Management's Discussion and Analysis

For the three and six months ended June 30, 2023 and 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION AND DESCRIPTION OF THE COMPANY

August 03, 2023 - The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for Cleantek Industries Inc. ("Cleantek" or the "Company" which includes references to "we", "our", "us", "its"), is a review of the operations, current financial position and condition for the three and six months ended June 30, 2023 ("Q2 2023") and June 30, 2022 ("Q2 2022") and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023 ("Interim Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2022 and 2021 ("Annual Financial Statements"). All amounts are in thousands of Canadian dollars unless otherwise indicated.

The condensed consolidated interim financial statements of Cleantek have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. This MD&A and the unaudited condensed consolidated interim financial statements of Cleantek have been prepared by management and approved by the board of directors (the "Board") as of August 03, 2023.

Cleantek, headquartered in Calgary, Alberta, is an innovative provider of patented, clean technology solutions focused on reducing both cost and carbon intensity in the wastewater management and industrial lighting sectors across North America. Cleantek is a publicly traded company listed on the TSX Venture Exchange (the "TSXV") under the trading symbol CTEK.

READER ADVISORIES

This MD&A contains forward-looking statements and introduces financial measures which are not defined under IFRS aimed at helping the reader in making comparisons to metrics similarly disclosed by industry peers. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-IFRS Measurements" and "Forward-Looking Information" included at the end of this MD&A.

COMPANY OVERVIEW AND STRATEGY

Cleantek is an environmental technology-based company that provides specialized and fully integrated wastewater treatment and disposal equipment along with turnkey sustainable lighting rental solutions. Cleantek leverages its patented technology and industry expertise to provide equipment to service a diverse range of clientele. Cleantek prioritizes people and the environment through our high-performance safety focused culture and our experienced technical professionals are committed to providing environmentally friendly cost-effective solutions to our clients.

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

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

GOING CONCERN

The condensed consolidated interim 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 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 June 30, 2023, the Company had net current liabilities of $8,196, including $8,952 of long-term debt maturing on October 31, 2023, and generated net loss of $687 and $507 for the three months and six ended June 30, 2023, respectively.

However, as a result of legal costs incurred in 2022 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 spend 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. The Company has begun formal communications with the current lender to extend the credit facility. There is no certainty that the Company will be successful in obtaining credit facilities with alternate lenders or an extension of the maturity date with the existing Canadian private debt lender. The Company is budgeting that it will not have sufficient cash available to enable repayment of the Credit Facilities upon maturity on October 31, 2023.

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

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

HIGHLIGHTS FOR THE SECOND QUARTER 2023

- Cleantek generated revenue of $3,397 for Q2 2023, an increase of $271 or 9%, from Q2 2022. The increased revenue in 2023 is primarily due to a ramp up in rental activity and increased rental prices in both sustainable lighting solutions and ZeroE dehydration;
- Cleantek's gross profit of $2,084 or 61% of revenue for Q2 2023 was inline with target and improved when compared with gross profit of $1,706 and 55% of revenue for Q2 2022;
- Cleantek's net loss of $687 for Q2 2023 was a $756 improvement from the net loss of $1,443 for Q2 2022; and,
- Cleantek's Adjusted EBITDA[(1)] was $586 for Q2 2023, an decrease of $246 when compared to Q2 2022 as the increased revenue was offset by increased foreign exchange loss.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Canadian $000's, except per share amounts and percentages)	Three months ended June 30 2023	2022	Change	Six months ended June 30 2023	2022	Change
Revenue	3,397	3,125	272	7,214	6,260	954
Gross profit	2,084	1,706	378	4,385	3,531	854
Gross profit %	61	55	6%	61	56	5%
Net loss	(687)	(1,443)	756	(507)	(2,177)	1,670
Net loss per share - basic and diluted ($)	$(0.02)	$(0.05)	$0.03	$(0.02)	$(0.08)	$0.06
EBITDA[(1)]	252	(241)	493	1,363	213	1,150
Adjusted EBITDA[(1)]	586	832	(246)	1,768	1,992	(224)
Capital expenditures	321	429	(108)	446	726	(280)

As at:	June 30, 2023	December 31, 2022	Change
Total assets	15,810	15,917	(107)
Working capital deficit[(1)]	(8,196)	(8,348)	152
Non-current debt[(1,2)]	2,205	2,121	(84)
Total non-current liabilities	2,251	2,167	(84)

(1) Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's ability to generate cashflow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization. Adjusted EBITDA is measured as EBITDA adjusted for share-based compensation and unusual items not representative of ongoing business performance such as patent litigation expense. Working capital (or also referred to as net current assets/liabilities) for Cleantek is calculated as current assets less current liabilities per the statement of financial position. These items are not defined and have no standardized meaning under IFRS. Presenting these items from period to period provides management and investors with the ability to evaluate earnings trends more readily in comparison with prior periods' results. Please see the Non-IFRS Measurements section of this MD&A for further discussion of these items, and where applicable, reconciliations to measures calculated in accordance with IFRS.

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

EXPANSION AND OUTLOOK

Cleantek's strategy focuses on delivering innovative and cost-effective solutions that reduce the carbon intensity as well as the capital and operating costs of industrial operations. By focusing on expanding the market awareness and adoption of its sustainable lighting solutions and wastewater treatment assets, Cleantek continues to experience increased utilization of these high-margin product lines.

In 2023, the Company launched two new growth initiatives, including SecureTek, Cleantek's line of remote security services, as well as the company's newest addition to the ZeroE line of wastewater treatment products, the mobile GZeroE. Both growth initiatives will utilize the Company's existing asset base and will require minimal capital investment for what the Company believes could be substantial growth opportunities in adjacent industry verticals.

- SecureTek - Cleantek's line of remote security services, being offered as a stand-alone system or integrated with our sustainable lighting products, is expected to drive higher utilization of existing assets and creating an exciting new recurring revenue stream for the Company. Utilizing our existing infrastructure, SecureTek is an accretive service offering and a great opportunity to expand our reach into the construction, mining, storage, agriculture, and other commercial markets, with minimal new capital investment.
- Mobile GZeroE - Adding to the fleet of ZeroE technology is our new waste-gas powered, wastewater treatment and dehydration system, or "GZeroE". GZeroE will utilize waste-gas as its primary energy source, allowing for deployment of the ZeroE system into areas without a waste-

heat source while providing substantial ESG and cost benefits. This product is currently under construction and one unit will launch to the market in Q3 of this year to a growing backlog of interested clientele. Additional units will be based off customer demand and feedback.

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

- maximize utilization rates of its current fleet of sustainable lighting solutions and mobile ZeroE wastewater treatment assets;
- expanding and growing the Company's fleet of sustainable lighting solutions and mobile ZeroE wastewater treatment assets to satisfy increased demand in the oil and gas, midstream, mining, industrial and construction markets;
- leveraging Cleantek's technology to capture additional market share through organic growth of the ZeroE wastewater treatment and vaporization services, including the new mobile GZeroE, as well as the new product and service offering in SecureTek;
- expanding and diversifying Cleantek's geographic focus and customer base, including exploring opportunities outside of the North American market for rental or product sales;
- focusing on growth, generating positive return for shareholders and improving financial position now that the patent litigation related to the HALO™ lighting systems in the United States is completed; and,
- evaluating new technology, products and services to increase our offering to our current client base.

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

RESULTS OF OPERATIONS

Revenue

	Three months ended June 30			Six months ended June 30		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Sustainable lighting solutions	3,015	2,794	221	6,430	5,562	868
ZeroE dehydration	341	331	10	743	698	45
HALO sales	41	-	41	41	-	41
Total revenue	3,397	3,125	272	7,214	6,260	954
Fleet Utilization percentage	43%	47%	(4)%	48%	49%	(1)%

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

Revenue for the three and six months ended June 30, 2023, increased to $3,397 and $7,214, respectively, compared to $3,125 and $6,260 for the same periods in 2022. Revenue improved in 2023 compared to 2022 due to the recovery of market fundamentals in the energy sustainability sector as a result of strong commodity prices and an increase in drilling activities and rental rates. As a result, the Company's sustainable lighting solutions rental rates started to improve throughout 2022 and into 2023. General equipment utilization decreased slightly for the three and six months ended 2023 when compared to the same periods in 2022 due to decreased utilization of solarhybrid fleet. ZeroE dehydration revenue increased $10 and $45 for the three and six months ended June 30, 2023, compared to same periods in 2022, primarily due to increased mobile ZeroE dehydration revenue from the recovery in the market fundamentals and the expansion into the US market.

Direct operating expenses

(Canadian $000's)	Three months ended June 30 2023	2022	Change	Six months ended June 30 2023	2022	Change
Direct operating expenses	1,313	1,419	106	2,829	2,729	(100)
% of revenue	39%	45%	6%	39%	44%	5%

Direct operating expenses are comprised of direct operating costs, including salaries and wages and other labour costs; repairs and maintenance of equipment; transportation and mobilization costs of equipment to and from customers; and other direct operating expenses.

Direct operating expenses were $1,313 and $2,829, or 39% of revenue, for the three and six months ended June 30, 2023, respectively, compared with $1,419 and $2,729, or 45% and 44% of revenue, for the same periods in 2022. Direct operating expenses decreased in the second quarter primarily as a result of decreased transportation and mobilization expense and lower other direct costs partially offset by increased salaries and wages. Direct operating expenses for 2023 year to date increased due to the increased salaries and wages partially offset by decreased transportation and mobilization and other direct costs. Direct operating expenses as a percentage of revenue have decreased for both the three and six months ended June 30, 2023 due to the increase revenue.

Gross profit

(Canadian $000's, except percentage)	Three months ended June 30 2023	2022	Change	Six months ended June 30 2023	2022	Change
Gross profit	2,084	1,706	378	4,385	3,531	854
% of revenue	61%	55%	6%	61%	56%	5%

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

Cleantek's gross margin was 61% for the three and six months ended June 30, 2023, compared to 55% and 56% for the same periods in 2022. Increased gross margin in 2023 is directly related to the increased revenue combined with slightly lower direct operating costs as a percentage of revenue.

General and administrative expenses

(Canadian $000's)	Three months ended June 30 2023	2022	Change	Six months ended June 30 2023	2022	Change
General and administrative expenses	1,296	1,937	641	2,522	3,216	694

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

General and administrative expenses for the three and six months ended June 30, 2023 decreased to $1,296 and $2,522, respectively, compared to $1,937 and $3,216 for the same periods in 2022. Decreased General and administrative expenses were due to decreased professional fees primarily related to legal costs incurred for the patent litigation of $926 and $1,484 in three and six months ended June 30, 2022, respectively, partially offset by increased spending in relation to various non-patent related litigation and claims in the normal course of business and costs associated with an enterprise resource planning system implementation. See *note 9 Direct Operating Expenses and General and Administrative Expenses* of the Interim Financial Statements for further details on general and administrative expenses.

Depreciation and amortization

	Three months ended June 30			Six months ended June 30		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Total depreciation and amortization	544	928	(384)	1,094	1,852	(758)

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

Depreciation and amortization expense for the three and six months ended June 30, 2023 decreased to $544 and $1,094, respectively, compared with the $928 and $1,852 in the same periods in 2022. Depreciation expense decreased in 2023 due a review of the useful lives of long-lived rental assets completed in Q3 2022 and determined that the current accounting estimate of useful lives for certain rental assets required revisions based on additional operating experience and implementation of a more robust maintenance program. As a result, useful lives for certain rental equipment assets were extended.

Research expense (recovery)

	Three months ended June 30			Six months ended June 30		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Total research expense (recovery)	35	-	35	(46)	-	(46)

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

Research expense was $35 for the three months ended June 30, 2023 and a recovery of $46 for the six months ended June 30, 2023, compared to research of nil for the same periods in 2022. In 2023, research expense in the second quarter relates to research related expenses for ongoing product development costs that were not capitalized. The research recovery for the six months ended June 30, 2023 relates to SRED refunds received in the first quarter of 2023 relating to fiscal 2021, partially offset by current quarter expense. Research and development costs for the ZeroE technology were recovered and first credited against the intangible assets and then research recovery depending on where the original expense was recorded.

Share-based compensation expense

	Three months ended June 30			Six months ended June 30		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Total share-based compensation expense	334	147	(187)	405	295	(110)

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

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

The share-based compensation expense for the three and six months ended June 30, 2023, increased to $334 and $405, respectively, compared to $147 and $295 for the same periods in 2022, primarily due to cancelation of previously granted Options to officers, employees and directors of the Company during the second quarter with the remainder of any unrecognized expense being fully recognized during the second quarter of 2023. Additionally, RSUs were granted to employees and officers and DSUs to directors during the second quarter of 2023. The RSU and DSU grants will be equity settled with minimal share-based compensation expense. See *note 7, Share-Based Payments* of the Interim Financial Statements for further details on share-based compensation.

Finance costs

	Three months ended June 30			Six months ended June 30		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Finance costs	395	274	(121)	776	538	(238)

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

Cleantek recognized finance costs of $395 and $776 for the three and six months ended June 30, 2023, respectively, compared to $274 and $538 in the same periods in 2022. The increased finance costs are due to rising interest rates throughout 2022 and 2023 on the floating rate debt and higher debt balances due to the draw on the revolving debt facility throughout 2022 due to the patent litigation spend.

Other (income) expenses

	Three months ended June 30			Six months ended June 30		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
(Gain) loss on disposal of long-lived assets	-	(21)	(21)	(44)	(148)	(104)
Foreign exchange (gain) loss	177	(116)	(293)	210	(33)	(243)
Other income	(10)	-	10	(25)	(12)	13

In 2023 and 2022, the Company recognized gains on dispositions of long-lived assets that were not being used in the normal course of operations.

Foreign exchange (gain) loss arises from exchange differences resulting from the translation of foreign denominated working capital as well as realized (gain) loss on the settlement of foreign denominated working capital. The foreign exchange losses recognized in 2023 are due to the strengthening of the Canadian dollar in the current year and resulting impact on the US dollar denominated accounts receivables and cash balances.

Other income arises from sub rental income of unused office space.

Income taxes

	Three months ended June 30			Six months ended June 30		
(Canadian $000's)	2023	2022	Change	2023	2022	Change

Current tax expense (recovery)	-	-	-	-	-	-
Deferred tax expense (recovery)	-	-	-	-	-	-
Total tax expense (recovery)	-	-	-	-	-	-

Income taxes consist of current and deferred income taxes.

The Company did not recognize any deferred tax expense or recovery for the first quarter of 2023 or 2022.

The Company did not incur current taxes in 2023 due to the Company's tax loss position. Due to the Company's significant unrecognized deferred tax assets, no deferred tax expense is recognized in 2023 due to the unrecognized 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.

Net loss

	Three months ended June 30			Six months ended June 30		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Net loss for the period	687	1,443	756	507	2,177	1,670

Net loss of $687 and $507 for the three and six months ended June 30, 2023, respectively, was a $756 and $1,670 improvement from the net loss of $1,443 and $2,177 for the same periods in 2022. The decreased net losses in 2023 were mainly due to the increased revenue and resulting gross profit combined with lower depreciation and general and administrative expenses partially offset by higher finance costs, share-based compensation, foreign exchange loss and a lower gain on asset sales, which have been explained in detail above.

EBITDA and Adjusted EBITDA

	Three months ended June 30			Six months ended June 30		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
EBITDA(1)	252	(241)	493	1,363	213	1,150
Adjusted EBITDA(1)	586	832	(246)	1,768	1,992	(224)

(1) These items are not defined and have no standardized meaning under IFRS. Please see the Non-IFRS Measurements section of this MD&A for further discussion of these items, and where applicable, reconciliations to measures calculated in accordance with IFRS.

Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's ability to generate cashflow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization. Adjusted EBITDA is measured as EBITDA adjusted for share-based compensation and unusual items not representative of ongoing business performance such as patent litigation expense. EBITDA and adjusted EBITDA are non-IFRS measures as defined under "Non-IFRS Measurement".

Cleantek's EBITDA of $252 and $1,363 for the three and six months ended June 30, 2023, respectively, increased from EBITDA of $(241) and $213 in the same periods in 2022 mainly due to the decreased net loss and increased finance costs, net partially offset by decreased depreciation expenses, which have been explained in detail above.

Cleantek's adjusted EBITDA was $586 and $1,768 in the three and six months ended June 30, 2023, respectively, compared with the adjusted EBITDA of $832 and $1,992 in the same periods in 2022. Movements for adjusted EBITDA were due to the same reasons described above combined with higher non-cash share-based compensation expense and a 2022 adjustment for patent litigation expense related to a matter that has been settled.

CAPITAL EXPENDITURES

(Canadian $000's)	Three months ended June 30 2023	2022	Change	Three months ended June 30 2023	2022	Change
Additions to property and equipment	321	406	(85)	439	680	(241)
Additions to intangible assets	-	23	(23)	7	46	(39)
Total capital expenditures	321	429	(108)	446	726	(280)

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

In 2023, Cleantek had capital expenditures that included new additions to the HALO™ crown-mounted lighting system fleet, capital connectors for the mobile ZeroE dehydration rental units, upgrades to the operations field staff vehicle fleet and office equipment.

SUPPLEMENTAL QUARTERLY INFORMATION

The table below summarizes Cleantek's quarterly financial and operational highlights for the three months ended June 30, 2023 as well as the previous seven quarters:

(Canadian $000's, except per share amounts and percentages)	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3
Revenue	3,397	3,833	3,483	3,391	3,125	3,147	2,372	2,045
Gross profit	2,084	2,317	2,248	2,031	1,706	1,837	1,126	1,100
Gross profit %	61	60	65	60	55	58	47	54
Net income (loss)	(687)	180	(388)	(1,023)	(1,443)	(734)	(4,747)	(397)
Net income (loss) per share - basic and diluted ($)	$(0.02)	$0.01	$(0.01)	$(0.04)	$(0.05)	$(0.03)	$(0.22)	$(0.02)
EBITDA[(1)]	252	1,112	612	(24)	(241)	454	(4,482)	(25)
Adjusted EBITDA[(1)]	586	1,183	1,155	1,552	831	1,160	694	389
Total assets	15,810	16,601	15,917	15,852	15,075	15,358	17,156	13,393
Working capital Surplus (deficiency)[(1)]	(8,196)	(8,043)	(8,348)	(1,083)	(57)	153	535	(16,319)
Non-current debt[(1)]	2,205	2,304	2,121	9,102	8,124	7,383	7,875	1,124
Total non-current liabilities	2,251	2,350	2,167	9,159	8,181	7,440	7,932	1,180

(1) These items are not defined and have no standardized meaning under IFRS. Please see the Non-IFRS Measurements section of this MD&A for further discussion of these items, and where applicable, reconciliations to measures calculated in accordance with IFRS.

Reported revenue, net income (loss), EBITDA, adjusted EBITDA are generally higher in the first and fourth quarters due to higher activity in the oil and gas sector. Revenue was negatively affected by reduced activity due to COVID-19 impacts starting in 2020 and into the fourth quarter of 2021.

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

- Increase in net loss in the fourth quarter of 2021 due to listing expense and transaction costs associated with the RTO, partially offset by an impairment reversal on rental assets due to improvements in the market fundamentals as oil and gas activity increased and COVID-19 impacts decreased.
- Increase in net loss in the second and third quarters of 2022 due to higher general and administrative expense primarily related to the legal spend on the patent litigation. The increased

general and administrative expense also contributed to the draw on the Revolving Debt Facility and resulting additional non-current debt borrowings.

- Increase in working capital deficiency in the fourth quarter of 2022 and first quarter of 2023 due to there being less than twelve months remaining on the term of the current credit facility.

Working capital was in a large deficit until the fourth quarter of 2021 due to the debt position of the Company prior to the RTO and Private Placement, combined with all debt being classified as current prior to the RTO. Working capital moved back into a large deficit in the fourth quarter of 2022 due to there being less than twelve months remaining on the credit facility term and all associated debt being classified as current and the Annual Financial Statements for further details on these events.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

The following discussion relates to the consolidated position of liquidity and capital of Cleantek as at June 30, 2023 and December 31, 2022. Please also refer to *Going Concern* within this MD&A for additional information regarding the financial position of Cleantek.

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

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

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

The capital structure of Cleantek consists of the following:

(Canadian $000's)	June 30 2023	December 31 2022
Current assets	3,748	3,774
Current liabilities	11,944	12,122
Working capital deficit	(8,196)	(8,348)
Long-term debt – non-current	1,645	1,853
Lease liabilities – non-current	560	268
Shareholders' deficit	1,615	1,628
	12,016	12,097

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

Debt and credit facilities

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

(Canadian $000's)	June 30 2023	December 31 2022
Long-term debt		
Credit facilities	8,952	8,573
Loans payable	1,485	1,689
Promissory notes	507	509
	10,944	10,771
Current portion of long-term debt		
Credit facilities	8,952	8,573
Loans payable	332	330
Promissory notes	15	15
	9,299	8,918
Non-current portion of long-term debt		

Credit facilities	-	-
Loans payable	1,153	1,359
Promissory notes	492	494
	1,645	1,853

Credit facilities

(Canadian $000's)	June 30 2023	December 31 2022
Credit facilities		
Canadian Private Debt Term Facility	8,987	8,661
Deferred financing costs	(35)	(88)
	8,952	8,573
Current portion of credit facilities	8,952	8,573
Non-current portion of credit facilities	-	-

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 June 30, 2023, $6,488 of the Non-Revolving Term Facility amount was drawn and outstanding (December 31, 2022 - $6,846). As of June 30, 2023, $2,500 has been drawn on the Revolving Debt Facility (December 31, 2022 – $1,815). The availability limit calculated on the Revolving Debt Facility at June, 2023 was $2,500, which provides an additional $0 available to be drawn, which combined with cash on hand of $656, provides for $656 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. Please refer to note 2(b) for future details.

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 11; (iv) interest only in months 12 to 17; (v) $120 plus interest in months 18 to 24; and (vii) the remaining balance on the Non-Revolving Term Facility and Revolving Debt Facility on October 31, 2023. The credit agreement was amended on May 10, 2023 to updated repayment terms and those amendments have been reflected above.

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.

At June 30, 2023, the Company was in compliance with all debt covenants.

Loans payable

(Canadian $000's)	June 30 2023	December 31 2022
Loans payable		
Customer Term Loan	552	574
Term loan payable – Other	933	1,115
	1,485	1,689
Current portion of loans payable	(332)	(330)
Non-current portion of loans payable	1,153	1,359

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 three and six months ended June 30, 2023, $43 and $109, respectively (2022 - $85 and $130) of rental income was invoiced to the customer for dehydration facility services. Of the amounts invoiced, for the three and six months ended June 30, 2023, $19 and $70 (2022 - $27 and $41) was recognized as interest expense on the outstanding Customer Loan and included in finances costs, net in net loss and $24 and $39, (2022 - $58 and $89) was recognized as rental income. Of the amounts invoiced and recognized as rental income, a portion was applied to the outstanding Customer Loan as principal repayments of $17 and $23 for the three and six months ended June 30, 2023, respectively (2022 - $45 and $69).

Promissory notes

(Canadian $000's)	Carrying value	Face value
Promissory notes		
At December 31, 2022	509	965
Principal payments	(25)	(25)
Accretion	23	-
At June 30, 2023	507	940

Current portion of promissory notes	(15)	(60)
Non-current portion of promissory notes	492	880

Vendor Promissory Note

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

SHARE CAPITAL

Cleantek had the following outstanding Common Shares and equity instruments at June 30, 2023, and December 31, 2022:

	June 30 2023	December 31 2022
Common Shares	27,645,380	27,645,380
Options	-	1,630,000
RSUs	1,395,000	-
DSUs	450,000	-
Warrants	3,101,098	3,101,098
Total outstanding securities	32,591,478	32,376,478

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

The Company places great emphasis on providing a safe and secure working environment for all employees, contractors and consultants, and recognizes the importance of operating in a sustainable manner. The Company has a strong commitment to safety and sustainability in its business operations and the identification, elimination or control of workplace hazards; promotion and provision of a work environment in which individuals are treated with respect, provided with equal opportunity and is free of all forms of and abusive and harassing conduct; and ethical business conduct and legal compliance. Cleantek's executive team places the highest priority on the health and safety of its staff and third parties at its sites, as well as the preservation of the environment. The Company's corporate culture is built around supporting these priorities, as reflected in its well-established practices and policies. Cleantek's high safety standards include active monitoring of all field workers, performing environmental, health and safety ("EHS") audits and using third parties and implementing safety processes from employee training in compliance with operational processes and procedures to emergency preparedness. By extension, the Company incorporates its EHS standards into its subcontractor selection process to ensure that its commitment to high EHS standards is shared by its subcontractors and stakeholders.

The Board also maintains a focus on safety and sustainability working with management to fulfill its oversight responsibilities relating to operating in a safe, environmentally and socially responsible (sustainable) manner and ensuring the integrity of policies and practices with respect to: workforce and public safety in Company activities and at its operating sites; and sustainability in Company activities with respect to people (wellbeing), planet (environmental) and prosperity (community and innovation) considerations ensuring that there are appropriate processes in place to facilitate identification of various safety and sustainability risks that may arise from the Company's operations and related mitigation and possible resulting consequential risks to the Company, its subsidiaries and directors, officers and employees; assessing whether the Company's safety and sustainability policies are effective, properly implemented and comply with applicable legislation and industry standards; reviewing corporate safety and sustainability activities and performance; reviewing the Company's method of communicating (internally and externally) safety and sustainability policies, practises and procedures; reviewing and assessing the sufficiency of resources to the Company's safety and sustainability program; ensuring that appropriate reporting procedures are established relating to safety and sustainability matters by management to the Board.

RISK ASSESSMENT

There are a number of risks facing Cleantek. Some of the risks are common to all businesses while others are specific to a sector.

Many of these risks are outside of the Company's control. The risks and uncertainties described below are not the only risks that the Company faces. Additional risks and uncertainties, including those of which management is not currently aware of or which are currently deemed immaterial, may adversely affect the Company. Any of these factors, either alone or taken together, could have a material adverse effect on the Company and could change whether any forward-looking statements are ultimately realized.

These risks cannot be eliminated, however, Cleantek's management is committed to proactively monitoring, and where possible, mitigating risk. Issues affecting, or with the potential to affect, the Company's assets, operations and/or reputation, are generally of a strategic nature or are emerging issues that can be identified early and then managed, but occasionally include unforeseen issues that arise unexpectedly and must be managed on an urgent basis. Cleantek takes a proactive approach to the identification and management of issues that may affect the Company's assets, operations and/or reputation and has established consistent and clear policies, procedures, guidelines and responsibilities for issue identification, management and mitigation.

FINANCIAL RISKS

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

ACCOUNTING STANDARDS, CHANGES AND PRONOUNCEMENTS

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

A summary of significant accounting policies can be found in *note 3 Significant Accounting Policies* of the Annual Financial Statements.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

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

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

COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The expected timing of cash outflows relating to financial liabilities at June 30, 2023 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	2,197	2,197	-	-	-	2,197
Long-term debt						
Credit facilities[3]	8,952	9,392	-	-	-	9,392
Loans payable	1,485	515	869	347	126	1,857
Promissory notes	507	60	120	120	645	945
	13,141	12,164	989	467	771	14,391
Lease liabilities and other commitments						
Lease liabilities	1,008	498	548	58	-	1,104
Other property lease commitments[4]	-	248	-	-	-	248
Other operating and capital commitments	-	103	32	32	-	167
	1,008	849	580	90	-	1,519

(1) Includes the current and non-current portions.
(2) Amounts include principal and interest portions
(3) Credit facilities mature on October 31, 2023. Carrying amount excludes deferred financing charges of $35 and includes interest at 13.50%
(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.

NON-IFRS MEASUREMENTS

Cleantek uses certain financial measures referred to in this MD&A to quantify its results that are not prescribed by IFRS. The following terms: "EBITDA", "adjusted EBITDA", "working capital" and "non-current debt" are not recognized measures under IFRS and may not be comparable to that reported by other companies. Cleantek believes that, in addition to measures prepared in accordance with IFRS, the non-IFRS measurements provide useful information to evaluate the Company's performance and ability to generate cash, profitability and meet financial commitments.

These non-IFRS measures ae intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

EBITDA and Adjusted EBITDA

Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's ability to generate cash flow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization as differences in accounting treatments may distort our core business results. Adjusted EBITDA is measured as EBITDA adjusted for certain non-cash items, including share-based compensation as well as unusual items not representative of ongoing business performance such as patent litigation expense.

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

	Three months ended June 30		Six months ended June 30	
(Canadian $000's)	2023	2022	2023	2022
Net loss	(687)	(1,443)	(507)	(2,177)
Depreciation and amortization	544	928	1,094	1,852
Finance costs, net	395	274	776	538
EBITDA	252	(241)	1,363	213
Share-based compensation	334	147	405	295
Patent litigation expense	-	926	-	1,484
Adjusted EBITDA	586	832	1,768	1,992

Working capital

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

(Canadian $000s)	June 30 2023	December 31 2022
Current assets	3,748	3,774
Current liabilities	11,944	12,122
Working capital deficit	(8,196)	(8,348)

Non-current debt

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

(Canadian $000s)	June 30 2023	December 31 2022
Long-term debt – non-current portion	1,645	1,853

Lease liabilities – non-current portion	560	268
Non-current debt	2,205	2,121

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking statements and forward-looking information (collectively "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as: "anticipates", "believes", "continues", "estimates", "could", "expects", "intends", "may", "objective", "ongoing", "plans", "will", "projects", "should", or similar expressions suggesting future outcomes or events. In particular, this MD&A contains forward-looking statements relating, but not limited to:

- maximize utilization rates of its current fleet of sustainable lighting solutions and mobile ZeroE wastewater treatment assets;
- expanding and growing the Company's fleet of sustainable lighting solutions and mobile ZeroE wastewater treatment assets to satisfy increased demand in the oil and gas, midstream, mining, industrial and construction markets;
- leveraging Cleantek's technology to capture additional market share through organic growth of the ZeroE wastewater treatment and vaporization services, including the new mobile GZeroE, as well as the new product and service offering in SecureTek;
- expanding and diversifying Cleantek's geographic focus and customer base, including exploring opportunities outside of the North American market for rental or product sales;
- focusing on growth, generating positive return for shareholders and improving financial position now that the patent litigation related to the HALO™ lighting systems in the United States is completed; and,
- evaluating new technology, products and services to increase our offering to our current client base.

Such statements are based on assumptions of future events and actual results could vary from these assumptions. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of Cleantek. These include, but are not limited to, risks associated with renewable energy sources, such as market competition, volatility of prices, currency fluctuations, environmental risk, and competition from other producers and ability to access sufficient capital from internal and external sources.

Although management believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. As such, readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements contained in this MD&A are made as of the date hereof for the purposes of providing the readers with Cleantek's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Furthermore, the Company undertakes no obligation to update or revise these forward-looking statements or information as a result of new information or future events, other than as required by applicable securities laws. However, in the event that subsequent events are reasonably likely to cause actual results to differ materially from forward-looking statements previously disclosed by the Company for a period that is not yet complete, Cleantek will provide disclosure on such events and the anticipated impact of such events.

ADDITIONAL INFORMATION

Additional information regarding Cleantek and its business and operations can be obtained by contacting the Company at Cleantek Industries Inc., Suite 3200, 500 – 4th Avenue SW, Calgary, Alberta, Canada T2P 2V6 or by e-mail at info@cleantekinc.com. Additional information related to Cleantek is available on www.cleantekinc.com and on the Company's SEDAR profile at www.sedar.com.