.20 at any time up to March 1, 2023 (note 16). In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares and all Prior Warrants have been exchanged for New Warrants, on substantially the same terms and conditions as the Prior Warrants.

Issuances in kind

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

Share conversions and Transfer from equity portion of convertible notes

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

- Interest of $750 owing on the OKR Financial Term Loan was settled through the issuance of 428,571 Subscription Receipts;
- Pursuant to agreements with certain creditors of the Company, the Company issued 57,142 and 296,340 Common Shares at a price of $1.75 and 1.20 per Common Share, respectively, to settle a total of $455 of accounts payable and liabilities;
- Conversion of January 2020 Convertible Debentures (note 11): 500,000 Common Shares to settle the principal portion of $600 January 2020 Convertible Debentures liability and 75,346 Common Shares for accrued interest of $90;
- Conversion of February 2021 Convertible Debentures (note 11): 316,668 Common Shares to settle the principal portion of $380 February 2021 Convertible Debentures liability;

13.CAPITAL MANAGEMENT

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

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

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

In 2021, the Company strengthened our capital structure through the refinancing of our existing debt though the use of funds from the Private Placement and the Non-Revolving Term Facility.

The Company has access to the Revolving Line of Credit of up to a maximum $2,500 based on certain criteria. As of December 31, 2022, $1,815 had been drawn on this Revolving Line of Credit out of an available amount of $2,308 based on the availability limit as per the agreement.

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 deficit	(1,628)	(4,988)
	(12,097)	(12,328)

(1) Includes the entire credit facility which is due for repayment in less than 12 months.

14.SHARE-BASED PAYMENTS

a) Share-based incentive programs and payment plans

The Company has the following share-based compensation and payment plans:

Stock option plan (equity-settled)

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

The aggregate number of the shares issuable under the terms of the plan shall not exceed 10% of the outstanding common shares at the date of grant. The exercise price of the stock options is determined by the Board of Directors. The stock options vest evenly over a period of three years and are exercisable for a period of five years from the grant date to purchase one common share for each stock option held.

Share warrants

In certain instances, warrants will be issued in conjunction with share issuances, referred to as a Subscription Unit. Each Subscription Unit entitles the equity holder to one share and one or one-half common share purchase warrant. The warrant allows the holder to purchase an additional one or one-half share at a stipulated exercise price for a period of 24 or 36 months. Warrants vest immediately on issuance.

Restricted share unit plan (equity-settled)

During the year The Company updated its equity based compensation plan including updating the terms of Restricted Share Units (RSU's). Terms and vesting periods of RSU's are determined by the board at the time of the grant.

On the vesting date, the RSUs are redeemed and the Company issues one common share for each vesting RSU held by the employee.

The fair value of the RSU is recognized over the vesting period and is based on the value at the date of grant.

On December 15th, 2022 the board approved a grant of 350,000 RSU's to select members of management. The grant details were finalized in 2023.

Common shares issued in exchange for services rendered (equity-settled)

The Company may issue Cleantek common shares from time to time to service providers, vendors or consultants in exchange for services rendered to the Company, as determined by the Board of Directors.

b) Stock options

The following table provides a summary of the Company's stock options:

(Canadian $, except number of stock options)	Number of stock options(1)	2022 Weighted average exercise price(1)	Number of stock options(1)	2021 Weighted average exercise price(1)
Stock options				
Outstanding at beginning of year	2,702,500	$1.29	58,750	$66.00
Exercised	(350,000)	$1.20	-	-
Cancelled	-	-	(58,750)	$66.00
Granted	-	-	2,702,500	$1.29
Expired	(362,500)	$1.20	-	-
Forfeited	(360,000)	$1.30	-	-
Outstanding at end of year	1,630,000	$1.32	2,702,500	$1.29

Weighted average remaining life		3.6 years		4.5 years
Exercisable at end of year	602,500	$1.24	-	-

(1) Number of options and exercise price reflect the August 27, 2021 twelve-for-one share consolidation. Prior period amounts have been retroactively adjusted to reflect the share consolidation (note 14).

Pursuant to the Company's stock option plan, the Board of Directors terminated and cancelled all 58,750 of the granted and outstanding stock options of the Company on January 1, 2021. In accordance with IFRS 2, Share-based payments, stock options cancelled is treated as an acceleration of vesting and the amount that otherwise would have been recognized for services received over the remainder of the vesting period is recognized immediately in net loss. Accordingly, the Company recognized $91 of accelerated share-based payment expense.

In March and June of 2021, pursuant to the Company's stock option plan, 1,500,000 stock options were granted to officers, employees and directors of the Company at an exercise price of $1.20 per Common Share.

As a result of the RTO, all stock options outstanding prior October 29,2021 vested immediately on this date. Accordingly, the Company recognized $1,285 of accelerated share-based payment.

In November 2021, the company granted an additional 1,202,000 stock options to officers, employees and directors of the Company at an exercise price of $1.40 per Common Share.

The estimated fair value of the stock options granted during the year was calculated using the Black-Scholes model and the following assumptions:

	For the year ended December 31 2021
Share price on grant date(1)	$1.20 - $1.40
Exercise price(1)	$1.20 - $1.40
Expected life (years)	5
Expected volatility	95% - 69%
Risk-free interest rate	0.25% - 1.00%
Expected forfeiture rate	-
Expected dividend yield	-
Weighted average fair value per stock option(1)	$0.83

(1) Number of options and exercise price reflect the August 27, 2021 twelve-for-one share consolidation. Prior period amounts have been retroactively adjusted to reflect the share consolidation (note 14).

Estimated forfeiture rates are adjusted to the actual forfeiture rate at time of forfeiture. Expected volatility is based on the historical volatility of publicly traded peer companies. The risk-free interest rate is based on Government of Canada bonds of a similar duration.

c) Share warrants

The following table provides a summary of the Company's share warrants:

	2022	
(Canadian $, except number of stock options)	Number of share warrants(1)	Weighted average exercise price(1)
Share warrants		
Outstanding at beginning of year	3,101,098	$1.75
Granted	-	-
Outstanding at end of year	3,101,098	$1.75
Weighted average remaining life		1.8 years
Exercisable at end of year	3,101,098	$1.75

(1) Number of options and exercise price reflect the August 27, 2021 twelve-for-one share consolidation. Prior period amounts have been retroactively adjusted to reflect the share consolidation (note 14).

In 2021 as part of the Private Placement and RTO, shares were issued as a Subscription Unit, consisting of one Common Share and one share warrant or one Common Share and one-half warrant, respectively. The fair value ascribed to the warrants was $1,766 and has been included within share capital.

The estimated fair value of the share warrants granted during the year was calculated using the Black-Scholes model and the following assumptions:

	Year ended December 31 2021
Share price on grant date[1]	$1.75
Exercise price[1]	$2.25
Expected life (years)	2 and 3 years
Expected volatility	69%
Risk-free interest rate	0.5% and 0.25%
Expected forfeiture rate	-
Expected dividend yield	-
Weighted average fair value per stock option[1]	$0.53 and $0.67

(1) Number of options and exercise price reflect the August 27, 2021 twelve-for-one share consolidation. Prior period amounts have been retroactively adjusted to reflect the share consolidation (note 14).

As the share warrants were issued in connection with Private Placement and RTO in 2021, the fair value of the fully vested share warrants of $1,617 was recognized as a warrant reserve within share capital and $159 was recorded as transaction costs, respectively.

d) Share-based compensation expense

Cleantek recorded the following equity-settled share-based payments as share-based compensation in net loss:

	Year ended December 31	
(Canadian $000's)	2022	2021
Stock options	471	1,425
Total share-based compensation expense	471	1,425

15. REVENUE

	Year ended December 31	
(Canadian $000's)	2022	2021
Sustainable lighting solutions	11,746	7,895
ZeroE dehydration	1,400	924
Total revenue	13,146	8,819
Consisting of:		
Canadian operations	5,711	4,843
U.S. operations	7,435	3,976

16. DIRECT OPERATING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

The Company classifies net income (loss) using the function of expense method, which presents expenses according to their function, such as direct operating expenses, and general and administrative expenses. This method is more closely aligned to the Company business structure and provides more relevant information.

Direct operating expenses or the cost of services and goods sold is 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.

General and administrative expenses consist of salaries and wages, which includes labour and related benefits costs including bonuses and other related payroll benefits; professional fees, which include fees for consulting, legal, audit and tax services; and other general and administrative expenses.

The following tables provide additional information on the nature of the expenses:

	Year ended December 31	
(Canadian $000's)	2022	2021
Direct operating expenses		
Salaries and wages	2,558	2,040
Salaries and wages – Subsidies	(259)	(135)
Repairs and maintenance	676	584
Transportation and mobilization	1,050	851
Other direct costs	1,299	902
Total direct operating expenses	5,324	4,242

	Year ended December 31	
(Canadian $000's)	2022	2021
General and administrative expenses		
Salaries and wages	2150	1,764
Salaries and wages – Subsidies	-	(80)
Professional fees	4,300	1,069
Other general and administrative costs	667	834
Total general and administrative expenses	7,117	3,587

17.IMPAIRMENT EXPENSE

	Year ended December 31	
(Canadian $000's)	2022	2021
Impairment of non-financial assets		
Impairment expense (reversal) of property and equipment – Rentals CGU (note 6)	-	(4,400)
Impairment expense (reversal) of property and equipment – Facility dehydration CGU (note 6)	-	1,270
Impairment of intangible assets (note 7)	-	105
Impairment of right-of-use assets (note 8)	-	(144)
Total impairment of non-financial assets	-	(3,169)
Impairment of financial assets		
Impairment expense (recovery) of accounts receivable (note 23)	-	(2)
Total impairment expense (recovery) of financial assets	-	(2)
Total impairment expense (reversal)	-	(3,171)

Impairment of non-financial assets

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

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

For the purposes of impairment testing, property and equipment, intangible assets and ROU are allocated to the Company's CGUs being the Rentals CGU and Facility dehydration CGU.

Impairment at the end of each reporting period

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets

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.

18.FINANCE COSTS, NET

	Year ended December 31	
(Canadian $000's)	2022	2021
Interest expense on long-term debt(1)	1,174	306
Interest expense and financing costs of convertible notes(2)	-	293
Interest on lease liabilities	55	73
Debt renewal and other lending fees	-	229
Accretion of decommissioning and restoration provision (note 11)	-	1
Interest income	-	(13)
Total finance costs, net	1,229	889

(1) Includes interest expense on long-term debt, accretion of discount on promissory notes and amortization of deferred financing costs.

(2) Includes interest expense on convertible notes, accretion of discount on convertible notes and amortization of deferred financing costs.

19.INCOME TAXES

Income tax expense (recovery)

The provision for income taxes differs from that which would be expected by applying statutory Canadian income tax rates. A reconciliation of the difference is as follows:

	Year ended December 31	
(Canadian $000's, except as indicated)	2022	2021
Loss before income taxes	(3,587)	(6,783)
Federal and provincial statutory tax rates	23.00%	23.00%
Expected income tax expense (recovery)	(825)	(1,551)
Adjusted for:		
Non-deductible expenses	46	(6,063)
Tax assets not recognized	7,555	10,243
Prior period adjustment	(6,776)	(3,457)
Current income tax expense	-	(828)

The Canadian statutory income tax rate is comprised of the combined federal and applicable provincial income tax rates.

In 2022, operations in the United States are subject to a combined federal and state income tax rate of 21.00% (2021 - 21.00%).

Deferred tax balances and tax losses carried forward

Deferred tax assets (liabilities) are comprised of the following:

(Canadian $000's)	December 31 2022	December 31 2021
Deferred tax assets		
Non-capital loss carry-forward	17,682	10,576
SRED and Investment tax credits carry-forward	1,475	1,251
Finance fee pool carry-forward	487	513
Right of use asset	3	-
Total deferred tax assets	19,648	12,340
Deferred tax liabilities		
Property and equipment	(1,850)	(2,080)
Capital lease obligations	-	(17)
Total deferred tax liabilities	(1,850)	(2,097)
Valuation allowance	(17,798)	(10,246)
Net deferred tax assets (liabilities)	-	-

The deferred tax assets (liabilities) movements during the years ended December 31, 2022 and 2021 are as follows:

(Canadian $000's)	Property and equipment	Capital leases	**Finance fee pool**	**Investment tax credits**	Non-capital losses	Valuation allowance	Net deferred tax (liabilities)
At January 1, 2021	(2,363)	(135)	108	1,058	8,023	(7,402)	(711)
Recognized in net loss	283	118	405	193	2,553	(2,841)	711
At December 31, 2021	(2,080)	(17)	513	1,251	10,576	(10,243)	-
Recognized in net loss	230	20	(27)	225	7,106	(7,554)	-
At December 31, 2022	(1,850)	3	486	1,476	17,682	(17,797)	-

Unrecognized deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that the assets can be recovered through deductions available against future taxable income. Accordingly, the Company has not recognized deferred tax assets for the following items:

(Canadian $000's)	December 31 2022	December 31 2021
SRED and Investment tax credits carry-forward	1,476	1,251
Non-capital losses carry-forward	17,682	10,576
Finance fee pool carry-forward	486	513
Right of use asset	3	-
Unrecognized asset	(19,647)	(12,340)
Total	-	-

20. LOSS PER SHARE AMOUNTS

Basic and diluted loss per share for the period have been calculated on the basis of the weighted average number of common shares outstanding as follows:

(Canadian $000's, except common shares in number and loss per share in $)	Year ended December 31 2022	2021

Net loss attributable to shareholders	(3,587)	(5,955)
Weighted average common shares outstanding – basic & diluted(1)	27,645,380	18,361,786
Loss per share – basic and diluted	$(0.13)	$(0.32)

(1) Number of shares reflect the August 27, 2021 twelve-for-one share consolidation. Prior period amounts have been retroactively adjusted to reflect the share consolidation.

For the years ended December 31, 2022 and 2021, the Company excluded the effect of stock options, share warrants, restricted share units and other convertible instruments or releasable instruments from escrow as the Company had a net loss during these periods and their effect would have been anti-dilutive.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cleantek's financial assets consist of cash and cash equivalents and accounts receivable.

Cleantek's financial liabilities consist of accounts payable and accrued liabilities and long-term debt.

Non-derivative financial instruments

The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of those instruments.

The Company's long-term debt are recorded at amortized cost using the effective interest method.

At December 31, 2022, the carrying value and fair value of fixed-term financial liabilities accounted for under amortized cost was $10,771 (2021 - $8,489). The estimated fair value of long-term debt is based on pricing sourced from market data, which is considered a Level 2 fair value input.

Financial risk management

Cleantek's activities expose it to certain financial risks, including market risk, credit risk and liquidity risk.

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 – $95).

The interest rate on Cleantek's long-term debt loans payable and promissory notes (note 10) 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, 2022 and 2021, 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. Refer to note 2 (b) Going Concern for further discussion on the Company's liquidity.

22. RELATED PARTY BALANCES AND 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 stock option plan (note 16).
Directors of the Company participate in the Company's stock option plan and may receive directors' compensation in the form of issued Common Shares (notes 14 and 16).

Key management compensation comprises:

Year ended December 31

(Canadian $000's)	2022	2021
Salaries and benefits	937	1,106
Share-based compensation (equity-settled)		
Stock 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.

23. SUPPLEMENTARY CASH FLOW INFORMATION

The following table reconciles the net changes in non-cash working capital, excluding the non-cash working capital acquired on acquisitions, from the statement of financial position to the statements of cash flows:

(Canadian $000's)	Year ended December 31 2022	2021
Net changes in non-cash working capital:		
Accounts receivable	(578)	(530)
Prepaids and other assets	428	(790)
Long-term receivables	-	440
Accounts payable and provisions	98	(2,021)
	(52)	(2,901)
Related to:		
Operating activities	(52)	(2,901)
Taxes paid	-	-

24. COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The expected timing of cash outflows relating to financial liabilities, lease liabilities and other commitments at December 31, 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 facilities mature on October 31, 2023. Carrying amount excludes 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.

Corporate Information

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President & CEO

Orson Ross
Chief Financial Officer

BOARD OF DIRECTORS

Rick McHardy
Chairman

Al Stark

Paul Colucci

Reg Greenslade

Phillip Knoll

Chris Lewis

INVESTOR RELATIONS INFORMATION

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REGISTRAR AND TRANSFER AGENT

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Calgary, Alberta