



Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2021 and 2020



Notice of No Auditor Review of Condensed 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 accompanying unaudited condensed interim financial statements of Cleantek Industries Inc. (the "Company") for the three and nine months ended September 30, 2021 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed an interim review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Matt Gowanlock
President & CEO

Orson Ross, CPA, CA
Chief Financial Officer

November 22, 2021

Cleantek Industries Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)

As at

Unaudited (Canadian \$000's)	Note	September 30 2021	December 31 2020
ASSETS			
Current assets			
Cash and cash equivalents		464	597
Accounts receivable		1,726	1,398
Prepays, deposits and other receivables		1,132	178
Total current assets		3,322	2,173
Non-current assets			
Property and equipment	3	8,587	10,219
Intangible assets	4	547	499
Right-of-use assets		386	206
Long-term receivables	12	551	540
Total non-current assets		10,071	11,464
Total assets		13,393	13,637
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		5,985	6,078
Current portion of long-term debt	5	11,911	11,954
Current portion of convertible notes	6	1,416	647
Current portion of lease liabilities		329	299
Total current liabilities		19,641	18,978
Non-current liabilities			
Long-term debt	5	676	694
Lease liabilities		449	476
Provisions		57	56
Deferred tax		-	711
Total non-current liabilities		1,181	1,937
Total liabilities		20,822	20,915
Shareholders' equity (deficit)			
Share capital	7	52,228	51,708
Contributed surplus		1,603	1,080
Accumulated other comprehensive income		156	141
Accumulated deficit		(61,415)	(60,207)
Total shareholder's equity (deficit)		(7,428)	(7,278)
Total liabilities and shareholders' equity (deficit)		13,393	13,637
Going concern	2		
Commitments and contingencies	14		
Subsequent events	15		

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

Cleantek Industries Inc.
CONSOLIDATED STATEMENTS OF NET 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	
		2021	2020	2021	2020
Revenue	9	2,045	1,296	6,447	5,830
Direct operating expenses		945	825	2,996	3,111
Gross profit		1,100	471	3,451	2,719
Other expenses					
General and administrative		951	871	2,591	2,911
Depreciation and amortization	3,4	413	412	1,912	1,958
Research expense (recovery)		(13)	(956)	(701)	(1,811)
Share-based compensation	8	196	141	523	1,160
Impairment	3	-	-	-	8,032
Finance costs, net	10	175	1,299	1,129	3,707
(Gain) loss on disposal of long-lived assets		(115)	14	(112)	(87)
Foreign exchange (gain) loss		106	42	28	(7)
		1,713	1,823	5,370	15,863
Loss before income taxes		(613)	(1,352)	(1,919)	(13,144)
Income tax (recovery) expense					
Current		-	-	-	-
Deferred		(216)	-	(711)	-
		(216)	-	(711)	-
Net loss		(397)	(1,352)	(1,208)	(13,144)
Loss per share (\$)					
Basic and diluted	11	\$(0.02)	\$(1.43)	\$(0.07)	\$(13.97)

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

Cleantek Industries Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)
For the periods

<i>(Canadian \$000's)</i>	Note	Three months ended September 30		Nine months ended September 30	
		2021	2020	2021	2020
Net loss		(397)	(1,352)	(1,208)	(13,144)
Other comprehensive loss					
Foreign currency translation gain (loss)		76	(71)	15	78
Total comprehensive loss		(321)	(1,423)	(1,193)	(13,066)

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

Cleantek Industries Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) (Unaudited)

<i>(Canadian \$000's, except common shares in 000's)</i>	Number of Class A Common Shares	Share capital	Convertible notes	Contributed surplus	AOCI ⁽¹⁾	Accumulated deficit	Total	
	Note							
At January 1, 2020		933	25,573	520	1,312	179	(37,831)	(10,247)
Net loss for the period		-	-	-	-	(13,144)	(13,144)	
Share-based compensation expense		-	-	1,160	-	-	1,160	
Share issuance – in kind		-	37	-	-	-	37	
Shares issued as part of directors' compensation		-	1	-	(1)	-	-	
Shares held in escrow and released pursuant to acquisition employment services agreements		15	1,220	-	(1,220)	-	-	
Foreign currency translation gain		-	-	-	78	-	78	
At September 30, 2020		948	26,831	520	1,251	(50,975)	(22,116)	
At January 1, 2021		16,846	51,708	-	1,080	141	(60,207)	(7,278)
Net loss for the period		-	-	-	-	(1,208)	(1,208)	
Share-based compensation expense	8	-	-	-	523	-	523	
Share issuance – cash	7	137	165	-	-	-	165	
Share conversions	7	297	355	-	-	-	355	
Foreign currency translation gain		-	-	-	-	15	15	
At September 30, 2021		17,280	52,228	-	1,603	(61,415)	(7,428)	

(1) Accumulated other comprehensive income (loss)

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

Cleantek Industries Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the periods

<i>(Canadian \$000's)</i>	Note	Three months ended September 30		Nine months ended September 30	
		2021	2020	2021	2020
Cash (used in)/provided by:					
Operating activities					
Net loss		(397)	(1,352)	(1,208)	(13,144)
Adjustments for:					
Depreciation and amortization	3,4	413	412	1,912	1,958
Share-based compensation expense	8	196	141	523	1,160
Impairment	3	-	-	-	8,032
Finance costs	10	175	1,299	1,129	3,707
(Gain) loss on disposal of long-lived assets		(115)	14	(112)	(87)
Deferred income tax expense (recovery)		(216)	-	(711)	-
Changes in non-cash working capital	13	(194)	679	(496)	2,122
Net cash flow from (used in) operating activities		(138)	1,193	1,037	3,748
Investing activities					
Additions to property and equipment	3	-	(1,051)	(214)	(1,624)
Additions to intangible assets	4	(32)	-	(95)	-
Proceeds on disposal of long-lived assets		1	404	46	407
Net cash flow used in investing activities		(31)	(647)	(263)	(1,218)
Financing activities					
Repayment of long-term debt – credit facilities	5	(734)	(14)	(981)	(479)
Repayment of long-term debt - term loans and notes	5	5	(22)	(33)	(22)
Proceeds from convertible notes - debentures	6	350	-	730	600
Repayments of lease liabilities		(36)	(430)	(171)	(750)
Payments of cash interest		(200)	(321)	(635)	(841)
Proceeds from issuance of share capital	7	-	-	165	-
Net cash flow from financing activities		(615)	(787)	(925)	(1,492)
Increase (decrease) in cash and cash equivalents		(784)	(241)	(151)	1,039
Effect of foreign exchange		79	(69)	18	80
on cash and cash equivalents					
Cash and cash equivalents, beginning of period		1,169	1,640	597	211
Cash and cash equivalents, end of period		464	1,330	464	1,330

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

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021 and 2020

(All amounts in Canadian \$000's, except as indicated)

1. REPORTING ENTITY

Cleantek Industries Inc. ("Cleantek" or the "Company"), rents proprietary equipment to the oil and gas and construction industries in Western Canada and the United States.

Cleantek was incorporated under the *Business Corporations Act* of Alberta on August 5, 2009.

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

<u>Name of subsidiary</u>	<u>Jurisdiction of incorporation/formation</u>
Horizon Oilfield Manufacturing Inc. ⁽¹⁾	Alberta, Canada
Apollo Energy Services Corp. ⁽²⁾	Alberta, Canada
Apollo Lighting Solutions Inc. ⁽²⁾	Delaware, U.S.A.

(1) Incorporated on December 2, 2013.

(2) Apollo Energy Services Corp. and Apollo Lighting Solutions Inc. (together "Apollo Energy") were acquired on October 18, 2018.

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

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

2. BASIS OF PREPARATION AND GOING CONCERN

a) Statement of compliance and basis of measurement

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with IFRS as issued by the IASB. These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the annual consolidated financial statements for the year ended December 31, 2020, 2019, 2018. These 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, 2020, 2019, 2018 and for the years ended December 31, 2020, 2019 and 2018.

These condensed consolidated interim financial statements have been approved by the Board of Directors on November 22, 2021.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021 and 2020

(All amounts in Canadian \$000's, except as indicated)

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.

For the nine months ended September 30, 2021, the Company's net loss was \$1,208 (2020 - \$13,144). At September 30, 2021, the Company had net current liabilities of \$16,319 (December 31, 2020 - \$16,805) which includes the current portions of lease liabilities, long-term debt and convertible notes. At September 30, 2021, the Company has shareholders' deficiency of \$7,428 (December 31, 2020 - \$7,278).

In 2020 and 2021, demand for the Company's services was significantly impacted by COVID-19 and the impact of deteriorating commodity prices on the Company's customers, primarily those in the oil and gas industry. As a result, as at September 30, 2021, the Company's available funding and cash flow from operating activities were not forecasted to be enough to fund its operating, investing and financing activities, including current portions of long-term debt, convertible notes and lease liabilities.

Throughout 2020 and 2021, the Company was not in compliance with certain financial and reporting covenants of the Roynat Capital Term Facility (as defined herein). The Company was also not in compliance with certain financial and reporting covenants under its Bank of Montreal Revolving Debt Facility (as defined herein). The Company put in place forbearance agreements with both Roynat Inc. ("Roynat") and the Bank of Montreal in respect of the Roynat Capital Term Facility and the Bank of Montreal Revolving Debt Facility respectively. As at September 30, 2021, the Company also had outstanding balances overdue under the OKR Financial Term Loan (as defined herein), the Company's Term Credit Facility (as defined herein) as well as under the Shareholder Loan (as defined herein). These breaches of covenants, among other non-compliances with long-term debt agreements including missed principal and interest payments, resulted in these long-term debts being classified as current liabilities. Based on the factors noted above, there were material uncertainties and significant doubt at September 30, 2021 with respect to the Company's ability to continue as a going concern.

Subsequent to September 30, 2021, the Company:

- Completed a reverse takeover of Raise Production Inc. ("Raise"), a TSX-Venture Exchange ("TSXV") listed company, pursuant to the terms of the arrangement agreement dated July 12, 2021 (the "Arrangement Agreement") between the Company and Raise (the "RTO");
- Completed a private placement of 5,716,123 subscription receipts ("Subscription Receipts") of the Company for gross proceeds of \$10,003, plus an additional 428,571 Subscription Receipts issued in settlement of \$750 of interest owing on the OKR Financial Term Loan for total gross proceeds of \$10,753 (the "Private Placement");
- Each subscription receipt was exchanged into one unit of Cleantek ("Unit") upon closing of the RTO. Each Unit was comprised of one class A common share of the Company ("Common Shares") and one half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$2.25 at any time up to 36 months from the closing of the RTO;
- Completed a new loan and revolving facility on September 24, 2021 and received \$7,500 on October 29, 2021 from a non-revolving term facility (the "Non-Revolving Term Facility") and now have access to a revolving line of credit up to \$2,500 that has not yet been drawn on;
- Funds from the Private Placement and the Non-Revolving Term Facility were used to repay the Roynat Capital Term Facility, Bank of Montreal Revolving Debt Facility, the OKR Financial Term

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021 and 2020

(All amounts in Canadian \$000's, except as indicated)

Loan, the Company's Term Credit Facility, Shareholder Promissory Note (as defined herein) and the Fall 2021 Convertible Debentures (as defined herein); and

- In conjunction with the RTO, the principal amounts outstanding under the January 2020 and February 2021 convertible debenture notes of the Company, and interest designated to be paid in kind, were converted into Common Shares at a conversion rate of \$1.20 per Common Share.

Based on the reduced debt load and improved capital structure as a result of the Company's post September 30, 2021 activity, the Company's financial position since September 30, 2021 has improved significantly.

c) Basis of measurement, functional and presentation currency and operating segments

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except certain financial instruments which are recorded at fair value.

These condensed consolidated interim financial statements are presented in Canadian dollars, Cleantek's functional currency, and have been rounded to the nearest thousand, unless otherwise indicated.

Cleantek manages its business on the basis of one operating and reportable segment.

d) Use of estimates, judgements and assumptions

The preparation of 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, 2020, as detailed in note 2 of the annual consolidated financial statements for the years ended December 31, 2020, 2019 and 2018

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021 and 2020

(All amounts in Canadian \$000's, except as indicated)

3. PROPERTY AND EQUIPMENT

<i>(Canadian \$000's)</i>	Assets under construction	Rental equipment	Automotive	Office equipment	Total
Cost					
At January 1, 2020	5,721	28,963	344	1,015	36,043
Additions	-	1,549	97	-	1,646
Dispositions	-	(573)	(316)	(543)	(1,432)
Provision for decommissioning and restoration costs	-	56	-	-	56
Impact of foreign exchange	-	(142)	-	-	(142)
At December 31, 2020	5,721	29,853	125	472	36,171
Additions	-	208	-	6	214
Dispositions	-	(105)	-	-	(105)
Impact of foreign exchange	-	39	-	-	39
At September 30, 2021	5,721	29,995	125	478	36,319
Accumulated depreciation and impairment					
At January 1, 2020	5,721	13,144	138	849	19,852
Depreciation	-	2,757	16	78	2,851
Dispositions	-	(415)	(236)	(543)	(1,194)
Impairment (note 21)	-	4,170	207	88	4,465
Impact of foreign exchange	-	(22)	-	-	(22)
At December 31, 2020	5,721	19,634	125	472	25,952
Depreciation	-	1,818	5	1	1,824
Dispositions	-	(66)	-	-	(66)
Impact of foreign exchange	-	22	-	-	22
At September 30, 2021	5,721	21,408	130	473	27,732
Carrying amount					
At December 31, 2020	-	10,219	-	-	10,219
At September 30, 2021	-	8,587	(5)	5	8,587

Cleantek's property and equipment consists of rental equipment, automotive assets and office equipment:

- Rental equipment consists of the Company's patented clean-energy lighting and dehydration products and equipment rented to customers or available for rent to customers;
- Automotive assets include vehicles and trucks; and
- Office equipment includes office furniture, fixtures and equipment, including computer equipment and software.

Impairment

At September 30, 2021, there were no indicators of impairment or impairment reversal related to the Company's property and equipment, intangible assets and right of use assets and therefore an impairment test was not required to be performed.

At March 31, 2020, the Company identified the impact of COVID-19, the global economic slowdown and the global oversupply of crude oil and resulting decline in commodity prices factoring into significant uncertainty for Cleantek's oil and gas customers as indicators of impairment. Accordingly, the Company performed an impairment test using a value in use method, based on a discounted cash flow model on its non-financial assets within its Rentals cash generating unit at March 31, 2020 and recognized a total impairment of \$8,032 during the nine months period ended September 30, 2020. The total impairment expense was allocated to the following categories:

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021 and 2020

(All amounts in Canadian \$000's, except as indicated)

- \$4,465 impairment expense of property and equipment;
- \$2,504 impairment expense of intangible assets; and
- \$1,063 impairment expense of ROU assets and intangible assets.

4. INTANGIBLE ASSETS

<i>(Canadian \$000's)</i>	Patents	Halo development	ZeroE development	Customer relationships	Trade names	Total
Cost						
At January 1, 2020	2,030	293	1,722	1,252	459	5,756
Additions	-	-	510	-	-	510
At December 31, 2020	2,030	293	2,232	1,252	459	6,266
Additions	-	-	95	-	-	95
At September 30, 2021	2,030	293	2,327	1,252	459	6,361
Accumulated amortization and impairment						
At January 1, 2020	662	293	1,722	374	133	3,184
Amortization	17	-	11	34	17	79
Impairment	1,351	-	-	844	309	2,504
At December 31, 2020	2,030	293	1,733	1,252	459	5,767
Amortization	-	-	47	-	-	47
At September 30, 2021	2,030	293	1,780	1,252	459	5,814
Carrying amount						
At December 31, 2020	-	-	499	-	-	499
At September 30, 2021	-	-	547	-	-	547

Impairment

At September 30, 2021, there were no indicators of impairment related to the Company's intangible assets and therefore an impairment test was not required to be performed.

At March 31, 2020, the Company identified the impact of COVID-19, the global economic slowdown and the global oversupply of crude oil and resulting decline in commodity prices factoring into significant uncertainty for Cleantek's oil and gas customers as indicators of impairment. Accordingly, the Company performed an impairment test on its non-financial assets within its cash generating units at March 31, 2020 and recognized a \$2,504 impairment of intangible assets during the nine months period ended September 30, 2020.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021 and 2020

(All amounts in Canadian \$000's, except as indicated)

5. DEBT AND CREDIT FACILITIES

Debt and credit facilities are comprised of the following:

<i>(Canadian \$000's)</i>	September 30 2021	December 31 2020
Long-term debt		
Credit facilities	8,278	9,339
Loans payable	2,976	3,009
Promissory notes	1,333	300
	12,587	12,648
Current portion of long-term debt		
Credit facilities	(8,278)	(9,339)
Loans payable	(2,300)	(2,315)
Promissory notes	(1,333)	(300)
	(11,911)	(11,954)
Non-current portion of long-term debt		
Credit facilities	-	-
Loans payable	676	694
Promissory notes	-	-
	676	694

Credit facilities

<i>(Canadian \$000's)</i>	September 30 2021	December 31 2020
Credit facilities		
Roynat Capital Term Facility	2,915	2,996
Bank of Montreal Debt Facility	5,363	6,343
	8,278	9,339
Current portion of credit facilities	(8,278)	(9,339)
Non-current portion of credit facilities	-	-

Roynat Capital Term Facility

The Company had a term facility with Roynat ("the Roynat Capital Term Facility") repayable in monthly instalments of \$nil (2019 – \$201) plus interest over a five-year term. Roynat provided a principal repayment 'holiday' during the months of July, August and September annually. Interest is charged at the Canadian variable bankers' acceptance rate plus 7.5% per annum. The variable component of the rate averages 1.18% in 2021 (2020 – 2.45%) and the original maturity date was on July 15, 2020. The Roynat Capital Term Facility was secured by a general security agreement covering all of the tangible and intangible assets of the Company, assignment of insurance proceeds for loss payable, along with personal guarantees of certain shareholders of the Company in the aggregate amount of \$1,000.

The Roynat Capital Term Facility is subject to certain financial covenants in respect of working capital, debt servicing and maximum debt ratios.

The Company was not in compliance with its financial, non-financial and reporting covenants of the Roynat Capital Term Facility at December 31, 2019. As a result of the non-compliance with its covenants,

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021 and 2020

(All amounts in Canadian \$000's, except as indicated)

subsequent to the December 31, 2019 year end the Company received an event of default notice from Roynat. Pursuant to an amendment letter dated January 16, 2020, Roynat required a minimum capital injection of \$600, interest-only payments for the period from December 2019 to March 2020 and one monthly installment of \$2,915 on April 15, 2020. The payment of \$2,915 was extended until January 15, 2022 and the Company negotiated interest-only payments, at the beginning of each month, on the outstanding amount. The Company was not in compliance with its financial, non-financial and reporting covenants of the Roynat Capital Term Facility at December 31, 2020 due to missed principal payments in December 2020.

On December 4, 2020, the Company signed a forbearance agreement with Roynat (the "Roynat Forbearance Agreement") with an outstanding principal amount owing at December 31, 2020 of \$2,915. The Roynat Forbearance Agreement matured on March 31, 2021 and the Company was required to make interest-only payments until this time. The amounts owing under the Roynat Forbearance Agreement were subject to an increased rate of interest of the Canadian variable rate plus 7.5% per annum. In accordance with the Roynat Forbearance Agreement, the Company was required to commence and complete a refinancing, equity raise or other strategic transaction on terms acceptable to Roynat for proceeds of not less than \$500 by January 31, 2021 and February 28, 2021, respectively, however, the Company only raised \$380 through a convertible debenture issue in February 2021 and \$165 through a Common Share subscription on March 1, 2021.

On June 11, 2021, the Company agreed an extension to the Roynat Forbearance Agreement dated December 4, 2020 with respect to the Roynat Capital Term Facility, until the earlier of the occurrence of an event of default or July 31, 2021.

Roynat did not waive previous and forecasted breaches of the Roynat Capital Term Facility and Roynat Forbearance Agreement, however, on July 21, 2021, the Company agreed to extensions to the previous Roynat Forbearance Agreement with Roynat until the earlier of the occurrence of an event of default or January 15, 2022. On October 29, 2021, the Company settled its obligations owing in full and no further obligations exist under the Roynat Capital Term Facility. See Note 15 Subsequent Events for further details.

Bank of Montreal Revolving Debt Facility

The Company has a demand revolving debt facility ("Bank of Montreal Revolving Debt Facility") of \$7,000 with the Bank of Montreal that allowed the Company to make draws for the purpose of capital expenditures only. Each individual draw is amortized over a 48-month lending period, with an initial interest-only period of 6 months which draws down on the available credit on the Bank of Montreal Revolving Debt Facility. Upon settlement of an individual draw, the Company could redraw on that credit becoming available in accordance with the Bank of Montreal Revolving Debt Facility. Although each individual draw was subject to a 48-month lending period, the Bank of Montreal has the ability to demand full repayment at anytime, at their sole discretion. The interest rate was based on the Bank of Montreal's prime rate plus 1.25% and calculated monthly in arrears and payable monthly. The financial covenants include a debt service covenant and debt to tangible net worth covenant calculated every quarter based on a twelve-month trailing amount. The Bank of Montreal Revolving Debt Facility was secured by the assets of the Company.

At December 31, 2019, the Company was not in compliance with its financial and non-financial and reporting covenants of the Bank of Montreal Revolving Debt Facility. As a result of the non-compliance, the Bank of Montreal Revolving Debt Facility was in special loans with the Bank of Montreal, principal payments were suspended, only interest payments are being made and, accordingly, the balance was classified as current.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021 and 2020

(All amounts in Canadian \$000's, except as indicated)

On December 14, 2020, the Company signed a forbearance agreement with the Bank of Montreal (the "BMO Forbearance Agreement") with an outstanding principal amount owing at December 31, 2020 of \$6,295. Under the terms of the BMO Forbearance Agreement, the Company's monthly blended payments were reduced to \$50 per month with the remaining balance due on April 15, 2021. The amounts owing under the BMO Forbearance Agreement were subject to an increased rate of interest beginning on December 1, 2020 to the Bank of Montreal's prime rate plus 3% per annum. In accordance with the covenants of the BMO Forbearance Agreement, the Company was required to provide its audited "ASPE" financial statements for fiscal 2019 by December 15, 2020. The Company did not meet this covenant. The Bank of Montreal did not waive previous and forecasted breaches of the Bank of Montreal Revolving Debt Facility and BMO Forbearance Agreement. As a result of the non-compliance with its financial and reporting covenants, the Bank of Montreal Revolving Debt Facility was classified as current.

On April 30, 2021, the Company agreed to an amendment and extension to the BMO Forbearance Agreement until September 30, 2021. Additionally, the amendment entailed the payment of \$50 on each of April 30, 2021, May 25, 2021 and June 25, 2021.

In August 2021, the Company agreed to further amendments and extensions to its BMO Forbearance Agreement until October 31, 2021. On October 29, 2021, the Company settled its obligations owing in full and no further obligations exist under the Bank of Montreal Revolving Debt Facility. See Note 15 Subsequent Events for further details.

Loans payable

	September 30	December 31
(Canadian \$000's)	2021	2020
Loans payable		
Loans payable - Related parties	325	325
OKR Financial Term Loan	1,460	1,460
Term Credit Facility	500	500
Term loan payable – Customer rental unit	676	687
Term loan payable – Other	15	37
	2,976	3,009
Current portion of loans payable	(2,300)	(2,315)
Non-current portion of loans payable	676	694

Loans payable - Related parties

In 2019, a shareholder advanced \$325 to the Company as a 90 day term loan (the "Shareholder Loan"). Subject to mutual agreement, the Shareholder Loan may be converted to debenture notes of the Company. Following an initial period in 2019 where the Company incurred interest at 20% per annum, the Shareholder Loan bears interest at 3% per annum.

At September 30, 2021, \$325 of the Shareholder Loan remains outstanding (December 31, 2020 - \$325).

OKR Financial Term Loan

On June 28, 2019, the Company executed a term loan agreement with OKR Financial to provide short term financing against Cleantek's fiscal 2017 and 2018 estimated SRED claims, (the "OKR Financial Term Loan"). OKR Financial funded \$1,000 on July 2, 2019, and \$460 on August 6, 2019 against the total estimated SRED claim of approximately \$2,000. Interest on the OKR Financial Term Loan was calculated

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at 2.15% per month, compounded monthly. The equivalent annual interest rate is 29.08%. The OKR Financial Term Loan was due on or before the earlier of, three business days after the Company received its SRED claims for the 2017 tax year or June 28, 2020. The Company had the right at any time during the term of the OKR Financial Term Loan to prepay all or any portion of the OKR Financial Term Loan without penalty. OKR Financial registered a security interest in the pending SRED claim and both parties also executed a general security agreement which provided OKR Financial with additional security on the Company's other assets which ranked third in priority behind Cleantek's senior lender credit facilities.

In March 2020, and June 2020, the Company received refunds of \$1,044 and \$1,214 for the fiscal 2017 and 2018 SRED claims, respectively.

In June 2020, the Company reached an agreement with OKR Financial to extend the maturity of the \$1,000 OKR Financial Term Loan to April 30, 2021, and in August 2020, an agreement was reached to also extend the maturity of the remaining \$460 OKR Financial Term Loan to April 30, 2021. The interest rate payable for the two OKR Financial Term Loans remained the same and was calculated at 2.15% per month.

In May 2021, the Company received \$876 in SRED Tax Incentive Program claim refunds for the year ended December 31, 2019.

In August 2021, the Company executed an amendment and extension to the OKR Financial Term Loan payable, extending the maturity date to November 15, 2021 and revising the interest rate and form of repayment.

At September 30, 2021, the \$1,460 OKR Financial Term Loan is outstanding (December 31, 2020 - \$1,460).

On October 29, 2021, the Company settled its principal obligation owing in full and no further obligations are outstanding under the OKR Financial Term Loan. In conjunction with the Private Placement, an additional 428,571 Units were issued at \$1.75 per Unit upon the conversion of \$750 interest owing on the OKR Financial Term Loan to OKR Financial. See Note 15 Subsequent Events for further details.

Term Credit Facility

On October 22, 2019, the Company executed a term credit agreement with a lender to provide short term financing (the "Term Credit Facility"). The Term Credit Facility was secured by a first position security interest over all accounts receivables of Cleantek. The Term Credit Facility accrued interest at 12% per annum, which would have increased by 2% per annum if a default has occurred. This instrument was due for repayment on or before April 30, 2020. The Term Credit Facility provided the option to convert all or a portion of the outstanding balance into Common Shares of the Company at the rate of \$66.00 per Common Share.

At September 30, 2021, \$500 of the Term Credit Facility was outstanding and overdue (December 31, 2020 - \$500).

On October 29, 2021, the Company settled its obligations owing in full and no further obligations exist, under the Term Credit Facility. See Note 15 Subsequent Events for further details.

Term loan – Customer rental unit

In April 2018, Cleantek signed a ZeroE™ management agreement with a public, upstream oil and gas producer to manufacture, deliver and install a dehydrator ZeroE™ rental unit (the "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

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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 the Dehydrator ZeroE Rental 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 Dehydrator ZeroE Rental Unit; and as collateral security for the payment and performance of Cleantek's obligations under ZeroE Management Agreement, the Dehydrator ZeroE Rental Unit as well as the Company's ZeroE™ technology is subject to a lien.

Cleantek evaluated the classification of this lease at inception and made an assessment that it is an operating lease as the lease 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 nine months ended September 30, 2021, \$105 of rental income was invoiced to the customer and recognized as dehydration facility revenue in net loss, \$51 interest expense was recognized on the outstanding Customer Loan and included in finances costs, net in net loss and \$62 of the rental income invoiced to the customer was applied to the outstanding Customer Loan, including \$11 to the principal balance.

At September 30, 2021, \$676 (December 31, 2020 - \$687) is payable on the Customer Loan.

Promissory notes

	September 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
Promissory notes		
Shareholder Promissory Note	300	300
Vendor Promissory Note	1,033	-
	1,333	300
Current portion of promissory notes	(1,333)	(300)
Non-current portion of promissory notes	-	-

Shareholder Promissory Note

On November 1, 2017, a \$300 promissory note was executed between the Company and a minority shareholder (the "Shareholder Promissory Note") to replace the \$300 principal balance of the December 31, 2015 promissory note ("Original Shareholder Note") that became due on the November 1, 2017 maturity date. The Shareholder Promissory Note had an original maturity date of November 1, 2019 and bears interest at 8.5% per annum. All terms of the Shareholder Promissory Note remain the same as the Original Shareholder Note, except for interest owing, which was pre-paid upon execution rather than monthly throughout the term as it was under the Original Shareholder Note.

At September 30, 2021, the \$300 Shareholder Promissory Note was overdue and outstanding (December 31, 2020 - \$300).

On October 29, 2021, the Company settled its obligations owing in full and no further obligations exist, under the Shareholder Promissory Note. See Subsequent Events for further details.

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Vendor Promissory Note

In January 2021, the Company entered into an agreement with one of its vendors to convert outstanding accounts payable balance of \$1,045 to an unsecured promissory note (the "Vendor Promissory Note"). The Vendor Promissory Note is non-interest bearing; is repayable at \$5 per month; and 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.

At September 30, 2021, \$1,033 of the Vendor Promissory Note remains outstanding (December 31, 2020 - \$1,045 accounts payable). As a result of the non-compliance with the terms of this Vendor Promissory Note, the balance has been classified as current (note 2).

6. CONVERTIBLE NOTES

Convertible notes are comprised of the following:

<i>(Canadian \$000's)</i>	September 30 2021	December 31 2020
Convertible notes – Liability portion		
Convertible debentures	1,416	647
Total convertible notes – Liability portion	1,416	647
Current portion of convertible notes		
Convertible debentures	(1,416)	(647)
	(1,416)	(647)
Non-current portion of convertible notes		
Convertible debentures	-	-
	-	-

Convertible debentures

<i>(Canadian \$000's)</i>	September 30 2021	December 31 2020
Liability portion		
<i>Non-derivative convertible debentures</i>		
January 2020 Convertible Debentures, due on demand	662	647
February 2021 Convertible Debentures, due on demand – Related parties	391	-
Fall 2021 Convertible Debentures, due on demand – Related parties	363	-
	1,416	647

January 2020 Convertible Debentures, due on demand

<i>(Canadian \$000's, except number of notes)</i>	Number of notes	Liability component	Equity component	Total note
<i>Non-derivative convertible debentures – January 2020 Convertible Debentures, due on demand</i>				
At January 1, 2020	-	-	-	-
Issuance of January 2020 Convertible Debentures	109,091	600	-	600

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Accrued interest	-	47	-	47
At December 31, 2020	109,091	647	-	647
Accrued interest	-	15	-	15
	109,091	662	-	662

In January 2020, the Company obtained financing through secured subordinated convertible debentures, for total proceeds of \$600 (the "January 2020 Convertible Debentures"). The January 2020 Convertible Debentures had an annual interest rate of 20% per annum, payable as 8% in Common Shares and 12% in cash. The January 2020 Convertible Debentures were convertible into Common Shares at \$66.00 per Common Share and were due on demand. In July 2021, an amending agreement was executed changing the conversion price of the January 2020 Convertible Debentures from \$66.00 per Common Share to \$1.20 per Common Share. In conjunction with the RTO, the outstanding principal of \$600 was converted to Common Shares at \$1.20 per Common Share and the accrued interest was settled in cash. See Note 15 Subsequent Events for further details.

February 2021 Convertible Debentures, due on demand – Related parties

(Canadian \$000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – February 2021 Convertible Debentures, due on demand				
At January 1, 2021	-	-	-	-
Issuance of February 2021 Convertible Debentures	380	380	-	380
Accrued interest	-	11	-	11
At September 30, 2021	380	391	-	391

In February 2021, the Company obtained financing through the issuance of 380 secured subordinated convertible debentures to existing shareholders of the Company holding significant influence, including the Company's largest shareholder, for total proceeds of \$380, representing a subscription price of \$1,000 per debenture, due on demand by the holder (the "February 2021 Convertible Debentures"). The February 2021 Convertible Debentures had an annual interest rate of 12% per annum, calculated quarterly on the basis of a 365 day year, payable in cash on the maturity date. Each February 2021 Convertible Debentures was convertible into 833.33 units of the Company, each unit consisting of one Common Share and one warrant to purchase a Common Share at \$1.20 per Common Share by September 30, 2023. In conjunction with the RTO the outstanding principal of \$380 of the February 2021 Convertible Debentures was converted into Common Shares at \$1.20 per Common Share and the accrued interest was settled in cash. See Note 15 Subsequent Events for further details.

Fall 2021 Convertible Debentures, due on demand – Related parties

(Canadian \$000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – February 2021 Convertible Debentures, due on demand				
At January 1, 2021	-	-	-	-
Issuance of September 2021 Convertible Debentures	350	350	-	350
Accrued interest	-	13	-	13
At September 30, 2021	350	363	-	363

In September 2021, the Company issued secured, subordinated convertible debentures for gross proceeds of \$350 (the "Fall 2021 Convertible Debentures"). The Fall 2021 Convertible Debentures had a monthly interest rate of 5% and were convertible into Common Shares of the Company at \$1.20 per Common Share and were due on October 31, 2021. In October 2021, the Company issued a further \$100 of the Fall 2021 Convertible Debentures for total gross proceeds of \$450. In conjunction with the

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RTO, the outstanding principal of \$450 of the Fall 2021 Convertible Debentures, plus accrued interest thereon was settled in cash. See Note 15 Subsequent Events for further details.

7. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue:

- An unlimited number of Class "A", "B", "C" and "D" common shares;
- An unlimited number of Class "E", "F", "G" and "H" non-voting common shares;
- An unlimited number of Class "I" preferred shares; and
- An unlimited number of Class "J" non-voting preferred shares.

b) Issued share capital

(Canadian \$000's, except number of shares)	Number of shares	September 30	Number of shares	December 31
		2021		2020
		Amount		Amount
Common shares – Class "A" voting				
At beginning of year ⁽¹⁾	16,846,136	51,708	933,030	25,573
Share issuances – cash	137,167	165	-	-
Share issuances – in kind	-	-	309	37
Shares issued as part of directors' compensation	-	-	13	1
Shares held in escrow and released pursuant to acquisition employment services agreements	-	-	22,103	1,459
Share conversions	296,342	355	15,890,681	24,638
At end of period	17,279,645	52,228	16,846,136	51,708

(1) Excludes Cleantek common shares issued on acquisition of Apollo Energy on October 18, 2018 and held in escrow subject to executive employment agreements (see note 8). These Cleantek common shares issued and held in escrow are only reflected as outstanding common shares of the Company upon release from escrow. At January 1, 2020, 22,103 Cleantek common shares issued on Apollo Energy acquisition remain held in escrow. These shares were released from escrow in 2020.

Share consolidation

As described under Note 1, on August 27, 2021, the Company completed a twelve-for-one share consolidation (the "Consolidation") of all its issued and outstanding common shares. All current and prior period Common Share and per Common Share data, including share options outstanding, has been retroactively adjusted to reflect the Consolidation unless otherwise noted.

Share issuances

On March 1, 2021, the Company completed a common share subscription of 137,167 common shares at \$1.20 per common share for gross proceeds of \$165. Each share includes a Warrant which shall entitle the holder thereof to purchase one Cleantek common share at an exercise price of \$1.20 at any time up to March 1, 2023.

Share conversions

In the nine month period ended September 30, 2021, pursuant to agreements with certain creditors of the Company, the Company issued 296,342 Class A common shares at \$1.20 per common share to settle \$355 of accounts payable.

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8. SHARE-BASED PAYMENTS

a) Share-based incentive programs and payment plans

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

Stock option plan (equity-settled)

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

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

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

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

Common shares issued on Apollo Energy acquisition and held in escrow subject to employment agreements

As part of the Apollo Energy Services Corp. acquisition in October 2018, 27,178 Cleantek common shares were issued to vendors party to the acquisition of a 100% interest in Apollo Energy Services Corp. for an aggregate purchase price of \$5,900, the consideration of which was paid entirely through the issuance of Common Shares and placed in escrow (the "Apollo Energy Acquisition Escrowed Shares") as part of executive employment agreements with two vendors transitioning to positions with Cleantek.

Pursuant to the acquisition and escrow agreements, in exchange for the services of these executives, these common shares will be released from escrow as follows: (i) 40% 12 months after the acquisition date, (ii) 40% 24 months after the acquisition date and (iii) 20% 36 months after the acquisition date.

In March 2019, one of the vendors and an executive of Cleantek resigned from the Company and forfeited 14,492 unvested escrowed common shares of the Company. On December 20, 2019, the same vendor rejoined Cleantek as an executive and pursuant to an executive agreement, the previously forfeited, unvested escrowed shares were reinstated and will vest equally each quarter over a 12 month period. In 2020, all of these escrowed common shares were released from escrow.

In May 2020, the other vendor's employment with Cleantek was terminated. Pursuant to the escrow agreement and a termination agreement, his remaining 7,611 outstanding escrowed shares vested immediately on termination. These remaining escrowed shares were immediately released from escrow and the Company recognized accelerated share-based compensation on these vesting instruments.

Under IFRS, the compensation cost is measured at the fair value on the date of acquisition and expensed in stock-based compensation in net income (loss) over the vesting period with a corresponding increase to contributed surplus.

In addition, these Cleantek common shares issued and held in escrow are only reflected as outstanding common shares of the Company upon release from escrow. At December 31, 2020, all escrowed common shares have been released from escrow and are included as part of the outstanding common shares of the Company.

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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 2021	Weighted average exercise price	Number of stock options	December 31 2020	Weighted average exercise price
Stock options					
Outstanding at beginning of year	58,750	66.00	52,500	66.00	
Cancelled	(58,750)	66.00	-	-	
Granted	1,500,000	1.20	8,333	66.00	
Forfeited	-	-	(2,083)	66.00	
Outstanding at end of period	1,500,000	1.20	58,750	66.00	
Weighted average remaining life		4.9 years		3.3 years	
Exercisable at end of period	-	-	296,668	66.00	

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

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

	Nine months ended September 30 2021	Year ended December 31 2020
Share price on grant date	\$1.20	\$7.80
Exercise price	\$1.20	\$66.00
Expected life (years)	5	5
Expected volatility	95%	51%
Risk-free interest rate	0.25%	1.60%
Expected forfeiture rate	-	-
Expected dividend yield	-	-
Weighted average fair value per stock option	\$0.84	\$3.60

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

For the nine months ended September 30, 2021, \$523 (2020 - \$79) of share-based payment expense related to stock options was recognized in net loss, including the \$91 accelerated share-based payment expense for the cancelled stock options.

c) Common shares issued in exchange for services rendered

During the nine month period ended September 30, 2020, the Company issued 12.6 Cleantek common shares with a fair value of \$66.00 per common share to members of the Board of Directors as compensation for services rendered in their capacity as directors of Cleantek.

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d) Apollo Energy acquisition – Escrowed common shares in exchange for employment service

The following table provides a summary of the Company's escrowed common shares in exchange for employment services:

<i>(Number of escrowed shares)</i>	September 30 2021	December 31 2020
Escrowed common shares		
Outstanding at beginning of year	-	22,104
Released from escrow	-	(22,104)
Outstanding at end of period	-	-

For the nine months ended September 30, 2021, \$nil (2020 - \$1,080) of share-based payment expense related to these escrowed common shares was recognized in net loss.

e) 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	
	2021	2020	2021	2020
Stock options	196	10	523	79
Common shares issued as part of directors' compensation	-	-	-	1
Escrowed common shares at acquisition in exchange for employment services	-	131	-	1,080
Total share-based compensation expense	196	141	523	1,160

9. REVENUE

<i>(Canadian \$000's)</i>	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Sustainable lighting solutions	1,890	1,168	5,768	5,279
ZeroE dehydration	156	127	679	551
Total revenue	2,045	1,296	6,447	5,830
Consisting of:				
Canadian operations	1,043	811	3,646	3,085
U.S. operations	1,002	485	2,801	2,745

10. FINANCE COSTS

<i>(Canadian \$000's)</i>	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020

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Interest expense on long-term debt	35	267	588	799
Interest expense and financing costs of convertible notes ⁽¹⁾	110	453	284	1,302
Interest on lease liabilities	15	23	54	72
Debt renewal and other lending fees	19	94	214	233
Loss on fair value adjustment of derivative convertible note liabilities	-	466	-	1,312
Interest income	(4)	(4)	(11)	(11)
Total finance costs, net	175	1,299	1,129	3,707

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

11. 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:

<i>(Canadian \$000's, except common shares in number and loss per share in \$)</i>	Three months ended		Nine months ended	
		September 30		September 30
	2021	2020	2021	2020
Net loss attributable to shareholders	(397)	(1,352)	(1,208)	(13,144)
Weighted average common shares outstanding – basic and diluted	17,279,664	948,642	17,126,965	940,753
Loss per share – basic and diluted	\$ (0.02)	\$ (1.43)	\$ (0.07)	\$ (13.97)

For the three and nine months ended September 30, 2021 and 2020, the Company excluded the effect of stock options, restricted share units and other convertible instruments or releasable instruments from escrow as the Company had a net loss during these periods and their effect would have been anti-dilutive.

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12. RELATED PARTY BALANCES AND TRANSACTIONS

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

<i>(Canadian \$000's)</i>	Note	September 30 2021	December 31 2020
Long-term receivables⁽¹⁾			
<i>Loans receivable</i>			
Loans to shareholders and former executives		551	540
		551	540
Accounts payables and accrued liabilities			
Law firm related to the Company through a director		72	1,117
Long-term debt⁽¹⁾			
<i>Loans payable</i>			
Loans payable - Related parties	5	325	325
<i>Promissory notes</i>			
Shareholder Promissory Note	5	300	300
Vendor Promissory Note	5	1,033	-
		1,658	625
Convertible notes – Liability portion⁽¹⁾			
<i>Convertible debentures</i>			
February 2021 Convertible Debentures, due on demand – Related parties	6	380	-
Fall 2021 Convertible Debentures, due on demand – Related parties	6	350	-
		730	-

(1) Includes current and non-current portion.

The Company has the following related party commitments and contingencies:

Commitments and contingencies

Related party guarantee	14
Litigation and claims involving a related party	14

Loans receivable – Related parties

Loans to shareholders and former executives

In May 2018, the Company advanced \$500 to two shareholders who were officers of the Company and who had significant influence at the time (the "Former Officers Loans"). The Former Officers Loans principal balance bears interest at a rate of 3% per annum and are repayable, with accrued interest, on May 31, 2022, unless there is a liquidation event.

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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	
	2021	September 30 2020	2021	September 30 2020
Net changes in non-cash working capital:				
Accounts receivable	(451)	(90)	(327)	1,804
Prepays, deposits and other receivables	(1,012)	108	(954)	61
Long term receivables	(4)	(4)	(11)	(11)
Accounts payable and accrued liabilities	1,273	665	796	268
	(194)	679	(496)	2,122
Related to:				
Operating activities	(194)	679	(496)	2,122

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, 2021 are outlined in the table below:

<i>(Canadian \$000's)</i>	Carrying amount ⁽¹⁾	Contractual outflows ⁽²⁾				Total ⁽¹⁾
		< 1 year	2 to 3 years	4 to 5 years	Thereafter	
Financial liabilities						
Accounts payable and accrued liabilities	5,985	5,985	-	-	-	5,985
Long-term debt						
Credit facilities	8,278	8,278	-	-	-	8,278
Loans payable	2,976	2,300	676	-	-	2,976
Promissory notes	1,333	1,333	-	-	-	1,333
Convertible notes	1,416	1,416	-	-	-	1,416
	19,988	19,312	676	-	-	19,988
Lease liabilities and other commitments						
Lease liabilities ⁽³⁾	581	266	315	-	-	581
Other property lease commitments	197	63	134	-	-	197
	778	329	449	-	-	778

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

(2) Financial liabilities exclude interest portion due to demand and variable term features. See Note 5 for Cleantek's debt and credit facilities and Note 6 for Cleantek's convertible notes.

(3) Lease liabilities include principal and interest portions.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021 and 2020

(All amounts in Canadian \$000's, except as indicated)

Related party guarantee

The Company has provided a corporate guarantee of \$270 at September 30, 2021 and December 31, 2020 to a lender related to a loan issued to Cerberus, a company related through a common shareholder.

This guarantee arose when Cerberus arranged financing to purchase a building, which the Company leased under a property lease agreement, and equipment that the Company purchased. The guarantee will be in place until the financing is repaid, which was scheduled to be in 2019. If Cerberus fails to repay its debt to the lender, the lender is entitled to seek repayment from the Company.

At December 31, 2018, Cerberus had loans outstanding amounting to \$436 to which the guarantee applies. In 2019, the lender commenced actions against Cerberus and has commenced action to enforce the guarantee by the Company. The Company has filed a statement of defense and has not accrued a provision for this claim.

Pursuant to the property lease agreement, the Company paid Cerberus annual lease payments of \$78 over a five-year term, aggregating \$390. The lease expired on July 30, 2019.

Litigation and claims

The Company is involved in litigation and claims arising in the normal course of operations. Management is of the opinion that pending litigation will not have a material impact on the Company's financial position or results of operations.

Patent litigation

In 2021 a United States competitor in the lighting rental business sued the Company for patent infringement. Management is defending the patent litigation claim vigorously and believes the claim is without merit.

Litigation and claims involving a related party

In 2020, a former executive of the Company and shareholder filed a claim against the Company for approximately \$478 related to term loans (the "Disputed Loans") provided, accrued interest thereon and damages. At September 30, 2021, the principal balance of the Disputed Loans payable (see Note 5) by the Company and included in debt is \$325 (December 31, 2020 - \$325). The Company has filed a statement of defense and counter claim.

15.SUBSEQUENT EVENTS

Announcement of closing of reverse takeover of Raise Production Inc., taking Cleantek public

Announcement of closing of the RTO, taking Cleantek public

The RTO

On October 29, 2021, Cleantek completed the RTO whereby Cleantek completed a reverse takeover of Raise to form a combined public company called Cleantek Industries Inc. (TSXV: CTEK).

Pursuant to the Arrangement Agreement, the common shares of Raise ("Raise Common Shares") were consolidated on the basis of one post-consolidation Raise Common Share for every 58.3 pre-consolidation Raise Common Share, such that, after completion of the consolidation the holders of Raise Common Shares held an aggregate of approximately 15% of the post-consolidation resulting issuer common shares with shareholders of Cleantek holding the remaining approximately 85%.

The Private Placement

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021 and 2020

(All amounts in Canadian \$000's, except as indicated)

In conjunction with the RTO, Cleantek completed the Private Placement for aggregate gross proceeds of \$10,003 with a syndicate of investment dealers for a brokered private placement offering of Subscription Receipts at a price of \$1.75 per Subscription Receipt, plus an additional 428,571 Subscription Receipts issued in settlement of \$750 of interest owing on the OKR Financial Term Loan for total gross proceeds of \$10,753. This Private Placement was closed on August 31, 2021 and the proceeds were released on completion of the RTO on October 29, 2021.

2021 Debt and credit facilities updates

Bank of Montreal Revolving Debt Facility

On August 9, 2021, the Company agreed to a further extension to the BMO Forbearance Agreement with respect to the Bank of Montreal Revolving Debt Facility with the Bank of Montreal and on October 29, 2021, the Company settled its obligations owing in full and no further obligations exist under the Bank of Montreal Revolving Debt Facility.

Roynat Capital Term Facility

On July 21, 2021, the Company agreed to a further extension to the Roynat Forbearance Agreement with respect to the Roynat Capital Term Facility with Roynat and on October 29, 2021, the Company settled its obligations owing in full and no further obligations exist under the Roynat Capital Term Facility.

2019 SRED refund received and OKR Financial Term Loan amendment

On August 9, 2021, the Company executed an amendment and extension to the OKR Financial Term Loan payable and on October 29, 2021, the Company settled its principal obligation owing in full under the OKR Financial Term Loan. In conjunction with the Private Placement, an additional 428,571 Units were issued at \$1.75 upon the conversion of \$750 interest owing on OKR Financial Term Loan to OKR Financial. No further obligations exist under the OKR Financial Term Loan.

Term Credit Facility

On October 29, 2021, the Company settled its obligations owing in full and no further obligations exist under the Term Credit Facility.

Shareholder Promissory Note

On November 19, 2021, the Company settled its obligations owing in full and no further obligations exist under the Shareholder Promissory Note.

Convertible Notes

January 2020 Convertible Debentures and February 2021 Convertible Debentures

In conjunction with the RTO, the \$980 outstanding principal of January 2020 Convertible Debentures and February 2021 Convertible Debentures was converted to approximately 1,176,000 Common Shares at \$1.20 per Common Share. Accrued interest on the January 2020 Convertible Debentures and February 2021 Convertible Debentures was settled in cash.

Fall 2021 Convertible Debentures issue and conversion

On October 5, 2021, the Company issued an additional \$100 of Fall 2021 Convertible Debentures for a total of \$450 in principal issued and outstanding. These Fall 2021 Convertible Debentures had a monthly interest rate of 5% and were settled in cash for principal and interest on October 29, 2021. No further obligations exist under the Fall 2021 Convertible Debentures.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021 and 2020

(All amounts in Canadian \$000's, except as indicated)

New loan and revolving facility

On September 24, 2021, the Company entered into a senior-secured credit agreement with a Canadian private debt asset manager, providing for:

- The Non-Revolving Term Facility in a maximum principal amount of \$7,500, in a single loan advance; and
- A revolving line of credit up to \$2,500 (the "Revolving Line of Credit", and together with the Non-Revolving Term Facility, the "Credit Facilities"), in one or more loan advances.

The Credit Facilities are for an initial term of 24 months, which may be extended for an additional 12 month period at the request of the Company with consent by the lender.

On October 29, 2021, the full \$7,500 Non-Revolving Term Facility amount was issued and is outstanding. As of the report date of these financial statements no amounts had been issued or outstanding on the Revolving Line of Credit.

The Non-Revolving Term Facility is subject to monthly scheduled repayments as follows: interest only payments in the first 4 months; \$83 plus interest in months 5 to 8; \$108 plus interest in months 9 to 12; \$133 plus interest in months 13 to 16; \$158 plus interest in months 17 to 20; \$183 plus interest in months 21 to 24; and the remaining balance on the Non-Revolving Term Facility termination date.

The Credit Facilities bear interest equal to the greater of 9% per annum and a Canadian bank's prime rate plus 6.55%, payable on the last day of each calendar month.

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

The Credit Facilities agreement is subject to certain positive and negative covenants, reporting covenants as well as financial covenants.



Corporate Information

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Matt Gowanlock
President & CEO

Orson Ross
Chief Financial Officer

BOARD OF DIRECTORS

Richard McHardy
Chairman

Al Stark

Paul Colucci

Reg Greenslade

Phillip Knoll

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LAWYERS

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Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Olympia Trust Company
Calgary, Alberta

INVESTOR RELATIONS INFORMATION

Matt Gowanlock
President

Orson Ross
Chief Financial Officer