cleantek
INDUSTRIES INC.

Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

Management's Responsibility for Financial Statements

The management of Cleantek Industries Inc. is responsible for the preparation and integrity of the accompanying consolidated financial statements and all other information contained in these consolidated financial statements. These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards and include amounts that are based on management's informed judgments and estimates where necessary.

The Company maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and accounting records are reliable as a basis for the preparation of the consolidated financial statements.

The Board of Directors, through its Audit Committee, monitors management's financial and accounting policies and practices and the preparation of these consolidated financial statements. The Audit Committee meets periodically with the external auditors and management to review the work of each and the propriety of the discharge of their responsibilities. Specifically, the Audit Committee reviews with management and the external auditors the consolidated financial statements and management's discussion and analysis of the Company prior to submission to the Board of Directors for final approval. The external auditors have full and free access to the Audit Committee to discuss auditing and financial reporting matters.

The shareholders have appointed KPMG LLP as the external auditors of the Company and, in that capacity, they have examined the consolidated financial statements for the years ended December 31, 2021 and 2020. The Auditors' Report to the shareholders is presented herein.

Orson Ross

Matt Gowanlock	Orson Ross, CPA, CA
President & CEO	Chief Financial Officer

April 28, 2022

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cleantek Industries Inc.

Opinion

We have audited the consolidated financial statements of Cleantek Industries Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020;
- the consolidated statements of net loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficit) for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and December 31, 2020; and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

The engagement partner on the audit resulting in this auditors' report is Jassie Kang.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 28, 2022

Cleantek Industries Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31,

(Canadian $000's)	Note	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents		1,871	597
Accounts receivable	23	1,931	1,398
Prepaids		383	42
Other assets	5	586	136
Total current assets		**4,771**	**2,173**
Non-current assets			
Property and equipment	6	11,279	10,219
Intangible assets	7	459	499
Right-of-use assets	8	647	206
Long-term receivables	9	-	540
Total non-current assets		**12,385**	**11,464**
Total assets		**17,156**	**13,637**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	23	2,825	6,078
Current portion of long-term debt	10	1,045	11,954
Current portion of convertible notes	11	-	647
Current portion of lease liabilities	12	366	299
Total current liabilities		**4,236**	**18,978**
Non-current liabilities			
Long-term debt	10	7,444	694
Lease liabilities	12	431	476
Provisions	13	57	56
Deferred tax liabilities	23	-	711
Total non-current liabilities		**7,932**	**1,937**
Total liabilities		**12,168**	**20,915**
Shareholders' equity (deficit)			
Share capital	14	68,466	51,708
Contributed surplus		2,524	1,080
Accumulated other comprehensive income		160	141
Accumulated deficit		(66,162)	(60,207)
Total shareholders' equity (deficit)		**4,988**	**(7,278)**
Total liabilities and shareholders' equity (deficit)		**17,156**	**13,637**

Commitments and contingencies 26

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

Approved on behalf of the Board of Directors

Rick McHardy
Chairman and Director

Paul Colucci
Director

April 28, 2022

Cleantek Industries Inc.
CONSOLIDATED STATEMENTS OF NET LOSS
For the years ended December 31,

(Canadian $000's, except per share amounts)	Note	2021	2020
Revenue	17	8,819	7,607
Direct operating expenses	18	4,242	4,242
Gross profit		4,577	3,365
Other expenses			
General and administrative	18	3,587	4,291
Depreciation and amortization	6,7,8	2,534	3,180
Impairment expense (reversal)	19	(3,171)	8,246
Research expense (recovery)		(868)	(1,811)
Share-based compensation	16	1,425	1,228
Finance costs, net	20	889	10,535
Listing expense	4	5,061	-
Transaction costs	4	2,194	-
Gain on interest free loan	10	(508)	-
Gain on disposal of long-lived assets		(130)	(201)
Foreign exchange (gain) loss		30	(38)
Other expense		317	-
		11,360	25,430
Loss before income taxes		**(6,783)**	**(22,065)**
Income tax expense (recovery)			
Current	21	(117)	9
Deferred	21	(711)	302
		(828)	311
Net loss		**(5,955)**	**(22,376)**
Loss per share *($)*			
Basic and diluted	22	$(0.32)	$(15.28)

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

Cleantek Industries Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31,

(Canadian $000's)	Note	2021	2020
Net loss		**(5,955)**	**(22,376)**
Other comprehensive gain (loss)			
Foreign currency translation gain (loss)		19	(38)
Total comprehensive loss		**(5,936)**	**(22,414)**

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

Cleantek Industries Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY (DEFICIT)

(Canadian $000’s, except common shares in 000’s)	Note	Share capital	Convertible notes	Contributed surplus	Accumulated other Comprehensive income (loss)	Accumulated deficit	Total
At January 1, 2020		**25,573**	**520**	**1,312**	**179**	**(37,831)**	**(10,247)**
Net loss for the period		-	-	-	-	(22,376)	(22,376)
Share-based compensation expense	16	-	-	1,228	-	-	1,228
Share issuance – in kind	14	37	-	-	-	-	37
Shares issued as part of directors’ compensation	14,16	1	-	(1)	-	-	-
Shares held in escrow and released pursuant to acquisition employment services agreements	16	1,459	-	(1,459)	-	-	-
Share conversions	11,14	24,638	(520)	-	-	-	24,118
Foreign currency translation loss		-	-	-	(38)	-	(38)
At December 31, 2020		**51,708**	**-**	**1,080**	**141**	**(60,207)**	**(7,278)**
At January 1, 2021		**51,708**	**-**	**1,080**	**141**	**(60,207)**	**(7,278)**
Share issuances – in cash prior to RTO	14	165	-	-	-	-	165
Share conversions prior to RTO	14	355	-	-	-	-	355
Reverse take over transaction	4,16	5,214	-	159	-	-	5,373
Net loss for the period		-	-	-	-	(5,955)	(5,955)
Share-based compensation expense	16	-	-	1,425	-	-	1,425
Share and warrant issuance – in cash	14	10,003	-	-	-	-	10,003
Share issuance – in kind	14	499	-	(140)	-	-	359
Share issuance costs	14	(1,399)	-	-	-	-	(1,399)
Share conversions	11,14	1,921	-	-	-	-	1,921
Foreign currency translation gain		-	-	-	19	-	19
At December 31, 2021		**68,466**	**-**	**2,524**	**160**	**(66,162)**	**4,988**

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

Cleantek Industries Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,

(Canadian $000's)	Note	2021	2020
Cash (used in)/provided by:			
Operating activities			
Net loss		(5,955)	(22,376)
Adjustments for:			
Depreciation and amortization	6,7,8	2,534	3,180
Share-based compensation expense	16	1,425	1,228
Impairment	19	(3,171)	8,246
Finance costs	20	889	10,535
(Gain) loss on disposal of long-lived assets	6	(130)	(201)
Listing expense	4	5,061	-
Transaction costs, non-cash	4	698	-
Gain on interest free loan	10	(508)	-
Deferred income tax expense (recovery)	21	(711)	302
Changes in non-cash working capital	25	(2,901)	2,349
Net cash flow from operating activities		**(2,769)**	**3,263**
Investing activities			
Additions to property and equipment	6	(396)	(1,646)
Additions to intangible assets	7	(166)	(510)
Proceeds on disposal of long-lived assets		103	435
Net cash flow used in operating activities		**(459)**	**(1,721)**
Financing activities			
Cash acquired on asset acquisition	4	51	-
Proceeds from long-term debt	10	7,500	700
Repayment of long-term debt	10	(10,805)	(644)
Proceeds from convertible notes - debentures	11	830	600
Repayments of convertible notes - debentures	11	(450)	-
Repayments of lease liabilities	12	(262)	(1,014)
Payments of cash interest	20	(1,152)	(760)
Shareholder loans repaid	9	20	-
Proceeds from issuance of share capital	14	10,168	-
Share issue costs	14	(1,399)	-
Net cash flow from (used in) financing activities		**4,501**	**(1,118)**
Increase (decrease) in cash and cash equivalents		1,273	424
Effect of foreign exchange on cash and cash equivalents		1	(38)
Cash and cash equivalents, beginning of year		597	211
Cash and cash equivalents, end of year		**1,871**	**597**

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

(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

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been approved by the Board of Directors on April 28, 2022.

b) Basis of measurement and functional and presentation currency

These consolidated financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in *note 3 Significant Accounting Policies*.

These consolidated 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.

c) Use of estimates, judgements and assumptions

The preparation of these consolidated 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.

Significant estimates, judgements or assumptions used in these consolidated financial statements are outlined below.

Fair value of assets acquired and liabilities assumed in a business combination

The fair value of assets acquired and liabilities assumed in a business combination, including contingent consideration and goodwill, is estimated based on information available at the date of the acquisition. Estimates are used to determine the fair value of the acquired assets and assumed liabilities and include quoted market prices and widely accepted valuation techniques.

Management is also required to exercise judgment in determining whether certain transactions are within the scope of IFRS 3 – Business Combinations or IFRS 2 – Share Based Payments. Judgement is exercised to determine whether the accounting acquiree has meets the definition of a business. In cases where the accounting acquiree is a listed entity is determined not to be a business, IFRS 2 instead of IFRS 3 applies in accounting for the transaction.

Convertible notes

The Company differentiates between non-derivative convertible notes and derivative convertible notes.

Non-derivative convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible note in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible notes at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Derivative convertible notes contain early repayment features resulting in an embedded derivative financial liability in the Company's equity. The derivative liability is classified as fair value through profit or loss and recorded and carried at fair value. The determination of the fair value is also based on a number of assumptions, including contractual terms, future cash flows, discount rates and the presence of any derivative financial instruments.

Depreciation and amortization

Depreciation of Cleantek's property and equipment and right-of-use assets and amortization of intangibles incorporates estimates of useful lives and residual values. These estimates may change as more knowledge is obtained or as general market conditions change or as technological advancements are made.

Impairment of non-financial assets

Property and equipment, intangible assets and right of use assets are tested for impairment when events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount.

For the purposes of impairment testing, assets are grouped at the lowest levels of integrated assets that generate identifiable cash inflows and that are largely independent of the cash inflows of other assets or groups of assets. These assets are allocated into a cash-generating unit ("CGU"). The allocation of assets into a CGU requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures and the way in which management monitors the performance of the assets.

The recoverable amount of a CGU is determined as the greater of fair value less costs of disposal ("FVLCD") or value-in-use ("VIU"). These calculations require the use of estimates applied by management regarding forecasted activity levels, expected future results and discount rates among others. These estimates are subject to change as new information becomes available. Changes in assumptions used in determining the recoverable amount could have a material effect on the carrying value of the related assets and CGU. If the recoverable amount is less than the carrying amount of the asset or CGU, an asset impairment charge is recognized in net earnings, and the asset's carrying amount is reduced to its recoverable amount.

Fair value of equity-settled share-based payments

The Company uses an option pricing model to determine the fair value of equity-settled share-based payments. Inputs to the model are subject to various estimates relating to volatility, interest rates, dividend yields and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax basis. Estimates of Cleantek's future taxable income are considered in assessing the utilization of available tax losses. The calculation of income taxes involves many complex factors including the interpretation of relevant tax legislation and an analysis of the amount of future taxable income.

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from Cleantek's estimate, the ability of Cleantek to realize the deferred tax assets could be impacted.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. Cleantek records a provision for the amount that is expected to be settled, which requires judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Company's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, timing of reversals, and the tax laws in the jurisdictions in which Cleantek operates.

Provisions and contingencies

Cleantek is required to exercise judgment in assessing whether the criterion for recognition of a provision or a contingency has been met. The Company considers whether a present obligation exists as a result of a past event, the probability of loss, and if a reliable estimate can be formulated.

Functional currency

The designation of the functional currency of the Company and each of its subsidiaries is a judgment based on the composition of revenue and costs in the locations in which Cleantek operates.

d) Recent developments and impact on estimation uncertainty

In March, 2020, the World Health Organization declared the Novel Coronavirus ("COVID-19") outbreak a global pandemic. COVID-19's impact on global markets was significant throughout 2020.

In 2020, there was a significant deterioration in commodity prices as a result of COVID-19 and other global events. As the Company provides lighting and dehydration units to oil and gas producers, service companies and construction companies in Western Canada and the United States, demand for the Company's products and services was significantly impacted which had a direct impact on the Company's financial results, cash flows and financial position.

Throughout 2021, there has been an economic recovery of commodity prices which has improved the demand for the Company's product and services in the latter half of the year. Uncertainty remains due to the longer-term economic impacts of the global pandemic, new variant strains of the COVID-19 virus, and global vaccine supply and effectiveness.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements include the accounts of Cleantek and its subsidiaries. Subsidiaries are entities over which Cleantek has control. Subsidiaries are consolidated from the date of acquisition of control and continue to be consolidated until the date that there is a loss of control. All intercompany transactions, balances, and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method, where the identifiable assets acquired and liabilities assumed are recognized and measured at their fair value at the date of acquisition, with the exception of income taxes, lease liabilities and right-of-use assets. Any excess of the purchase price over the value of the net assets acquired is recognized as goodwill and any deficiency of the purchase price over the value of the net assets acquired is recorded as a bargain purchase gain. At acquisition, goodwill is allocated to each of the CGUs to which it relates. Subsequent measurement of goodwill is at cost less any accumulated impairment losses. Associated transaction costs are expensed when incurred.

c) Revenue recognition

Revenue is generated primarily from the rental and service of dehydration units, and lighting towers and lighting systems based on fixed or agreed upon service contracts with the customer. Cleantek's revenue transactions do not contain significant financing components and payments are typically due within 30 days of revenue recognition and do not include provisions for significant post-service delivery obligations. Revenue is considered recognized over time when the rentals and services are provided at the applicable rates as stipulated in the contract. In general, the Company enters into short-term contracts. Revenue is recognized over time as the rentals and services are rendered, based upon agreed daily, weekly or monthly rates, and only if collectability is reasonably assured.

The Company also enters into long-term contracts with certain customers to provide dehydration facility rentals and services. The Company evaluates the classification of its long-term contracts at inception for lease accounting and instances where a lease is identified it makes an assessment if it is an operating or finance lease as the lessor. Cleantek recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

Also see *note 3.i) Leases* in which Cleantek is a lessor below for revenue recognition of the Company's rentals.

d) Government assistance and other grants

Government grants, subsidies and other assistance are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met.

Grants related to assets are recorded as a reduction to the asset's carrying amount and those assets are depreciated over the useful life of the asset.

Government grants related to the recovery of expenses are recorded as a reduction of the eligible expenses in the period in which the eligible expenses were incurred.

Grants in which there are no corresponding assets or expenses are recorded in other income in the period in which the reasonable assurance and conditions of the grants have been met.

e) Finance costs

Finance costs include of the interest expense recognized on debt, the interest component of lease payments, debt renewal and other lending fees, amortization of long-term debt financing costs and accretion expense of provisions.

f) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term highly liquid interest-bearing investments that are readily convertible into cash with a remaining term to maturity of 90 days or less when acquired.

g) Property and equipment

Property and equipment are recorded cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the assets and subsequent expenditures to the extent that they can be measured, and future economic benefit is probable, less any related government assistance, such as research and development tax credits. Repairs and maintenance are expensed as incurred.

Management estimates the useful life and salvage value of property and equipment based on expected utilization and expected life. Residual values, methods of depreciation and useful lives are reviewed annually and if necessary, changes are accounted for prospectively.

Rental equipment, automotive assets and office equipment are depreciated on a straight-line basis over their estimated useful economic lives. The following useful lives are utilized for each determining depreciation:

Asset class	
Rental equipment	2 – 25 years
Automotive	7 years
Office equipment	2 – 5 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date an asset becomes fully depreciated, is derecognized or is classified as available for sale. Depreciation does not cease when an asset becomes idle. Upon completion, assets under construction are transferred to rental equipment and depreciation begins when those assets become available for use.

The carrying amount of an asset is derecognized when the asset is disposed of or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss from derecognition of the asset is included in the calculation of net income (loss) in the period the item is derecognized. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

h) Intangible assets

The Company's intangible assets consist of development costs, patents, customer relationships and trade names.

Intangible assets are measured at cost less accumulated amortization and impairment losses. Cost includes the purchase price to acquire an asset or costs directly attributable to the internal generation of an asset. Internally generated intangible assets arising from development activities involving a plan or design for new or substantially improved products and processes are capitalized only if the development costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and Cleantek's has the intention and sufficient resources to complete development and use or sell the assets.

Intangible assets acquired as part of a business combination are capitalized separately from goodwill if the asset is separable or arises from contractual or legal rights, and the fair value can be measured reliability on initial recognition. Expenditures on research activities undertaken with the prospect of gaining technical knowledge are expensed as incurred.

Intangible assets are depreciated on a straight-line basis over their estimated useful lives. Intangible assets with an indefinite useful life are not depreciated. The following useful lives are utilized for each intangible asset class:

Intangible asset class	
Development costs	10 years
Patents	10 – 20 years
Customer relationships	10 years
Trade names	10 years

i) Leases and right-of-use ("ROU") assets

Cleantek assesses whether a contract is a lease; based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

Leases in which Cleantek is a lessee and ROU assets:

Leases are recognized as a ROU asset and a corresponding lease liability at the date on which the leased asset is available for use by Cleantek. Assets and liabilities arising from a lease are initially measured on a present value basis of the future lease payments are discounted using Cleantek's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net income (loss) over the lease term.

ROU assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

Leases that have a term of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in net income (loss) over the lease term.

Leases in which Cleantek is a lessor:

When Cleantek acts as a lessor, at inception, Cleantek evaluates the classification as either a finance or operating lease.

To classify each lease, Cleantek makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

Cleantek recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

j) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets including property and equipment, intangible assets and ROU assets are reviewed separately for indicators of impairment and impairment reversal at each reporting period or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

If indicators of impairment exist, the recoverable amount of the cash-generating unit ("CGU") is estimated as the greater of the value in use ("VIU") and fair value less costs of disposal ("FVLCD"). VIU is estimated as the present value of the future cash flows expected to arise from the continuing use of a CGU or an asset. In determining FVLCD, recent market transactions are considered, if available. In the absence of such transactions, an appropriate valuation model is used.

If the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in net income (loss).

Impairment losses, other than goodwill, recognized in prior periods are assessed at each reporting date for any indicators that the impairment losses may no longer exist or may have decreased. In the event that an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized on the asset in prior periods. The amount of the reversal is recognized in net income (loss).

k) Provisions and contingencies

A provision is recognized if, as a result of a past event, Cleantek has a present obligation, legal or constructive, that can be estimated reliably, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation. Where applicable, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a risk-free rate that reflects the current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as accretion expenses in finance costs.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably, and outflow of cash is less than remote. Contingent assets are not recognized but are disclosed when an inflow of economic benefits is probable.

l) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in net income (loss) except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Taxable income differs from net income (loss) as it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. Cleantek reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized.

m) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares or other equity instruments are recognized as a deduction from equity, net of any income taxes.

n) Equity-settled share-based compensation

Cleantek has equity-settled incentive programs and payment plans for the granting of additional shares. Cleantek follows the fair value method of valuing share-based compensation instruments. Under this method, compensation cost is measured at the fair value on the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of an instrument, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The fair value of each tranche within an award is measured at the date of the grant using the Black-Scholes option pricing model.

Shares issued as part of a business combination in which the vendors earn those shares over a subsequent service period are not accounted for as part of the consideration transferred in the business combination but as equity-settled share-based compensation.

o) Per share amounts

Basic income (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined by adjusting the net income (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive potential common shares which include stock options under the Company's stock option plan, restricted share units in accordance with certain employment contracts and any other designated instruments as approved and directed by the Board of Directions. The calculation assumes that the proceeds on exercise of these instruments are used to repurchase shares at the average market price during the period. Should the Company have a loss in a period, these instruments would be anti-dilutive and are excluded from the determination of fully diluted loss per share.

p) Convertible notes

The Company's convertible notes consist of convertible debentures and convertible promissory notes.

Furthermore, the Company distinguishes between non-derivative convertible notes and derivative convertible notes.

Non-derivative convertible notes

Ordinarily, convertible notes are a non-derivative financial instrument that creates a financial liability of the Company and grants an option to the holder of the instrument to convert it into common shares of the Company. The liability component of the convertible notes is initially recorded at the fair value of a similar liability that does not have a conversion option. The equity component is recognized initially, net of deferred income taxes, as the difference between gross proceeds and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds. Subsequent to initial recognition, the liability component of the convertible notes is measured at amortized cost using the effective interest rate method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity component is not re-measured and included in convertible notes in equity until conversion to common shares occurs. The carrying amounts of the liability and equity components of the convertible notes are reclassified to share capital on conversion to common shares.

Derivative convertible notes

Certain of the Company's convertible notes create a financial liability of the Company and contain early repayment features resulting in an embedded derivative financial liability in the Company's equity. The liability component of these convertible notes is initially recorded at fair value less attributable transaction costs and subsequently recorded at amortized cost using the effective interest rate method. The derivative liability is classified as fair value through profit or loss and recorded and carried at fair value, transaction costs are expensed.

q) Financial instruments

Financial instruments are recognized when Cleantek becomes a party to the contractual provisions of the instrument.

The Company classifies its financial instruments into one of the following categories: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income, or at amortized cost. This determination is made at initial recognition based on the Company's business model and contractual cash flows of the financial asset. All financial instruments are initially recognized at fair value, net of any transaction costs except for financial instruments that are subsequently classified as FVTPL, where transaction costs are expensed as incurred. Subsequent measurement of financial instruments is based on their classification.

The Company classifies its cash and cash equivalents, accounts receivable and long-term receivables as financial assets at amortized cost, and accounts payable and accrued liabilities, long-term debt, the liability portion of convertible notes as financial liabilities at amortized cost. Interest expense is recognized in finance costs in net income (loss).

The Company classifies derivative financial instruments as FVTPL, including the financial derivative liabilities embedded in certain convertible notes.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and Cleantek has transferred substantially all the risks and rewards of ownership.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net income (loss) based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net income (loss).

Fair value measurements

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company's financial instruments are initially recorded at fair value or at amounts that approximate fair value in the financial statements. Financial instruments subsequently revalued at fair value are further categorized using a three-level hierarchy that reflects the significance of the inputs used in determining fair value.

The Company establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Impairment of financial assets

Cleantek recognizes loss allowances for expected credit losses ("ECLs") on its accounts receivable and long-term receivable. Cleantek measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Management uses a provision matrix based upon historical default rates and forward-looking assumptions to calculate expected credit losses and establish a provision for ECLs. The Company's historical bad debt expense has not been significant and is typically limited to specific customer circumstances. Management considers the credit worthiness and past payment history as well as any past due amounts in determining ECLs. Management's assumptions are updated and adjusted at each reporting date.

Offsetting financial assets and liabilities

Financial assets and liabilities are not offset unless Cleantek has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

r) Related party transactions

Related party transactions are accounted for at the exchange amount which is the amount agreed upon between the parties.

s) Foreign currency translation and transactions

For entities whose functional currency is the Canadian dollar, the Company translates foreign denominated monetary assets and liabilities at period-end exchange rates, and foreign denominated non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the period. Gains or losses from changes in exchange rates are recognized in net income (loss) in the period in which they occur. Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

For foreign entities whose functional currency is not the Canadian dollar, the Company translates assets, including goodwill, and liabilities at period-end rates and income and expense accounts at average exchange rates. Adjustments resulting from these translations are reflected in other comprehensive income as foreign currency translation differences.

t) Operating Segments

Cleantek generates revenue primarily from renting lighting and dehydration equipment to the oil and gas and construction industries in Western Canada and the United States. Management has determined that the Company has one reportable segment as the nature of services provided are organized based on the operating results of its business activities.

u) Recent accounting pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of

Cleantek's consolidated financial statements include:

I. International Accounting Standard 1 "Presentation of Financial Statements", ("IAS 1") has been amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The Amendment to IAS 1 is effective for years beginning on or after January 1, 2023.
II. International Accounting Standard 1 "Presentation of Financial Statements", ("IAS 1") has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023.

Cleantek intends to adopt these standards and interpretations when they become effective and is currently assessing the impact of these amendments.

4. ACQUISITIONS

On October 29, 2021, Cleantek completed a reverse takeover of Raise, a TSXV listed company, pursuant to the terms of the Arrangement Agreement dated July 12, 2021 between the Company and Raise. The resulting issuer, being the amalgamated public company, is continuing under the name Cleantek Industries Inc. (TSXV: CTEK), which began trading on the TSXV on November 10, 2021.

In accordance with IFRS, Raise did not meet the definition of a business for accounting purposes. Therefore, the RTO does not constitute a business combination but a capital transaction of Raise in substance with Cleantek being the continuing entity from an accounting perspective. The RTO 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 comparative year's information is also that of Cleantek.

Pursuant to the Arrangement Agreement, all of the outstanding Class "A" Shares were acquired by Raise, in exchange for approximately 1,007,395,375 Common Shares valued at approximately $0.03 per Common Share. Immediately following the completion of the RTO, all outstanding Common Shares were consolidated on the basis of one post-consolidation Common Share for every 58.3 pre-consolidation Common Share, such that, after completion of the consolidation the prior Raise shareholders held an aggregate of approximately 15% of the post-consolidation Common Shares with former holders of the Class "A" Shares holding the remaining approximately 85%.

(Canadian $000's)	Raise Production
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	51
Deposits	5
Intangible assets(1)	111
Accounts payables and accrued liabilities	(14)
Fair value of net assets acquired	153
Consideration	
Common Shares issued(2)	5,214
Total consideration	5,214
Listing expense – excess of purchase consideration over the net assets acquired	5,061

(1) Relates to patented technology acquired from Raise. An exclusive license for use of this patented technology has been granted to a distribution partner for a 10-year period. The amount was based on the estimated fair value determined by the present value of expected future cash flows generated from the license.

(2) Raise common shares of 173,707,863 were converted into Cleantek Common Shares on a 58.3:1 basis at a price of $1.75 per share.

Acquisition costs of $2,194 have been excluded from consideration paid and were recognized as part of transaction costs on the consolidated statement of loss for the year ended December 31, 2021.

5. OTHER ASSETS

(Canadian $000's)	December 31 2021	December 31 2020
Other receivables	412	109
Equipment deposits	149	-
Refundable deposits	25	27
Total other assets	586	136

At December 31, 2021, other receivables included $398 for a Scientific Research and Experimental Development Tax Incentive Program ("SRED") claim related to 2020 of which, $151 was recorded as a reduction of ZeroE dehydration development costs (note 6) and $247 was recorded as a recovery of research expense in the consolidated statement of net loss. At December 31, 2020, other receivables included amounts receivable under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") related to 2020.

6. PROPERTY AND EQUIPMENT

(Canadian $000's)	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 (note 13)	-	56	-	-	56
Impact of foreign exchange	-	(142)	-	-	(142)
At December 31, 2020	5,721	29,853	125	472	36,171
Additions	137	221	31	7	396
Dispositions	(5,721)	(312)	(22)	-	(6,055)
Transfers from assets under construction to rental equipment	(42)	42	-	-	-
Impact of foreign exchange	-	(8)	-	-	(8)
At December 31, 2021	95	29,796	134	479	30,504
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 19)	-	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	-	2,338	-	2	2,340
Dispositions	(5,721)	(224)	9	-	(5,936)
Impairment (reversal) (note 19)	-	(3,125)	-	(5)	(3,130)
Impact of foreign exchange	-	(1)	-	-	(1)
At December 31, 2021	-	18,622	134	469	19,225
Carrying amount					
At December 31, 2020	-	10,219	-	-	10,219
At December 31, 2021	95	11,174	-	10	11,279

For the year ended December 31, 2021, the Company recorded an impairment reversal of $3,130 (2020 – $4,465 impairment expense). Please see *note 19 Impairment Expense* for further details.

For the year ended December 31, 2021, the Company had a $130 gain (2020 – $201 gain) from its disposition of property and equipment.

7. INTANGIBLE ASSETS

(Canadian $000's)	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(1)	111	-	166	-	-	277
Government grant(2)	-	-	(151)	-	-	(151)
Retirement of intangible asset	-	(293)	-	(1,252)	(459)	(2004)
At December 31, 2021	2,141	-	2,247	-	-	4,388

Accumulated amortization and impairment						
At January 1, 2020	662	293	1,722	374	133	3,184
Amortization	17	-	11	34	17	79
Impairment (note 19)	1,351	-	-	844	309	2,504
At December 31, 2020	2,030	293	1,733	1,252	459	5,767
Amortization	2	-	59	-	-	61
Impairment (note 19)	-	-	105	-	-	105
Retirement of intangible asset	-	(293)	-	(1,252)	(459)	(2,004)
At December 31, 2021	2,032	-	1,897	-	-	3,929
Carrying amount						
At December 31, 2020	-	-	499	-	-	499
At December 31, 2021	151	-	350	-	-	501

(1) Relates to patented technology acquired from Raise. An exclusive license for use of this patented technology has been granted to a distribution partner for a 10-year period. The amount was based on the estimated fair value determined by the present value of expected future cash flows generated from the license.

(2) Relates to amounts to be received for a 2020 SRED claim that relates to the recovery of capitalized ZeroE dehydration development costs.

For the year ended December 31, 2021, the Company recorded an impairment expense of $105 (2020 – $2,504). Please see *note 19 Impairment Expense* for further details.

8. RIGHT-OF-USE ASSETS

(Canadian $000's)	Properties	Automotive	Total
Cost			
At January 1, 2020	1,040	1,431	2,471
Additions	236	89	325
Dispositions	(1,012)	(856)	(1,868)
Lease modifications	13	-	13
At December 31, 2020	277	664	941
Additions	-	432	432
Dispositions	-	(325)	(325)
Impact of foreign exchange	-	(2)	(2)
At December 31, 2021	277	769	1,046
Accumulated depreciation and impairment			
At January 1, 2020	704	529	1,233
Depreciation	172	78	250
Dispositions	(948)	(856)	(1,804)
Lease modifications	(7)	-	(7)
Impairment (note 21)	150	913	1,063
At December 31, 2020	71	664	735
Depreciation	70	63	133
Dispositions	-	(325)	(325)
Impairment reversal (note 21)	-	(144)	(144)
At December 31, 2021	141	258	399
Carrying amount			
At December 31, 2020	206	-	206
At December 31, 2021	136	511	647

Cleantek's right of use assets include lease contracts for properties, which includes shop space, office space and vehicle leases.

For the year ended December 31, 2021, the Company recorded an impairment reversal of $144 (2020 – $1,063 impairment expense). Please see *note 19 Impairment Expense* for further details.

9. LONG-TERM RECEIVABLES

(Canadian $000's)	December 31 2021	December 31 2020
Loans receivable – Related parties		
Non-current portion of long-term receivables		
Loans to shareholders and former executives	-	540

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 loans to shareholders and former executives principal balance bears interest at a rate of 3% per annum and is repayable, with accrued interest, on May 31, 2022, unless there is a liquidation event. In 2021, as a result of the RTO, the entire balance became due and $325 of the shareholder loan receivable was offset with a $325 term loan payable (note 10) to one of the former shareholders. Of the remaining loan receivable balance, $20 was repaid by one shareholder, $80 was written off to transaction costs pursuant to a termination agreement in connection with the RTO and the remaining $115 written off to other expenses.

10.DEBT AND CREDIT FACILITIES

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

(Canadian $000's)	December 31 2021	December 31 2020
Long-term debt		
Credit facilities	7,305	9,339
Loans payable	657	3,009
Promissory notes	527	300
	8,489	12,648
Current portion of long-term debt		
Credit facilities	(1,025)	(9,339)
Loans payable	(7)	(2,315)
Promissory notes	(13)	(300)
	(1,045)	(11,954)
Non-current portion of long-term debt		
Credit facilities	6,280	-
Loans payable	650	694
Promissory notes	514	-
	7,444	694

Credit facilities

(Canadian $000's)	December 31 2021	December 31 2020
Credit facilities		
Canadian Private Debt Term Facility	7,500	-
Roynat Capital Term Facility	-	2,996
Bank of Montreal Revolving Debt Facility	-	6,343

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

Deferred financing costs	(195)	-
	7,305	9,339
Current portion of credit facilities	(1,025)	(9,339)
Non-current portion of credit facilities	6,280	-

Debt outstanding as of December 31, 2021:

Canadian Private Debt Term Facility

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

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

The Credit Facilities are for an initial term of 24 months, 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 drawn and remained outstanding as at December 31, 2021. As of the date hereof, no amounts had been drawn or is outstanding on the Revolving Line of Credit. Please see *note 23 Financial Instruments and Risk Management* for additional disclosures on liquidity matters.

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 at the 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 are subject to monthly financial covenants of: (i) maintaining a tangible net worth of at least $1,000; and (ii) an interest coverage ratio of no less than 2:1. Tangible net worth is determined by taking total assets less the book value of all liabilities, excluding any subordinated debt, prepaid expenses, intangible assets and related party receivables. Interest coverage ratio is determined by taking EBITDA over total interest expense of funded debt on a rolling 6-month basis. EBITDA is defined as net earnings excluding interest expense, provisions for income taxes, non-cash items including depreciation and amortization and non-cash impairment charges and transactions costs related to the Private Placement (note 14) and RTO (note 4).

At December 31, 2021, the Company was in compliance with all debt covenants.

Debt outstanding as of December 31, 2020:

Roynat Capital Term Facility

The Company had a term facility with Roynat Capital ("Roynat Term Facility") which was initially repayable over a five-year term with the original maturity date of July 15, 2020. The loan 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 Term Facility was subject to certain financial covenants in respect of working capital, debt servicing and maximum debt ratios

On December 4, 2020, the Company signed a forbearance agreement with its lender with an outstanding principal amount owing at December 31, 2020 of $2,915 as a result of non-compliance with its covenants under the Roynat Term Facility. Under the forbearance, agreement the Company was required to make interest-only payments. The forbearance agreement was extended to January 15, 2022 or the earlier on the occurrence of an event or default.

In accordance with the forbearance agreement, the Company was required to commence and complete a refinancing, equity raise or other strategic transaction on terms acceptable to the lender 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 share subscription on March 1, 2021.

The lender did not waive previous and forecasted breaches of the Roynat Term Facility and forbearance agreements, however, on July 21, 2021, the Company has agreed extensions to the previous forbearance agreements with its lender, until the earlier of the occurrence of an event of default or January 15, 2022.

Interest was charged at the Canadian variable bankers' acceptance rate plus 7.5% per annum (2020 – 7.5%). The variable component of the rate averaged 6.17% in 2021 (2020 – 2.45%).

On October 29, 2021, the Company settled its obligations owing in full and no further obligations exist under the Roynat Capital Term Facility at December 31, 2021, and the Roynat Term Facility was subsequently terminated. Repayment was funded with proceeds received from the Private Placement (note 14) and funds drawn from the new Non-Revolving Term Facility.

Bank of Montreal Revolving Debt Facility

The Company had a demand revolving debt facility of $7,000 with the Bank of Montreal ("Bank of Montreal Revolving Debt Facility") which allowed the Company to make draws for the purpose of capital expenditures only. Each individual draw was 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 is subject to a 48-month lending period, the lender has the ability to demand full repayment at anytime, at their sole discretion. The interest rate is based on the bank's prime rate plus 1.25% and calculated monthly in arrears and payable monthly. The Bank of Montreal Revolving Debt Facility was subject to certain financial covenants and secured by the assets of the Company.

On December 14, 2020, the Company signed a forbearance agreement with the Bank of Montreal Revolving Debt Facility lender, with an outstanding principal amount owing at December 31, 2020 of $6,343 as a result of non-compliance with its covenants. Under the terms of the 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 this forbearance agreement were subject to an increased rate of interest beginning on December 1, 2020 to the lenders prime rate plus 3% per annum. In April 2021 and August 2021, the Company agreed further amendments and extensions to its 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 which was subsequently terminated. Repayment was funded with proceeds received from the Private Placement (note 14) and funds drawn from the Non-Revolving Term Facility.

Loans payable

(Canadian $000's)	December 31 2021	December 31 2020
Loans payable		
Shareholder Loan	-	325
OKR Financial Term Loan	-	1,460
Term Credit Facility	-	500
Customer Term Loan	650	687
Term loan payable – Other	7	37
	657	3,009
Current portion of loans payable	(7)	(2,315)
Non-current portion of loans payable	650	694

Shareholder Loan

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. Following an initial period in 2019 where the Company incurred interest at 20% per annum, the Shareholder Loan bears interest at 3% per annum.

In 2021, the Shareholder Loan payable was offset against the shareholder loan receivable (note 9), resulting in $nil Shareholder Loan payable balance outstanding at December 31, 2021.

OKR Financial Term Loan

On June 28, 2019, the Company executed a term loan agreement with a lender ("OKR Financial Term Loan") to provide short term financing against Cleantek's fiscal 2017 and 2018 SRED claims. The lender funded $1,000 on July 2, 2019, and $460 on August 6, 2019 against the total estimated claim of approximately $2,000. Interest on the OKR Financial Term Loan is calculated at 2.15% per month, compounded monthly. The equivalent annual interest rate is 29.08%. The loan was due on or before the earlier of, three business days after the Company receives its SRED claims for the 2017 tax year or June 28, 2020. The Company has 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. The lender has registered a security interest in the pending SRED claim and both parties have also executed a general security agreement which provides the lender with additional security on the Company's other assets, which ranked second 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.

The Company reached an agreement with the lender to extend the maturity of the OKR Financial Term Loan to April 30, 2021 at the same interest rate of 2.15% per month. In August 2021, the Company executed another amendment to the OKR Financial Term Loan which extended the maturity date to November 15, 2021 and revised the interest rate and form of repayment.

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 which was subsequently terminated. Repayment was funded with proceeds received from the Private Placement (note 14) and funds drawn from the Non-Revolving Term Facility.

Term Credit Facility

On October 22, 2019, the Company executed a term credit agreement with a lender to provide short term financing ("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 could have been increased by 2% per annum if a default occurred. This Term Credit Facility 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 at the rate of $5.50 per share Common Share.

On October 29, 2021, the Company settled its obligations owing in full and no further obligations exist under the Term Credit Facility which was subsequently terminated. Repayment was funded with proceeds received from the Private Placement (note 14) and funds drawn from the Non-Revolving Term Facility.

Customer Term Loan

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

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

Cleantek evaluated the classification of the Customer 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 year ended December 31, 2021, $151 (2020 - $19) of rental income was invoiced to the customer and recognized as dehydration facility revenue in net loss, $92 (2020 - $3) interest expense was recognized on the outstanding Customer Loan and included in finances costs, net in net loss and $59 (2020 - $16) of the rental income invoiced to the customer was applied to the outstanding Customer Loan, including $37 (2020 - $13) to the principal balance.

Promissory notes

(Canadian $000's)	December 31 2021	December 31 2020
Promissory note		
Shareholder Promissory Note	-	300
Vendor Promissory Note	527	-
	527	300
Current portion of promissory notes	(13)	(300)
Non-current portion of promissory notes	514	-

Shareholder Promissory Note

On November 1, 2017, a $300 promissory note was executed between the Company and a minority shareholder ("Shareholder Promissory Note") to replace the $300 principal balance of the December 31, 2015 promissory note ("Original Note") that became due on the November 1, 2017 maturity date. The Shareholder Promissory Note matured on November 1, 2019 and bore interest at 8.5% per annum. All terms of the Shareholder Promissory Note remain the same as the Original Note, except for interest owing, which was pre-paid upon execution rather than monthly throughout the term of the 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. Repayment was funded with proceeds received from the Private Placement (note 14) and funds drawn from the Non-Revolving Term Facility.

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 Vendor has waived the change of control event resulting from the RTO and subsequent to the RTO, the Company has remedied our position pursuant to the terms of the Vendor Promissory Note and was in compliance of all terms as at December 31, 2021. As a result, 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 recorded 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%.

(Canadian $000's)	Vendor Promissory Note
At December 31, 2020	-
Conversion of accounts payable to promissory note	1,045
Fair value adjustment	(508)
Principal payments	(18)
Accretion	8
At December 31, 2021	527

11.CONVERTIBLE NOTES

Cleantek's convertible notes are comprised of the following:

(Canadian $000's)	December 31 2021	December 31 2020
Convertible Debentures – Liability portion		
Convertible debentures	-	647
Total convertible notes – Liability portion	-	647
Current portion of convertible notes		
Convertible debentures	-	(647)

	-	(647)
Non-current portion of convertible notes		
Convertible debentures	-	-
	-	(647)

January 2020 Convertible Debentures, due on demand

(Canadian $000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – January 2020 Convertible Debentures				
January 1, 2020	109,091	600	-	600
Accrued interest	-	47	-	47
At December 31, 2020	109,091	647	-	647
Conversion of the January 2020 Convertible Debentures to Common Shares	(109,091)	(647)	-	(647)
At December 31, 2021	-	-	-	-

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 Class "A" Shares and 12% in cash. The January 2020 Convertible Debentures were convertible into Class "A" Shares at $5.50 per Class "A" Share and were due on demand.

In conjunction with the RTO, the $600 outstanding principal of the January 2020 Convertible Debentures was converted to 500,000 Common Shares at $1.20 per Common Share. Accrued interest of $65 was settled in cash and $90 settled in Common Shares (note 14).

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				
At January 1, 2021	-	-	-	-
Issuance of February 2021 Convertible Debentures	380	380	-	380
Conversion of the Fall 2021 Convertible Debentures to Common Shares	(380)	(380)	-	(380)
At December 31, 2021	-	-	-	-

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 Debenture was convertible into 833.33 units of the Company, each unit consisting of one Class "A" Share and one warrant to purchase a Class "A" Share at $1.20 per Class "A" Share by September 30, 2023 (each a "Prior Warrant").

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. All Prior Warrants were exchanged for warrants to purchase Common Shares ("New Warrants) on substantially the same terms and conditions as the Prior Warrants. See *note 14 Share Capital* for further details.

Fall 2021 Convertible Debentures issue and conversion – 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				
At January 1, 2021	-	-	-	-
September 2021 Issuance of Fall 2021 Convertible Debentures	350	350	-	350
October 2021 Issuance of Fall 2021 Convertible Debentures	100	100	-	100
Conversion of the Fall 2021 Convertible Debentures to Common Shares	(450)	(450)	-	(450)
At December 31, 2021	-	-	-	-

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 Class "A" Shares at $1.20 per Class "A" 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 RTO, the outstanding principal of $450 of the Fall 2021 Convertible Debentures, plus accrued interest was settled in cash.

May 2018 Convertible Debentures – Converted in December 2020

(Canadian $000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Derivative convertible debentures – May 2018 Convertible Debentures				
At January 1, 2020	727,727	6,060	-	6,060
Loss on fair value adjustment of liability	-	1,745	-	1,745
Conversion of the May 2018 Convertible Debentures to Class "A" Shares	(727,727)	(7,805)	-	(7,805)
At December 31, 2020	-	-	-	-

In May 2018, the Company entered into an unsecured convertible debenture financing for gross proceeds of $4,000, maturing in 2025 (the "May 2018 Convertible Debentures"). The May 2018 Convertible Debentures were convertible at $5.50 per Class "A" Share, subject to adjustment in certain circumstances. The conversion price may be adjusted so that the amount of Class "A" Shares issued upon conversion will provide the lender with a minimum internal rate of return of 30%. The coupon rate was 5% (the coupon rate increased to 7% if the Company elected to pay the interest in kind); and an additional cash coupon of 5% per annum was payable from February 1, 2019, to July 31, 2019 which was further increased to 10% per annum from August 1, 2019.

In December 2020, pursuant to an agreement with the holder of the May 2018 Convertible Debentures, the Company converted the $8,449 outstanding principal and accrued interest balances on these May 2018 Convertible Debentures into Cleantek Class "A" Shares at $0.10 per Class "A" Share. Accordingly, the Company issued 84,493,040 Class "A" Shares to settle the $7,805 May 2018 Convertible Debentures liability and $644 accrued cash interest up to the date of conversion in full. In connection with the RTO, all the Class "A" Shares were exchanged for Common Shares.

November 2018 Convertible Debentures – Converted in December 2020

(Canadian $000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – November 2018 Convertible Debentures				
At January 1, 2020	363,636	1,714	285	1,999
In-kind interest	-	155	-	155
Amortization of transaction costs	-	66	-	66

Accretion of discount	-	29	-	29
Conversion of the November 2018 Convertible Debentures to Class "A" Shares	(363,636)	(1,964)	(285)	(2,249)
At December 31, 2020	-	-	-	-

On November 2, 2018, the Company issued unsecured subordinated convertible debentures for gross proceeds of $2,000 to an investor, maturing in 2025 (the "November 2018 Convertible Debentures"). The net aggregate proceeds were $1,900, after brokerage fees of $100. The broker used a portion of these fees to purchase $55 of the November 2018 Convertible Debentures. The November 2018 Convertible Debentures were convertible at $5.50 per Class "A" Share and the coupon rate was 5% (the coupon rate increased to 7% if the Company elected to pay the interest in kind).

In December 2020, pursuant to an agreement with the holder of November 2018 Convertible Debentures revising the terms of conversion inducing earlier conversion, the Company converted these November 2018 Convertible Debentures and accrued interest up to the date of conversion into 23,185,182 Class "A" Shares at $0.10 per Class "A" Share. In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares.

As a result, a loss of $1,964 from the early conversion of the November 2018 Convertible Debentures was recorded and included in finance costs in net loss. The combined impact to share capital from the early conversion is $4,213 which is the sum of the $1,964 carrying amount of the November 2018 Convertible Debentures liability portion, the $285 transfer from the equity portion and the $1,964 loss recorded from the early conversion of the November 2018 Convertible Debentures.

Early Convertible Debentures – Converted in December 2020

(Canadian $000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – Early Convertible Debentures				
At January 1, 2020	225,892	1,996	163	2,159
Amortization of transaction costs	-	85	-	85
Accretion of discount	-	86	-	86
Unpaid interest added to debenture balance	-	477	-	477
Conversion of the Early Convertible Debentures to Class "A" Shares	(225,892)	(2,644)	(163)	(2,807)
At December 31, 2020	-	-	-	-

In 2018 and 2019, the Company entered into unsecured convertible debenture financing arrangements with various investors for gross proceeds of $450 and $1,809, respectively, maturing between January 2021 and September 2022 (the "Early Convertible Debentures"). The Early Convertible Debentures were convertible at $10 per Class "A" Share and interest at 20% per annum. Interest was payable in cash on outstanding Early Convertible Debentures amounting to $1,200, in Class "A" Shares on outstanding Early Convertible Debentures amounting to $430 and 50% in cash and 50% in Class "A" Shares on outstanding Early Convertible Debentures amounting to $629.

In December 2020, pursuant to the debenture agreement in respect of the Early Convertible Debentures as well as a modification, amendment, compromise or arrangement of rights agreement with the majority holder of the Early Convertible Debentures, holders of these Early Convertible Debentures holding not less than 50% of these notes, agreed to amend the terms of conversion inducing earlier conversion of the Early Convertible Debentures and accrued interest up to the date of conversion at the option of the Company, at a reduced conversion price of $0.10 per Class "A" Share. Following this agreement, the Company exercised its right to convert the Early Convertible Debentures and accrued interest up to the date of conversion into 27,355,182 Class "A" Shares. In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares.

As a result, the Company recognized a $2,236 loss on the inducement to convert the Early Convertible Debentures. Accordingly, the Company issued 27,355,182 Class "A" Shares to settle the $4,403 Early Convertible Debentures liability component and $477 accrued interest in full. As a result, a loss of $2,236 from the early conversion of the Early Convertible Debentures was recorded and included in finance costs in net loss. In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares.

The combined impact to share capital from the early conversion is $5,043 which is the sum of the $2,644 carrying amount of the Early Convertible Debentures liability portion, the $163 transfer from the equity portion and the $2,236 loss recorded from the early conversion of the Early Convertible Debentures.

2019 Promissory Notes

(Canadian $000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – 2019 Promissory Notes				
At December 31, 2019	240,000	1,309	72	1,381
Unpaid interest added to debenture balance	-	147	-	147
Accretion of discount	-	11	-	11
Conversion of the 2019 Promissory Notes to Class "A" Shares	(240,000)	(1,467)	(72)	(1,539)
At December 31, 2020	-	-	-	-

The 2019 Promissory Notes holders could convert the principal sum into Class "A" Shares at a conversion price of $5.50 per share Class "A" Share. The 2019 Promissory Notes, maturing between December 2019 and June 2020, bore interest at 10% to 20% per annum, and were payable in cash or Class "A" Shares in kind. The 2019 Promissory Notes were subordinated to the credit facilities (note 10) and were not secured.

In December 2020, pursuant to agreements with the holders of the remaining 2019 Promissory Notes revising the terms of conversion inducing earlier conversion, the Company converted these 2019 Promissory Notes and accrued interest up to the date of conversion into 14,671,135 Class "A" Shares at $0.10 per Class "A" Share.

As a result, a loss of $1,296 from the early conversion of the 2019 Promissory Notes was recorded and included in finance costs in net loss in 2020. The combined impact in 2020 to share capital from the early conversion is $2,835 which is the sum of the $1,467 carrying amount of the 2019 Promissory Notes liability portion, the $72 transfer from the equity portion and the $1,296 loss recorded from the early conversion of the 2019 Promissory Notes.

12.LEASE LIABILITIES

(Canadian $000's)	2021	2020
At January 1	775	1,362
Additions	390	404
Terminations	(175)	(64)
Interest on lease liabilities	69	87
Lease payments	(262)	(1,014)
At December 31	797	775
Current portion of lease liabilities	(366)	(299)
Non-current portion of lease liabilities	431	476

The Company has lease liabilities for properties and automotive assets. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

For leased automotive assets, these contracts mature in 2022 to 2025, interest rates vary between 2.90% to 10.2% and the contracts are collateralized by general security agreements for the underlying assets.

The Company has the following future commitments associated with its lease liabilities:

(Canadian $000's)	December 31 2021	December 31 2020
Less than 1 year	420	330
2 to 3 years	410	533
4 to 5 years	44	32
More than 5 years	-	-
Total lease payments	874	895
Amounts representing interest over the term of the lease	(77)	(120)
Present value of lease liabilities	797	775

13.PROVISIONS

(Canadian $000's)	Decommissioning and restoration
At December 31, 2020	56
Accretion	1
At December 31, 2021	57

The Company's decommissioning and restoration provision is associated with the Company's ZeroE dehydration production facility long-term rental.

Upon installation of the Company's dehydration units on customer sites, Cleantek recognizes a provision to decommission and remove all equipment and associated infrastructure following the end of the unit's rental term.

At December 31, 2021, Cleantek estimates the net present value of the decommissioning and restoration provision to be $57 based on an estimated total future undiscounted liability of $60, a risk-free rate of return of 0.7% and an inflation rate of 2.0%. The Company estimates that these payments are to be made at the end of the rental period in years 2029 to 2030.

14.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.

Issued share capital

(Canadian $000's, except number of shares 000's)	2021 Number of Shares	2021 Amount	2020 Number of Shares[1]	2020 Amount
Common shares – Class "A" voting				
Opening balance for Cleantek[1]	16,846	51,708	933	25,573
Opening balance for Raise	173,708	32,241	-	-
Share issuances – cash for Cleantek[1]	137	165	-	-
Share conversions for Cleantek[1]	296	355	-	-
Issued on amalgamation	1,007,395	(32,241)	-	-
Accounting adjustment on share capital for resulting issuer as a result of RTO (note 4)	-	5,214	-	-
Effect of amalgamation	(17,280)	-	-	-
Share consolidation	(1,160,844)	-	-	-
Share issuances – cash	5,716	10,003	-	-
Share issuances – in kind	293	499	-	37
Shares issued as part of directors' compensation (note 16)	-	-	-	1
Shares held in escrow and released pursuant to acquisition employment services agreements (note 16)	-	-	22	1,459
Share conversions	1,378	1,921	15,891	24,638
Share issue costs	-	(1,399)	-	-
At end of year[1]	27,645	68,466	16,846	51,708

(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.

Shares issued on closing of RTO

On October 29, 2021, Cleantek completed the RTO with Raise to form the amalgamated public company, continuing as Cleantek Industries Inc. (note 4). Pursuant to the Arrangement Agreement, all of the outstanding Cleantek Class "A" Shares were acquired by Raise, in exchange for approximately 1,007,395,375 Common Shares valued at approximately $0.03 per Common Share. Immediately following the completion of the RTO, all outstanding Common Shares were consolidated on the basis of one post-consolidation Common Share for every 58.3 pre-consolidation Common Share, such that, after completion of the consolidation the former Raise shareholders held an aggregate of approximately 15% of the post-consolidation Common Shares with former shareholders of Cleantek holding the remaining approximately 85%.

The Private Placement

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 ("Subscription Receipts") at a price of $1.75 per Subscription Receipt. The Private Placement closed on August 31, 2021 and the proceeds were released from escrow on completion of the RTO on October 29, 2021.

Each Subscription Receipt was exchanged into one unit of Cleantek ("Unit") upon closing of the RTO. Each Unit was comprised of one Common Share and one half 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 (note 16).

Share issuance costs of $1,399 were incurred as a result of the Private Placement and RTO and was recorded as a reduction to share capital.

Share consolidation

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 consolidated financial statements, including share options outstanding, has been retroactively adjusted to reflect the Consolidation, unless otherwise noted

Other share issuances

On March 1, 2021, the Company completed a Common Share subscription of 137,162 Class "A" Shares at $1.20 per Class "A" Share for gross proceeds of $165. Each Class "A" Share was bundled with a Prior Warrant which entitled the holder thereof to purchase one Class "A" Share at an exercise price of $1.20 at any time up to March 1, 2023 (note 16). In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares and all Prior Warrants have been exchanged for New Warrants, on substantially the same terms and conditions as the Prior Warrants.

Issuances in kind

In 2021, the Company issued a total of 87,500 Common Shares at a price of $1.60 and an additional 205,014 Common Shares at a price of $1.75 as severance payments to former Cleantek and Raise employees.

In 2020, the Company issued 3,713 Class "A" Shares in exchange for settling $37 interest expense owing by the Company related to loans payable. In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares.

Share conversions and Transfer from equity portion of convertible notes

In 2021, several share conversions occurred for a combined impact of $2,275 on share capital:

- Interest of $750 owing on the OKR Financial Term Loan was settled through the issuance of 428,571 Subscription Receipts;
- Pursuant to agreements with certain creditors of the Company, the Company issued 57,142 and 296,340 Common Shares at a price of $1.75 and 1.20 per Common Share, respectively, to settle a total of $455 of accounts payable and liabilities;
- Conversion of January 2020 Convertible Debentures (note 11): 500,000 Common Shares to settle the principal portion of $600 January 2020 Convertible Debentures liability and 75,346 Common Shares for accrued interest of $90;
- Conversion of February 2021 Convertible Debentures (note 11): 316,668 Common Shares to settle the principal portion of $380 February 2021 Convertible Debentures liability;

In December 2020, pursuant to agreements with certain convertible note holders, lenders and creditors of the Company, the Company issued 190,688,173 Class "A" Shares at $0.10 per Class "A" Share to convert the following with a combined impact of $24,638 on share capital:

- Conversion of related party loans payable (note 10): 36,087,300 Class "A" Shares to settle $3,354 outstanding principal and $255 accrued interest in full;
- Conversion of May 2018 Convertible Debentures (note 13): 84,493,040 Class "A" Shares to settle the $7,805 May 2018 Convertible Debentures liability and $644 accrued cash interest in full;

- Early conversion of November 2018 Convertible Debentures (note 11): 23,185,082 Class "A" Shares issued to convert these November 2018 Convertible Debentures and accrued interest up to the date of conversion. The combined impact to share capital from the early conversion was $4,213 which is the sum of the $1,964 carrying amount of the November 2018 Convertible Debentures liability portion, the $285 transfer from the equity portion and the $1,964 loss recorded from the early conversion of the November 2018 Convertible Debentures;
- Early conversion of the Early Convertible Debentures (note 11): 27,355,182 Class "A" Shares issued to convert these Early Convertible Debentures and accrued interest up to the date of conversion. The combined impact to share capital from the early conversion was $5,043 which is the sum of the $2,644 carrying amount of the Early Convertible Debentures liability portion, the $163 transfer from the equity portion and the $2,236 loss recorded from the early conversion of the Early Convertible Debentures;
- Early conversion of the 2019 Promissory Notes (note 11): 14,671,135 Class "A" Shares issued to settle the 2019 Promissory Notes and accrued interest up to the date of conversion. The combined impact to share capital from the early conversion was $2,835 which is the sum of the $1,467 carrying amount of the 2019 Promissory Notes liability portion, the $72 transfer from the equity portion and the $1,296 loss recorded from the early conversion of the 2019 Promissory Notes; and
- Conversion of accounts payable: 4,896,434 Class "A" Shares to settle $490 accounts payable.

In connection with the RTO, all of the Class "A" Shares were exchanged for Common Shares.

15.CAPITAL MANAGEMENT

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

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

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

In 2021, the Company strengthened our capital structure through the refinancing of our existing debt though the use of funds from the Private Placement and the Non-Revolving Term Facility. These funds were used to repay the Roynat Capital Term Facility, Bank of Montreal Revolving Debt Facility, the OKR Financial Term Loan, the Company's Term Credit Facility, Shareholder Promissory Note and the Fall 2021 Convertible Debentures. In conjunction with the RTO, the principal amounts outstanding under the January 2020 and February 2021 Convertible Debenture of the Company, and a portion of interest designated to be paid in kind, were converted into Common Shares at a conversion rate of $1.20 per Common Share.

The Company has access to the Revolving Line of Credit of up to $2,500 and as of December 31, 2021, no amounts have been drawn or is outstanding on this Revolving Line of Credit

The capital structure of Cleantek consists of the following:

(Canadian $000's)	December 31 2021	December 31 2020
Current assets	4,771	2,173
Current liabilities	(4,236)	(18,978)
Working capital surplus (deficit)	535	(16,805)
Long-term debt – non-current	(7,444)	(694)

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

Lease liabilities – non-current	(431)	(476)
Shareholders' (equity) deficit	(4,988)	7,278
	(12,328)	(10,697)

16.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.

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.

Restricted share unit plan (equity-settled)

Included in certain employee contracts are restricted share units ("RSUs"). The RSUs are granted on the employee's commencement date with one half of the RSUs granted vesting at the end of 12 months from the employee's commencement date and the remaining half vesting at the end of 18 months from the employee's commencement date.

On the vesting date, the RSUs are redeemed and the Company issues one common share for each vesting RSU held by the employee.

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

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 acquisition on October 18, 2018, 326,136 Cleantek Common Shares were issued to vendors party to the acquisition and placed in escrow as part of executive employment agreements with the two vendors transitioning to executive 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.

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

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 Share issued and held in escrow are only reflected as outstanding Common Chares of the Company upon release from escrow. At December 31, 2021, all shares held in escrow have been released with completion of the employment service terms.

b) Stock options

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

		2021		2020
(Canadian $, except number of stock options)	Number of stock options[(1)]	Weighted average exercise price[(1)]	Number of stock options[(1)]	Weighted average exercise price[(1)]
Stock options				
Outstanding at beginning of year	58,750	$66.00	52,500	$66.00
Cancelled	(58,750)	$66.00	-	
Granted	2,702,500	$1.29	8,333	$66.00
Forfeited	-	-	(2,083)	$66.00
Outstanding at end of year	2,702,500	$1.29	58,750	66.00
Weighted average remaining life		4.5 years		3.3 years
Exercisable at end of year	-	-	24,722	$66.00

(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 14).

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.

In March and June of 2021, pursuant to the Company's stock option plan, 1,500,000 stock options were granted to officers, employees and directors of the Company at an exercise price of $1.20 per Common Share.

As a result of the RTO, all stock options outstanding prior October 29,2021 vested immediately on this date. Accordingly, the Company recognized $1,285 of accelerated share-based payment.

In November 2021, the company granted an additional 1,202,000 stock options to officers, employees and directors of the Company at an exercise price of $1.40 per Common Share.

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

		Year ended December 31	
	2021	2020	2019
Share price on grant date[(1)]	$1.20 - $1.40	$7.80	$66.00
Exercise price[(1)]	$1.20 - $1.40	$66.00	$66.00
Expected life (years)	5	5	5
Expected volatility	95% - 69%	51%	48%
Risk-free interest rate	0.25% - 1.00%	1.60%	1.64%
Expected forfeiture rate	-	-	-
Expected dividend yield	-	-	-
Weighted average fair value per stock option[(1)]	$0.83	$3.60	$28.56

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

(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 14).

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.

c) Share warrants

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

(Canadian $, except number of stock options)	2021	
	Number of share warrants(1)	Weighted average exercise price(1)
Share warrants		
Outstanding at beginning of year	-	-
Granted	3,101,098	$1.75
Outstanding at end of year	3,101,098	$1.75
Weighted average remaining life		2.8 years
Exercisable at end of year	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 14).

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.

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

	Year ended December 31 2020
Share price on grant date(1)	$1.75
Exercise price(1)	$2.25
Expected life (years)	2 and 3 years
Expected volatility	69%
Risk-free interest rate	0.5% and 0.25%
Expected forfeiture rate	-
Expected dividend yield	-
Weighted average fair value per stock option(1)	$0.53 and $0.67

(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 14).

As the share warrants were issued in connection with Private Placement and RTO, the fair value of the fully vested share warrants of $1,617 was recognized as a warrant reserve within share capital and $159 was recorded as transaction costs, respectively.

d) Common shares issued in exchange for services rendered

In 2020, the Company issued 13 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.

In 2019, the Company issued 1,253 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.

For the year ended December 31, 2021, $nil (2020 - $1) of share-based payment expense related to shares issued as part of directors' compensation was recognized in net loss.

e) 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 (note 14):

(Number of escrowed shares)	2021	2020
Escrowed Common Shares		
Outstanding at beginning of year	-	22,104
Released from escrow	-	(22,104)
Outstanding at end of year	-	-

The fair value of the escrowed Common Shares is recognized over the vesting period and is based on the value at the date of grant. 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 7,612 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.

For the year ended December 31, 2021, $nil (2020 - $1,133) of share-based payment expense related to these escrowed Common Shares was recognized in net loss.

f) Share-based compensation expense

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

	Year ended December 31	
(Canadian $000's)	2021	2020
Stock options	1,425	94
Common Shares issued as part of directors' compensation	-	1
Escrowed Common Shares at acquisition in exchange for employment services	-	1,133
Total share-based compensation expense	1,425	1,228

17. REVENUE

	Year ended December 31	
(Canadian $000's)	2021	2020
Sustainable lighting solutions	7,895	6,872
ZeroE dehydration	924	735

Total revenue	8,819	7,607
Consisting of:		
Canadian operations	4,843	4,179
U.S. operations	3,976	3,428

18.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:

	Year ended December 31	
(Canadian $000's)	**2021**	**2020**
Direct operating expenses		
Salaries and wages	2,040	1,930
Salaries and wages – CEWS	(135)	(221)
Repairs and maintenance	584	698
Transportation and mobilization	851	726
Other direct costs	902	1,109
Total direct operating expenses	4,242	4,242

(1) Canadian Emergency Wage Subsidy

	Year ended December 31	
(Canadian $000's)	**2021**	**2020**
General and administrative expenses		
Salaries and wages	1,764	2,462
Salaries and wages – CEWS	(80)	(520)
Professional fees	1,069	1,251
Other general and administrative costs	883	1,121
Other general and administrative costs – CERS	(49)	(23)
Total general and administrative expenses	3,587	4,291

19.IMPAIRMENT EXPENSE

	Year ended December 31	
(Canadian $000's)	**2021**	**2020**
Impairment of non-financial assets		
Impairment expense (reversal) of property and equipment		
– Rentals CGU (note 6)	(4,400)	4,465

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

Impairment expense of PP&E		
– Facility dehydration CGU (note 6)	1,270	-
Impairment of intangible assets (note 7)	105	2,504
Impairment of right-of-use assets (note 8)	(144)	1,063
Total impairment of non-financial assets	(3,169)	8,032
Impairment of financial assets		
Impairment expense (recovery) of accounts receivable (note 23)	(2)	214
Total impairment expense (recovery) of financial assets	(2)	214
Total impairment expense (reversal)	(3,171)	8,246

Impairment of non-financial assets

Cleantek reviews the carrying amount of its long-lived assets and cash generating units for indications of impairment:

- when facts and circumstances suggest that the carrying amount may exceed its recoverable amount; and
- at the end of each reporting period.

For the purposes of impairment testing, property and equipment, intangible assets and ROU are allocated to the Company's CGUs being the Rentals CGU and Facility dehydration CGU.

Impairment at the end of each reporting period

Indications of impairment reversal at December 31, 2021 – Rentals CGU

At December 31, 2021, the Company identified indicators of impairment reversal at the Rentals CGU. The steady recovery from the COVID-19 pandemic and increase in commodity prices have led to higher activity in the oil and gas sector both in Canada and the United States and globally. Current and forecasted increases in rental unit utilization rates and day rates were favorable indicators of impairment reversal. Accordingly, the Company performed an impairment test on its non-financial assets within its Rentals CGU at December 31, 2021

As a result of the impairment tests completed for the Rentals CGU, the Company recognized an impairment reversal of $4,544 of non-financial assets:

- $4,400 impairment reversal of property and equipment; and
- $144 impairment reversal of ROU assets intangible assets.

The estimated recoverable amount of $11,762 for the Company's Rentals CGU was determined based on the expected value in use by calculating the present value of management's best estimates of future cash flows based on the current use and present condition of the assets. Cash flows used are based on future revenues and expected maintenance and operating costs. A discount rate of 23% was applied to these estimated cash flows. The recoverable amount and total impairment reversal of non-financial assets recognized in the period are sensitive to a change in the following assumptions and estimates:

- forecasted revenue growth increase of 1% will result in a $616 increase of impairment reversal; and
- discount rate increase of 1% will result in a $496 decrease of impairment reversal.

Indications of impairment at December 31, 2021 – Facility dehydration CGU

The ZeroE dehydration facility unit was placed into service at the end of 2020 and is a prototype unit for the Company and is the only unit included in the Facility dehydration CGU. At December 31, 2021, the Company identified indicators of impairment at the Facilities dehydration CGU due to additional capital costs incurred for asset modifications and higher operating costs associated with the initial design of the ZeroE dehydration facility unit. The Company continues to redesign and implement improvements to the prototype unit which provides valuable insight learnings which will be applied to future builds of ZeroE dehydration facilities. As a result of higher costs, the Company performed an impairment test on its non-financial assets within its Facility dehydration CGU at December 31, 2021.

As a result of the impairment tests completed for the Facilities dehydration CGU, the Company recognized an impairment of $1,375 of non-financial assets:

- $1,270 impairment expense of property and equipment; and
- $105 impairment expense of intangible assets.

The estimated recoverable amount of $271 for the Company's Facility dehydration CGU was determined based on the expected value in use by calculating the present value of management's best estimates of future cash flows based on the current use and present condition of the assets. Cash flows used are based on future revenues and expected maintenance and operating costs. A discount rate of 23% was applied to these estimated cash flows. The recoverable amount and total impairment of non-financial assets recognized in the period are sensitive to a change in the following assumptions and estimates:

- forecasted revenue growth increase of 1% will result in a $12 decrease of impairment; and
- discount rate increase of 1% will result in a $12 increase of impairment

Indications of impairment at December 31, 2020 and March 31, 2020 – Rentals CGU

At December 31, 2020, there were no indicators of impairment or reversal of impairment 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 impacts 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 Rentals CGU at March 31, 2020.

The Company completed impairment tests for the Rentals CGU and recognized $8,032 total impairment expense of non-financial assets:

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

The estimated recoverable amount of $11,000 for the Company's Rentals CGU and total impairment of non-financial assets recognized in the period are sensitive to a change in the following assumptions and estimates:

- forecasted revenue growth increase of 1% will result in a $487 decrease of impairment; and
- discount rate increase of 1% will result in a $570 increase of impairment.

Impairment of financial assets

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The calculation reflects the probability-weighted outcome, the time value of money and reasonable supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

During the year ended December 31, 2021, the Company recognized a recovery of $2 on our accounts receivables (2020 - $214 impairment) as an impairment provision of $15 was partially offset with a recovery of $13 for previously impaired accounts receivables based on actual amounts collected.

20.FINANCE COSTS, NET

	Year ended December 31		
(Canadian $000's)	2021	2020	2019
Interest expense on long-term debt[1]	306	1,124	832
Interest expense and financing costs of convertible notes[2]	293	1,978	1,672
Interest on lease liabilities	73	77	117
Debt renewal and other lending fees	229	49	139
Loss on fair value adjustment on debt modification (note 10)	-	81	-
Loss on fair value adjustment of derivative convertible note liabilities (note 13)	-	1,745	1,398
Loss on inducement to convert convertible notes (note 11)	-	5,496	-
Accretion of decommissioning and restoration provision (note 13)	1	-	-
Interest income	(13)	(15)	(15)
Total finance costs, net	889	10,535	4,143

(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.

21.INCOME TAXES

Income tax expense (recovery)

The provision for income taxes differs from that which would be expected by applying statutory Canadian income tax rates. A reconciliation of the difference is as follows:

	Year ended December 31	
(Canadian $000's, except as indicated)	2021	2020
Loss before income taxes	(6,741)	(22,065)
Federal and provincial statutory tax rates	23.00%	23.00%
Expected income tax expense (recovery)	(1,551)	(5,075)
Adjusted for:		
Non-deductible expenses	(6,063)	(1,810)
Impact of foreign tax rates	-	(50)
Tax assets not recognized	10,243	7,246
Prior period adjustment	(3,457)	-
Current income tax expense	(828)	311

The Canadian statutory income tax rate is comprised of the combined federal and applicable provincial income tax rates.

In 2020, the Government of Alberta reduced the corporate income tax rate from 10.00% to 8.00% effective July 1, 2020. The impact of this rate reduction was nominal and was reflected in the 2020 current year tax expense.

In 2021, operations in the United States are subject to a combined federal and state income tax rate of 21.00% (2020 - 21.00%).

Deferred tax balances and tax losses carried forward

Deferred tax assets (liabilities) are comprised of the following:

(Canadian $000's)	December 31 2021	December 31 2020
Deferred tax assets		
Non-capital loss carry-forward	10,576	8,023
SRED and Investment tax credits carry-forward	1,251	1,058
Finance fee pool carry-forward	513	107
Total deferred tax assets	12,340	9,188
Deferred tax liabilities		
Property and equipment	(2,080)	(2,362)
Capital lease obligations	(17)	(135)
Convertible debentures	-	(156)
Total deferred tax liabilities	(2,097)	(2,653)
Valuation allowance	(10,243)	(7,246)
Net deferred tax assets (liabilities)	-	(711)

The deferred tax assets (liabilities) movements during the years ended December 31, 2021 and 2020 are as follows:

(Canadian $000's)	Property and equipment	Capital leases	Finance fee pool	Investment tax credits	Non-capital losses	Convertible notes	Valuation allowance	Net deferred tax (liabilities)
At January 1, 2020	(2,030)	(108)	61	1,100	6,858	(156)	(6,134)	(409)
Recognized in equity	-	-	-	-	-	-	-	-
Recognized in net loss	(333)	(27)	47	(42)	1,165	156	(1,268)	(302)
At December 31, 2020	(2,363)	(135)	108	1,058	8,023	-	(7,402)	(711)
Recognized in equity	-	-	-	-	-	-	-	-
Recognized in net loss	283	118	405	193	2,553	-	(2,841)	711
At December 31, 2021	(2,080)	(17)	513	1,251	10,576	-	(10,243)	-

Unrecognized deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that the assets can be recovered through deductions available against future taxable income. Accordingly, the Company has not recognized deferred tax assets for the following items:

(Canadian $000's)	December 31 2021	December 31 2020
SRED and Investment tax credits carry-forward	1,251	1,058
Non-capital losses carry-forward	10,576	5,526
Finance fee pool carry-forward	513	107
Unrecognized asset	(12,340)	(7,402)

Total	-	(711)

22.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:

(Canadian $000's, except common shares in number and loss per share in $)	Year ended December 31 2021	2020
Net loss attributable to shareholders	(5,913)	(22,376)
Weighted average common shares outstanding – basic & diluted(1)	18,361,786	1,464,274
Loss per share – basic and diluted	$(0.32)	$(15.28)

(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.

For the years ended December 31, 2021 and 2020, the Company excluded the effect of stock options, share warrants, 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.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cleantek's financial assets consist of cash and cash equivalents, accounts receivable and long-term receivables (note 9).

Cleantek's financial liabilities consist of accounts payable and accrued liabilities, long-term debt (note 10) and convertible notes (note 11).

Non-derivative financial instruments

The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of those instruments.

The Company's long-term debt are recorded at amortized cost using the effective interest method.

At December 31, 2021, the carrying value and fair value of fixed-term financial liabilities accounted for under amortized cost was $8,489 (December 31, 2020 - $12,648). The decrease in carrying value and fair value of debt is mainly due to repayment of debt with proceeds from the Private Placement partially offset with the issuance of debt with a new creditor during the year. The estimated fair value of long-term debt is based on pricing sourced from market data, which is considered a Level 2 fair value input.

The fair value of the liability component of convertible notes, which have embedded conversion features when due are determined using the effective interest rate method. The liability component of the convertible notes is initially recognized at the fair value of a comparable liability without an equity conversion option based on future cash flows discounted at an estimated market interest rate. The residual value of the gross proceeds is allocated to the conversion option based on the inherent fair value. The estimated fair value of derivative convertible notes is considered a Level 3 fair value input as it is mainly based on unobservable inputs for the liabilities.

Financial risk management

Cleantek's activities expose it to certain financial risks, including market risk, credit risk and liquidity risk.

Market risk

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

Interest rate risk

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

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

At December 31, 2021, the Company is exposed to interest rate risk with respect to Non-Revolving Term Facility (note 10). For the year ended December 31, 2021, a 1% change to interest rate would have resulted in $13 impact on net income (loss) (2020 – $95).

The interest rate on Cleantek's long-term debt loans payable and promissory notes (note 10) and convertible notes (note 11) is fixed and is not subject to interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that future cash flows or the fair value of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Company is primarily exposed to foreign currency fluctuations in relation to U.S. dollar denominated working capital balances held in Canada as well as the working capital of its foreign operations. The Company has no significant exposures to foreign currencies other than the U.S. dollar.

At December 31, 2021 and 2020, a 1% change in the value of the U.S. dollar would have the following impact on net loss and other comprehensive loss:

(Canadian $000's)	December 31 2021	December 31 2020
Impact to net loss	3	2
Impact to other comprehensive loss	26	27

Commodity price risk

The Company may be exposed to commodity price risk through its customers as North American oil and gas producers may be exposed to commodity price risk volatility arising from the effect of future commodity price fluctuations.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset will default, resulting in Cleantek incurring a financial loss.

The Company's accounts receivables are predominantly with customers who explore for and develop natural gas and petroleum reserves and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing as well as commercial construction companies. The Company assesses the creditworthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Company views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance.

At December 31, 2021, the 5 largest customers accounted for 30% of the Company's accounts receivable (December 31, 2020 – 40%) and the 5 largest customers accounted for 33% of its revenue for the year ended December 31, 2021 (2020 - 29%).

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The calculation reflects the probability-weighted outcome, the time value of money and reasonable supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Payment terms with customers vary by contract; however, standard payment terms are 30 days from invoice date. The Company considers its accounts receivable excluding doubtful accounts to be aged as follows:

(Canadian $000's)	December 31 2021	December 31 2020
Current (0 to 30 days from invoice date)	1,676	1,322
31 to 60 days past due	123	32
61 to 90 days past due	56	12
Over 90 days past due	89	73
Trade receivables and other	1,944	1,439
Provision for doubtful accounts	(13)	(41)
Total accounts receivable	1,931	1,398

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

(Canadian $000's)	December 31 2021	December 31 2020
At beginning of year	41	169
Increase in provision	-	86
Removal of confirmed uncollectable amounts	(26)	-
Write-off provision, net of recoveries (note 19)	(2)	(214)
At end of year	13	41

Based on historical default rates, the Company believes that no additional allowance for doubtful accounts provision is necessary in respect of accounts receivable.

Cleantek held cash and cash equivalents of $1,871 at December 31, 2021, which represents its maximum credit exposure on these assets (December 31, 2020 - $597). The cash is held with major, high credit-quality financial institution counterparties and management believes credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that Cleantek will be unable to fulfill its obligations associated with financial liabilities on a timely basis or at a reasonable cost. The Company's objective in managing liquidity risk is to maintain sufficient available resources to meet its liquidity requirements at any point.

The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, lease obligations and long-term debt.

Cleantek mitigates this risk through efforts to maintain the support of its lenders and through the issuance of additional capital. In fiscal 2020, the demand for the Company's services and products had been significantly impacted by COVID-19 and the deterioration in commodity pricing which increased the Company's exposure to liquidity risk. Throughout 2021, there has been an economic recovery of commodity prices which has improved the demand for the Company's product and services in the latter half of the year. In addition, in 2021 the Company refinanced its existing debt and significantly reduced our overall cost of borrowings.

The expected timing of cash outflows relating to financial liabilities at December 31,2021 are outlined in the *note 26 Commitments and Contingencies*.

The Company anticipates being able to satisfy its liabilities and obligations as they come due, however it will continue to require the support of its lender with respect to the renewal of its Credit Facilities which mature on October 29, 2023.

24. RELATED PARTY BALANCES AND TRANSACTIONS

Key management compensation

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

In addition to their salaries, the Company also provides non-cash benefits to executive officers. Executive officers also participate in the Company's stock option plan (note 16).
Directors of the Company participate in the Company's stock option plan and may receive directors' compensation in the form of issued Common Shares (notes 14 and 16).

Key management compensation comprises:

	Year ended December 31	
(Canadian $000's)	2021	2020
Salaries and benefits	1,106	502
Share-based compensation (equity-settled)		
Stock options	955	101
Common Shares issued for directors' compensation	-	1
Escrowed Common shares	-	901
Transaction cost		
Board compensation	55	-
Total	2,116	1,505

Other related party transactions

The following related party transactions are in the normal course of operations and have been valued at the exchange amount:

During the year ended December 31, 2021, the Company incurred legal fees of $nil (2020 - $82) from a law firm in which a former director of the Company is a partner. At December 31, 2021, $68 was owing to this firm and included in accounts payables and accrued liabilities (December 31, 2020 - $1,117).

During the year ended December 31, 2021, the Company made payments of $nil (2020 - $nil) to Cerberus Equity Group Ltd. ("Cerberus") under a property lease agreement which matured on July 31, 2019. The Company vacated the premises and Cerberus filed a statement of claim. Please see *note 26 Commitment and Contingencies* for further details.

Other balances

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

(Canadian $000's)	Note	December 31 2021	December 31 2020
Long-term receivables[1]			
Loans receivable			
Loans to shareholders and former executives[1,2]	9	115	540
Accounts payables and accrued liabilities			
Law firm related to the Company through a director		68	1,117
Long-term debt[1]			
Loans payable			
Shareholder Loan[2]	10	-	325
Promissory notes			
Shareholder Promissory Note	10	-	300
Vendor Promissory Note	10	527	-
		527	625

(1) Includes current and non-current portion.
(2) The loan payable of $325 was reclassed to net against the loan receivable balance for the former executive.

In addition to the above amounts, in February, September and October 2021, the Company issued a total of $850 secured subordinated convertible debentures to existing shareholders of the Company holding significant influence, including the Company's largest shareholder (note 11). In conjunction with the RTO, the convertible debentures were converted into Common Shares and accrued interest was settled in cash and Common Shares.

The Company has the following related party commitments and contingencies:

Commitments and contingencies	
Related party guarantee	note 26
Litigation and claims involving a related party	note 26

25.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:

(Canadian $000's)	Year ended December 31 2021	2020
Net changes in non-cash working capital:		
Accounts receivable	(530)	1,513
Prepaids and other assets	(790)	2
Long-term receivables	440	(15)

Accounts payable and provisions	(2,021)	849
	(2,901)	2,349
Related to:		
Financing activities	(2,901)	2,349
Taxes paid	25	-

26.COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The expected timing of cash outflows relating to financial liabilities, lease liabilities and other commitments at December 31, 2021 are outlined in the table below:

	Carrying amount(1)	Contractual Outflows(2)				
(Canadian $000's)		< 1 year	2 to 3 years	4 to 5 years	Thereafter	Total(1)
Financial liabilities						
Accounts payable and accrued liabilities	2,825	2,825	-	-	-	2,825
Long-term debt						
Credit facilities(3)	7,500	1,729	6,959	-	-	8,688
Loans payable	657	137	275	275	374	1,061
Promissory notes	527	65	120	120	725	1,030
	11,509	4,756	7,354	395	1,099	13,604
Lease liabilities and other commitments						
Lease liabilities	797	420	410	44	-	874
Other property lease commitments(4)	-	215	239	-	-	454
	797	635	649	44	-	1,328

(1) Includes the current and non-current portions.
(2) Amounts include principal and interest portions.
(3) Carrying amount excludes deferred financing charges of $195.
(4) 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. The Company has filed a statement of defense and has not accrued a provision for this claim.

In April 2022, the building was sold by the lender and proceeds were applied against the outstanding balance of the Cerberus Financing. In addition, there is an insurance claim outstanding on the building that will further reduce the balance owing on the Cerberus Financing. However, there is an estimated shortfall on the balance owing under the Cerberus Financing of approximately $100 after the sale of the building and insurance proceeds that the lender will be seeking reimbursement for from Cerberus and/or the Company. The Company has filed a statement of defense and has not accrued a provision for this claim.

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 provided (the "Disputed Loans"), accrued interest thereon and damages. At December 31, 2021, the principal balance of the Disputed Loans payable by the Company has been netted against the long-term receivables balance of $325 (December 31, 2020 - $325) (note 9 and 10). The Company has filed a statement of defense and counter claim and believes this claim is without merit. In addition, the remaining long-term receivable balance of $115 due from the former executive of the Company and shareholder has been written off to other expense as recovery of the amounts remain uncertain at this time.

Corporate Information

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President & CEO

Orson Ross
Chief Financial Officer

BOARD OF DIRECTORS

Rick McHardy
Chairman

Al Stark

Paul Colucci

Reg Greenslade

Phillip Knoll

Chris Lewis

INVESTOR RELATIONS INFORMATION

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