cleantek
INDUSTRIES INC.

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) 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, 2023 and 2022. The Auditor's Report to the shareholders is presented herein.

Orson Ross

Matt Gowanlock
President & CEO

Orson Ross, CPA, CA
Chief Financial Officer

April 15, 2024

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INDEPENDENT AUDITOR'S 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, 2023 and December 31, 2022
- the consolidated statements of net loss for the years then ended
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity 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 material accounting policy information

(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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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 ethical 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of indicators of impairment of the Entity's Rentals and Facility Dehydration cash generating units ("CGUs")

Description of the matter

We draw attention to Note 2, Note 3, Note 5, Note 6 and Note 7 to the financial statements. The carrying amounts of the Entity's non-financial assets including property and equipment, intangible assets and right of use assets are reviewed at each reporting date or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount to determine whether impairment or impairment reversal indicators exist, and impairment or impairment reversal testing is required for a CGU.

Significant judgment is required to assess when impairment indicators exist, and impairment testing is required. The assessment of impairment or impairment reversal indicators is based on management's judgement of whether there are internal and external factors that would indicate that a CGU and specifically the non-financial assets within the CGU, are impaired. These factors include cash flow forecasts based on future revenues and expected maintenance and operating costs, expected industry activity levels, commodity price environment and market capitalization.

As at December 31, 2023, management determined no indicators of impairment or impairment reversal existed for the Entity's Rentals and Facility Dehydration CGUs.

Why the matter is a key audit matter

We identified the assessment of indicators of impairment of the Entity's Rentals and Facility Dehydration CGUs as a key audit matter. Significant auditor judgement was required in evaluating the internal and external factors included in the Entity's indicator of impairment analysis.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We compared the Entity's 2023 actual revenues and cash flows for the Rentals and Facility Dehydration CGUs to the 2023 budgeted revenues and cash flows to assess the Entity's ability to accurately forecast.

We evaluated the Entity's assessment of impairment indicators by:

- comparing the Entity's 2024 budgeted cash flow forecasts for the Rentals and Facility Dehydration CGUs to 2023 historical results considering the impact of changes in conditions and events affecting the Rentals and Facility Dehydration CGUs
- comparing internal and external factors, including expected industry activity levels and commodity price environment analyzed by the Entity to the relevant external market data or internal source documents
- comparing the market capitalization at December 31, 2023 to the carrying amount of the Entity's shareholders' equity at the end of the year.

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 filed with the relevant Canadian Securities Commissions as at the date of this auditor's 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 auditor's 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Jasmeet Kang.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 15, 2024

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

(Canadian $000's)	Note	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents		600	724
Accounts receivable	18	2,541	2,509
Prepaids		202	304
Other assets	4	61	237
Total current assets		3,404	3,774
Non-current assets			
Property and equipment	5	10,211	11,139
Intangible assets	6	424	521
Right-of-use assets	7	1,224	483
Total non-current assets		11,859	12,143
Total assets		15,263	15,917
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank operating line	8	1,880	-
Accounts payable and accrued liabilities		3,074	2,921
Current portion of long-term debt	8	913	8,918
Current portion of lease liabilities	9	479	283
Total current liabilities		6,346	12,122
Non-current liabilities			
Long-term debt	8	7,806	1,853
Lease liabilities	9	664	268
Provisions		46	46
Total non-current liabilities		8,516	2,167
Total liabilities		14,862	14,289
Shareholders' equity			
Share capital	10	68,497	68,466
Contributed surplus		3,443	2,995
Accumulated other comprehensive income		33	(84)
Accumulated deficit		(71,572)	(69,749)
Total shareholders' equity (deficit)		401	1,628
Total liabilities and shareholders' equity (deficit)		15,263	15,917

Commitments and contingencies 21

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 15, 2024

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

(Canadian $000's, except per share amounts)	Note	2023	2022
Revenue	13	13,989	13,116
Direct operating expenses	14	5,604	5,324
Gross profit		8,385	7,792
Other expenses			
General and administrative	14	4,944	7,117
Depreciation and amortization	5,6,7	2,233	3,160
Research expense		9	-
Share-based compensation	12	479	471
Finance costs	15	1,771	1,229
Gain on disposal of long-lived assets	5	(44)	(235)
Foreign exchange (gain) loss		291	(333)
Other expense (income)		521	(30)
		10,204	11,379
Loss before income taxes		**(1,819)**	**(3,587)**
Income tax expense (recovery)			
Current	16	4	-
Deferred	16	-	-
		-	-
Net loss		**(1,823)**	**(3,587)**
Loss per share *($)*			
Basic and diluted	17	$(0.07)	$(0.13)

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	2023	2022
Net loss		**(1,823)**	**(3,587)**
Other comprehensive gain (loss)			
Foreign currency translation gain (loss)		118	(244)
Total comprehensive loss		**(1,705)**	**(3,831)**

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

Cleantek Industries Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Canadian $000's, except common shares in 000's)	Note	Share capital	Contributed surplus	Accumulated other Comprehensive income (loss)	Accumulated deficit	Total
At January 1, 2022		68,466	2,524	160	(66,162)	4,988
Net loss		-	-	-	(3,587)	(3,587)
Share-based compensation expense	12	-	471	-	-	471
Foreign currency translation loss		-	-	(244)	-	(244)
At December 31, 2022		68,466	2,995	(84)	(69,749)	1,628
At January 1, 2023		68,466	2,995	(84)	(69,749)	1,628
Net loss		-	-	-	(1,823)	(1,823)
Share-based compensation expense	12	-	479	-	-	479
Shares issued for share-based compensation		31	(31)	-	-	-
Foreign currency translation loss		-	-	117	-	117
At December 31, 2023		68,497	3,443	33	(71,572)	401

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	2023	2022
Cash (used in)/provided by:			
Operating activities			
Net loss		(1,823)	(3,587)
Adjustments for:			
Depreciation and amortization	5,6,7	2,233	3,160
Share-based compensation expense	12	479	471
Finance costs	15	1,771	1,229
(Gain) loss on disposal of long-lived assets	5	(44)	(235)
(Gain) loss on foreign exchange		291	(333)
Changes in non-cash working capital	20	397	(84)
Net cash flow from operating activities		**3,304**	**621**
Investing activities			
Additions to property and equipment	5	(1,110)	(2,698)
Additions to intangible assets	6	(7)	(126)
Proceeds on disposal of long-lived assets		28	175
Proceeds from research credits		33	-
Changes to non-cash working capital	20	1	32
Net cash flow used in investing activities		**(1,055)**	**(2,617)**
Financing activities			
Proceeds from long-term debt, net of revolving debt repayments		1,141	3,024
Repayment of revolving line of credit	8	(2,955)	-
Repayment of non-revolving term facility	8	(6,848)	(653)
Repayment of term debt and promissory notes		(435)	(246)
Proceeds of new debt facility	8	7,200	-
Proceeds of new operating line, net of repayments	8	1,880	-
Repayments of lease liabilities	9	(471)	(237)
Payments of cash interest		(1,395)	(1,057)
Debt issuance costs		(359)	-
Debt facility cancelation fee		(133)	-
Net cash flow from (used in) financing activities		**(2,375)**	**831**
Increase (decrease) in cash and cash equivalents		(126)	(1,165)
Effect of foreign exchange on cash and cash equivalents		2	18
Cash and cash equivalents, beginning of year		724	1,871
Cash and cash equivalents, end of year		**600**	**724**

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

1. REPORTING ENTITY

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

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

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

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

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

2. BASIS OF PREPARATION

a) Statement of compliance

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

The consolidated financial statements have been approved by the Board of Directors on April 15, 2024.

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 Material Accounting Policies*.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its wholly owned subsidiary, 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.

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.

Indicators of impairment

Significant judgment is required to assess when impairment indicators exist, and impairment testing is required. The assessment of impairment or impairment reversal indicators is based on management's judgement of whether there are internal and external factors that would indicate that a cash generating unit ("CGU") is impaired or an impairment reversal exists. These factors include cash flow forecasts based on future revenues and expected maintenance and operating costs, expected industry activity levels, commodity price environment and market capitalization. The determination of a CGU is also based on management's judgement and is an assessment of the smallest group of assets that generate cash inflows independently of other assets.

Impairment of non-financial assets

The carrying amounts of the Cleantek's non-financial assets including property and equipment, intangible assets and right-of-use assets are reviewed at each reporting date or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount to determine whether impairment or impairment reversal indicators exist, and impairment or impairment reversal testing is required for a CGU.

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 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.

3. MATERIAL ACCOUNTING POLICIES

a) Revenue recognition

Revenue is generated primarily from the rental and service of dehydration units, 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.e) Leases* in which Cleantek is a lessor below for revenue recognition of the Company's rentals.

b) 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.

c) 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	Deprecation Period
Rental equipment	2 – 25 years
Automotive	5 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.

d) Intangible assets

The Company's intangible assets consist of development costs and patents.

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 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	Deprecation Period
Development costs	10 years
Patents	10 – 20 years

e) 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.

f) Impairment of non-financial assets

The carrying amounts of the Company's assets including property and equipment, intangible assets and right-of-use assets are reviewed at each reporting date or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount to determine whether impairment or impairment reversal indicators exist, and impairment or impairment reversal testing is required for a CGU.

If indicators of impairment exist, the recoverable amount of the CGU is estimated as the greater of the VIU and 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).

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) Recent accounting pronouncements

Various amendments to existing standards and new accounting requirements have been released that are effective January 1, 2024 The Company does not anticipate the new requirements to have a material impact on the financial statements.

4. OTHER ASSETS

(Canadian $000's)	December 31 2023	December 31 2022
Other receivables	21	202
Prepaid Assets	9	10
Refundable deposits	31	25
Total other assets	61	237

5. PROPERTY AND EQUIPMENT

(Canadian $000's)	Assets under construction	Rental equipment	Automotive	Office equipment	Total
Cost					
At January 1, 2022	95	29,796	134	479	30,504
Additions	979	422	1,322	7	2,730
Dispositions	-	(304)	(76)	-	(380)
Transfers from assets under construction to rental equipment	(964)	964	-	-	-
Impact of foreign exchange	-	209	3	-	212
At December 31, 2022	110	31,087	1,383	486	33,066
Additions	582	506	-	23	1,111
Dispositions	-	(153)	-	-	(153)
Transfers from assets under construction to rental equipment	(425)	425	-	-	-
Impact of foreign exchange	-	(67)	(23)	-	(90)
At December 31, 2023	267	31,798	1,360	509	33,934
Accumulated depreciation and impairment					
At January 1, 2022	-	18,622	134	469	19,225
Depreciation	-	2,813	58	9	2,880

Dispositions	-	(170)	(65)	-	(235)
Impact of foreign exchange	-	51	6	-	57
At December 31, 2022	-	21,316	133	478	21,927
Depreciation	-	1,746	167	11	1,924
Transfers	-	41	-	-	41
Dispositions	-	(137)	-	-	(137)
Impact of foreign exchange	-	(28)	(4)	-	(32)
At December 31, 2023	-	22,938	296	489	23,723
Carrying amount					
At December 31, 2022	110	9,771	1,250	8	11,139
At December 31, 2023	267	8,860	1,064	20	10,211

As at December 31, 2023, management determined no indicators of impairment or impairment reversal existed for the Company's Rentals and Facility Dehydration CGUs.

For the year ended December 31, 2023, the Company had a $44 gain (2022 – $235 gain) from its disposition of property and equipment.

6. INTANGIBLE ASSETS

(Canadian $000's)	Patents	ZeroE development	Total
Cost			
At January 1, 2022	2,141	2,247	4,388
Additions	-	126	126
At December 31, 2022	2,141	2,373	4,514
Additions	-	7	7
Government Grants	-	(33)	(33)
At December 31, 2023	2,141	2,347	4,488
Accumulated amortization and impairment			
At January 1, 2022	2,032	1,897	3,929
Amortization	12	52	64
At December 31, 2022	2,044	1,949	3,993
Amortization	12	59	71
At December 31, 2023	2,056	2,008	4,064
Carrying amount			
At December 31, 2022	97	424	521
At December 31, 2023	85	339	424

For the year ended December 31, 2023, the Company did not identify an indicator of impairment or impairment reversal.

7. RIGHT-OF-USE ASSETS

(Canadian $000's)	Properties	Automotive	Total
Cost			
At January 1, 2022	277	769	1,046
Additions	7	63	70
Dispositions	-	(395)	(395)
Impact of foreign exchange	-	18	18
At December 31, 2022	284	455	739
Additions	327	730	1,057
Dispositions	-	(184)	(184)
Impact of foreign exchange	-	(5)	(5)
At December 31, 2023	611	996	1,607
Accumulated depreciation and impairment			
At January 1, 2022	141	258	399
Depreciation	71	145	216
Dispositions	-	(365)	(365)

Impact of foreign exchange	-	6	6
At December 31, 2022	212	44	256
Depreciation	64	182	246
Dispositions	-	(117)	(117)
Impact of foreign exchange	-	(2)	(2)
At December 31, 2023	276	107	383
Carrying amount			
At December 31, 2022	72	411	483
At December 31, 2023	335	889	1,224

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

8. DEBT AND CREDIT FACILITIES

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

(Canadian $000's)	December 31 2023	December 31 2022(1)
Revolving Current Debt		
Bank Operating Line	1,880	-
Long-term debt		
Credit facilities	-	8,573
BDC term loan	6,926	-
Loans payable	1,299	1,689
Promissory notes	494	509
	8,719	10,771
Current portion of long-term debt		
Credit facilities	-	8,573
BDC term loan	555	-
Loans payable	343	330
Promissory notes	15	15
	913	8,918
Non-current portion of long-term debt		
BDC term loan	6,371	-
Loans payable	956	1,359
Promissory notes	479	494
	7,806	1,853

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

Credit facilities

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

BDC Term Loan

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

Debt outstanding as of December 31, 2023:

Bank Operating Line

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

BDC Term Loan

On December 21, 2023, the Company entered into a term loan agreement with the Business Development Bank of Canada (BDC) which provides for a $7,200 non-revolving term loan, in a single loan advance ("BDC Term Loan"). The term loan matures on May 20, 2030 and includes an initial 6 month interest only period after which time a blended monthly payment of $127 for principal and interest will begin. The loan carries a three year fixed interest rate of 8.20% per annum, after three years the interest rate will be renegotiated. The term loan is subject to a covenant of a Fixed Charge Coverage ratio that must be above 1.1 to 1 at all times. The Term Loan is secured by the fixed assets of the Company and its subsidiaries. The Fixed Charge Coverage is calculated the same as for the Bank Operating Line above. At December 31, 2023 the Company was in compliance with all covenants.

Canadian Private Debt Term Facility

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

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

Effective October 1, 2022, Cleantek signed an amending agreement which included a principal holiday for three months on its Non-Revolving Term Facility beginning October 2022 and through to the end of December 2022. Per the terms of this amending agreement, an additional three month principal holiday for the months of January to March 2023 inclusive were granted by the Canadian private debt provider.

The Credit Facilities bared interest equal to the greater of 9% per annum and a Canadian bank's prime rate plus 6.55%, payable on the last day of each calendar month. The Credit Facilities were secured by the assets of the Company and its subsidiaries. The Credit Facilities were subject to monthly financial covenants of: (i) maintaining a tangible net worth of at least $1,000; and (ii) an interest coverage ratio of no less than 2:1. Tangible net worth is determined by taking total assets less the book value of all liabilities, excluding any subordinated debt, prepaid expenses, intangible assets and related party receivables. Interest coverage ratio is determined by taking EBITDA over total interest expense of funded debt on a rolling 6-month basis. EBITDA is defined as net earnings excluding interest expense, provisions for income taxes, non-cash items including depreciation and amortization and non-cash impairment charges, transactions costs related to the Private Placement and RTO and certain non-recuring expenses such as patent litigation expenses.

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

Loans payable

(Canadian $000's)	December 31 2023	December 31 2022
Loans payable		
Customer Term Loan	529	574
Term loans payable – Vehicles	770	1,115
	1,299	1,689
Current portion of loans payable	343	330
Non-current portion of loans payable	956	1,359

Customer Term Loan

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

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

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

During the year ended December 31, 2023, $175 (2022 - $144) of rental income was invoiced to the customer and recognized as dehydration facility revenue in net loss, $104 (2022 - $48) interest expense was recognized on the outstanding Customer Loan and included in finances costs, net in net loss and $71 (2022 - $96) of the rental income invoiced to the customer was applied to the outstanding Customer Loan, including $44 (2022 - $75) to the principal balance.

Term Loans Payable – Vehicles

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

Promissory notes

(Canadian $000's)	December 31 2023	December 31 2022
Promissory note		
Vendor Promissory Note	494	509
	494	509
Current portion of promissory notes	15	15
Non-current portion of promissory notes	479	494

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.

9. LEASE LIABILITIES

(Canadian $000's)	2023	2022
At January 1	551	797
Additions	1,067	69
Terminations	(84)	(92)
Interest on lease liabilities	77	53
Lease payments	(461)	(292)
Impact of foreign exchange	(7)	16
At December 31	1,143	551
Current portion of lease liabilities	(479)	(283)
Non-current portion of lease liabilities	664	268

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 from 2024 to 2026, interest rates vary between 2.90% to 8.99% 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 2023	December 31 2022
Less than 1 year	549	302
2 to 3 years	647	278
4 to 5 years	47	-
More than 5 years	-	-
Total lease payments	1,243	580
Amounts representing interest over the term of the lease	(100)	(29)
Present value of lease liabilities	1,143	551

10.SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue:

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

Issued share capital

(Canadian $000's, except number of shares 000's)	Number of Shares	2023 Amount	Number of Shares	2022 Amount
Common shares				
Opening balance	27,645	68,466	27,645	68,466
Shares issued as part of stock based compensation (see note 12)	117	31	-	-
At end of year	27,762	68,497	27,645	68,466

11.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.

The Company has access to the HSBC operating line of up to a maximum $2,500 based on certain criteria. As of December 31, 2023, $1,880 had been drawn on this facility out of an available amount of $1,881 based on the availability limit as per the agreement.

The capital structure of Cleantek consists of the following:

(Canadian $000's)	December 31 2023	December 31 2022
Current assets	3,404	3,774

Current liabilities	6,346	12,122
Working capital (deficit)	(2,942)	(8,348)
Long-term debt – non-current	(7,806)	(1,853)
Lease liabilities – non-current	(664)	(268)
Shareholders' equity	(401)	(1,628)
	(11,813)	(12,097)

12. 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

The Company has established a stock option plan whereby the Company may grant stock options from time to time to employees, officers, and directors 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.

In June 2023 the Board of Directors cancelled all outstanding options that had been issued resulting in the remaining balance of the options being expensed for $223.

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

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

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

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

During the year ended December 31, 2023 1,395,000 RSU's were granted to select members of management. The RSU's vest equally over a 3 year period from the grant dates and the fair value is based on the share price on the date the RSU's were granted.

During the year ended December 31, 2023 450,000 DSU's were granted to members of the board and vested immediately. The shares will be issued to the board members upon retirement. The fair value is based on the share price on the date the DSU's were granted.

b) Stock options

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

(Canadian $, except	December	December

number of stock options)	Number of stock options	31, 2023 Weighted average exercise price	Number of stock options	31, 2022 Weighted average exercise price
Outstanding at beginning of period	1,630,000	$1.29	2,702,500	$1.29
Exercised	-	-	(350,000)	$1.20
Cancelled	(1,630,000)	$(1.29)	-	-
Expired	-	-	(362,500)	$1.20
Forfeited	-	-	(360,000)	$1.30
Outstanding at end of period	-	-	1,630,000	$1.32
Weighted average remaining life				3.6 years
Exercisable at end of period	-	-	602,500	$1.24

c) Share warrants

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

(Canadian $, except number of share warrants)	Number of share warrants	December 31, 2023 Weighted average exercise price	Number of share warrants	December 31, 2022 Weighted average exercise price
Outstanding at beginning of period	3,101,098	$1.75	3,101,098	$1.75
Granted	-	-	-	-
Outstanding at end of period	3,101,098	$1.75	3,101,098	$1.75
Weighted average remaining life		0.8 years		1.8 years
Exercisable at end of period	3,101,098	$1.75	3,101,098	$1.75

d) Restricted Share Units

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

(Canadian $, except number of restricted share units)	Number of Restricted Share Units	December 31, 2023 Weighted average exercise price	Number of Restricted Share Units	December 31, 2022 Weighted average exercise price
Outstanding at beginning of period	-	-	-	-
Granted	1,395,000	$0.17	-	-
Exercised	(116,664)	$0.14	-	-
Outstanding at end of period	1,278,336	$0.17	-	-

The estimated fair value of the Restricted Share Units granted during the period was an average of $0.17 and had an average remaining life of 1.3 years.

e) Deferred Share Units

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

(Canadian $, except number of deferred share units)	Number of Deferred Share Units	December 31, 2023 Weighted average exercise price	Number of Deferred Share Units	December 31, 2022 Weighted average exercise price
Outstanding at beginning of period	-	-	-	-
Granted	450,000	$0.14	-	-
Outstanding at end of period	450,000	$0.14	-	-

The estimated fair value of the Deferred Share Units granted during the period was $0.14.

f) Share-based compensation expense

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

(Canadian $000's)	December 31, 2023	2022
Stock options	298	471
Restricted share units	118	-
Deferred share units	63	-
Total share-based compensation expense	479	471

13.REVENUE

(Canadian $000's)	Year ended December 31 2023	2022
Sustainable lighting solutions	12,439	11,732
ZeroE dehydration	1,383	1,384
HALO Sales	167	-
Total revenue	13,989	13,116
Consisting of:		
Canadian operations	6,087	5,681
U.S. operations	7,902	7,435
Total revenue	13,989	13,116

14. DIRECT OPERATING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

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

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

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

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

(Canadian $000's)	Year ended December 31 2023	 2022
Direct operating expenses		
Salaries and wages	3,206	2,558
Salaries and wages – Subsidies	-	(259)
Repairs and maintenance	562	676
Transportation and mobilization	919	1,050
HALO sales costs	47	-
Other direct costs	870	1,299
Total direct operating expenses	5,604	5,324

(Canadian $000's)	Year ended December 31 2023	 2022
General and administrative expenses		
Salaries and wages	2,392	2,150
Professional fees	1,492	4,300
Other general and administrative costs	1,060	667
Total general and administrative expenses	4,944	7,117

15. FINANCE COSTS

(Canadian $000's)	Year ended December 31 2023	 2022
Interest expense on long-term debt[(1)]	1,694	1,174
Interest on lease liabilities	77	55
Total finance costs	1,771	1,229

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

16. 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:

(Canadian $000's, except as indicated)	Year ended December 31 2023	 2022
Loss before income taxes	(1,819)	(3,587)

Federal and provincial statutory tax rates	23.00%	23.00%
Expected income tax expense (recovery)	(418)	(825)
Adjusted for:		
Non-deductible expenses	593	46
Tax assets not recognized	(571)	7,555
Prior period adjustment	400	(6,776)
Current income tax expense	4	-

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

In 2023, operations in the United States are subject to a combined federal and state income tax rate of 21.00% (2022 - 21.00%).

Deferred tax balances and tax losses carried forward

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

(Canadian $000's)	December 31 2023	December 31 2022
Deferred tax assets		
Non-capital loss carry-forward	17,385	17,682
SRED and Investment tax credits carry-forward	1,443	1,475
Finance fee pool carry-forward	307	487
Right of use asset	-	3
Total deferred tax assets	19,135	19,648
Deferred tax liabilities		
Property and equipment	(1,769)	(1,850)
Capital lease obligations	(139)	-
Total deferred tax liabilities	(1,908)	(1,850)
Valuation allowance	(17,227)	(17,798)
Net deferred tax assets (liabilities)	-	-

The deferred tax assets (liabilities) movements during the years ended December 31, 2023 and 2022 are as follows:

(Canadian $000's)	Property and equipment	Capital leases	**Finance fee pool**	**Investment tax credits**	Non-capital losses	Valuation allowance	Net deferred tax (liabilities)
At January 1, 2022	(2,080)	(17)	513	1,251	10,576	(10,243)	-
Recognized in net loss	230	20	(27)	225	7,106	(7,554)	-
At December 31, 2022	(1,850)	3	486	1,476	17,682	(17,797)	-
Recognized in net loss	81	(142)	(180)	(32)	(297)	570	-
At December 31, 2023	(1,769)	(139)	306	1,444	17,385	(17,227)	-

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:

December 31 December 31

(Canadian $000's)	2023	2022
SRED and Investment tax credits carry-forward	1,443	1,476
Non-capital losses carry-forward	17,385	17,682
Finance fee pool carry-forward	307	486
Right of use asset	-	3
Unrecognized asset	(19,135)	(19,647)
Total	-	-

17. 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 2023	2022
Net loss attributable to shareholders	(1,823)	(3,587)
Weighted average common shares outstanding – basic & diluted	27,650,814	27,645,380
Loss per share – basic and diluted	($0.07)	$(0.13)

For the years ended December 31, 2023 and 2022, the Company excluded the effect of stock options, share warrants, restricted share units and deferred share units as the Company had a net loss during these periods and their effect would have been anti-dilutive.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cleantek's financial assets consist of cash and cash equivalents and accounts receivable.

Cleantek's financial liabilities consist of accounts payable and accrued liabilities and long-term debt.

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 is recorded at amortized cost using the effective interest method.

At December 31, 2023, the carrying value and fair value of fixed-rate financial liabilities accounted for under amortized cost was $8,720 (2022 - $10,771). The Bank Operating Line carrying amount is an approximation of its fair value as it carries interest at a floating rate.

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

The interest rate on Cleantek's long-term debt including the BDC term loan, loans payable and promissory notes (note 8) is fixed and is not subject to interest rate risk.

Foreign exchange risk

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

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

At December 31, 2023 and 2022, a 1% change in the value of the U.S. dollar would have the following impact on net loss and other comprehensive loss:

(Canadian $000's)	December 31 2023	December 31 2022
Impact to net loss	-	-

Commodity price risk

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

Credit risk

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

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

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

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

(Canadian $000's)	December 31 2023	December 31 2022
Current (0 to 30 days from invoice date)	1,384	2,297
31 to 60 days past due	737	175
61 to 90 days past due	326	23
Over 90 days past due	104	28
Trade receivables and other	2,551	2,523
Provision for doubtful accounts	(10)	(14)
Total accounts receivable	2,541	2,509

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

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

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

Cleantek held cash and cash equivalents of $600 at December 31, 2023, which represents its maximum credit exposure on these assets (December 31, 2022 - $724). The cash is held with major, high credit-quality financial institution counterparties and management believes credit risk is minimal.

Liquidity risk

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

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

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

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

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

19. 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 12).
Directors of the Company participate in the Company's stock option plan and may receive directors' compensation in the form of issued Common Shares (note 12).

Key management compensation comprises:

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

20.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:

	Year ended December 31	
(Canadian $000's)	**2023**	**2022**
Net changes in non-cash working capital:		
Accounts receivable	(181)	(578)
Prepaids and other assets	278	428
Accounts payable and accrued liabilities	301	98
	398	(52)
Related to:		
Operating activities	397	(84)
Investing activities	1	32
Taxes paid	-	-

21.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, 2023 are outlined in the table below:

	Carrying amount[1]	Contractual Outflows[2][3]				
(Canadian $000's)		< 1 year	2 to 3 years	4 to 5 years	Thereafter	Total[1]
Financial liabilities						
Accounts payable and accrued liabilities	3,074	3,074	-	-	-	3,074
Bank Operating line[5]	1,880	1,880	-	-	-	1,880

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

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

Litigation and claims

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

Patent litigation

In 2021, a United States competitor in the lighting rental business sued the Company for patent infringement. Management defended the patent litigation claim vigorously and believed the claim was without merit.

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

Litigation and claims involving former executives

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

Corporate Information

OFFICERS

Matt Gowanlock
President & CEO

Orson Ross
Chief Financial Officer

Chris Murray
Chief Operating Officer

BOARD OF DIRECTORS

Rick McHardy
Chairman

Al Stark

Paul Colucci

Reg Greenslade

Phillip Knoll

Chris Lewis

INVESTOR RELATIONS INFORMATION

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REGISTRAR AND TRANSFER AGENT

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