



Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2024



Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The management of Cleantek Industries Inc. (the "Company") is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and are considered by management to present fairly the consolidated financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor. These unaudited condensed interim consolidated financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated statements of financial position, net loss, changes in equity (deficit) and comprehensive income and cash flows.

Cleantek Industries Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (Unaudited)

As at

| <i>(Canadian \$000's)</i> | Note | September 30 2024 | December 31 2023 |
|---|------|----------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 168 | 600 |
| Accounts receivable | | 2,211 | 2,541 |
| Prepays | | 77 | 202 |
| Other assets | | 111 | 61 |
| Total Current Assets | | 2,567 | 3,404 |
| Non-Current Assets | | | |
| Property and equipment | 3 | 8,937 | 10,211 |
| Intangible assets | 4 | 371 | 424 |
| Right-of-use assets | | 1,032 | 1,224 |
| Total Non-Current Assets | | 10,340 | 11,859 |
| Total Assets | | 12,907 | 15,263 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities | | | |
| Bank operating line | 5 | 1,417 | 1,880 |
| Accounts payable and accrued liabilities | | 2,245 | 3,074 |
| Current portion of long-term debt | 5 | 1,276 | 913 |
| Current portion of lease liabilities | | 530 | 479 |
| Total Current Liabilities | | 5,468 | 6,346 |
| Non-Current Liabilities | | | |
| Long-term debt | 5 | 6,829 | 7,806 |
| Lease liabilities | | 291 | 664 |
| Provisions | | 46 | 46 |
| Total Non-Current Liabilities | | 7,166 | 8,516 |
| Total Liabilities | | 12,634 | 14,862 |
| Shareholders' Equity | | | |
| Share capital | 6 | 68,686 | 68,497 |
| Contributed surplus | | 3,444 | 3,443 |
| Accumulated other comprehensive income | | (84) | 33 |
| Accumulated deficit | | (71,773) | (71,572) |
| Total Shareholders' Equity | | 273 | 401 |
| Total Liabilities and Shareholders' Equity | | 12,907 | 15,263 |

Commitments and contingencies

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

Cleantek Industries Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME (LOSS)

(Unaudited)

For the periods

| <i>(Canadian \$000's, except per share amounts)</i> | Note | Three months ended September 30 | | Nine months ended September 30 | |
|---|------|------------------------------------|------------|-----------------------------------|--------------|
| | | 2024 | 2023 | 2024 | 2023 |
| Revenue | 8 | 2,779 | 3,588 | 8,860 | 10,802 |
| Direct operating expenses | 9 | 1,050 | 1,304 | 3,474 | 4,133 |
| Gross profit | | 1,729 | 2,284 | 5,386 | 6,669 |
| Other Expenses | | | | | |
| General and administrative | 9 | 723 | 1,159 | 2,959 | 3,635 |
| Depreciation and amortization | 3,4 | 530 | 556 | 1,700 | 1,651 |
| Share-based compensation | 7 | 22 | 37 | 71 | 442 |
| Finance costs, net | 10 | 234 | 392 | 733 | 1,168 |
| (Gain) loss on disposal of long-lived assets | | 33 | - | (2) | (44) |
| Foreign exchange (gain) loss | | 125 | (102) | (171) | 108 |
| Other expense (income) | | 273 | (3) | 261 | (29) |
| | | 1,940 | 2,039 | 5,551 | 6,931 |
| Income (Loss) Before Income Taxes | | (211) | 245 | (165) | (262) |
| Income Tax Expense | | | | | |
| Current | | - | - | 36 | - |
| Deferred | | - | - | - | - |
| | | - | - | 36 | - |
| Net income (loss) | | (211) | 245 | (201) | (262) |
| Net income (loss) per Share (\$) | | | | | |
| Basic and diluted | 11 | (\$0.01) | \$0.01 | (\$0.01) | (\$0.01) |

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Cleantek Industries Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the periods

| <i>(Canadian \$000's)</i> | Note | Three months ended September 30 | | Nine months ended September 30 | |
|--|------|------------------------------------|------------|-----------------------------------|--------------|
| | | 2024 | 2023 | 2024 | 2023 |
| Net Income (Loss) | | (211) | 245 | (201) | (262) |
| Other Comprehensive Income | | | | | |
| Foreign currency translation gain (loss) | | 84 | (72) | (117) | 18 |
| Total Comprehensive Income | | (127) | 173 | (318) | (244) |

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

Cleantek Industries Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY) (Unaudited)

| <i>(Canadian \$000's)</i> | Note | Share Capital | Contributed Surplus | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Total |
|--|------|------------------|------------------------|---|------------------------|--------------|
| At January 1, 2023 | | 68,466 | 2,995 | (84) | (69,749) | 1,628 |
| Net loss for the period | | - | - | - | (262) | (262) |
| Share-based compensation expense | 7 | - | 442 | - | - | 442 |
| Foreign currency translation gain | | - | - | 18 | - | 18 |
| At September 30, 2023 | | 68,466 | 3,437 | (66) | (70,011) | 1,826 |
| At January 1, 2024 | | 68,497 | 3,443 | 33 | (71,572) | 401 |
| Net income for the period | | - | - | - | (201) | (201) |
| Share-based compensation expense | 7 | - | 71 | - | - | 71 |
| Shares issued for share-based compensation | 6 | 70 | (70) | - | - | - |
| Shares and warrants issued for cash – net of costs | 6 | 119 | - | - | - | 119 |
| Foreign currency translation (loss) | | - | - | (117) | - | (117) |
| At September 30, 2024 | | 68,686 | 3,444 | (84) | (71,773) | 273 |

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

Cleantek Industries Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (Unaudited)

For the periods

| <i>(Canadian \$000's)</i> | Note | Three months ended September 30 | | Nine months ended September 30 | |
|--|------|------------------------------------|--------------|-----------------------------------|----------------|
| | | 2024 | 2023 | 2024 | 2023 |
| Cash (used in)/provided by: | | | | | |
| Operating Activities | | | | | |
| Net Income | | (211) | 245 | (201) | (262) |
| Adjustments for: | | | | | |
| Depreciation and amortization | 3,4 | 530 | 556 | 1,700 | 1,651 |
| Share-based compensation expense | 7 | 22 | 37 | 71 | 442 |
| Finance costs | 10 | 234 | 392 | 733 | 1,168 |
| (Gain) loss on disposal of long-lived assets | | 33 | - | (2) | (44) |
| Direct operating expenses | 3 | - | - | 92 | - |
| Unrealized (gain) loss on foreign exchange | | 125 | (102) | (171) | 108 |
| Changes in non-cash working capital | 12 | (343) | 51 | (424) | (697) |
| Net Cash Flow From Operating Activities | | 390 | 1,179 | 1,798 | 2,366 |
| Investing Activities | | | | | |
| Additions to property and equipment | 3 | (114) | (356) | (345) | (795) |
| Additions to intangible assets | 4 | - | - | - | (7) |
| Proceeds from research credits | | - | - | - | 33 |
| Proceeds on disposal of long-lived assets | | 203 | - | 235 | 28 |
| Net Cash Flow Used in Investing Activities | | 89 | (356) | (110) | (741) |
| Financing Activities | | | | | |
| Proceeds from long-term debt, net of revolving debt repayments | | - | (12) | - | 673 |
| Proceeds/(Repayment) of bank operating line | | 35 | - | (463) | - |
| Repayment of long-term debt | 5 | (394) | (464) | (682) | (1,050) |
| Repayments of lease liabilities | | (229) | (99) | (423) | (371) |
| Payments of cash interest | | (233) | (355) | (671) | (1,051) |
| Proceeds from issuance of share capital | 6 | 150 | - | 150 | - |
| Share issue costs | 6 | (31) | - | (31) | - |
| Net Cash Flow Used in Financing Activities | | (702) | (930) | (2,120) | (1,799) |
| Increase (decrease) in cash and cash equivalents | | (223) | (107) | (432) | (174) |
| Effect of foreign exchange on cash and cash equivalents | | - | - | - | (1) |
| Cash and cash equivalents, beginning of period | | 391 | 656 | 600 | 724 |
| Cash and Cash Equivalents, End of Period | | 168 | 549 | 168 | 549 |

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



1. REPORTING ENTITY

Cleantek Industries Inc. ("Cleantek" or the "Company") is a public company trading on the TSX Venture Exchange ("TSXV") under the symbol CTEK. Cleantek's primary business is the rental and service of equipment to the oil and gas and construction industries in Western Canada and the United States.

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

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

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

The Company's principal place of business is located at Suite 1210, 520 – 5th Avenue SW, Calgary, Alberta, T2P 3R7.

2. BASIS OF PREPARATION

a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, and following the same accounting policies and methods of computation as the annual consolidated financial statements for the year ended December 31, 2023. These unaudited condensed consolidated interim financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited annual consolidated financial statements at December 31, 2023 which are available on SEDAR at www.sedarplus.ca.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on November 14, 2024.

b) Going concern

These 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.

At September 30, 2024, the Company had net current liabilities of \$5,468 compared to net current assets of \$2,567 and generated net loss of \$(211) and \$(201) for the three and nine months ended September 30, 2024, respectively. At September 30, 2024 the Company was in breach of the fixed charge coverage ratio on the bank operating line but a covenant tolerance letter was obtained. The bank operating line is payable on demand. The BDC term loan fixed charge coverage ratio begins on December 31, 2024. While the Company is currently in compliance with all revised debt covenants there is potential to have a covenant breach in the next twelve months and there is no guarantee the Company will be able to negotiate covenant relief, if required, or repay the bank operating line or BDC term loan if called upon.

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

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial



statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. These adjustments could be material.

c) Basis of measurement and functional and presentation currency

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis.

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company. Its wholly owned subsidiary, Apollo Lighting Solutions has a US dollar functional currency.

d) Use of estimates, judgements and assumptions

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

There have been no significant changes to the use of estimates, judgements or assumptions since December 31, 2023, as detailed in note 2(d) of the annual consolidated financial statements for the years ended December 31, 2023 and 2022.

3. PROPERTY AND EQUIPMENT

| <i>(Canadian \$000's)</i> | Assets under construction | Rental equipment | Automotive | Office equipment | Total |
|--|---------------------------------|---------------------|------------|---------------------|--------|
| Cost | | | | | |
| At December 31, 2023 | 267 | 31,798 | 1,360 | 509 | 33,934 |
| Additions | 151 | 194 | - | - | 345 |
| Dispositions | - | (327) | (177) | (24) | (528) |
| Transfers from assets under construction to rental equipment | (235) | 235 | - | - | - |
| Impact of foreign exchange | - | 59 | 24 | - | 83 |
| At September 30, 2024 | 183 | 31,959 | 1,207 | 485 | 33,834 |
| Accumulated depreciation and impairment | | | | | |
| At December 31, 2023 | - | 22,938 | 296 | 489 | 23,723 |
| Depreciation | - | 1,314 | 124 | 8 | 1,446 |
| Dispositions | - | (233) | (41) | (24) | (298) |
| Impact of foreign exchange | - | 23 | 3 | - | 26 |
| At September 30, 2024 | - | 24,042 | 382 | 473 | 24,897 |
| Carrying amount | | | | | |
| At December 31, 2023 | 267 | 8,860 | 1,064 | 20 | 10,211 |
| At September 30, 2024 | 183 | 7,917 | 825 | 12 | 8,937 |

As at September 30, 2024, management determined that no indicators of impairment or impairment reversal existed for the Company’s Rentals and Facility Dehydration CGUs.

During the nine months ended September 30, 2024, the Company completed a sale of its HALO lighting systems to a customer. The units sold were initially within Property and Equipment and therefore upon completion of the sale there was a non-cash charge recorded within direct operating expenses for \$92.

4. INTANGIBLE ASSETS

ZeroE



| <i>(Canadian \$000's)</i> | Patents | development | Total |
|--|---------|-------------|-------|
| Cost | | | |
| At December 31, 2023 | 2,141 | 2,347 | 4,488 |
| Additions | - | - | - |
| At September 30, 2024 | 2,141 | 2,347 | 4,488 |
| Accumulated amortization and impairment | | | |
| At December 31, 2023 | 2,056 | 2,008 | 4,064 |
| Amortization | 9 | 44 | 53 |
| At September 30, 2024 | 2,065 | 2,052 | 4,117 |
| Carrying amount | | | |
| At December 31, 2023 | 85 | 339 | 424 |
| At September 30, 2024 | 76 | 295 | 371 |

5. DEBT AND CREDIT FACILITIES

Debt and credit facilities are comprised of the following:

| <i>(Canadian \$000's)</i> | September 30 2024 | December 31 2023 |
|---------------------------------------|----------------------|---------------------|
| Revolving Current Debt | | |
| Bank Operating Line | 1,417 | 1,880 |
| Long-term debt | | |
| BDC term loan | 6,644 | 6,926 |
| BDC manufacturing financing facility | - | - |
| Loans payable | 979 | 1,299 |
| Promissory notes | 482 | 494 |
| | 8,105 | 8,719 |
| Current portion of long-term debt | | |
| BDC Term Loan | 996 | 555 |
| Loans payable | 263 | 343 |
| Promissory notes | 17 | 15 |
| | 1,276 | 913 |
| Non-current portion of long-term debt | | |
| BDC Term Loan | 5,648 | 6,371 |
| Loans payable | 716 | 956 |
| Promissory notes | 465 | 479 |
| | 6,829 | 7,806 |

BDC Term Loan

| <i>(Canadian \$000's)</i> | September 30 2024 | December 31 2023 |
|--------------------------------------|----------------------|---------------------|
| BDC Term Loan | | |
| BDC term loan | 6,886 | 7,200 |
| Deferred financing costs | (242) | (274) |
| | 6,644 | 6,926 |
| Current portion of BDC term loan | (996) | (555) |
| Non-current portion of BDC term loan | 5,648 | 6,371 |



Bank Operating Line

On December 21, 2023, the Company entered into a revolving operating line with HSBC Bank Canada (HSBC), now Royal Bank of Canada (RBC), 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 September 30, 2024 the Company had access to \$1,688 (December 31, 2023 - \$1,881) of the operating line. 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. At September 30, 2024 the Company was in breach of the fixed charge coverage ratio but a covenant tolerance letter was obtained and the Company was in compliance with the revised covenants. 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-recurring expenses such as litigation expenses and settlement and executive severance. 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 initially matured on May 20, 2030, and included an initial 6-month interest only period after which time a blended monthly payment of \$127 for principal and interest began. A loan amendment was signed on September 24, 2024, which provided the Company with two additional months of interest only after which time the blended monthly payments of \$127 for principal and interest would resume extending the loan maturity to July 10, 2030. 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 beginning on December 31, 2024. 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.

BDC Manufacturing Financing Facility

On July 25, 2024, the Company entered into a manufacturing financing facility with BDC which provides for up to \$4,000 of financing for the manufacture or purchase of additional rental equipment. Disbursements under the manufacturing financing facility will be made based on 125% of approved invoices submitted to BDC up to the lapsing date of July 25, 2026, at which time any undistributed portion of the loan will be cancelled. The manufacturing financing facility will carry floating rate interest at BDC's floating base rate, which is currently 8.05%, plus an additional 0.45%. Loan will be repayable as interest only until July 28, 2025, and then interest plus principal payments of \$55.6 starting on August 28, 2025, and maturing on June 28, 2031. The manufacturing financing facility is subject to a covenant of a Fixed Charge Coverage ratio that must be above 1.1 to 1 at all times beginning on December 31, 2024. The build loan is secured by the fixed assets of the Company and its subsidiaries. The Fixed Charge Coverage is calculated the same as for the BDC Term Loan and Bank Operating Line above. As at September 30, 2024 no disbursements under the manufacturing financing facility had been made and loan balance was nil.



Loans payable

| <i>(Canadian \$000's)</i> | September 30 2024 | December 31 2023 |
|--------------------------------------|----------------------|---------------------|
| Loans payable | | |
| Customer Term Loan | 518 | 529 |
| Term loan payable – Vehicles | 461 | 770 |
| | 979 | 1,299 |
| Current portion of loans payable | 263 | 343 |
| Non-current portion of loans payable | 716 | 956 |

Customer Term Loan

During the three and nine months ended September 30, 2024, nil and \$42, respectively, (2023 - \$40 and \$150) of rental income was invoiced to the customer for dehydration facility services. Of the amounts invoiced, for the three and nine months ended September 30, 2024, nil and \$25, respectively, (2023 - \$13 and \$83) was recognized as interest expense on the outstanding Customer Loan and included in finance costs, and nil and \$17, (2023 - \$28 and \$67) 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 nil and \$11 for the three and nine months ended September 30, 2024, respectively (2023 - \$27 and \$44).

Promissory note

| <i>(Canadian \$000's)</i> | September 30, 2024 | December 31, 2023 |
|---|-----------------------|----------------------|
| Promissory note | | |
| Vendor Promissory Note | 482 | 494 |
| | 482 | 494 |
| Current portion of promissory notes | 17 | 15 |
| Non-current portion of promissory notes | 465 | 479 |

6. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue:

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

b) Issued share capital

| <i>(Canadian \$000's, except number of shares 000's)</i> | Number of Shares | 2024 Amount | Number of Shares | 2023 Amount |
|--|---------------------|----------------|---------------------|----------------|
| Common shares | | | | |
| Opening balance January 1 | 27,762 | 68,497 | 27,645 | 68,466 |
| Shares issued as part of share-based compensation | 498 | 70 | - | - |
| Share issuance – cash | 1,000 | 150 | - | - |
| Share issuance costs | - | (31) | - | - |
| At September 30 | 29,260 | 68,686 | 27,645 | 68,466 |

Private Placement



During the three and nine months ended September 30, 2024, Cleantek completed a private placement with certain members of the Board of Directors and management. The private placement closed on September 5, 2024.

The non-brokered private placement involved the issuance of 1,000,000 units at a unit price of \$0.15 for aggregate gross proceeds of \$150. Each unit consists of one Cleantek common share and one-half of one common share purchase warrant. Each warrant will entitle the holder to purchase one common share at an exercise price of \$0.25 per common share at any time up to 24 months from the closing of private placement.

Share issuance costs of \$31 were incurred as a result of the private placement and were recorded as a reduction to share capital.

7. SHARE-BASED PAYMENTS

a) Share-based incentive programs and payment plans

The Company has the following equity-settled share-based compensation and payments:

Stock option plan

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

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

During the nine months ended September 30, 2024, 987,500 (nil September 30, 2023) options were granted to select members of the Board of Directors and management. During the quarter ended September 30, 2023 the Board of Directors cancelled all outstanding options that had been issued resulting in the remaining balance of the options being expensed.

Share warrants

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

Restricted share unit plan

During 2022 The Company updated its equity based compensation plan including updating the terms of Restricted Share Units (RSU's) and Deferred Share Units (DSU's). Terms and vesting periods of RSU's and DSU's are determined by the board at the time of the grant.

On the vesting date, the RSU's and DSU's are redeemed and the Company issues one common share for each vesting RSU or DSU held by the employee or member of the board.

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

During the nine months ended September 30, 2024, nil (1,395,000 September 30, 2023) RSU's were granted to select members of management. The RSU's vest equally over a 3 year period from the grant dates and the fair value is based on the share price on the date the RSU's were granted.



During the three and nine months ended September 30, 2024, nil (450,000 September 30, 2023) DSU's were granted to members of the board and vested immediately. The shares will be issued to the board members upon retirement. The fair value is based on the share price on the date the DSU's were granted.

b) Stock options

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

| <i>(Canadian \$, except number of stock options)</i> | September 30, 2024 | Weighted average exercise price | December 31, 2023 | Weighted average exercise price |
|--|-------------------------------|--|-------------------------------|--|
| | Number of stock options | | Number of stock options | |
| Outstanding at beginning of period | - | - | 1,630,000 | \$1.29 |
| Cancelled | - | - | (1,630,000) | \$(1.29) |
| Granted | 987,500 | \$0.15 | - | - |
| Outstanding at end of period | 987,500 | \$0.15 | - | - |
| Weighted average remaining life | | 4.8 years | | - |
| Exercisable at end of period | 987,500 | \$0.15 | - | - |

In July and August 2024, pursuant to the Company's stock option plan, 987,500 stock options were granted to officers and directors of the Company at an exercise price of \$0.15 per Common Share.

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

| | September 30, 2024 |
|--|-----------------------|
| Share price on grant date | \$0.12 |
| Exercise price | \$0.15 |
| Expected life (years) | 5 years |
| Expected volatility | 78% |
| Risk-free interest rate | 3.5% |
| Expected forfeiture rate | - |
| Expected dividend yield | - |
| Weighted average fair value per stock option | \$0.10 |

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

c) Share warrants

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

| <i>(Canadian \$, except number of share warrants)</i> | September 30, 2024 | Weighted average exercise price | December 31, 2023 | Weighted average exercise price |
|---|--------------------------------|--|--------------------------------|--|
| | Number of share warrants | | Number of share warrants | |
| Outstanding at beginning of period | 3,101,098 | \$1.75 | 3,101,098 | \$1.75 |



| | | | | |
|---------------------------------|-----------|-----------|-----------|-----------|
| Granted | 500,000 | \$0.25 | - | - |
| Outstanding at end of period | 3,601,098 | \$1.74 | 3,101,098 | \$1.75 |
| Weighted average remaining life | | 0.1 years | | 0.8 years |
| Exercisable at end of period | 3,601,098 | \$1.74 | 3,101,098 | \$1.75 |

As part of the private placement, shares were issued as a unit, consisting of one common share and one-half of one common share purchase warrant or one common share and one-half warrant, respectively. The fair value ascribed to the warrants was \$14 and has been included within share capital.

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

| | September 30, 2024 |
|---|-----------------------|
| Share price on grant date | \$0.10 |
| Exercise price | \$0.25 |
| Expected life (years) | 2 years |
| Expected volatility | 78% |
| Risk-free interest rate | 4.0% |
| Expected forfeiture rate | - |
| Expected dividend yield | - |
| Weighted average fair value per warrant | \$0.03 |

d) Restricted Share Units

The following table provides a summary of the Company's Restricted Share Units:

| | September 30, 2024 | | December 31, 2023 | |
|---|--|--|--|--|
| | Number of Restricted Share Units | Weighted average exercise price | Number of Restricted Share Units | Weighted average exercise price |
| <i>(Canadian \$, except number of restricted share units)</i> | | | | |
| Outstanding at beginning of period | 1,278,336 | \$0.17 | - | - |
| Granted | - | - | 1,395,000 | \$0.17 |
| Exercised | (348,333) | \$0.14 | (116,664) | \$0.14 |
| Canceled | (221,668) | \$0.14 | - | - |
| Outstanding at end of period | 708,335 | \$0.17 | 1,278,336 | \$0.17 |

e) Deferred Share Units

The following table provides a summary of the Company's Deferred Share Units:

| | September 30, 2024 | | December 31, 2023 | |
|---|--------------------------------------|--|--------------------------------------|--|
| | Number of Deferred Share Units | Weighted average exercise price | Number of Deferred Share Units | Weighted average exercise price |
| <i>(Canadian \$, except number of deferred share units)</i> | | | | |
| Outstanding at beginning of period | 450,000 | \$0.14 | - | - |
| Granted | - | - | 450,000 | \$0.14 |
| Exercised | (150,000) | \$0.14 | - | - |



| | | | | |
|------------------------------|---------|--------|---------|--------|
| Outstanding at end of period | 300,000 | \$0.14 | 450,000 | \$0.14 |
|------------------------------|---------|--------|---------|--------|

f) Share-based compensation expense

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

| <i>(Canadian \$000's)</i> | Three months ended September 30 | | Nine months ended September 30 | |
|--|------------------------------------|------|-----------------------------------|------|
| | 2024 | 2023 | 2024 | 2023 |
| Stock options | 6 | - | 6 | 298 |
| Restricted share units | 16 | 37 | 65 | 81 |
| Deferred share units | - | - | - | 63 |
| Total share-based compensation expense | 22 | 37 | 71 | 442 |

8. REVENUE

| <i>(Canadian \$000's)</i> | Three months ended September 30 | | Nine months ended September 30 | |
|--------------------------------|------------------------------------|-------|-----------------------------------|--------|
| | 2024 | 2023 | 2024 | 2023 |
| Sustainable lighting solutions | 2,600 | 3,169 | 7,614 | 9,599 |
| ZeroE dehydration | 179 | 294 | 811 | 1,036 |
| HALO Sales | - | 125 | 435 | 167 |
| Total revenue | 2,779 | 3,588 | 8,860 | 10,802 |

Consisting of:

| | | | | |
|---------------------|-------|-------|-------|--------|
| Canadian operations | 1,290 | 1,662 | 4,170 | 4,764 |
| U.S. operations | 1,489 | 1,926 | 4,690 | 6,038 |
| Total Revenue | 2,779 | 3,588 | 8,860 | 10,802 |

9. DIRECT OPERATING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

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

Direct operating expenses or the cost of services and goods sold is comprised of direct operating costs, including salaries and wages and other labour costs; repairs and maintenance of equipment; transportation and mobilization costs of equipment to and from customers; and other direct operating expenses.

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

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

| <i>(Canadian \$000's)</i> | Three months ended September 30, | | Nine months ended September 30, | |
|----------------------------------|-------------------------------------|------|------------------------------------|-------|
| | 2024 | 2023 | 2024 | 2023 |
| Direct operating expenses | | | | |
| Salaries and wages | 650 | 699 | 2,138 | 2,339 |
| Repairs and maintenance | 85 | 81 | 306 | 430 |



| | | | | |
|--|--------------|--------------|--------------|--------------|
| Transportation and mobilization | 147 | 260 | 561 | 629 |
| Property and equipment sale | - | 47 | 92 | 47 |
| Other direct costs | 168 | 217 | 377 | 688 |
| Total direct operating expenses | 1,050 | 1,304 | 3,474 | 4,133 |

| | Three months ended September 30 | | Nine months ended September 30 | |
|--|------------------------------------|--------------|-----------------------------------|--------------|
| <i>(Canadian \$000's)</i> | 2024 | 2023 | 2024 | 2023 |
| General and administrative expenses | | | | |
| Salaries and wages | 338 | 525 | 1,453 | 1,702 |
| Professional fees | 164 | 402 | 616 | 1,164 |
| Other general and administrative costs | 221 | 232 | 890 | 769 |
| Total general and administrative expenses | 723 | 1,159 | 2,959 | 3,635 |

10. FINANCE COSTS

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|------------|-----------------------------------|--------------|
| <i>(Canadian \$000's)</i> | 2024 | 2023 | 2024 | 2023 |
| Interest expense on long-term debt ⁽¹⁾ | 213 | 374 | 672 | 1,112 |
| Interest on lease liabilities | 21 | 18 | 61 | 56 |
| Total finance costs, net | 234 | 392 | 733 | 1,168 |

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

11. EARNINGS (LOSS) PER SHARE AMOUNTS

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

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|----------------|-----------------------------------|------------------|
| <i>(Canadian \$000's, except common shares in number And earnings (loss) per share in \$)</i> | 2024 | 2023 | 2024 | 2023 |
| Net (loss) Income attributable to shareholders | (211) | 245 | (201) | (262) |
| Weighted average common shares outstanding | | | | |
| Basic | 28,476,311 | 27,645,380 | 28,008,763 | 27,645,380 |
| Diluted | | 32,591,478 | | |
| Income per share – basic and diluted | \$ (0.01) | \$ 0.01 | \$ (0.01) | \$ (0.01) |

12. RELATED PARTY BALANCES AND TRANSACTIONS

Executive loan facility agreement

As part of the private placement completed on September 5, 2024 for total proceeds of \$150 an executive loan facility agreement was completed, for a total loan amount of \$50, between the Company and current President and Chief Executive Officer where the loan proceeds were used to participate in the private placement. The executive loan bears floating rate interest at the Canada Revenue Agency prescribed interest rate, currently at 5%, and will be adjusted quarterly. The principal amount outstanding together with any and all interest accrued shall be paid in full no later than December 31, 2025. As such the full loan amount has been classified as current and is included in accounts receivable.



13. SUPPLEMENTARY CASH FLOW INFORMATION

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

| <i>(Canadian \$000's)</i> | Three months ended | | Nine months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | September 30 2024 | September 30 2023 | September 30 2024 | September 30 2023 |
| Net changes in non-cash working capital: | | | | |
| Accounts receivable | (233) | (247) | 330 | (510) |
| Prepays and other assets | (17) | 125 | 75 | 333 |
| Accounts payable and provisions | (93) | 173 | (829) | (520) |
| | (343) | 51 | (424) | (697) |
| Related to: | | | | |
| Operating activities | (343) | 51 | (424) | (697) |
| Investing activities | - | - | - | - |

14. COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The expected timing of cash outflows relating to financial liabilities, lease liabilities and other commitments at September 30, 2024 are outlined in the table below:

| <i>(Canadian \$000's)</i> | Carrying amount ⁽¹⁾ | Contractual outflows ⁽²⁾⁽³⁾ | | | | Total ⁽¹⁾ |
|---|-----------------------------------|---|--------------|--------------|------------|----------------------|
| | | < 1 year | 2 to 3 years | 4 to 5 years | Thereafter | |
| Financial liabilities | | | | | | |
| Accounts payable and accrued liabilities | 2,245 | 2,245 | - | - | - | 2,245 |
| Bank operating line ⁽⁵⁾ | 1,417 | 1,417 | - | - | - | 1,417 |
| Long-term debt | | | | | | |
| Term loan ⁽³⁾ | 6,644 | 1,364 | 3,047 | 3,047 | 1,269 | 8,727 |
| Loans payable | 979 | 451 | 443 | 265 | - | 1,159 |
| Promissory notes | 482 | 60 | 120 | 120 | 575 | 875 |
| | 11,767 | 5,537 | 3,610 | 3,432 | 1,844 | 14,423 |
| Lease liabilities and other commitments | | | | | | |
| Lease liabilities | 821 | 568 | 288 | - | - | 856 |
| Other property lease commitments ⁽⁴⁾ | - | 143 | 139 | - | - | 282 |
| Other operating commitments | - | 62 | 58 | 58 | - | 178 |
| | 821 | 773 | 485 | 58 | - | 1,316 |

(1) Includes the current and non-current portions.

(2) Amounts include principal and interest portions, except for the Bank Operating Line.

(3) Carrying amount excludes deferred financing charges of \$242. Amounts are based on Term loan balances including principal and interest based on the three year fixed rate assuming rate is maintained 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 are variable. The Bank Operating line is a demand loan and is considered current as a result.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.



Corporate Information

OFFICERS

Riley Taggart
President & CEO

Orson Ross
Chief Financial Officer

Chris Murray
Chief Operating Officer

BOARD OF DIRECTORS

Paul Colucci
Chairman

Riley Taggart
President & CEO

Al Stark

Phillip Knoll

Chris Lewis

INVESTOR RELATIONS INFORMATION

Riley Taggart
President & CEO

Orson Ross
Chief Financial Officer

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LAWYERS

Torys LLP
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company
Calgary, Alberta