Management's Discussion and Analysis

For the years ended December 31, 2023 and 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION AND DESCRIPTION OF THE COMPANY

April 15, 2024 - 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 years ended December 31, 2023 and 2022 and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2023 and 2022 ("Annual Financial Statements"). All amounts are in thousands of Canadian dollars unless otherwise indicated.

The Annual Financial Statements of Cleantek have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. This MD&A and the Annual Financial Statements of Cleantek have been prepared by management and approved by the board of directors (the "Board") as of April 15, 2024.

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.

HIGHLIGHTS FOR THE FOURTH QUARTER 2023

- Cleantek generated revenue of $3,188 for Q4 2023, a decrease of $279 or 8%, from Q4 2022. On an annual basis, Cleantek generated revenues of $13,989, an increase of $873 or 7%, from 2022. The decrease in revenue for Q4 compared to same period last year is largely due to decreased utilization whilst the increased revenue on a year to date basis compared to the prior year is due to increased fleet size and higher rental rates combined with a sale of a HALO™ lighting system;

- Cleantek's gross profit of $1,716 or 54% of revenue for Q4 2023 was lower than the gross profit of $2,232 and 64% of revenue in Q4 2022 due to the inclusion of a $259 US federal wage subsidy received in Q4 2022. Cleantek's gross profit of $8,385 or 60% of revenue for the year ended 2023 was inline with target when compared with gross profit of $7,792 and 59% of revenue for 2022;
- Cleantek's Adjusted EBITDA was $559 for Q4 2023, a decrease of $714 when compared to Q4 2022, primarily due to the decreased direct gross profit;
- On an annual basis Adjusted EBITDA was $4,050, a decrease of $320 from 2022 primarily due to the receipt of a $259 US federal wage subsidy in Q4 2022;
- On December 27, 2023, the Company entered into new long-term debt financing facilities arrangement, replacing the Company's existing short-term credit facility. Whilst the new long-term facilities do not provide the Company with a significant amount of immediate new liquidity, they do provide the Company with a long-term partnership, reduced monthly principal and interest payments and added financial flexibility over the life of the facilities; and;
- In December, 2023, the Company reached a settlement agreement on the litigation disputes with former Cleantek executives for wrongful dismissals in 2019 which has eliminated litigation spending going forward. Legal costs incurred in 2023 for these litigations totaled $550 and an additional $550 was accrued for settlement. Details can be found in the *Litigation and Claims* section within this MD&A.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Canadian $000's, except per share amounts and percentages)	Three months ended December 31 2023	2022	Change	Years ended December 31 2023	2022	Change
Revenue	3,188	3,467	(279)	13,989	13,116	873
Gross profit	1,716	2,232	(516)	8,385	7,792	593
Gross profit %	54	64	(11%)	60	59	1%
Net loss	(1,562)	(387)	(1,106)	(1,823)	(3,587)	1,832
Net loss per share - basic and diluted ($)	$(0.06)	$(0.01)	$(0.04)	$(0.07)	$(0.13)	$0.07
EBITDA(1)	(373)	612	(920)	2,185	801	1,447
Adjusted EBITDA(1)	559	1,273	(714)	4,050	4,370	(320)
Capital expenditures	315	787	(504)	1,117	2,824	(1,707)

As at:	December 31, 2023	December 31, 2022	Change
Total assets	15,263	15,917	(654)
Working capital surplus/(deficit)(1)	(2,942)	(8,348)	5,604
Non-current debt(1,2)	8,470	2,121	(6,349)
Total non-current liabilities	8,516	2,167	(6,349)

(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 litigation expenses and settlements and the impact of unrealized foreign exchange gains and losses. 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 waste gas fired GZeroE. Both growth initiatives will utilize the Company's existing asset base and require minimal capital investment for what the Company believes could be substantial growth opportunities in adjacent industry verticals.

- International Expansion - Expanding on the Company's recent success with the first HALO™ sale in a geographic area historically not serviced by Cleantek, Cleantek completed a proof-of-concept trial with the Kingdom of Saudi Arabia for its HALO™ line and is exploring a number of promising opportunities diversifying Cleantek's geographic focus and customer base, including exploring opportunities across the Middle East for rental and/or product sales.
- 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 utilizes 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. The first system was launched in March 2024 to one of a growing number of clientele and has received excellent feedback. The manufacture of additional units will be determined 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;
- focusing on growth, generating positive return for shareholders and improving the Company's financial position now that long-term financing is in place and the longstanding legal disputes have been settled; 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 December 31			Year ended December 31		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Sustainable lighting solutions	2,840	3,134	(294)	12,439	11,732	707
ZeroE dehydration	348	333	15	1,383	1,384	(1)
HALO Sales	-	-	-	167	-	167
Total revenue	3,188	3,467	(279)	13,989	13,116	873
Fleet Utilization percentage	35%	50%	(15)%	43%	50%	(7)%

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

Revenue for the three months ended December 31, 2023, decreased to $3,188 compared to $3,467 for the same period in 2022. Revenue for the three month period decreased due to lower utilization of assets, primarily in the HALO lighting systems, in that period partially offset by the increased fleet size. Revenue for the year ended December 31, 2023, increased to $13,989 compared to $13,116 for the same period in 2022. 2023 full year revenue increased due to the increased fleet size of HALO lighting systems as well as the sale of a HALO unit in Q3 2023. General equipment utilization decreased slightly for the year ended 2023 when compared to the same period in 2022 due to decreased utilization of solarhybrid fleet but was more than offset by the increased revenue associated with increased HALO fleet.

Direct operating expenses

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Direct operating expenses	1,471	1,235	(236)	5,604	5,324	(280)
% of revenue	46	36	(11)%	40	41	(1)%

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 $1,471, or 46% of revenue, and $5,604, or 40% of revenue, for the three months and year ended December 31, 2023, respectively, compared to $1,235, or 36% of revenue, and $5,324, or 41% of revenue, for the same periods in 2022. Direct operating expenses increased by 236 and 11% as a percentage of revenue for the three months ended December 31, 2023 when compared to the same period in 2022 due in large part to a $259 US federal wage subsidy received in 2022. Direct operating expenses increased $280 in 2023 primarily as a result of increased salaries and wages partially offset by the receipt of the US federal wage subsidy in 2022.

Gross profit

	Three months ended	Year ended
(Canadian $000's,	December 31	December 31

except percentage)	2023	2022	Change	2023	2022	Change
Gross profit	1,716	2,232	(516)	8,385	7,792	593
% of revenue	54	64	(10)%	60	59	1%

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 54% and 60% for the three months and year ended December 31, 2023, compared to 64% and 59%, respectively, for the same periods in 2022. Decrease in the gross margin for the three month period is due to lower revenues compared to the prior year combined with the increased direct operating expenses, both of which have been explained above.

General and administrative expenses

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
General and administrative expenses	1,278	1,510	(232)	4,944	7,117	(2,173)

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

General and administrative expenses for the three months and year ended December 31, 2023, decreased to $1,278 and $4.944, respectively, compared to $1,510 and $7,117 for the same periods in 2022. Decreased General and administrative expenses in 2023 were due to decreased professional fees primarily related to $445 and $3,430 in legal expenses incurred on the patent litigation in Q4 2022 and the year ended December 31, 2022, respectively, partially offset by increased spending in relation to several litigation matters with the Company's former CEO who was terminated in 2019 and fully settled in December 2023 combined with costs associated with an enterprise resource planning system implementation. See *note 14 Direct Operating Expenses and General and Administrative Expenses* of the Annual Financial Statements for further details on general and administrative expense.

Depreciation and amortization

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Total depreciation and amortization	582	633	(51)	2,233	3,160	(927)

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

Depreciation and amortization expense for the three months and year ended December 31, 2023, decreased to $582 and $2,233, respectively, compared with $633 and $3,160 for 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

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Research expense	40	-	40	9	-	9

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 $40 and $9 for the three months and year ended December 31, 2023, compared to research recovery of nil for the same periods in 2022. In 2023, research expense related to ongoing product development costs that were not capitalized. A research recovery related to SRED refunds was received in the first quarter of 2023, relating to fiscal 2021 research expense, partially offset by current year 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 payments expense

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Total share-based payments expense	37	98	(61)	479	471	8

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 payments expense in the three months and year ended December 31, 2023, decreased and increased to $37 and $479, respectively, compared to $98 and $471 for the same periods in 2022, due to cancellation 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. See *note 12, Share-Based Payments* of the Annual Financial Statements for further details on share-based compensation.

Finance costs

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Finance costs	603	367	(236)	1,771	1,229	(542)

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 $603 and $1,771 for three months and year ended December 31, 2023, respectively, compared to $367 and $1,229 for the same periods in 2022. The increased finance costs in 2023 compared to 2022 are due to rising interest rates on the floating rate debt and higher debt balances due to the draws on the revolving debt facility throughout 2023 combined with costs of refinancing the debt facilities in the fourth quarter 2023.

cleantek

Other (income) expenses

(Canadian $000's)	Three months ended December 31 2023	2022	Change	Year ended December 31 2023	2022	Change
(Gain) on disposal of property and equipment	-	(87)	(87)	(44)	(235)	(191)
Foreign exchange (gain) loss	183	114	69	291	(333)	625
Other (income) expense	550	(16)	566	521	(30)	551

In 2023, the Company recognized fewer gains on dispositions of long-lived assets that were no longer needed in the normal course of operations.

Foreign exchange (gain) loss arises from exchange differences resulting from the translation of foreign denominated financial instruments as well as realized (gain) loss on the settlement of foreign denominated financial instruments. The foreign exchange gains recognized in 2023 are due to the weakening of the Canadian dollar in 2023 and resulting impact on the US dollar denominated accounts receivables and cash balances.

Other (income) expense increased primarily due to a December 2023 provision related to the settlement of outstanding legal claims from former executives.

Income taxes

(Canadian $000's)	Three months ended December 31 2023	2022	Change	Year ended December 31 2023	2022	Change
Current tax expense (recovery)	4	-	4	4	-	4
Deferred tax expense (recovery)	-	-	-	-	-	-
Total tax expense (recovery)	4	-	4	4	-	4

Income taxes consist of current and deferred income taxes.

The Company did not recognize any deferred tax expense or recovery for the three months and year ended December 31, 2023 or 2022.

The Company did incur $4 of current taxes in 2023 related to their US operations and tax limitations on using prior year tax losses to offset only 80% of current year income. The Company did not incur current taxes in 2022 due to the Company's tax loss position. Due to the Company's significant unrecognized deferred tax assets, no deferred tax expense is recognized in 2023 or 2022 as a valuation allowance was taken against unrecognized tax. Deferred tax assets are recognized only to the extent that it is probable that the assets can be recovered through deductions available against future taxable income.

Net loss

(Canadian $000's)	Three months ended December 31 2023	2022	Change	Year ended December 31 2023	2022	Change
Net loss for the period	1,562	387	(1,175)	1,823	3,587	1,764

The net loss for the three months and year ended December 31, 2023, increased and decreased, respectively, to $1,562 and $1,823, respectively, compared to $387 and $3,587 for the same periods in 2022. The lower net loss in 2023 was primarily due to the decreased general and administrative expense, while the increase in the three month period is related to higher other expenses and lower revenue compared to the same period in the prior quarter, all of which have been explained in detail above.

EBITDA and Adjusted EBITDA

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
EBITDA[(1)]	(373)	612	(985)	2,185	801	1,384
Adjusted EBITDA[(1)]	559	1,273	(714)	4,050	4,370	(320)

(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 unusual items not representative of ongoing business performance such as litigation expense and settlements and impact of unrealized foreign exchange gains and losses. EBITDA and adjusted EBITDA are non-IFRS measures as defined under "Non-IFRS Measurement".

Cleantek's EBITDA of $(373) and $2,185 for the three months and year ended December 31, 2023, respectively, decreased and increased compared to $612 and $801 for the same periods in 2022. The decrease in EBITDA for the three months ended December 31, 2023 was primarily due to the increased net loss while the increase for the full year was primarily due to the decreased net loss, both explained above.

Cleantek's adjusted EBITDA of $559 and $4,050 for the three months and year ended December 31, 2023, respectively, decreased compared to $1,273 and $4,370 for the same periods in 2022. Movements for adjusted EBITDA were due to the same reasons described above.

CAPITAL EXPENDITURES

	Three months ended December 31			Year ended December 31		
(Canadian $000's)	2023	2022	Change	2023	2022	Change
Additions to property and equipment	315	752	(437)	1,110	2,698	(1,588)
Additions to intangible assets	-	35	(35)	7	126	(119)
Total capital expenditures	315	787	(472)	1,117	2,824	(1,707)

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 December 31, 2023 as well as the previous seven quarters:

(Canadian $000's, except per share amounts and percentages)	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Revenue	3,188	3,588	3,397	3,817	3,483	3,391	3,125	3,147
Gross profit	1,716	2,284	2,084	2,301	2,232	2,029	1,706	1,825
Gross profit %	54	64	61	60	65	60	55	58
Net loss	(1,562)	245	(687)	180	(388)	(1,023)	(1,443)	(734)

Net loss per share - basic and diluted ($)	$(0.06)	$0.01	$(0.02)	$0.01	$(0.01)	$(0.04)	$(0.05)	$(0.03)
EBITDA(1)	(373)	1,193	252	1,112	612	(24)	(241)	454
Adjusted EBITDA(1)	559	1,258	903	1,331	1,273	1,163	704	1,226
Total assets	15,263	15,675	15,810	16,601	15,917	15,852	15,075	15,358
Working capital Surplus (deficiency)(1)	(2,942)	(7,982)	(8,196)	(8,043)	(8,348)	(1,083)	(57)	153
Non-current debt(1)	8,470	2,053	2,205	2,304	2,121	9,102	8,124	7,383
Total non-current liabilities	8,516	2,099	2,251	2,350	2,167	9,159	8,181	7,440

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

Reported revenue, net loss, EBITDA, adjusted EBITDA are generally higher in the first and fourth quarters due to higher activity in the oil and gas sector.

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

- Increase in net loss in the fourth quarter of 2023 due to increased general and administrative expense and other expense due to related litigation expense and settlement combined with the lower revenue.
- Increase in net loss in the second and third quarters of 2022 due to higher general and administrative expense primarily related to the legal spend on the patent litigation. The increased general and administrative expense also contributed to the draw on the Revolving Debt Facility and resulting additional non-current debt borrowings.
- Increase in working capital deficiency in the fourth quarter of 2022 due to there being less than twelve months remaining on the current credit facility at that time.
- Improved working capital deficiency in the fourth quarter of 2023 reflects the new BDC term loan and long term financing completed during this this quarter.

Working capital was in a large deficit starting in the fourth quarter of 2022 due to there being less than twelve months remaining on the credit facility and all associated debt being classified as current until the new long term financing was completed in the fourth quarter of 2023. See the Annual Financial Statements for further details on these events.

SUPPLEMENTAL ANNUAL INFORMATION

The table below summarizes Cleantek's annual financial and operational highlights for the year ended December 31, 2023, as well as the previous two years:

(Canadian $000's, except per share amounts and percentages)	Years ended December 31		
	2023	2022	2021
Revenue	13,989	13,116	8,819
Gross profit	8,385	7,792	4,577
Gross profit %	60	59	52
Net loss	(1,823)	(3,587)	(5,955)
Net loss per share - basic and diluted ($)	$(0.07)	$(0.13)	$(0.32)
EBITDA(1)	2,185	801	(3,360)
Adjusted EBITDA(1)	4,050	4,370	1,939
Capital expenditures	1,117	2,856	562
Total assets	15,263	15,917	17,156
Working capital surplus (deficit)(1)	(2,942)	(8,348)	535

Non-current debt[(1)]	8,470	2,121	7,875
Total non-current liabilities	8,516	2,167	7,932

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

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

The following discussion relates to the consolidated position of liquidity and capital of Cleantek as at December 31, 2023 and December 31, 2022.

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

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

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

The capital structure of Cleantek consists of the following:

(Canadian $000's)	December 31, 2023	December 31, 2022
Current assets	3,404	3,774
Current liabilities[1]	6,346	12,122
Working capital surplus (deficit)	(2,942)	(8,348)
Long-term debt – non-current	7,806	1,853
Lease liabilities – non-current	664	268
Shareholders' equity	401	1,628
	11,813	12,097

(1) Current liabilities in 2022 included all amounts related to outstanding credit facility as there are less than twelve months remaining on the current term in 2022.

Debt and credit facilities

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

(Canadian $000's)	December 31, 2023	December 31, 2022[(1)]
Revolving Current Debt		
Bank Operating Line	1,880	-
Long-term debt		
Credit Facilities	-	8,573
BDC term debt	6,926	-
Loans payable	1,299	1,689
Promissory notes	494	509
	8,719	10,771
Current portion of long-term debt		
Credit Facilities	-	8,573
BDC term loan	555	-
Loans payable	343	330
Promissory notes	15	15
	913	8,918
Non-current portion of long-term debt		
BDC term loan	6,371	-

Loans payable	956	1,359
Promissory notes	479	494
	7,806	1,853

(1) Includes the entire credit facilities which were due for repayment in less than 12 months as of December 31, 2022.

Credit facilities

(Canadian $000's)	December 31, 2023	December 31, 2022(1)
Credit Facilities		
Canadian Private Debt Term Facility	-	8,661
Deferred financing costs	-	(88)
	-	8,573
Current portion of credit facilities	-	8,573
Non-current portion of credit facilities	-	-

BDC Term Loan

(Canadian $000's)	December 31, 2023	December 31, 2022(1)
BDC Term Loan		
BDC Term Loan	7,200	-
Deferred financing costs	(274)	-
	6,926	-
Current portion of BDC term loan	(555)	-
Non-current portion of BDC term loan	6,371	-

Bank Operating Line

On December 21, 2023, the Company entered into a revolving operating line with HSBC Bank Canada (HSBC) which provides for a revolving debt facility up to a maximum amount of $2,500. The amount available on a month to month balance is based on a percentage of accounts receivable and is determined at each month end. At December 31, 2023 the Company was in compliance with all covenants and had access to $1,881 of the debt facility. The operating line carries an interest rate of prime plus 1% and is secured against the Company's accounts receivable. The operating line is payable on demand. The operating line is subject to covenants of: (i) maintaining a Funded Debt to Adjusted EBITDA on a trailing 12 months ratio to not exceed more than 3 to 1 at any given time and (ii) a Fixed Charge Coverage ratio that must be above 1.1 to 1 at all times. Funded debt includes the Bank Operating line, long term debt and lease liabilities less cash on hand, the promissory note and customer term loan. Adjusted EBITDA is defined as net earnings excluding interest expense, provisions for income taxes, non-cash items including depreciation and amortization and non-cash unrealized foreign exchange gains/losses, and certain non-recuring expenses such as litigation expenses and settlement. Fixed Charge Coverage ratio is calculated by taking Adjusted EBITDA and dividing it by Debt Service costs which include current portions of long term debt, term loans and lease liabilities plus finance costs for the last twelve months.

BDC Term Loan

On December 21, 2023, the Company entered into a term loan agreement with the Business Development Bank of Canada (BDC) which provides for a $7,200 non-revolving term loan, in a single loan advance ("BDC Term Loan"). The term loan matures on May 20, 2030 and includes an initial 6 month interest only period after which time a blended monthly payment of $127 for principal and interest will begin. The loan carries a three year fixed interest rate of 8.20% per annum, after three years the interest rate will be renegotiated. The term loan is subject to a covenant of a Fixed Charge Coverage ratio that must be above 1.1 to 1 at all times. The Term Loan is secured by the fixed assets of the Company and its subsidiaries. The Fixed Charge

Coverage is calculated the same as for the Bank Operating Line above. At December 31, 2023 the Company was in compliance with all covenants.

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").

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 bared 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 were secured by the assets of the Company and its subsidiaries. The Credit Facilities were 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.

The Credit Facilities were for an initial term of 24 months, maturing on October 31, 2023, which was extended for an additional 12 month period at the request of the Company. The Company repaid $960 (2022 - $653) in principal payments throughout the year and the facility was repaid in full on December 21, 2023 which included the remaining term facility balance of $5,888. During the year the Company borrowed $1,141 (2022 - $1,814) on the revolving line and the total revolving line of $2,955 was repaid in December. Remaining deferred financing costs of $77 were expensed when the facility was repaid and an early termination fee of $133 was also paid.

Loans payable

(Canadian $000's)	December 31, 2023	December 31, 2022
Loans payable		
Customer Term Loan	529	574
Term loan payable – Vehicles	770	1,115
	1,299	1,689
Current portion of loans payable	(343)	(330)
Non-current portion of loans payable	956	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 year ended December 31, 2023, $175 (2022 - $144) of rental income was invoiced to the customer and recognized as dehydration facility revenue in net loss, $104 (2022 - $48) interest expense was recognized on the outstanding Customer Loan and included in finances costs, net in net loss and $71 (2022 - $96) of the rental income invoiced to the customer was applied to the outstanding Customer Loan, including $44 (2022 - $75) to the principal balance.

Term Loans Payable – Vehicles

Throughout 2022 and 2023, Cleantek entered into a series of loan agreements with two lenders for the purchase of new vehicles for field operations staff to use in servicing our rental equipment. The loans have terms ranging from 36 to 48 months and interest rates ranging from 4.79% to 8.99% per annum.

Promissory notes

(Canadian $000's)	Carrying value	Face value
Promissory notes		
At December 31, 2022	509	527
Principal payments	(59)	(65)
Accretion	44	47
At December 31, 2023	494	509
Current portion of promissory notes	(15)	(15)
Non-current portion of promissory notes	479	494

Vendor Promissory Note

In January 2022, 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.

OFF-BALANCE SHEET ARRANGEMENTS

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

SHARE CAPITAL

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

	December 31 2023	December 31 2022
Common Shares	27,762,044	27,645,380
Options	-	1,630,000
RSU's	1,278,336	-
DSU's	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 27,762,044 Common Shares outstanding.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

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

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

RISK ASSESSMENT

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

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

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

Business risks related to Cleantek

Cleantek's HSBC bank operating line is a demand loan and could be demanded upon

Cleantek's HSBC operating line is a demand loan secured by the Company's accounts receivable balance. While it is unlikely the operating line would be demanded on unless there was a sustained pattern of non-compliance with the facility terms, such as a breach in covenants, failure to deliver reporting, etc., other material events could also lead to this outcome. If HSBC demanded on payment of the operating line Cleantek would have 90 days to collect on the outstanding receivables and pay off the loan balance or seek alternative financing. There can be no assurance that additional debt or equity financing will be available to meet these requirements on terms acceptable to Cleantek should this happen. Cleantek's inability to raise capital could impede its growth and could materially adversely affect the business, financial condition, results of operations and cash flows of Cleantek.

Business Development Risks

In implementing its strategy, Cleantek may pursue new business or growth opportunities. There is no assurance that Cleantek will be successful in executing those opportunities. Cleantek may have difficulty executing its strategy because of, among other things, increased competition, difficulty entering new markets or geographies, difficulties in introducing new products, the ability to attract qualified personnel, barriers to entry into geographic markets, and changes in regulatory requirements.

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

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

Cleantek's industry is intensely competitive.

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

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

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

Cleantek's operations are subject to hazards inherent in the oil and natural gas industry

Cleantek's operations are subject to hazards inherent in the oil and natural gas industry, such as equipment defects, malfunction and failures, operator error and natural disasters which can result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These hazards could expose Cleantek to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, contamination of drinking water and other environmental damages. Cleantek continuously monitors its activities for quality control and safety, and although Cleantek maintains insurance coverage that it believes to be adequate and customary in the industry, such insurance may not be adequate to cover potential liabilities and may not be available in the future at rates that Cleantek considers reasonable and commercially justifiable. The occurrence of a significant event that Cleantek is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Cleantek is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities

Cleantek is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating to the protection of employees and the environment, including laws and regulations governing occupational health and safety standards, air emissions, chemical usage, water discharges, waste management and plant and wildlife protection. Cleantek incurs, and expects to continue to incur, significant capital, managerial and operating costs to comply with such health, safety and environmental laws and regulations. Violation of these laws and regulations could lead to loss of accreditation, damage to Cleantek's social license to operate, loss of access to markets and substantial fines and penalties which could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Cleantek uses and generates hazardous substances and wastes in its operations. Since Cleantek provides services to companies producing oil and natural gas, it may also become subject to claims relating to the release of such substances into the environment. Some environmental laws and regulations provide for joint and several strict liability related to spills and releases of hazardous substances for damages to the environment and natural resources or threats to public health and safety. Strict liability can render a potentially responsible party liable for damages irrespective of negligence or fault. Accordingly, Cleantek could become subject to potential material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require Cleantek to incur costs or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations.

Failure to maintain Cleantek's safety standards and record could lead to a decline in the demand for services

Standards for the prevention of incidents in the oilfield services industry are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. In order to ensure compliance, Cleantek has developed and implemented safety and training programs which it believes meet or exceed the applicable standards. A key factor considered by customers in retaining oilfield service providers is safety. Deterioration of Cleantek's safety performance could result in a decline in the demand for Cleantek's services and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Cleantek may be subject to certain reputational risks as a result of increased online scrutiny.

As a result of the widespread usage, speed and global reach of social media and other internet resources used to generate, publish and discuss user-generated content, companies today are at risk of losing control over how they are perceived in the marketplace. Damage to Cleantek's reputation may result from the actual or perceived occurrence of any number of events related to Cleantek's operational or ESG performance and could include negative publicity with respect to Cleantek's handling of environmental matters and social issues. While Cleantek is committed to protecting its image and reputation, it does not have direct control over how others perceive it. Reputation loss may lead to decreased shareholder confidence and impediments to Cleantek's ability to conduct its operations, with the potential to adversely affect Cleantek's business, financial condition, results of operations and cash flows.

Failure to continuously improve operating equipment could negatively affect Cleantek's results of operations

The ability of Cleantek to meet its customers' performance and cost expectations will depend upon continuous improvements in operating equipment. There can be no assurance that Cleantek will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by Cleantek to do so could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

There can be no assurance that the steps Cleantek takes to protect its intellectual property rights will prevent misappropriation or infringement

The success and ability of Cleantek to compete depends on the proprietary technology of Cleantek, proprietary technology of third parties that has been, or is required to be, licensed by Cleantek and the ability of Cleantek and such third parties to prevent others from copying such proprietary technology. Cleantek currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licences and patents to protect its proprietary technology. Cleantek also relies on third parties from whom licences have been received to protect their proprietary technology. Cleantek may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether Cleantek is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of Cleantek or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to Cleantek. Furthermore, others may develop technology that is similar or superior to the technology of Cleantek or such third parties or design technology in such a way as to bypass the patents owned by Cleantek and/or such third parties.

Despite the efforts of Cleantek or such third parties, the intellectual property rights, particularly existing or future patents, of Cleantek or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps Cleantek or such third parties may take to protect their intellectual property rights and other rights to such proprietary technology that is central to Cleantek's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

Improper access to confidential information could adversely affect Cleantek's business

Cleantek's efforts to protect its confidential information, as well as the confidential information of its customers, may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, lost or damaged data as a result of a natural disaster, data breach, intentional harm done to software by hackers or other factors. If any of these events occur, this information could be accessed or disclosed improperly. Any incidents involving unauthorized access to confidential information could damage Cleantek's reputation and diminish its competitive position. In addition, the affected customers could initiate legal or regulatory action against Cleantek in connection with such incidents, which could cause Cleantek to incur significant expense. Any of these events could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Cleantek's reliance on equipment suppliers and fabricators exposes it to risks relating to the timing of delivery and quality of the equipment

Cleantek's ability to expand its operations may, in part, depend upon timely delivery of new equipment and component parts. Equipment suppliers and fabricators may be unable to meet their planned delivery schedules for a variety of reasons which may include, but are not limited to, skilled labour shortages, the inability to source component parts in a timely manner, complexity of new technology and inadequate financial capacity. Failure of equipment suppliers and fabricators to meet their delivery schedules and to provide high quality working equipment and component parts may have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

The direct and indirect costs of various greenhouse gas regulations, existing and proposed, may adversely affect Cleantek's business, operations and financial results

Future federal legislation, including potential international or bilateral requirements enacted under Canadian law, together with mandatory carbon pricing programs and emission reduction requirements, such as those contemplated by the federal government's Pan-Canadian Framework on Clean Growth and Climate Change and in effect at the federal level under the Greenhouse Gas Pollution Pricing Act, and in Alberta pursuant to the Emissions Management and Climate Resilience Act. Potential further federal or provincial requirements may impose additional costs on Cleantek's operations and require the reduction of emissions or emissions intensity from Cleantek's operations and facilities. Taxes on greenhouse gas emissions and mandatory emissions reduction requirements may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby decreasing the demand for Cleantek's services. The federal carbon levy, mandatory emissions reduction programs and the industry emissions cap in Alberta may also impair Cleantek's ability to provide its services economically and reduce the demand for Cleantek's services. Cleantek is unable to predict the impact of current and pending climate change and emissions reduction legislation on Cleantek and it is possible that such legislation would have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Merger and acquisition activity among Cleantek's clients may constrain demand for Cleantek's services

Merger and acquisition activity amongst oil and natural gas exploration and production companies may constrain demand for Cleantek's services as clients focus on reorganizing their businesses prior to committing funds to exploration and development projects. Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than Cleantek.

The loss of one or more of Cleantek's key employees could have a material adverse effect on Cleantek's business

Cleantek's success depends in large measure on certain key personnel. Many critical responsibilities within Cleantek's business have been assigned to a small number of employees. The loss of their services could disrupt Cleantek's operations. In addition, Cleantek does not maintain "key person" life insurance policies on any of its employees, so Cleantek is not insured against any losses resulting from the death of its key employees. The competition for qualified personnel in the oilfield services industry is intense and there can be no assurance that Cleantek will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Risks relating to labour unions

Union attempts to organize Cleantek’s employees could negatively affect Cleantek’s business. None of Cleantek’s employees will be subject to a collective bargaining agreement as of the date hereof. As Cleantek expands its operations, unions may attempt to organize all or part of its employee base. Responding to such organization attempts may divert the attention and efforts of management and employees and may have a negative financial impact on Cleantek’s business. The maintenance of a productive and efficient labour environment and, in the event of unionization of these employees, and the successful negotiation of a collective bargaining agreement, cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts could have a material adverse effect on Cleantek’s business, financial condition and results of operations.

A successful reassessment by tax authorities of Cleantek's income (loss) calculations could have a material adverse effect on Cleantek's financial condition and cash flows

Cleantek Industries, Raise and the Company have filed all required income tax returns and believe that they are in full compliance with the provisions of applicable taxation legislation. However, tax authorities having jurisdiction over Cleantek may disagree with how Cleantek calculates its income (loss) for tax purposes or could change administrative practices to Cleantek's detriment. A successful reassessment of Cleantek's income tax filings by a tax authority may have an impact on current and future taxes payable, which could have a material adverse effect on Cleantek's financial condition and cash flows.

Cleantek may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls

Cleantek's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If Cleantek proved unable to deal with this growth, it could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Risks associated with counterparties

Cleantek is party to contracts, transactions and business relationships with various third parties, pursuant to which such third parties have performance, payment and other obligations to it. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, Cleantek's rights and benefits in relation to its contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to it, or otherwise impaired. Cleantek cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favourable as its existing contracts, transactions or business relationships, if at all. Any inability on Cleantek's part to do so could have a material adverse effect on its business and results of operations.

Risks relating to volatility of the market price for Common Shares

The market price of Common Shares could be subject to significant fluctuations which could materially reduce the market price of Common Shares regardless of our operating performance. The factors that could cause significant disruption in the market price of Common Shares may include actual or anticipated changes or fluctuations in Cleantek's operating results, adverse market reaction to any indebtedness it may incur or securities it may issue in the future, litigation or regulatory action, significant acquisitions, business combinations or other strategic actions or capital commitments by or involving Cleantek or its competitors, recruitment or departure of key personnel and investors' general perception and reactions to Cleantek's public disclosure and filings.

In addition, broad market and industry factors may harm the market price of Common Shares. As a result, the market price of Common Shares may fluctuate based upon factors external to Cleantek and that may have little or nothing to do with Cleantek, including expectations of market analysts, positive or negative recommendations or withdrawal of research coverage by analysts, publication of research reports or news stories about Cleantek, its competitors or its industry and changes in general political, economic, industry and market conditions and trends.

Risks relating to future sales of Common Shares

Cleantek cannot predict the size of future issuances of Common Shares or the effect, if any, that future issuances and sales of Common Shares will have on the market price of Common Shares. Sales of substantial amounts of Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for Common Shares.

Risks relating to dividends

Cleantek currently expects to retain all available funds for use in the operation and growth of its business and does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board, subject to compliance with applicable law and any contractual provisions and other agreements for indebtedness it may incur, that restrict or limit its ability to pay dividends, and will depend upon, among other factors, its results of operations, financial condition, earnings, capital requirements and other factors that the Board deems relevant.

FINANCIAL RISK MANAGEMENT

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

Market risk

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

Interest rate risk

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

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

At December 31, 2023, the Company is exposed to interest rate risk with respect to the Bank Operating Line (note 8 in the Annual Financial Statements). For the year ended December 31, 2023, a 1% change to interest rate would have resulted in $90 impact on net income (loss) (2022 – $88).

The interest rate on Cleantek's long-term debt including the BDC term loan, loans payable and promissory notes (note 8 in the Annual Financial Statements) 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, 2023 and 2022, 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 2023	December 31 2022
Impact to net loss	-	-

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, 2023, the 5 largest customers accounted for 34% of the Company's accounts receivable (December 31, 2022 – 30%) and the 5 largest customers accounted for 27% of its revenue for the year ended December 31, 2023 (2022 - 27%).

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 2023	December 31 2022
Current (0 to 30 days from invoice date)	1,384	2,297
31 to 60 days past due	737	175
61 to 90 days past due	326	23
Over 90 days past due	104	28
Trade receivables and other	2,551	2,523
Provision for doubtful accounts	(10)	(14)
Total accounts receivable	2,541	2,509

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

(Canadian $000's)	December 31 2023	December 31 2022
At beginning of year	14	13
Impact of foreign exchange rates	-	1
Removal of confirmed uncollectable amounts	(12)	-
Write-off provision, net of recoveries (note 19)	8	-
At end of year	10	14

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 $600 at December 31, 2023, which represents its maximum credit exposure on these assets (December 31, 2022 - $724). 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 entered into a new bank operating line with HSBC in December 2023 that is a demand facility. The demand facility has a borrowing base of up to $2,500 based on 75% to 85% of accounts receivable balance that is aged less than 90 days. The Company is projecting to have sufficient liquidity with the bank operating line and cash on hand to fulfill its obligations for at least the next twelve months. A decrease or sustained period of materially reduced demand for Cleantek's services may result in non-compliance with its financial covenants and reduced liquidity. Non-compliance with the financial covenants in our credit facilities could result in debt becoming due and payable on demand. If the amount drawn on the bank operating line is in excess of the calculated borrowing base, the excess amounts drawn would have to be paid immediately to the lender. The Company is also projecting to be compliant with the financial covenants (as detailed in note 8) that are associated with the bank operating line and BDC term loan.

The expected timing of cash outflows relating to financial liabilities at December 31, 2023 are outlined in the *Note 21 Commitments and Contingencies*.

The Company anticipates being able to satisfy its liabilities and obligations as they come due.

ACCOUNTING STANDARDS, CHANGES AND PRONOUNCEMENTS

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

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

Recent accounting pronouncements issued

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

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

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

A summary of Cleantek's critical accounting estimates, judgments and assumptions can be found in *note 2* to the Annual Financial Statements for the year ended December 31, 2023. There have been no significant changes to the use of estimates, judgements or assumptions since December 31, 2023.

RELATED PARTY TRANSACTIONS

Key management compensation

Key management comprises the executive officers and the directors of the Company.

In addition to their salaries, the Company also provides non-cash benefits to executive officers. Executive officers also participate in the Company's Option Plan.

Directors of the Company participate in the Option Plan and may receive directors' compensation in the form of issued Common Shares.
Key management compensation comprises:

	Year ended December 31	
(Canadian $000's)	2023	2022
Salaries and benefits	988	937
Share-based compensation (equity-settled)		
Options	117	75
Board compensation	221	181
Total	1,326	1,193

COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The expected timing of cash outflows relating to financial liabilities at December 31, 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	3,074	3,074	-	-	-	3,074

accrued liabilities						
Bank Operating Line	1,880	1,880	-	-	-	1,880
Long-term debt						
Credit facilities[3]	6,927	1,184	3,047	3,047	2,158	9,436
Loans payable	1,300	514	700	295	57	1,566
Promissory notes	493	60	120	120	615	915
	13,674	6,712	3,867	3,462	2,830	16,871
Lease liabilities and other commitments						
Lease liabilities	1,143	549	647	48	-	1,244
Other property lease commitments[4]	-	6	-	-	-	6
Other operating commitments	-	95	58	58	-	211
	1,143	650	705	106	-	1,461

(1) Includes the current and non-current portions.
(2) Amounts include principal and interest portions, except for the Bank Operating Line.
(3) Carrying amounts exclude deferred financing charges of $273. Amounts are based on Term loan balances including principal and interest based on the three year fixed rate assuming rate is mainitianed for the duration of the loan.
(4) Includes leased property utility, operating cost and property tax commitments.
(5) Operating line is interest only and both the loan balance and the rate is variable. The Bank Operating line is a demand loan and is considered current as a result.

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 defended the patent litigation claim vigorously and believed 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 former executives

During 2023 Cleantek agreed to a settlement with a former executive related to a wrongful dismissal claim and were negotiating with two former executives over similar claims and a disputed loan. A provision of $550 for both of these claims have been recorded to other expenses for the year ended December 31, 2023 and both are expected to be settled and paid out in the coming fiscal year. As of March 18th 2024 a formal settlement was reached with the two former executives over wrongful dismissal and the disputed loan.

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, impact of unrealized foreign exchange gains and losses as well as unusual items not representative of ongoing business performance such as litigation expense and settlements.

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

(Canadian $000's)	Three months ended December 31 2023	2022	Years ended December 31 2023	2022
Net loss	(1,562)	(388)	(1,823)	(3,587)
Tax expense	4	-	4	-
Depreciation and amortization	582	633	2,233	3,160
Finance costs, net	603	367	1,771	1,229
EBITDA	(373)	612	2,185	802
Share-based compensation	37	98	479	471
Litigation settlement	550	-	550	-
Litigation expense	162	445	550	3,430
Unrealized FX (gain) loss	183	118	286	(333)
Adjusted EBITDA	559	1,273	4,050	4,370

Working capital

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

(Canadian $000's)	December 31, 2023	December 31, 2022
Current assets	3,404	3,774
Current liabilities	6,346	12,122
Working capital surplus (deficit)	(2,942)	(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 $000's)	December 31, 2023	December 31, 2022
Long-term debt – non-current portion	7,806	1,853
Lease liabilities – non-current portion	664	268
Non-current debt	8,470	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;
- focusing on growth, generating positive return for shareholders and improving the Company's financial position now that long-term financing is in place and the longstanding legal disputes have been settled; 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 1210, 520 – 5th Avenue SW, Calgary, Alberta, Canada T2P 3R7 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.