



Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2022

Cleantek Industries Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)
As at

<i>(Canadian \$000's)</i>	Note	September 30 2022	December 31 2021
ASSETS			
Current assets			
Cash and cash equivalents		616	1,871
Accounts receivable		2,687	1,931
Prepays		227	383
Other assets		221	586
Total current assets		3,751	4,771
Non-current assets			
Property and equipment	3	11,041	11,279
Intangible assets	4	504	459
Right-of-use assets		556	647
Total non-current assets		12,101	12,385
Total assets		15,852	17,156
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		2,415	2,825
Current portion of long-term debt	5	2,091	1,045
Current portion of lease liabilities		328	366
Total current liabilities		4,834	4,236
Non-current liabilities			
Long-term debt	5	8,778	7,444
Lease liabilities		324	431
Provisions		57	57
Total non-current liabilities		9,159	7,932
Total liabilities		13,993	12,168
Shareholders' equity (deficit)			
Share capital	6	68,466	68,466
Contributed surplus		2,895	2,524
Accumulated other comprehensive income		(140)	160
Accumulated deficit		(69,362)	(66,162)
Total shareholders' equity (deficit)		1,859	4,988
Total liabilities and shareholders' equity (deficit)		15,852	17,156
Going concern	2b)		
Commitments and contingencies		13	
Subsequent events		14	

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	
		2022	2021	2022	2021
Revenue	8	3,391	2,045	9,663	6,447
Direct operating expenses	9	1,360	945	4,089	2,996
Gross profit		2,031	1,100	5,574	3,451
Other expenses					
General and administrative	9	2,391	951	5,607	2,591
Depreciation and amortization	3,4	675	413	2,527	1,912
Research expense (recovery)		-	(13)	-	(701)
Share-based compensation	7	76	196	371	523
Finance costs, net	10	324	175	862	1,129
(Gain) loss on disposal of long-lived assets		-	(115)	(148)	(112)
Foreign exchange (gain) loss		(412)	106	(445)	28
		3,054	1,713	8,774	5,370
Loss before income taxes		(1,023)	(613)	(3,200)	(1,919)
Income tax (recovery) expense					
Current		-	-	-	-
Deferred		-	(216)	-	(711)
		-	(216)	-	(711)
Net loss		(1,023)	(397)	(3,200)	(1,208)
Loss per share (\$)					
Basic and diluted	11	\$(0.04)	\$(0.02)	\$(0.12)	\$(0.07)

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	
		2022	2021	2022	2021
Net loss		(1,023)	(397)	(3,200)	(1,208)
Other comprehensive loss					
Foreign currency translation gain (loss)		(295)	(76)	(300)	15
Total comprehensive loss		(1,318)	(321)	(3,500)	(1,193)

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)</i>	Note	Share capital	Contributed surplus	Accumulated other Comprehensive income (loss)	Accumulated deficit	Total
At January 1, 2021		51,708	1,080	141	(60,207)	(7,278)
Net loss for the period		-	-	-	(1,208)	(1,208)
Share-based compensation expense	7	-	523	-	-	523
Share issuance – in cash for Cleantek	6	165	-	-	-	165
Share conversions	6	355	-	-	-	355
Foreign currency translation loss		-	-	15	-	15
At September 30, 2021		52,228	1,603	156	(61,415)	(7,428)
At January 1, 2022		68,466	2,524	160	(66,162)	4,988
Net loss for the period		-	-	-	(3,200)	(3,200)
Share-based compensation expense	7	-	371	-	-	371
Foreign currency translation loss		-	-	(300)	-	(300)
At September 30, 2022		68,466	2,895	(140)	(69,362)	1,859

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	
		2022	2021	2022	2021
Cash (used in)/provided by:					
Operating activities					
Net loss		(1,023)	(397)	(3,200)	(1,208)
Adjustments for:					
Depreciation and amortization	3,4	675	413	2,527	1,912
Share-based compensation expense	7	76	196	371	523
Finance costs	10	324	175	862	1,129
(Gain) loss on disposal of long-lived assets		-	(115)	(148)	(112)
Unrealized (gain) loss on foreign exchange		(445)	-	(445)	-
Deferred income tax expense (recovery)		-	(216)	-	(711)
Changes in non-cash working capital	12	260	194	(593)	(496)
Net cash flow from (used in) operating activities		(133)	(138)	(626)	1,037
Investing activities					
Additions to property and equipment	3	(1,266)	-	(1,946)	(214)
Additions to intangible assets	4	(44)	(32)	(90)	(95)
Proceeds on disposal of long-lived assets		-	1	100	46
Changes in non-cash working capital	12	(3)	-	(57)	-
Net cash flow used in investing activities		(1,313)	(31)	(1,993)	(263)
Financing activities					
Proceeds from long-term debt, net of revolving debt repayments		1,822	-	3,056	-
Repayment of long-term debt	5	(370)	(729)	(804)	(1,014)
Proceeds from convertible notes - debentures		-	350	-	730
Repayments of lease liabilities		(62)	(36)	(175)	(171)
Payments of cash interest		(277)	(200)	(731)	(635)
Proceeds from issuance of share capital	6	-	-	-	165
Net cash flow from financing activities		1,113	(615)	1,346	(925)
Increase (decrease) in cash and cash equivalents		(333)	(784)	(1,273)	(151)
Effect of foreign exchange on cash and cash equivalents		13	(79)	18	18
Cash and cash equivalents, beginning of period		936	1,169	1,871	597
Cash and cash equivalents, end of period		616	464	616	464

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 months ended September 30, 2022

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

1. REPORTING ENTITY

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

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

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

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

Name of subsidiary	Jurisdiction of incorporation/formation
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 and amalgamated with Cleantek effective Cleantek on January 1, 2022.

(2) Apollo Energy Services Corp. and Apollo Lighting Solutions Inc. (together "Apollo Energy") were acquired on October 18, 2018. Apollo Energy Services Corp. was amalgamated with Cleantek effective January 1, 2022.

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

2. BASIS OF PREPARATION AND GOING CONCERN

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, 2021. These unaudited condensed consolidated interim financial statements are condensed as they do not include all of the information required by International Financial Reporting Standards ("IFRS") for annual financial statements and therefore should be read in conjunction with the Company's audited annual consolidated financial statements at December 31, 2021 which are available on SEDAR at www.sedar.com.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2022

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

These unaudited condensed consolidated interim financial statements have been approved by the Board of Directors on November 21, 2022.

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.

In 2021, a competitor providing lighting solutions in North America initiated legal proceedings against the Company alleging patent infringement by Cleantek on a small fraction of the Company's installed HALO™ lighting units in the United States. The Company has fully responded to the asserted claim and filed a counterclaim, which was expected to go to trial in October 2022. Legal costs incurred in 2022 for the patent litigation totaled \$2,984 as of September 30, 2022, which has significantly impacted the Company's available credit and cash balance as a result of the impact on cash flows from operating activities. At September 30, 2022, the Company had net working capital deficit of \$1,082 (December 31, 2021 - \$535 working capital surplus) which includes the current portions of lease liabilities and long-term debt with a cash balance of \$616 (December 31, 2021 - \$1,871).

Subsequent to September 30, 2022, the Company reached a settlement regarding the patent infringement with the competitor on November 21, 2022, with both parties vacating their lawsuits. Please see note 14 for additional details on the settlement.

However, as a result of legal costs from the patent litigation, Cleantek will require the support of its debt lender over the near term to manage current cash flow restrictions caused by the patent litigation to allow time for the Company to generate sufficient cash flows to fund its operations. Subsequent to September 30, 2022, the Company has obtained a waiver of principal payments under the Canadian Private Debt Credit Facilities for three months (October through December 2022) and is eligible to obtain an additional three month waiver (January through March 2023) if certain conditions are satisfied to the lender by January 1, 2023. While these waiver of principal payments will assist the Company in operational cash flow management, the Company will continue to require the support of its Canadian Private Debt Credit Facilities lender as the Company seeks to find an alternate debt provider or obtain an extension on the Canadian Private Debt Credit Facilities with its current lender to maintain its liquidity position as the Canadian Private Debt Credit Facilities currently mature on October 31, 2023 (see note 5) and there is not projected to be sufficient cash available to enable repayment on maturity.

Due to facts and circumstances noted above, there are material uncertainties that creates 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, except certain financial instruments which are recorded at fair value.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2022

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

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

d) Use of estimates, judgements and assumptions

The preparation of these 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.

Effective July 1, 2022, there were changes in estimates related to the useful lives of our property and equipment. Please refer to note 3 for further details.

There have been no other significant changes to the use of estimates, judgements or assumptions since December 31, 2021, as detailed in note 2(c) of the annual consolidated financial statements for the years ended December 31, 2021 and 2020.

3. PROPERTY AND EQUIPMENT

<i>(Canadian \$000's)</i>	Assets under construction	Rental equipment	Automotive	Office equipment	Total
Cost					
At December 31, 2021	95	29,796	134	479	30,504
Additions	551	431	957	7	1,946
Dispositions	-	(246)	(42)	-	(288)
Transfers from assets under construction to rental equipment	(495)	495	-	-	-
Impact of foreign exchange	-	185	16	-	201
At September 30, 2022	151	30,661	1,065	486	32,363
Accumulated depreciation and impairment					
At December 31, 2021	-	18,622	134	469	19,225
Depreciation	-	2,290	17	8	2,315
Dispositions	-	(244)	(42)	-	(286)
Impact of foreign exchange	-	64	4	-	68
At September 30, 2022	-	20,732	113	477	21,322
Carrying amount					
At December 31, 2021	95	11,174	-	10	11,279
At September 30, 2022	151	9,929	952	9	11,041

During the third quarter of 2022, a review of the useful lives of long-lived rental assets was performed and determined that the current accounting estimate of useful lives for certain rental assets required revision based on additional operating experience and implementation of a more robust maintenance program. As a result, we extended useful lives to 15 years for the mobile wastewater dehydration technology (DZeroE), crown mounted lighting system (Halo™), Light Towers (Solar Hybrid Li and Solar Hybrid) and LED Stadium Lighting, each having an original useful life of between 8-10 years. Impact during the third quarter of 2022 was a decrease in depreciation expense of \$223 recognized in the statement of net loss.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2022

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

Impairment

At September 30, 2022 and 2021 there were no indicators of impairment or impairment reversal related to the Company's property and equipment and therefore an impairment test was not required to be performed.

4. INTANGIBLE ASSETS

<i>(Canadian \$000's)</i>	Patents	ZeroE development	Total
Cost			
At December 31, 2021	2,141	2,247	4,388
Additions	-	90	90
At September 30, 2022	2,141	2,337	4,478
Accumulated amortization and impairment			
At December 31, 2021	2,032	1,897	3,929
Amortization	8	37	45
At September 30, 2022	2,040	1,934	3,974
Carrying amount			
At December 31, 2021	109	350	459
At September 30, 2022	101	403	504

Impairment

At September 30, 2022 and 2021 there were no indicators of impairment or impairment reversal related to the Company's intangible assets and therefore an impairment test was not required to be performed.

5. DEBT AND CREDIT FACILITIES

Debt and credit facilities are comprised of the following:

<i>(Canadian \$000's)</i>	September 30 2022	December 31 2021
Long-term debt		
Credit Facilities	8,921	7,305
Loans payable	1,435	657
Promissory notes	513	527
	10,869	8,489
Current portion of long-term debt		
Credit Facilities	(1,815)	(1,025)
Loans payable	(262)	(7)
Promissory notes	(14)	(13)
	(2,091)	(1,045)
Non-current portion of long-term debt		
Credit Facilities	7,106	6,280
Loans payable	1,173	650
Promissory notes	499	514
	8,778	7,444

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2022

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

Credit Facilities

<i>(Canadian \$000's)</i>	September 30 2022	December 31 2021
Term Facilities		
Canadian Private Debt – Credit Facilities	9,036	7,500
Deferred financing costs	(115)	(195)
	8,921	7,305
Current portion of Credit Facilities	(1,815)	(1,025)
Non-current portion of Credit Facilities	7,106	6,280

Canadian Private Debt Term Facility

The Company has a senior-secured credit agreement with a Canadian private debt asset manager, which provides for:

- i. the non-revolving term facility in a maximum principal amount of \$7,500, in a single loan advance (“Non-Revolving Term Facility”); and
- ii. a revolving line of credit up to \$2,500 in one or more loan advances (the “Revolving Debt Facility”, and together with the Non-Revolving Term Facility, the “Credit Facilities”).

The Credit Facilities are for an initial term of 24 months, maturing on October 31, 2023, which may be extended for an additional 12 month period at the request of the Company with consent by the lender. On September 30, 2022, \$6,733 of the Non-Revolving Term Facility amount was drawn and outstanding (December 31, 2021 - \$7,500). As of September 30, 2022, \$2,188 has been drawn on the Revolving Debt Facility (December 31, 2021 - nil). The availability limit calculated on the Revolving Debt Facility at September 30, 2022 was \$2,462, which provides an additional \$274 available to be drawn, which combined with cash on hand of \$616, provides for \$890 of liquidity for the Company. The Company continues to actively manage its liquidity and anticipates being able to meet its obligations and commitments as they come due. The Company will continue to require the support of its lender in obtaining its extension on the credit facilities, which mature on October 31, 2023, to maintain its liquidity position. As noted in financial statement note 13, the Company was involved in patent litigation which significantly impacted its liquidity. Please refer to note 2(b) and note 14 for future details.

The Non-Revolving Term Facility is subject to monthly scheduled repayments as follows: (i) interest only payments in the first 4 months; (ii) \$83 plus interest in months 5 to 8; (iii) \$108 plus interest in months 9 to 12; (iv) \$133 plus interest in months 13 to 16; (v) \$158 plus interest in months 17 to 20; (vi) \$183 plus interest in months 21 to 24; and (vii) the remaining balance on the Non-Revolving Term Facility and Revolving Debt Facility on October 31, 2023.

Effective October 1, 2022, Cleantek obtained a three month principal payment holiday from the Canadian private debt provider, beginning October 2022, with a potential additional three month principal holiday beginning in January 2023 subject to certain conditions. Please refer to note 14 for additional details.

The Credit Facilities bear interest equal to the greater of 9% per annum and a Canadian bank's prime rate plus 6.55%, payable on the last day of each calendar month. The Credit Facilities are secured by the assets of the Company and its subsidiaries. The Credit Facilities are subject to monthly financial covenants of: (i) maintaining a tangible net worth of at least \$1,000; and (ii) an interest coverage ratio of no less than 2:1. Tangible net worth is determined by taking total assets less the book value of all liabilities, excluding any subordinated debt, prepaid expenses, intangible assets and related party receivables. Interest coverage ratio is determined by taking EBITDA over total interest expense of funded

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2022

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

debt on a rolling 6-month basis. EBITDA is defined as net earnings excluding interest expense, provisions for income taxes, non-cash items including depreciation and amortization and non-cash impairment charges, transactions costs related to the Private Placement and RTO and certain non-recurring expenses.

At September 30, 2022, the Company was in compliance with all debt covenants.

Loans payable

	September 30	December 31
(Canadian \$000's)	2022	2021
Loans payable		
Customer Term Loan	574	650
Term loan payable – Other	861	7
	<u>1,435</u>	<u>657</u>
Current portion of loans payable	(262)	(7)
Non-current portion of loans payable	<u>1,173</u>	<u>650</u>

Customer Term Loan

In April 2018, Cleantek signed a ZeroE™ management agreement with an upstream oil and gas customer to manufacture, deliver and install a dehydrator ZeroE™ rental unit for the customer for a period of nine years (the "ZeroE™ Management Agreement"). In November 2020, this ZeroE™ Management Agreement was amended and restated to include a financing arrangement and to supersede and replace the earlier agreement in its entirety. In November 2020, a \$700 loan (the "Customer Loan") was advanced by the customer to Cleantek pursuant to the ZeroE™ Management Agreement and upon full installation and commissioning of this unit.

Under the terms of the ZeroE™ Management Agreement, the Customer Loan bears interest at a rate of 13.5% per annum, in arrears, compounded annually; 85% of monthly rental income invoiced by Cleantek to the customer will be applied to and be set off against the Customer Loan and accrued interest payable until such time as the Customer Loan has been fully repaid; is for a term of 9 years from installation of the unit; and as collateral security for the payment and performance of Cleantek's obligations under the ZeroE™ Management Agreement, the rental unit, as well as the Company's ZeroE™ technology is subject to a lien.

Cleantek evaluated the classification of the Customer Loan at inception under IFRS 16 Lease and made an assessment that it is an operating lease as the Customer Loan does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset. Cleantek recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

During the three and nine months ended September 30, 2022, \$14 and \$144, respectively, (2021 - \$32 and \$105) 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, 2022, \$7 and \$48, respectively, (2021 - \$26 and \$77) was recognized as interest expense on the outstanding Customer Loan and included in finances costs, net in net loss and \$7 and \$96, respectively, (2021 - \$6 and \$28) 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 \$5 and \$74 for the three and nine months ended September 30, 2022, respectively (2021 - \$1 and \$12).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2022

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

Promissory note

<i>(Canadian \$000's)</i>	Carrying value	Face value
At December 31, 2021	527	1,030
Principal payments	(50)	(50)
Accretion	36	-
At September 30, 2022	513	980
Current portion of promissory notes	(14)	(60)
Non-current portion of promissory notes	499	920

Vendor Promissory Note

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

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

6. 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

<i>(Canadian \$000's, except number of shares 000's)</i>	Number of Shares	Amount
Common shares – Class "A" voting		
At December 31, 2021 and September 30, 2022 ⁽¹⁾	27,645	68,466

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

7. SHARE-BASED PAYMENTS

a) Share-based incentive programs and payment plans

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

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2022

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

Stock option plan (equity-settled)

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

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

Share warrants

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

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

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

b) Stock options

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

		September 30, 2022		December 31, 2021
	Number of stock options ⁽¹⁾	Weighted average exercise price ⁽¹⁾	Number of stock options ⁽¹⁾	Weighted average exercise price ⁽¹⁾
<i>(Canadian \$, except number of stock options)</i>				
Stock options				
Outstanding at beginning of period	2,702,500	\$1.29	58,750	\$66.00
Exercised	(350,000)	\$1.20	(58,750)	\$66.00
Cancelled	(175,000)	\$1.20	2,702,500	\$1.29
Expired	(250,000)	\$1.20	-	-
Forfeited	(175,000)	\$1.40	-	-
Outstanding at end of period	1,752,500	\$1.32	2,702,500	\$1.29
Weighted average remaining life		3.9 years		4.5 years
Exercisable at end of period	241,667	\$1.20	-	-

(1) Number of options and exercise price reflect the August 27, 2021 twelve-for-one share consolidation. Prior period amounts have been retroactively adjusted to reflect the share consolidation (note 6).

c) Share warrants

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

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For the three and nine months ended September 30, 2022

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

	September 30, 2022		December 31, 2021	
	Number of share warrants ⁽¹⁾	Weighted average exercise price ⁽¹⁾	Number of share warrants ⁽¹⁾	Weighted average exercise price ⁽¹⁾
<i>(Canadian \$, except number of stock options)</i>				
Share warrants				
Outstanding at beginning of period	3,101,098	\$1.75	-	-
Granted	-	-	3,101,098	\$1.75
Outstanding at end of period	3,101,098	\$1.75	3,101,098	\$1.75
Weighted average remaining life		2.1 years		2.8 years
Exercisable at end of period	3,101,098	\$1.75	3,101,098	\$1.75

(1) Number of options and exercise price reflect the August 27, 2021 twelve-for-one share consolidation. Prior period amounts have been retroactively adjusted to reflect the share consolidation (note 6).

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

d) 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	
	2022	2021	2022	2021
Stock options	76	196	371	523
Total share-based compensation expense	76	196	371	523

During the three and nine months ended September 31, 2022, Cleantek recorded a reversal of share-based compensation of \$70 related to stock options that were forfeited by departing employees prior to the vesting of exercise rights (2021 – nil and nil).

8. REVENUE

<i>(Canadian \$000's)</i>	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Sustainable lighting solutions	3,023	1,889	8,597	5,768
ZeroE dehydration	368	156	1,066	679
Total revenue	3,391	2,045	9,663	6,447
Consisting of:				
Canadian operations	1,318	1,043	4,352	3,547
U.S. operations	2,073	1,002	5,311	2,900

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

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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:

(Canadian \$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Direct operating expenses				
Salaries and wages	648	488	1,725	1,518
Salaries and wages – CEWS ⁽¹⁾	-	(25)	-	(135)
Repairs and maintenance	127	69	522	316
Transportation and mobilization	290	196	867	639
Other direct costs	295	217	975	658
Total direct operating expenses	1,360	945	4,089	2,996

(1) Canadian Emergency Wage Subsidy.

(Canadian \$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
General and administrative expenses				
Salaries and wages	468	365	1,484	1,285
Salaries and wages – CEWS ⁽¹⁾	-	(19)	(1)	(80)
Professional fees	1,682	251	3,591	431
Other general and administrative costs	241	366	533	1,004
Other general and administrative costs – CERS ⁽²⁾	-	(12)	-	(49)
Total general and administrative expenses	2,391	951	5,607	2,591

(1) Canadian Emergency Wage Subsidy.

(2) Canada Emergency Rent Subsidy.

10. FINANCE COSTS

(Canadian \$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Interest expense on long-term debt ⁽¹⁾	311	35	818	588
Interest expense and financing costs of convertible notes ⁽²⁾	-	110	-	284

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2022

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

Interest on lease liabilities	13	15	44	54
Debt renewal and other lending fees	-	19	-	214
Interest income	-	(4)	-	(11)
Total finance costs, net	324	175	862	1,129

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

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

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:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
<i>(Canadian \$000's, except common shares in number and loss per share in \$)</i>				
Net loss attributable to shareholders	(1,175)	(397)	(3,352)	(1,208)
Weighted average common shares outstanding – basic and diluted	27,645,380	17,279,664	27,645,380	17,126,965
Loss per share – basic and diluted	\$ (0.04)	\$ (0.02)	\$ (0.12)	\$ (0.07)

(1) Number of options and exercise price reflect the August 27, 2021 twelve-for-one share consolidation. Prior period amounts have been retroactively adjusted to reflect the share consolidation (note 6).

For the three and nine months ended September 30, 2022, and 2021, the Company excluded the effect of stock options, restricted share units and other convertible instruments, as the Company had a net loss during these periods and their effect would have been anti-dilutive.

12. 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:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
<i>(Canadian \$000's)</i>				
Net changes in non-cash working capital:				
Accounts receivable	(251)	(451)	(622)	(327)
Prepays and other assets	51	(1,012)	521	(954)
Long-term receivables	-	(4)	-	(11)
Accounts payable and provisions	457	1,273	(549)	796
	257	(194)	(650)	(496)
Related to:				
Operating activities	260	(194)	(593)	(496)
Investing activities	(3)	-	(57)	-

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2022

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

13. 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, 2022 are outlined in the table below:

	Carrying amount ⁽¹⁾	Contractual outflows ⁽²⁾				Total ⁽¹⁾
		< 1 year	2 to 3 years	4 to 5 years	Thereafter	
<i>(Canadian \$000's)</i>						
Financial liabilities						
Accounts payable and accrued liabilities	2,415	2,415	-	-	-	2,415
Long-term debt						
Credit facilities ⁽³⁾	9,036	2,816	7,295	-	-	10,111
Loans payable	1,435	442	894	407	229	1,972
Promissory notes ⁽⁴⁾	513	60	120	120	680	980
	13,399	5,733	8,309	527	909	15,478
Lease liabilities and other commitments						
Lease liabilities	652	364	298	34	-	696
Other property lease commitments ⁽⁵⁾	-	181	143	-	-	324
Other operating and capital commitments	-	238	23	12	-	273
	652	783	464	46	-	1,293

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

(2) Amounts include principal and interest portions.

(3) Credit facilities mature on October 31, 2023. Carrying amounts exclude deferred financing charges of \$115.

(4) Carrying amount is the discounted amount and contractual outflows are the contractual gross cash outflows.

(5) Includes leased property utility, operating cost and property tax commitments.

Related party guarantee

The Company has provided a corporate guarantee of \$270 at December 31, 2021 and 2020 to a lender related to a loan issued to Cerberus (the "Cerberus Guarantee"), a company related through a shareholder.

This Cerberus Guarantee arose when Cerberus arranged financing (the "Cerberus Financing") to: (i) purchase a building, which the Company had leased under a property lease agreement (the "Building Lease"), and (ii) equipment that the Company purchased. The Cerberus Guarantee will be in place until the Cerberus Financing is repaid. If Cerberus fails to repay its debt to the lender, the lender is entitled to seek repayment from the Company. The Building Lease expired on July 30, 2019.

In 2019, the lender commenced actions against Cerberus, including taking ownership of the building. In addition, the lender commenced action to enforce the Cerberus Guarantee by the Company.

On May 2, 2022, the Cerberus Guarantee was settled whereby proceeds from the sale of the property covered by the Cerberus Guarantee and insurance proceeds on the property were applied against the outstanding balance of the Cerberus Financing. The shortfall of \$15 was subsequently paid to the lender on May 3, 2022. Upon reaching the settlement with the lender, this matter is now resolved.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2022

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

Litigation and claims

The Company is involved in litigation and claims arising in the normal course of operations.

Patent litigation

In 2021, a competitor providing lighting solutions in North America filed two claims in the United States. The first claim related to the display of issued patent information on Cleantek's marketing materials. This claim was dismissed in its entirety on June 27, 2022, after Cleantek's motion to dismiss was successful.

The second claim related to alleged patent infringement by Cleantek on a small portion of the Company's installed HALO™ lighting units in the United States. The Company fully responded to the claim and filed a counterclaim, which was expected to go to trial in October 2022. The Company received a newly issued patent in July 2022 from the United States Patent and Trademark Office for the entirety of a patent continuation filed in April 2021 which covered the mounting of lights to the crown of a drilling rig for the purpose of site lighting.

Cleantek, through its counsel, filed a Complaint for Patent Infringement and Request For Preliminary Injunction against the same competitor, referenced above in the "Litigation and claims" section, in the U.S. District Court for the Western District of Texas on August 12, 2022. This request alleged significant infringement of Cleantek's patent and if successful, the competitor would have been prevented from mobilizing units for new contracts in the United States. Cleantek has expended \$3,662 to the end of September 2022, of which \$2,984 was expended in 2022, in defending its position with respect to the patent litigation matter. The trial date was set for the end of October of 2022. See note 14 for subsequent settlement of the patent litigation matter.

14. SUBSEQUENT EVENTS

Patent litigation

On November 21, 2022, Cleantek announced an agreement to resolve all ongoing and pending litigation matters relating to alleged infringement of intellectual property rights in the rig lighting segment of the Company's operations. The Parties have cross-licensed their respective patent portfolios covering crown-mounted lighting systems, including (i) C&M's U.S. Patent Nos. 10,711,961, 10,473,282, 10,883,684, 10,900,626, 10,976,016 and 11,300,260 and Cleantek's U.S. Patent Nos. 11,111,761 and 11,391,121. The details of the agreement are confidential and will not impair the Company's operations in any way.

Amendments to non-revolving term credit facility

Effective October 1, 2022, Cleantek signed an amending agreement which included a principal holiday for three months on its non-revolving term credit facility beginning October 2022 and through to the end of December 2022. An additional three month principal holiday may be granted by the Canadian private debt provider if Cleantek is able to provide a refinancing term sheet with another financial institution which is satisfactory to the Canadian private debt provider by December 31, 2022.



Corporate Information

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President & CEO

Orson Ross
Chief Financial Officer

BOARD OF DIRECTORS

Richard McHardy
Chairman

Al Stark

Paul Colucci

Reg Greenslade

Phillip Knoll

Chris Lewis

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